

Sioux Falls School District 49-5



Financial Report
June 30, 2016

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RSM US LLP

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, 2016, 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 13 percent, 2 percent, and 2 percent, respectively, of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for Southeast Technical Institute Housing Foundation, 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, the aggregate discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5, as of June 30, 2016, 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 17 and 58 through 69 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 70 through 83, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 84 through 87, are presented for purposes of additional analysis and are not a required part 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 December 21, 2016, 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.

RSM US LLP

Sioux Falls, South Dakota
December 21, 2016

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, 2016. 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 increased by \$4,036,905. Net position increased as a result of capital outlay revenue in excess of depreciation and other capital outlay expenses of approximately \$4,900,000. This was offset by revenue under expenses in other restricted funds of approximately \$200,000 and revenue under expenses in unrestricted funds of approximately \$700,000.
- During the year, the District's total revenues of \$271,848,105 were comprised of general revenues in the amount of \$177,571,892 and program revenues totaling \$94,276,213.
- As of the year ended June 30, 2016, the District's governmental funds reported combined ending fund balances of \$47,518,171, a decrease of \$3,801,675 compared with the prior year. This decrease is mainly due to spending approximately \$1,200,000 of the proceeds of capital outlay certificates issued during the prior fiscal year and spending approximately \$800,000 of hail insurance proceeds received during the prior fiscal year. In addition, the special education fund and post-secondary vocational fund reported revenues under expenses of approximately \$1,200,000 and 1,300,000, respectively, offset by revenues over expenditures of approximately \$700,000 in the general fund.
- The general fund reported an increase in fund balance of \$712,307, leaving an ending fund balance of \$16,900,632. The unassigned portion of this ending fund balance was \$13,917,952 or 9.33 percent 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

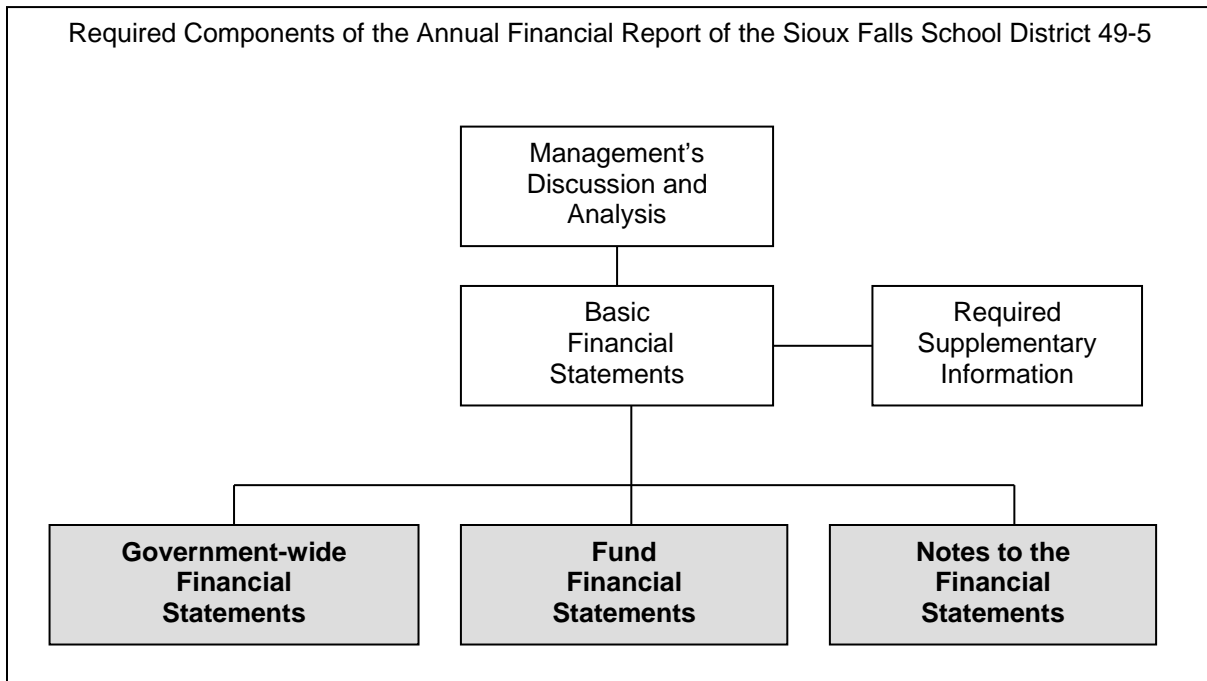


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents 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 and liabilities, 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; no capital assets or long-term debt included	All assets and liabilities, 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 18 and 19 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 10 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 funds since these are considered major funds. Data from the other six 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 20 through 26 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 27 through 29 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 30 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 31 through 57 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 58 through 69 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	
	2015	2016	2015	2016	2015	2016
Assets						
Current and other assets	\$ 194,674,379	\$ 173,649,759	\$ 9,129,627	\$ 8,004,823	\$ 203,804,006	\$ 181,654,582
Capital assets, net	271,225,171	282,991,946	4,675,070	4,413,356	275,900,241	287,405,302
Total assets	465,899,550	456,641,705	13,804,697	12,418,179	479,704,247	469,059,884
Deferred outflows of resources	44,582,128	54,619,518	2,723,820	3,382,610	47,305,948	58,002,128
Liabilities						
Long-term liabilities	140,066,349	148,134,729	139,079	177,000	140,205,428	148,311,729
Other liabilities	34,674,765	35,160,657	1,072,694	1,159,336	35,747,459	36,319,993
Total liabilities	174,741,114	183,295,386	1,211,773	1,336,336	175,952,887	184,631,722
Deferred inflows of resources	108,841,974	97,059,577	3,545,675	2,664,149	112,387,649	99,723,726
Net Position						
Net investment in capital assets	143,502,289	148,665,350	4,675,070	4,413,356	148,177,359	153,078,706
Restricted	62,503,152	62,011,620	2,239,594	2,524,028	64,742,746	64,535,648
Unrestricted	20,893,149	20,229,290	4,856,405	4,862,920	25,749,554	25,092,210
Total net position	\$ 226,898,590	\$ 230,906,260	\$ 11,771,069	\$ 11,800,304	\$ 238,669,659	\$ 242,706,564

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 \$153,078,706. 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 elementary school and other ongoing construction and renovation activities of the Capital Improvement Plan.

Current and other assets decreased by \$22,149,424 from June 30, 2015 to June 30, 2016, mainly due to a reduction of net pension asset of \$20,931,361. The decreases in the net pension asset of \$20,931,361 and the deferred inflows of resources of \$12,663,923, and the increase in deferred outflows of resources \$10,696,180 are primarily attributable to the investment returns being lower than the assumed rate of return on pension plan assets of 7.25 percent by the South Dakota Retirement System's Pension Trust Fund. Liabilities increased by \$8,678,835 mainly due to the issuance of capital outlay certificates offset by the payment of regularly scheduled principal of long-term debt.

As of June 30, 2016, the District reported \$64,535,648 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 also includes the District's proportionate share of SDRS pension-related amounts. Restricted net position decreased by \$207,098 during the year ended June 30, 2016.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

The \$25,092,210 of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

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	
	2015	2016	2015	2016	2015	2016
Revenues						
Program revenues						
Charges for services	\$ 14,004,296	\$ 12,211,480	\$ 13,193,066	\$ 13,025,833	\$ 27,197,362	\$ 25,237,313
Operating grants and contributions	44,877,179	45,709,263	6,418,647	6,859,545	51,295,826	52,568,808
Capital grants and contributions	-	16,470,092	-	-	-	16,470,092
General revenues						
Taxes	106,718,047	110,838,160	-	-	106,718,047	110,838,160
Revenue from state sources	59,259,989	60,797,236	76,687	64,085	59,336,676	60,861,321
Revenue from federal sources	-	-	-	-	-	-
Other general revenues	6,353,379	5,599,179	8,875	(904)	6,362,254	5,598,275
Unrestricted investment earnings	340,064	271,805	5,678	2,331	345,742	274,136
Total revenues	231,552,954	251,897,215	19,702,953	19,950,890	251,255,907	271,848,105
Expenses						
Instruction	134,869,594	141,500,686	3,662,038	3,549,212	138,531,632	145,049,898
Support services	73,460,522	93,456,444	-	-	73,460,522	93,456,444
Nonprogrammed charges	1,815,399	1,901,581	-	-	1,815,399	1,901,581
Debt service	6,213,191	5,119,323	-	-	6,213,191	5,119,323
Co-curricular activities	5,093,230	5,591,585	-	-	5,093,230	5,591,585
Food services	-	-	11,104,009	11,040,553	11,104,009	11,040,553
Community services	144,524	147,926	2,760,294	3,215,845	2,904,818	3,363,771
Bookstore services	-	-	2,510,113	2,288,045	2,510,113	2,288,045
Total expenses	221,596,460	247,717,545	20,036,454	20,093,655	241,632,914	267,811,200
Increase(decrease) in net position before transfers	9,956,494	4,179,670	(333,501)	(142,765)	9,622,993	4,036,905
Transfers	(20,000)	(172,000)	20,000	172,000	-	-
Change in net position	\$ 9,936,494	\$ 4,007,670	\$ (313,501)	\$ 29,235	\$ 9,622,993	\$ 4,036,905

Management's Discussion and Analysis

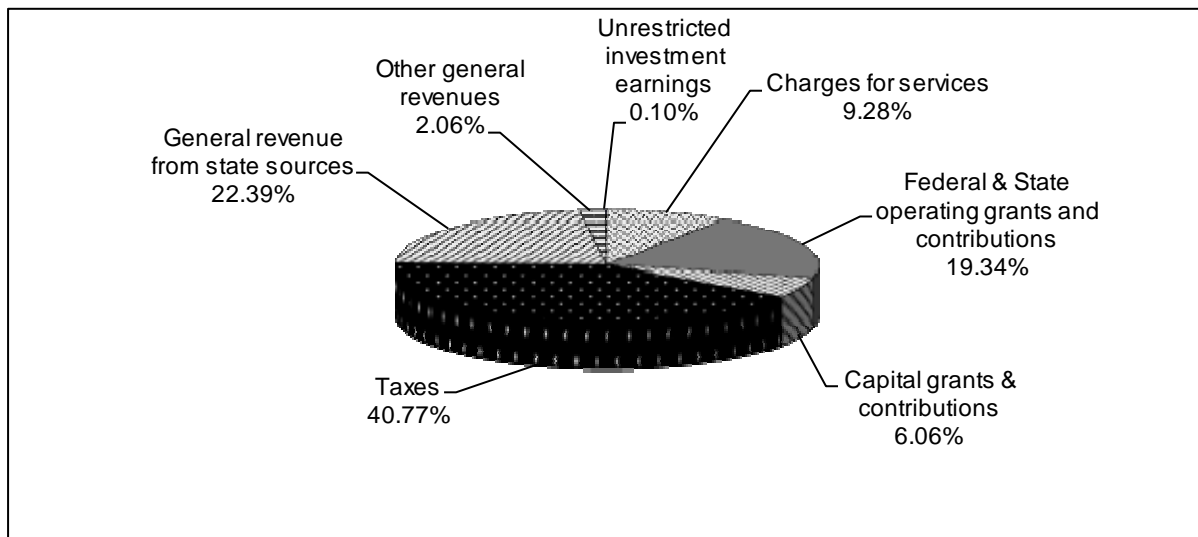
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (continued)

The District's total revenues increased by \$20,592,198 mainly due to approximately \$16,000,000 of state revenue for the construction of a new building at Southeast Technical Institute and an increase in property taxes of approximately \$4,000,000.

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 2016



Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

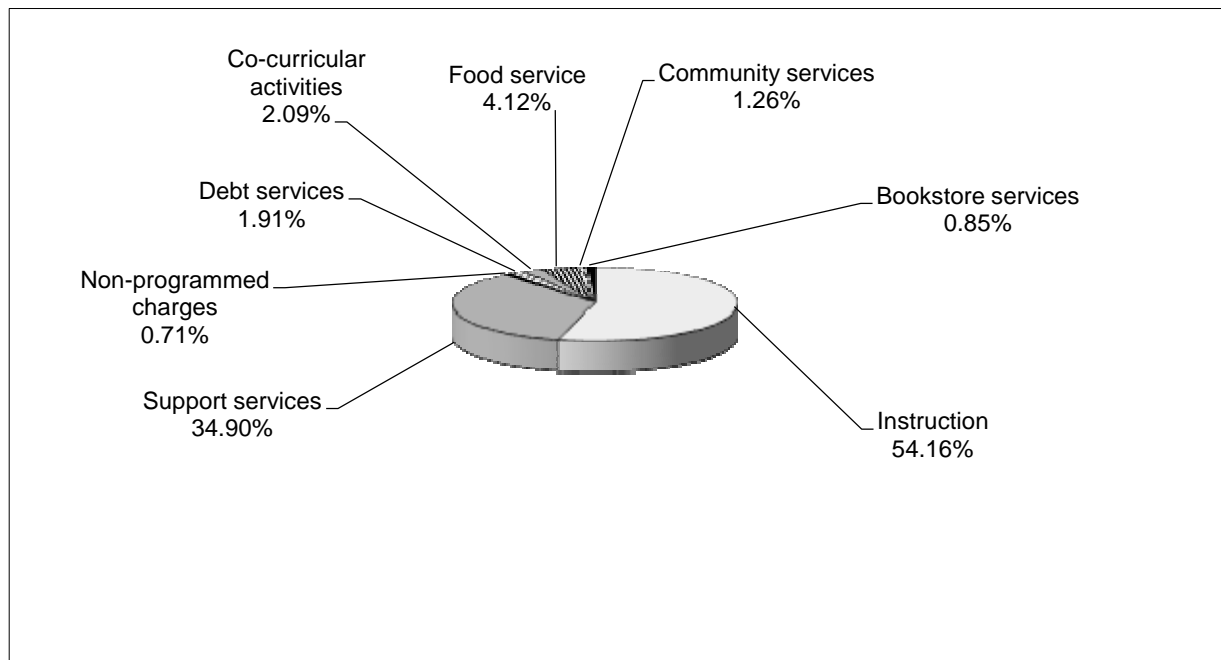
Changes in Net Position (continued)

The District's total expenses for 2016 were \$267,811,200, representing an increase of \$26,178,286, due to the following:

- Non-capitalized capital outlay expenditures for a new state-owned building at Southeast Technical Institute, hail damage repair, and network infrastructure costs of approximately \$17,000,000, \$1,000,000 and \$3,000,000, respectively.
- Increase in salaries and benefits of approximately \$5,000,000.

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 2016



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 \$47,518,171, a decrease of \$3,801,675 compared to the prior year. Approximately 29 percent of the ending fund balances, or \$13,917,952, constitutes unassigned fund balances, which are generally available for spending at the District's discretion. Approximately 6 percent, or \$2,711,744, constitutes assigned fund balance, for financing next year's budget in the general fund. 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 \$7,025,153; 2) special education fund \$5,952,750; and 3) post-secondary vocational fund \$6,952,387. Additional fund balances restricted or committed for specific purposes include 1) debt service \$5,889,480 and 2) construction projects \$4,790,269. The remainder of the fund balances are amounts that cannot be spent and consist of \$278,436 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 \$13,917,952, while total fund balance was \$16,900,632. 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 9.33 percent of total general fund expenditures, while total fund balance represents 11.33 percent of that same amount.

The fund balance of the District's general fund increased by \$712,307 during the current fiscal year. The District had originally budgeted to decrease fund balance by \$5,439,021 which was supplementally revised to use approximately \$6,000,000 of cash from fund balance for the current fiscal year. However, total expenditures were under budget by approximately \$4,000,000, mainly in purchased services, supplies, and materials. In addition, there was an unbudgeted transfer of approximately \$4,000,000 from the bond redemption fund offset by state revenue under budget by approximately \$2,000,000.

The fund balance of the District's capital outlay fund increased by \$454,169 during the current fiscal year to \$12,914,633 as of June 30, 2016. The District had originally budgeted to increase fund balance by \$2,631,391 which was supplementally revised to use approximately \$600,000 of cash from fund balance. However, total expenditures were under budget by approximately \$400,000, mainly in capital acquisitions and debt service, and revenues and other financing sources were over budget by approximately \$700,000, mostly in property taxes, federal revenue, capital outlay certificate proceeds and sale of Joe Foss alternative school.

The fund balance of the District's special education fund decreased by \$1,254,838 to \$5,952,750 as of June 30, 2016. The District had budgeted to use approximately \$2,700,000 of cash from fund balance. However, total expenditures were approximately \$1,700,000 under budget, mainly in salaries, purchased services, supplies, and materials.

Financial Analysis of the District's Funds (Continued)

Governmental Funds (continued)

The fund balance of the District's post-secondary vocational fund decreased by \$1,323,331 to \$6,959,887 as of June 30, 2016. The District had budgeted to use approximately \$2,400,000 of cash from fund balance. However, total expenditures and other financing uses were approximately \$1,900,000 under budget, mainly in capital acquisitions, benefits, purchased services, supplies, and materials offset by revenues under budget by approximately \$800,000, mainly in other state revenue.

Proprietary Funds

The District's enterprise funds showed an increase in net position of \$29,235, to \$11,800,304 as of June 30, 2016, due primarily to the food service fund. The District's internal service funds saw an increase in net position of \$183,882, due mainly to the group health insurance fund. The fund's net position was \$9,318,973 as of June 30, 2016. This represents approximately 31 percent 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 \$3,900,000 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 \$18,000,000 in other state revenues and related expenditures due to additional state allocations received after the original budget was adopted.
- Increase of approximately \$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, 2016, the District had invested \$287,405,302 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 \$11,505,061, or 4.17 percent 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 elementary school. Additional information regarding the District's capital assets can be found in Note 5 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Capital Asset Administration (Continued)

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

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2015	2016	2015	2016	2015-2016	2015-2016
Land	\$ 11,418,147	\$ 11,413,397	\$ -	\$ -	\$ (4,750)	-0.04%
Land improvements	5,981,265	7,619,041	3,615	3,272	1,637,433	27.36%
Buildings	222,015,784	237,487,806	3,146,208	2,984,461	15,310,275	6.80%
Machinery and equipment	9,550,286	11,609,197	1,525,247	1,425,623	1,959,287	17.69%
Construction in progress	22,259,689	14,862,505	-	-	(7,397,184)	-33.23%
Totals	\$ 271,225,171	\$ 282,991,946	\$ 4,675,070	\$ 4,413,356	\$ 11,505,061	4.17%

Long-Term Liabilities

At year end, the District had \$148,311,729 in capital outlay certificates and other long-term obligations. This is an increase of 5.78 percent 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 Change	Total Percentage Change
	2015	2016	2015	2016	2015-2016	2015-2016
Capital outlay certificates	\$ 132,544,909	\$ 139,915,832	\$ -	\$ -	\$ 7,370,923	5.56%
Other postemployment benefits	3,251,946	3,874,585	-	-	622,639	19.15%
Early retirement plan obligation	2,543,675	2,533,042	-	-	(10,633)	-0.42%
Accrued vacation	1,725,819	1,811,270	139,079	177,000	123,372	6.62%
Totals	\$ 140,066,349	\$ 148,134,729	\$ 139,079	\$ 177,000	\$ 8,106,301	5.78%

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 percent to 90 percent 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 6 to the financial statements.

Financial Analysis of the District's Funds (Continued)

Economic Factors and Next Year's Budgets and Rates

For taxes payable in 2017, the District experienced an increase in total property valuation of approximately \$589 million or 5.9 percent 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 2015 enrollment count was 23,264. The state aid formula for fiscal year 2015-16 ensured that property taxes plus state aid equaled \$4,877 per pupil. The allocation for fiscal year 2016-17 is \$5,464 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 percent 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 percent 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. For taxes payable in 2017, the Board has authorized taxing all of the \$7.5 million opt-out that is available.

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, 2016

Assets and Deferred Outflows of Resources	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	STI Housing Foundation
Assets				
Cash	\$ 80,341,472	\$ 5,269,100	\$ 85,610,572	\$ 670,520
Taxes receivable, net	53,945,693	-	53,945,693	-
Other receivables	1,265,258	124,688	1,389,946	7,227
Due from other governments	9,154,943	105,127	9,260,070	-
Internal balances	334,602	(334,602)	-	-
Inventories	298,245	1,034,943	1,333,188	-
Prepaid expenses	22,320	-	22,320	12,233
Investments	-	-	-	1,068,455
Net pension asset	28,287,226	1,805,567	30,092,793	-
Capital assets:				
Land and construction in progress	26,275,902	-	26,275,902	-
Other capital assets, net of accumulated depreciation	256,716,044	4,413,356	261,129,400	3,282,843
Total assets	456,641,705	12,418,179	469,059,884	5,041,278
Deferred outflows of resources				
Deferred charge on refunding	1,625,296	-	1,625,296	-
Pension-related deferred outflows	52,994,222	3,382,610	56,376,832	-
Total deferred outflows of resources	54,619,518	3,382,610	58,002,128	-
Total assets and deferred outflows of resources				
	\$ 511,261,223	\$ 15,800,789	\$ 527,062,012	\$ 5,041,278
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 6,909,172	\$ 200,402	\$ 7,109,574	\$ 28,413
Accrued wages and related benefits payable	24,923,477	753,010	25,676,487	-
Accrued interest payable	2,944,880	-	2,944,880	113,791
Unearned revenue and deposits	383,128	205,924	589,052	-
Non-current liabilities:				
Due within one year	9,346,685	122,585	9,469,270	147,293
Due in more than one year	138,788,044	54,415	138,842,459	4,435,724
Total liabilities	183,295,386	1,336,336	184,631,722	4,725,221
Deferred inflows of resources				
Taxes levied for future periods	55,321,234	-	55,321,234	-
Pension-related deferred inflows	41,738,343	2,664,149	44,402,492	-
Total deferred inflows of resources	97,059,577	2,664,149	99,723,726	-
Net position				
Net investment in capital assets	148,665,350	4,413,356	153,078,706	(1,300,174)
Restricted for:				
Capital outlay	7,111,272	-	7,111,272	-
Special education	5,724,466	-	5,724,466	-
Post secondary	6,533,900	-	6,533,900	-
Debt service	3,087,059	-	3,087,059	-
Pension	11,818	-	11,818	-
SDRS pension	39,543,105	2,524,028	42,067,133	-
Unrestricted	20,229,290	4,862,920	25,092,210	1,616,231
Total net position	230,906,260	11,800,304	242,706,564	316,057
Total liabilities, deferred inflows of resources and net position	\$ 511,261,223	\$ 15,800,789	\$ 527,062,012	\$ 5,041,278

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit STI Housing Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Instruction	\$ 141,500,686	\$ 11,976,983	\$ 43,563,596	\$ 16,470,092	\$ (69,490,015)	\$ -	\$ (69,490,015)	\$ -
Support services	93,456,444	-	111,980	-	(93,344,464)	-	(93,344,464)	-
Community services	147,926	-	-	-	(147,926)	-	(147,926)	-
Nonprogrammed charges	1,901,581	-	-	-	(1,901,581)	-	(1,901,581)	-
Interest on long-term debt	5,119,323	-	-	-	(5,119,323)	-	(5,119,323)	-
Co-curricular activities	5,591,585	234,497	2,033,687	-	(3,323,401)	-	(3,323,401)	-
Total governmental activities	247,717,545	12,211,480	45,709,263	16,470,092	(173,326,710)	-	(173,326,710)	-
Business-type activities:								
Food services	11,040,553	4,314,192	6,859,545	-	-	133,184	133,184	-
Community services	3,215,845	2,950,259	-	-	-	(265,586)	(265,586)	-
Bookstore services	2,288,045	2,200,956	-	-	-	(87,089)	(87,089)	-
Instruction	3,549,212	3,560,426	-	-	-	11,214	11,214	-
Total business-type activities	20,093,655	13,025,833	6,859,545	-	-	(208,277)	(208,277)	-
Total primary government	\$ 267,811,200	\$ 25,237,313	\$ 52,568,808	\$ 16,470,092	(173,326,710)	(208,277)	(173,534,987)	-
Component Unit:								
STI Housing Foundation	\$ 1,103,416	\$ 1,019,928	\$ -	\$ -	-	-	-	(83,488)
General Revenues:								
Property taxes					110,838,160	-	110,838,160	-
Revenue from state sources not restricted to specific programs -								
State aid					54,845,292	-	54,845,292	-
Other					5,951,944	64,085	6,016,029	-
Grants and contributions not restricted to specific programs					766,860	-	766,860	-
Unrestricted investment earnings					271,805	2,331	274,136	5,103
Other general revenue					4,832,319	(904)	4,831,415	103,492
Transfers					(172,000)	172,000	-	-
Total general revenues and transfers					177,334,380	237,512	177,571,892	108,595
Change in net position					4,007,670	29,235	4,036,905	25,107
Net position - beginning					226,898,590	11,771,069	238,669,659	290,950
Net position - ending					\$ 230,906,260	\$ 11,800,304	\$ 242,706,564	\$ 316,057

See notes to financial statements.

Sioux Falls School District 49-5

Balance Sheet
Governmental Funds
June 30, 2016

Assets	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Cash	\$ 31,769,786	\$ 14,236,013	\$ 10,000,525	\$ 7,468,735	\$ 6,771,254	\$ 70,246,313
Current taxes receivable, net	31,808,230	14,220,136	5,778,115	-	1,422,018	53,228,499
Delinquent taxes receivable, net	385,613	106,799	64,563	-	160,219	717,194
Accounts receivable, net	798,392	48,694	1,695	389,969	-	1,238,750
Due from other funds	-	-	-	194,901	-	194,901
Due from other governments	5,198,320	19,937	1,179,117	2,757,569	-	9,154,943
Interest receivable	12,601	3,662	3,382	1,759	1,418	22,822
Inventory and prepaid expenses	270,936	-	-	7,500	-	278,436
Total assets	\$ 70,243,878	\$ 28,635,241	\$ 17,027,397	\$ 10,820,433	\$ 8,354,909	\$ 135,081,858
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 847,620	\$ 789,419	\$ 468,638	\$ 2,827,527	\$ 1,925,854	\$ 6,859,058
Accrued wages and related benefits payable	17,119,484	-	4,016,795	482,087	-	21,618,366
Due to other funds	1,919,341	-	473,148	167,804	-	2,560,293
Unearned revenue	-	-	-	383,128	-	383,128
Total liabilities	19,886,445	789,419	4,958,581	3,860,546	1,925,854	31,420,845
Deferred inflows of resources:						
Taxes levied for a future period	32,959,609	14,845,070	6,032,046	-	1,484,509	55,321,234
Unavailable revenue - property taxes	305,487	86,119	52,020	-	154,277	597,903
Unavailable revenue - intergovernmental	191,705	-	32,000	-	-	223,705
Total deferred inflows of resources	33,456,801	14,931,189	6,116,066	-	1,638,786	56,142,842
Fund balances:						
Nonspendable:						
Inventory and prepaid expenses	270,936	-	-	7,500	-	278,436
Restricted for:						
Debt service	-	5,889,480	-	-	-	5,889,480
Construction projects	-	-	-	-	3,963,940	3,963,940
Capital outlay purposes	-	7,025,153	-	-	-	7,025,153
Special education purposes	-	-	5,952,750	-	-	5,952,750
Post-secondary vocational purposes	-	-	-	6,952,387	-	6,952,387
Committed:						
Hail damage project	-	-	-	-	826,329	826,329
Assigned:						
Next year's budget	2,711,744	-	-	-	-	2,711,744
Unassigned	13,917,952	-	-	-	-	13,917,952
Total fund balances	16,900,632	12,914,633	5,952,750	6,959,887	4,790,269	47,518,171
Total liabilities, deferred inflows of resources and fund balances	\$ 70,243,878	\$ 28,635,241	\$ 17,027,397	\$ 10,820,433	\$ 8,354,909	\$ 135,081,858

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, 2016**

Total fund balances - governmental funds	\$ 47,518,171
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available resource and, therefore, is not reported in the funds.	28,287,226
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	282,991,946
Delinquent taxes receivable not available to pay current expenditures are recorded as deferred inflows in the funds.	597,903
Pension-related deferred outflows are components of pension asset and, therefore, are not reported in the funds.	52,994,222
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.	(148,134,729)
Certain federal and state receivables are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the funds.	223,705
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.	1,625,296
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(2,944,880)
Pension-related deferred inflows are components of pension asset and, therefore, are not reported in the funds.	(41,738,343)
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, except for capital assets which are reported above with capital assets used in governmental activities.	9,485,743
Net position - governmental activities	<u>\$ 230,906,260</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, 2016

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources:						
Taxes	\$ 69,194,374	\$ 25,098,939	\$ 12,145,373	\$ -	\$ 4,351,286	\$ 110,789,972
Tuition and fees	415,321	43,164	171,605	11,335,268	-	11,965,358
Earnings on investments and deposits	134,919	28,233	31,374	28,200	11,647	234,373
Co-curricular activities	234,497	-	-	-	-	234,497
Other	5,497,766	379,815	509,493	451,048	18,583	6,856,705
Total local sources	75,476,877	25,550,151	12,857,845	11,814,516	4,381,516	130,080,905
Intermediate sources, county apportionment	1,101,162	-	-	-	-	1,101,162
State sources:						
Unrestricted grants in aid:						
State aid	54,845,292	-	-	-	-	54,845,292
State apportionment	1,785,392	-	-	-	-	1,785,392
Bank franchise taxes	1,292,247	-	-	-	-	1,292,247
Restricted grants in aid	5,543	-	16,531,612	6,787,834	-	23,324,989
Tuition	-	-	11,592	-	-	11,592
Other	81,257	-	8,148	18,486,538	768,454	19,344,397
Total state sources	58,009,731	-	16,551,352	25,274,372	768,454	100,603,909
Federal sources:						
Restricted grants in aid:						
Received directly from federal government	2,611,148	18,439	-	-	-	2,629,587
Received from federal government through the state	8,278,371	96,083	5,127,793	876,871	-	14,379,118
Other federal revenue	22,258	806,299	-	1,466,511	-	2,295,068
Total federal sources	10,911,777	920,821	5,127,793	2,343,382	-	19,303,773
Other	233,540	-	-	250,000	-	483,540
Total revenues	145,733,087	26,470,972	34,536,990	39,682,270	5,149,970	251,573,289
Expenditures						
Current:						
Instruction:						
Regular programs:						
Elementary programs	39,281,927	-	-	-	598,532	39,880,459
Middle school programs	18,382,551	-	-	-	598,532	18,981,083
High school programs	22,553,832	-	-	-	598,532	23,152,364
Total regular programs	80,218,310	-	-	-	1,795,596	82,013,906

(continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Special programs:						
Programs for the gifted and talented	722,041	-	-	-	-	722,041
Programs for mild disabilities	-	-	12,840,424	-	-	12,840,424
Programs for severe disabilities	-	44,026	6,694,040	-	-	6,738,066
Day programs	-	-	1,968,621	-	-	1,968,621
Residential programs	-	-	-	-	-	-
Early childhood programs	-	-	1,616,553	-	-	1,616,553
Prolonged assistance programs	-	-	419,313	-	-	419,313
Programs for the culturally different	4,119,618	-	-	-	-	4,119,618
Programs for the educationally deprived	4,616,836	-	-	-	-	4,616,836
Other	4,662,661	-	1,375,020	-	-	6,037,681
Total special programs	14,121,156	44,026	24,913,971	-	-	39,079,153
Adult/continuing education programs:						
Adult basic education programs	-	-	-	272,667	-	272,667
Adult continuing education programs	-	-	-	63,008	-	63,008
Total adult/continuing education programs	-	-	-	335,675	-	335,675
Post-secondary occupational programs	-	-	-	10,984,229	-	10,984,229
Total instruction	94,339,466	44,026	24,913,971	11,319,904	1,795,596	132,412,963
Support services:						
Pupils:						
Attendance and social work services	621,130	-	-	-	-	621,130
Guidance services	4,428,443	-	-	260,518	-	4,688,961
Health services	923,612	-	7,483	-	-	931,095
Psychological services	-	-	-	-	-	-
Speech pathology services	-	-	1,996,932	-	-	1,996,932
Student therapy services	-	-	1,665,546	-	-	1,665,546
Orientation and mobility services	-	-	114,402	-	-	114,402
Total pupils	5,973,185	-	3,784,363	260,518	-	10,018,066
Instructional staff:						
Improvement of instructional services	4,769,181	-	12,869	1,245,785	-	6,027,835
Educational media services	3,216,706	-	-	-	-	3,216,706
Total instructional staff	7,985,887	-	12,869	1,245,785	-	9,244,541
General and administrative:						
Board of Education services	337,091	602,226	-	174,923	-	1,114,240
Executive administration services	1,583,480	-	-	-	-	1,583,480
Total general and administrative	1,920,571	602,226	-	174,923	-	2,697,720

(continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
School administration:						
Office of the principal services	10,116,203	-	-	-	-	10,116,203
Other	979,826	-	-	4,453,124	-	5,432,950
Total school administration	11,096,029	-	-	4,453,124	-	15,549,153
Business:						
Fiscal services	1,377,355	265,672	-	497,660	500	2,141,187
Facilities acquisition	-	-	-	237,243	299,955	537,198
Operation and maintenance of plant	15,207,918	445,774	-	1,479,603	-	17,133,295
Pupil transportation services	3,097,813	1,284,621	-	-	-	4,382,434
Food services	719,084	-	-	-	-	719,084
Internal services	2,211	-	-	-	-	2,211
Total business	20,404,381	1,996,067	-	2,214,506	300,455	24,915,409
Central:						
Planning and research	207,688	-	-	-	-	207,688
Data processing services	2,313,995	-	-	1,459,618	-	3,773,613
Total central	2,521,683	-	-	1,459,618	-	3,981,301
Special education:						
Administrative costs	-	-	2,206,393	-	-	2,206,393
Transportation costs	-	-	2,097,606	-	-	2,097,606
Other	-	-	2,626,875	-	-	2,626,875
Total special education	-	-	6,930,874	-	-	6,930,874
Total support services	49,901,736	2,598,293	10,728,106	9,808,474	300,455	73,337,064
Community Services:						
Nonpublic Schools	150,407	-	-	-	-	150,407
Other	2,106	-	-	-	-	2,106
Total community services	152,513	-	-	-	-	152,513
Nonprogrammed charges:						
Unemployment payments	9,773	-	-	1,854	-	11,627
Early retirement payments	-	-	145,900	31,898	1,118,741	1,296,539
Payments to other educational institutions	-	604,048	-	-	-	604,048
Total nonprogrammed charges	9,773	604,048	145,900	33,752	1,118,741	1,912,214
Co-curricular activities:						
Male activities	1,230,634	-	-	-	-	1,230,634
Female activities	895,483	-	-	-	-	895,483
Combined activities	2,289,880	-	-	9,595	-	2,299,475
Total co-curricular activities	4,415,997	-	-	9,595	-	4,425,592

(continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Other	290,406	-	-	-	-	290,406
Debt service:						
Principal	-	6,010,000	-	-	-	6,010,000
Interest	-	5,361,834	-	-	-	5,361,834
Total debt service	-	11,371,834	-	-	-	11,371,834
Capital Outlay	-	11,688,271	3,851	19,697,321	14,512,634	45,902,077
Total expenditures	149,109,891	26,306,472	35,791,828	40,869,046	17,727,426	269,804,663
Revenues over (under) expenditures	(3,376,804)	164,500	(1,254,838)	(1,186,776)	(12,577,456)	(18,231,374)
Other financing sources (uses)						
Transfers in	4,087,779	-	-	-	14,002,219	18,089,998
Transfers out	-	(14,002,219)	-	(172,000)	(4,087,779)	(18,261,998)
Compensation for loss of general capital assets - hail insurance proceeds	-	-	-	-	273,034	273,034
Capital outlay certificates issued	-	13,450,000	-	-	-	13,450,000
Premium on certificates issued	-	694,394	-	-	-	694,394
Sale of surplus property	1,332	147,494	-	35,445	-	184,271
Total other financing sources (uses)	4,089,111	289,669	-	(136,555)	10,187,474	14,429,699
Net change in fund balances	712,307	454,169	(1,254,838)	(1,323,331)	(2,389,982)	(3,801,675)
Fund balance - beginning	16,188,325	12,460,464	7,207,588	8,283,218	7,180,251	51,319,846
Fund balance - ending	\$ 16,900,632	\$ 12,914,633	\$ 5,952,750	\$ 6,959,887	\$ 4,790,269	\$ 47,518,171

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, 2016**

Net change in fund balances - total governmental funds \$ (3,801,675)

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 (\$22,857,215) exceeded depreciation (\$10,932,861) in the current period.	11,924,354
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	48,188
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.	(143,209)
The issuance of long-term debt (\$13,450,000 par value) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$6,010,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide financial statements. Also, the governmental funds report the effect of premiums, discounts, and similar items (\$214,577) 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.	(7,654,577)
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".	(70,650)
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.	(74,818)
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.	(3,947,225)
Changes in the pension-related net pension asset, and deferred outflows/inflows are direct components of changes in net position, but are not reflected in the governmental funds.	7,543,400
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.	183,882
Change in net position of governmental activities	<u>\$ 4,007,670</u>

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Net Position
Proprietary Funds
June 30, 2016

Assets and Deferred Outflows of Resources	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Current assets:				
Cash	\$ 1,611,893	\$ 3,657,207	\$ 5,269,100	\$ 10,095,159
Accounts receivable	312	124,376	124,688	3,686
Due from other funds	-	-	-	2,702,156
Due from other governments	51,879	53,248	105,127	-
Inventory and prepaid expenses	333,862	701,081	1,034,943	42,129
Total current assets	1,997,946	4,535,912	6,533,858	12,843,130
Noncurrent assets:				
Net pension asset	951,185	854,382	1,805,567	-
Capital assets:				
Buildings and improvements	5,862,826	23,720	5,886,546	-
Improvements other than buildings	-	6,866	6,866	-
Machinery and equipment-local funds	4,856,784	989,825	5,846,609	419,507
Machinery and equipment-federal assistance	3,375	-	3,375	-
Less accumulated depreciation	(6,541,917)	(788,123)	(7,330,040)	(328,792)
Total capital assets (net of accumulated depreciation)	4,181,068	232,288	4,413,356	90,715
Total noncurrent assets	5,132,253	1,086,670	6,218,923	90,715
Total assets	7,130,199	5,622,582	12,752,781	12,933,845
Deferred outflows of resources,				
Pension-related deferred outflows	1,760,302	1,622,308	3,382,610	-
Total assets and deferred outflows of resources	\$ 8,890,501	\$ 7,244,890	\$ 16,135,391	\$ 12,933,845
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable	\$ 123,819	\$ 76,583	\$ 200,402	\$ 50,114
Accrued wages and related benefits payable	240,961	634,634	875,595	5,111
Incurred but not reported claims	-	-	-	3,300,000
Due to other funds	68,094	266,508	334,602	2,162
Total current liabilities	432,874	977,725	1,410,599	3,357,387
Noncurrent liabilities:				
Net OPEB obligation	28,148	26,267	54,415	-
Unearned revenue and deposits	205,924	-	205,924	-
Total noncurrent liabilities	234,072	26,267	260,339	-
Total liabilities	666,946	1,003,992	1,670,938	3,357,387
Deferred inflows of resources,				
Pension-related deferred inflows	1,396,501	1,267,648	2,664,149	-
Net position				
Net investment in capital assets	4,181,068	232,288	4,413,356	90,715
Restricted for SDRS pension	1,314,986	1,209,042	2,524,028	-
Unrestricted	1,331,000	3,531,920	4,862,920	9,485,743
Total net position	6,827,054	4,973,250	11,800,304	9,576,458
Total liabilities, deferred inflows of resources and net position	\$ 8,890,501	\$ 7,244,890	\$ 16,135,391	\$ 12,933,845

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, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Operating Revenue				
Food sales	\$ 4,312,935	\$ -	\$ 4,312,935	\$ -
Bookstore sales	-	2,191,513	2,191,513	-
Tuition	-	4,446,713	4,446,713	-
Charges equivalent to insurance premiums	-	-	-	30,040,025
Other	1,257	2,073,415	2,074,672	388,378
Total operating revenue	4,314,192	8,711,641	13,025,833	30,428,403
Operating Expenses				
Salaries	3,583,452	4,603,587	8,187,039	108,766
Employee benefits	877,621	996,774	1,874,395	35,488
Purchased services	394,611	738,719	1,133,330	3,095,986
Supplies	296,404	342,099	638,503	50,100
Non-capitalized equipment	-	717	717	-
Cost of sales - purchases	4,429,173	2,011,566	6,440,739	-
Cost of sales - donated food	810,489	-	810,489	-
Insurance claims	-	-	-	26,941,226
Miscellaneous	187,028	205,079	392,107	-
Pension expense	101,406	95,654	197,060	-
Depreciation	360,369	58,907	419,276	45,247
Total operating expenses	11,040,553	9,053,102	20,093,655	30,276,813
Operating income (loss)	(6,726,361)	(341,461)	(7,067,822)	151,590
Nonoperating Revenues (Expenses)				
Local sources:				
Investment earnings	2,331	-	2,331	37,432
Gain (loss) on disposal of capital assets	1,100	(2,004)	(904)	(5,140)
State sources:				
Other state revenue	64,085	-	64,085	-
Federal sources:				
Grants	5,968,075	-	5,968,075	-
Donated commodities	881,470	-	881,470	-
Other federal revenue	10,000	-	10,000	-
Total nonoperating revenues	6,927,061	(2,004)	6,925,057	32,292
Income (loss) before transfers	200,700	(343,465)	(142,765)	183,882
Transfers in	-	172,000	172,000	-
Change in net position	200,700	(171,465)	29,235	183,882
Net position - beginning	6,626,354	5,144,715	11,771,069	9,392,576
Net position - ending	\$ 6,827,054	\$ 4,973,250	\$ 11,800,304	\$ 9,576,458

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Cash flows from operating activities				
Receipts from customers	\$ 4,314,075	\$ 8,705,726	\$ 13,019,801	\$ -
Interfund receipts	-	-	-	30,172,847
Payments to suppliers	(5,169,552)	(3,695,414)	(8,864,966)	(3,192,151)
Payments to employees	(4,654,549)	(5,769,509)	(10,424,058)	(151,963)
Claims paid	-	-	-	(26,941,226)
Other receipts	-	-	-	77,447
Net cash provided by (used in) operating activities	(5,510,026)	(759,197)	(6,269,223)	(35,046)
Cash flows from noncapital financing activities				
Federal and State operating subsidies	6,032,435	-	6,032,435	-
Transfers from other funds	-	172,000	172,000	-
Net cash provided by noncapital financing activities	6,032,435	172,000	6,204,435	-
Cash flows from capital and related financing activities				
Purchase of capital assets	(138,345)	(33,621)	(171,966)	(36,017)
Proceeds from sale of capital assets	1,100	12,400	13,500	-
Net cash used in capital and related financing activities	(137,245)	(21,221)	(158,466)	(36,017)
Cash flows from investing activities				
Proceeds from sales and maturities of investments	-	-	-	8,000,000
Interest earnings	2,378	-	2,378	37,432
Net cash provided by (used in) investing activities	2,378	-	2,378	8,037,432
Net increase (decrease) in cash and cash equivalents	387,542	(608,418)	(220,876)	7,966,369
Cash - beginning	1,224,351	4,265,625	5,489,976	2,128,790
Cash - ending	\$ 1,611,893	\$ 3,657,207	\$ 5,269,100	\$ 10,095,159
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (6,726,361)	\$ (341,461)	\$ (7,067,822)	\$ 151,590
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Donated commodities used	810,489	-	810,489	-
Depreciation expense	360,369	58,907	419,276	45,247
Changes in assets and liabilities:				
(Increase) decrease in receivables	(117)	(5,915)	(6,032)	(178,109)
(Increase) decrease in inventories	(11,537)	(159,680)	(171,217)	(7,219)
(Increase) decrease in net pension asset	646,277	609,605	1,255,882	-
(Increase) decrease in pension-related deferred outflows	(339,012)	(319,778)	(658,790)	-
Increase (decrease) in accounts and other payables	112,191	(237,554)	(125,363)	(38,846)
Increase (decrease) in accrued wages and benefits payable	91,309	64,571	155,880	(7,709)
Increase (decrease) in pension-related deferred inflows	(453,634)	(427,892)	(881,526)	-
Net cash provided by (used in) operating activities	\$ (5,510,026)	\$ (759,197)	\$ (6,269,223)	\$ (35,046)
Noncash investing, capital and financing activities				
Value of commodities received	\$ 881,470	\$ -	\$ 881,470	\$ -
Gain (loss) on disposal of capital assets not affecting operating income	1,100	(2,004)	(904)	(5,140)

See notes to financial statements.

Sioux Falls School District 49-5

**Statement of Net Position
Fiduciary Funds
June 30, 2016**

	Agency Funds
<hr/>	
Assets	
Cash	\$ 5,668,124
Accounts receivable	5,113
Total assets	<u><u>\$ 5,673,237</u></u>
Liabilities	
Benefits payable	\$ 1,543,742
Amounts held for others	4,129,495
Total liabilities	<u><u>\$ 5,673,237</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 23,000 students from pre-school through high school in 22 elementary, five middle school, four high school, and one technical education school buildings. In addition, the District is responsible for post-secondary education of approximately 3,000 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 year ended December 31, 2015. 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.

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, General 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 five 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, certain transportation and utility costs, 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. This fund is financed by tuition, fees and grants.

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, Hail Damage Project Fund, and Middle School Project Fund.

The District reports the General Fund, Capital Outlay Fund, Special Education Fund, and Post-Secondary Vocational 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. This is considered a major fund for public interest purposes.

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)

Other local revenue on the statement of revenue, expenditures, and changes in fund balances includes rental income, donations, contributions, and other miscellaneous local revenue. Other state revenue on the statement of revenue, expenditures, and changes in fund balances includes approximately \$16,500,000 of bond proceeds received from the South Dakota Health and Education Facilities Authority for the construction of facilities at the Southeast Technical Institute, and other miscellaneous state revenues.

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, SDRS pension expenses, 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, net pension asset and related deferred outflows/inflows, 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.

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

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

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.

Deferred outflows of resources on the District's statement of net position consist of unrecognized items not charged to pension expense including contributions from the District after the measurement date but before the end of the District's reporting period.

The District's statement of net position also includes pension-related amounts as deferred inflows. The pension-related deferred inflows consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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 and Proprietary Fund 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

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

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

Governmental fund financial statements: In the governmental fund financial statements, capital assets are accounted for as capital expenditures of the governmental fund upon acquisition.

Salaries and benefits payable: Payroll and related expenditures for teachers with annual contracts corresponding to the school year, which are payable in July and August, have been accrued as liabilities. Earned but unpaid payroll for hourly and administrative employees as of June 30, 2016, has also been accrued as a liability.

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 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Equity classifications:

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 (including unspent bond proceeds) 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.

Sioux Falls School District 49-5

Notes to Financial Statements

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

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. 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.

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. 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.

Note 2. 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, 2016, \$95,553,304 of the District's bank balance of \$96,332,454 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.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 3. Accounts Receivable

Current taxes receivable are reported net of an allowance for doubtful accounts of \$39,575 in the General Fund, \$17,825 in the Capital Outlay Fund, \$7,243 in the Special Education Fund, and \$1,782 in the Pension Fund.

Delinquent taxes receivable are reported net of an allowance for doubtful accounts of \$154,775 in the General Fund, \$42,191 in the Capital Outlay Fund, \$26,702 in the Special Education Fund, \$71,853 in the Debt Service Fund, and \$3,306 in the Pension Fund.

Accounts receivable are reported net of an allowance for doubtful accounts of \$314,288 in the Post-Secondary Vocational Fund, \$73,505 in the Post-Secondary Bookstore Fund, and \$3,083 in the Post-Secondary Childcare Fund.

An allowance is provided for student accounts receivable in the Post-Secondary funds when the accounts are 120 days past due. Student accounts are written off as uncollectible at the time management determines them unlikely to be collected, which is generally 365 days past due.

Note 4. Interfund Receivables, Payables, and Transfers

At June 30, 2016, interfund receivables and payables were as follows:

Fund	Interfund	
	Receivable	Payable
General	\$ -	\$ 1,919,341
Special Education	-	473,148
Post-Secondary	194,901	167,804
Food Service	-	68,094
Nonmajor enterprise	-	266,508
Internal service	2,702,156	2,162
	<u>\$ 2,897,057</u>	<u>\$ 2,897,057</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; and 2) \$11,486 paid by the Post Secondary Vocational Fund to the Post Secondary Childcare Fund to cover a negative cash balance and \$183,415 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, 2016, were as follows:

Transfers from	Transfers to		
	General Fund	Nonmajor Governmental	Nonmajor Enterprise
Nonmajor Governmental	\$ 4,087,779	\$ -	\$ -
Capital Outlay Fund	-	14,002,219	-
Post-Secondary Vocational Fund	-	-	172,000
	<u>\$ 4,087,779</u>	<u>\$ 14,002,219</u>	<u>\$ 172,000</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 4. Interfund Receivables, Payables, and Transfers (Continued)

During the year ended June 30, 2016, the Post-Secondary Vocational Fund transferred \$30,000 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, and also transferred \$142,000 to the Post-Secondary Child Care Fund to cover operating losses.

In addition, the Bond Redemption Fund transferred \$4,087,779 to the General Fund to partially cover the costs of defeasing the 2004B General Obligation Bonds in the prior year, and the Capital Outlay Fund transferred \$14,002,219 to several Capital Project funds to cover the costs of the planned capital outlays in those funds.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Transfers and Additions	Transfers and Retirements	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,418,147	\$ -	\$ 4,750	\$ 11,413,397
Construction in progress	22,259,689	13,244,218	20,641,402	14,862,505
Total capital assets, not being depreciated	33,677,836	13,244,218	20,646,152	26,275,902
Capital assets, being depreciated:				
Buildings	333,736,000	23,520,639	2,177,757	355,078,882
Improvements other than buildings	15,836,265	2,480,370	172,323	18,144,312
Machinery and equipment	30,748,786	4,289,407	601,497	34,436,696
	380,321,051	30,290,416	2,951,577	407,659,890
Less accumulated depreciation for:				
Buildings	111,720,216	8,048,617	2,177,757	117,591,076
Improvements other than buildings	9,855,000	799,054	128,783	10,525,271
Machinery and equipment	21,198,500	2,130,437	501,438	22,827,499
	142,773,716	10,978,108	2,807,978	150,943,846
Total capital assets being depreciated, net Governmental activities capital assets, net	237,547,335	19,312,308	143,599	256,716,044
	\$ 271,225,171	\$ 32,556,526	\$ 20,789,751	\$ 282,991,946
Instruction				\$ 8,747,303
Support services				1,443,889
Co-curricular				786,916
Total depreciation expense - governmental activities				\$ 10,978,108

Sioux Falls School District 49-5

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Balance June 30, 2015	Additions	Transfers and Retirements	Balance June 30, 2016
Business-type activities:				
Capital assets, being depreciated				
Building improvements	\$ 5,859,584	\$ 26,962	\$ -	\$ 5,886,546
Improvements other than buildings	6,866	-	-	6,866
Machinery and equipment	5,843,005	151,352	144,373	5,849,984
	<u>11,709,455</u>	<u>178,314</u>	<u>144,373</u>	<u>11,743,396</u>
Less accumulated depreciation for:				
Building improvements	2,713,376	188,709	-	2,902,085
Improvements other than buildings	3,251	343	-	3,594
Machinery and equipment	4,317,758	230,224	123,621	4,424,361
	<u>7,034,385</u>	<u>419,276</u>	<u>123,621</u>	<u>7,330,040</u>
Business-type activity capital assets, net	<u>\$ 4,675,070</u>	<u>\$ (240,962)</u>	<u>\$ 20,752</u>	<u>\$ 4,413,356</u>
Food services				\$ 360,369
Community services				11,595
Bookstore services				14,063
Instruction				33,249
Total depreciation expense - business-type activities				<u>\$ 419,276</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016, are as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Capital outlay certificates	\$ 130,210,000	\$ 13,450,000	\$ 6,010,000	\$ 137,650,000	\$ 6,535,000
Plus: unamortized premium	2,675,991	794,351	784,336	2,686,006	-
Less: unamortized discount	(341,082)	(99,957)	(20,865)	(420,174)	-
Total capital outlay certificates	<u>132,544,909</u>	<u>14,144,394</u>	<u>6,773,471</u>	<u>139,915,832</u>	<u>6,535,000</u>
Other postemployment benefits	3,251,946	622,639	-	3,874,585	-
Early retirement plan obligation	2,543,675	1,308,124	1,318,757	2,533,042	1,000,415
Accrued vacation	1,725,819	1,395,726	1,310,275	1,811,270	1,811,270
Governmental activities long-term liabilities	<u>\$ 140,066,349</u>	<u>\$ 17,470,883</u>	<u>\$ 9,402,503</u>	<u>\$ 148,134,729</u>	<u>\$ 9,346,685</u>
Business-type activities:					
Accrued vacation	\$ 119,025	\$ 101,823	\$ 98,263	\$ 122,585	\$ 122,585
Other postemployment benefits	20,054	34,361	-	54,415	-
Business-type activities long-term liabilities	<u>\$ 139,079</u>	<u>\$ 136,184</u>	<u>\$ 98,263</u>	<u>\$ 177,000</u>	<u>\$ 122,585</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. 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, 2016, is as follows:

Issue	Issue Date	Final Maturity Date	Interest Rate	Balance
2006	5/15/06	1/01/26	4.25% - 5.00%	\$ 1,470,000
2009	7/23/09	7/01/29	2.50% - 6.25%	15,535,000
2010	9/24/10	7/01/22	1.00% - 3.00%	7,300,000
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%	19,615,000
2013	9/12/13	7/01/33	2.00% - 4.50%	49,715,000
2015	10/15/15	7/01/35	2.00% - 5.00%	13,450,000
				\$ 137,650,000

Annual debt service requirements to maturity for capital outlay certificates at June 30, 2016, are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Totals
2017	\$ 6,535,000	\$ 5,727,976	\$ 12,262,976
2018	8,480,000	5,364,481	13,844,481
2019	8,750,000	5,040,325	13,790,325
2020	9,035,000	4,695,040	13,730,040
2021	8,940,000	4,347,462	13,287,462
2022 - 2026	45,055,000	16,224,335	61,279,335
2027 - 2031	37,510,000	7,228,017	44,738,017
2032 - 2036	13,345,000	967,588	14,312,588
Totals	\$ 137,650,000	\$ 49,595,224	\$ 187,245,224

General obligation bonds: In prior years, the District defeased the 2004B general obligation bonds by transferring to an escrow agent an amount sufficient to pay all future debt service payments. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2016, a total of \$11,080,000 of bonds outstanding are considered defeased.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Other postemployment benefits: See Note 8 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 \$990,700,000 (10 percent of assessed valuation). At June 30, 2016, the District's available debt capacity is approximately \$848,700,000.

Note 7. Long-Term Liabilities - Component Unit

Changes in long-term liabilities for the component unit for the year ended December 31, 2015, are as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One year
Revenue bonds	\$ 4,725,473	\$ -	\$ 142,456	\$ 4,583,017	\$ 147,293

Series 2002A Multi-Family Housing Revenue Bonds with a balance of \$2,045,000 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 percent to 5.35 percent and are due in installments from August, 2004 to August, 2033. Series 2004A Multi-Family Housing Revenue Bonds with a balance of \$2,680,473 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 percent and are due in installments from August, 2006 to August, 2033.

Annual debt service requirements to maturity for revenue bonds at December 31, 2015, are as follows:

Year ending December 31,	Component Unit		
	Principal	Interest	Totals
2016	\$ 147,293	\$ 264,114	\$ 411,407
2017	157,431	255,564	412,995
2018	167,891	246,422	414,313
2019	178,692	236,690	415,382
2020	189,855	226,327	416,182
2021 - 2025	1,126,059	953,346	2,079,405
2026 - 2030	1,489,287	583,832	2,073,119
2031 - 2034	1,126,509	123,515	1,250,024
Totals	\$ 4,583,017	\$ 2,889,810	\$ 7,472,827

Sioux Falls School District 49-5

Notes to Financial Statements

Note 7. Long-Term Liabilities - Component Unit (Continued)

Subsequent refinance: In April 2016, the Component Unit refinanced these bonds. The new loan with a bank includes interest at 3.98 percent for five years and variable interest thereafter at 3 percent over the U.S. Treasury Securities Rate Adjusted to a Constant Maturity of one year, including an interest rate floor of 3.25 percent and ceiling of 6.25 percent. The loan is due on demand. If no demand is made, the loan is due in 59 monthly installments of \$23,711, followed by 60 monthly payments at an initial amount of \$22,742, and matures in a final balloon payment in April 2026 at an initial amount of \$2,330,140.

Note 8. 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 percent 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, 2015, there were 2,638 active employees and 203 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.

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, 2016, changes in the District's net OPEB obligation, and the percentage of the annual OPEB cost contributed to the plan.

	<u>Governmental Activities</u>
Annual required contribution	\$ 1,366,000
Interest on net OPEB obligation	131,000
Adjustment to annual required contribution	<u>(117,000)</u>
Annual OPEB cost (expense)	1,380,000
Contributions made	<u>(723,000)</u>
Increase in net OPEB obligation	657,000
OPEB obligation - beginning	<u>3,272,000</u>
OPEB obligation - ending	<u><u>\$ 3,929,000</u></u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

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, 2016	\$ 1,380,000	52.4%	\$ 3,929,000
June 30, 2015	1,101,000	66.4%	3,272,000
June 30, 2014	1,101,000	66.4%	2,902,000

Funded status: As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015, through June 30, 2016, the District's unfunded actuarial accrued liability (UAAL) was \$14,280,000. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2015-2016 fiscal year was \$129,841,687 for a ratio of the UAAL to covered payroll of 11.0 percent.

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.

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, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a rate of 4.0 percent to discount expected liabilities to the valuation date. The initial healthcare trend rate was 7.5 percent for both medical and prescription drugs, reduced by 0.5 percent each year to an ultimate rate of 4.5 percent. Mortality rates are based on the RP-2014 Generational Table using MP 2015 Projection Scale, 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.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 9. 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, 2016, accumulated unused sick leave was approximately \$40,170,000.

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, 2016, there were total commitments of \$3,481,963, \$3,011,182, \$1,027,669, \$4,192,370 and \$439,815 remaining on the construction contracts for the Capital Outlay Fund, Post-Secondary Vocational Fund, Elementary Project Fund, Capital Improvement Plan Project Fund, and Hail Damage Project fund, respectively, for various construction and remodeling commitments. At June 30, 2016, there were commitments for open purchase orders of \$603,547, \$1,121,020, \$356,092, \$358,260, \$153,591 and \$1,411,804 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 \$524,006, \$66,486 and \$185,000 in the General Fund, Post-Secondary Vocational Fund, and Special Education Fund, respectively.

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 25 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, 2016. Rental expense for the year ended June 30, 2016, was \$681,917.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 9. Commitments and Contingencies (Continued)

Lease commitments for the printers, multi-function devices, and operating space as of June 30, 2016, are as follows:

Year ending June 30:

2017	\$	566,136
2018		144,356
2019		60,000
2020		5,000
	\$	<u>775,492</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.

Note 10. Pension Plan

Plan information: All District employees who meet enrollment qualifications participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained at <http://www.sdrs.gov/publications/>, or by writing to the SDRS, PO Box 1098, Pierre, South Dakota 57501-1098, or by calling 1-605-773-3731.

Benefits provided: All participants are Class A members of the SDRS. Class A members who retire at or after age 65 with three 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 retirement benefits are determined as 1.7 percent prior to 2008, and 1.55 percent thereafter, of the employee's final 3-year average compensation times the employee's years of service. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service are required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

Contributions: Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Class A members are required by state statute to contribute six percent of their salary to the plan. State statute also requires the District to contribute an amount equal to the member's contribution. State statute also requires the District to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The contribution from the District was \$7,970,328, \$7,772,618, and \$7,430,961, for the years ended June 30, 2016, 2015, and 2014, respectively.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

Pension assets, pension revenue, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2015, SDRS is 104 percent funded, and accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS for the District as of June 30, 2015, are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate share of net position restricted for pension benefits	\$ 718,740,153	\$ 45,877,031	\$ 764,617,184
Less proportionate share of total pension liability	690,452,928	44,071,463	734,524,391
Proportionate share of net pension asset	<u>\$ 28,287,225</u>	<u>\$ 1,805,568</u>	<u>\$ 30,092,793</u>

At June 30, 2016, the District reported an asset of \$30,092,793 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the District's proportion was .070952053.

For the year ended June 30, 2016, the District recognized pension expense of \$3,284,340. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 5,791,938	\$ 369,698	\$ 6,161,636
Changes in assumptions	22,429,990	1,431,701	23,861,691
Net difference between projected and actual investment earnings on pension plan assets	17,280,186	1,102,991	18,383,177
District contributions subsequent to the measurement date	7,492,108	478,220	7,970,328
Total deferred outflows of resources	<u>\$ 52,994,222</u>	<u>\$ 3,382,610</u>	<u>\$ 56,376,832</u>

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between projected and actual investment earnings on pension plan investments	\$ 41,738,343	\$ 2,664,149	\$ 44,402,492
Changes in assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Total deferred inflows of resources	<u>\$ 41,738,343</u>	<u>\$ 2,664,149</u>	<u>\$ 44,402,492</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

\$7,970,328 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue over the remaining service life of all system members as follows, with the exception of the differences between estimated and actual investment earnings, which are amortized over five years:

	Governmental Activities	Business-Type Activities	Total
Year ended June 30:			
2017	\$ (1,340,375)	\$ (85,556)	\$ (1,425,931)
2018	(1,340,375)	(85,556)	(1,425,931)
2019	3,605,973	230,169	3,836,142
2020	(4,688,994)	(299,298)	(4,988,292)
	<u>\$ (3,763,771)</u>	<u>\$ (240,241)</u>	<u>\$ (4,004,012)</u>

Actuarial assumptions: The total pension asset in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases	5.83% at entry to 3.87% after 30 years of service
Investment Rate of Return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2005, through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study, including mortality experience through June 30, 2013.

Notes to Financial Statements

Note 10. Pension Plan (Continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
	100%	

Discount rate: The discount rate used to measure the total pension asset was 7.25 percent through 2017 and 7.50 percent thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of asset to changes in the discount rate: The following presents the District's proportionate share of net pension asset (liability) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50 percent) or 1-percentage point higher (8.25/8.50 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension asset (liability)	(75,743,223)	30,092,793	116,392,950

Pension plan fiduciary net position: Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report which can be found at <http://sdrs.sd.gov>.

Note 11. Early Retirement Plan

The District has an employment contract which provides for an early retirement cash benefit of up to 90 percent 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, 134 retirees are receiving benefits under this provision. An additional 86 employees are expected to be eligible for early retirement benefits by February 1, 2017, 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, 2016, were \$1,316,024. The liability for future payments is \$2,533,042 and is payable in the following years: 2017 \$1,000,415; 2018 \$749,964; 2019 \$522,142; and 2020 \$260,521.

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.

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 \$11,627 of unemployment insurance claims during the year ended June 30, 2016.

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.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 12. Risk Management (Continued)

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2016 and 2015 were as follows:

	2016	2015
Benefit claims payable, at beginning of year	\$ 3,300,000	\$ 2,620,000
Employee health and related benefits incurred, including changes in estimates	26,966,701	26,434,876
Employee health and related benefits paid	(26,966,701)	(25,754,876)
Benefit claims payable, at end of year	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>

Note 13. Subsequent Event

Effective July 1, 2016, the Post-Secondary TSI fund has ceased operations. All remaining assets of the Post-Secondary TSI fund will be transferred to the Post-Secondary Vocational fund.

Note 14. Pending GASB Statements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and will be effective for the District beginning with its year ended June 30, 2018. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The District's management anticipates the adoption of this Statement will have a significant impact on the District's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated. The District's management does not expect the implementation of this Statement to have a material impact on the District's financial statements.

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 82, *Pension Issues, issued March 2016*, will be effective for the District beginning with its fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District's management has not yet determined the effect this Statement will have on the District's financial statements.

Sioux Falls School District 49-5

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Taxes	\$ 68,694,392	\$ 68,694,392	\$ 69,194,374	\$ 499,982
Tuition and fees	362,983	366,133	415,321	49,188
Earnings on investments and deposits	150,000	150,000	134,919	(15,081)
Co-curricular activities	258,200	258,200	234,497	(23,703)
Other	1,880,000	5,432,319	5,497,766	65,447
Total local sources	71,345,575	74,901,044	75,476,877	575,833
Intermediate sources, county apportionment	1,020,000	1,020,000	1,101,162	81,162
State sources:				
Unrestricted grants in aid:				
State aid	55,973,197	55,973,197	54,845,292	(1,127,905)
State apportionment	1,800,000	1,800,000	1,785,392	(14,608)
Bank franchise taxes	2,060,000	2,060,000	1,292,247	(767,753)
Restricted grants in aid	41,000	41,000	5,543	(35,457)
Other	-	2,465	81,257	78,792
Total state sources	59,874,197	59,876,662	58,009,731	(1,866,931)
Federal sources:				
Restricted grants in aid:				
Received directly from federal government	2,607,484	2,611,615	2,611,148	(467)
Received from federal government through the state	8,229,923	8,770,849	8,278,371	(492,478)
Other federal revenue	22,000	22,000	22,258	258
Total federal sources	10,859,407	11,404,464	10,911,777	(492,687)
Other	211,642	211,642	233,540	21,898
Total revenues	143,310,821	147,413,812	145,733,087	(1,680,725)
Expenditures				
Instruction:				
Regular programs:				
Elementary programs	39,679,087	40,206,910	39,281,927	924,983
Middle school programs	18,867,642	18,968,188	18,382,551	585,637
High school programs	22,339,570	22,844,357	22,553,832	290,525
Total regular programs	80,886,299	82,019,455	80,218,310	1,801,145
Special programs:				
Programs for the gifted and talented	693,311	712,627	722,041	(9,414)
Programs for the culturally different	4,287,785	4,295,382	4,119,618	175,764
Programs for the educationally deprived	4,655,618	4,526,093	4,616,836	(90,743)
Other	4,280,064	4,723,773	4,662,661	61,112
Total special programs	13,916,778	14,257,875	14,121,156	136,719
Total instruction	94,803,077	96,277,330	94,339,466	1,937,864
Support services:				
Pupils:				
Attendance and social work services	605,408	582,908	621,130	(38,222)
Guidance services	4,307,259	4,307,507	4,428,443	(120,936)
Health services	868,236	920,451	923,612	(3,161)
Total pupils	5,780,903	5,810,866	5,973,185	(162,319)

(continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Instructional staff:				
Improvement of instructional services	4,741,019	5,052,436	4,769,181	283,255
Educational media services	2,964,453	3,062,722	3,216,706	(153,984)
Total instructional staff	7,705,472	8,115,158	7,985,887	129,271
General and administrative:				
Board of Education services	961,975	962,225	337,091	625,134
Executive administration services	1,388,067	1,389,337	1,583,480	(194,143)
Total general and administrative	2,350,042	2,351,562	1,920,571	430,991
School administration:				
Office of the principal services	10,150,089	10,253,935	10,116,203	137,732
Other	1,106,382	1,126,901	979,826	147,075
Total school administration	11,256,471	11,380,836	11,096,029	284,807
Business:				
Fiscal services	1,435,888	1,436,388	1,377,355	59,033
Operation and maintenance of plant	17,114,316	17,114,926	15,207,918	1,907,008
Pupil transportation services	2,441,829	2,550,976	3,097,813	(546,837)
Food services	229,045	619,511	719,084	(99,573)
Internal services	1,000	1,000	2,211	(1,211)
Total business	21,222,078	21,722,801	20,404,381	1,318,420
Central:				
Planning and research	250,257	250,257	207,688	42,569
Data processing services	2,316,472	2,317,072	2,313,995	3,077
Total central	2,566,729	2,567,329	2,521,683	45,646
Total support services	50,881,695	51,948,552	49,901,736	2,046,816
Community Services:				
Nonpublic Schools	157,438	157,438	150,407	7,031
Other	3,100	3,100	2,106	994
Total community services	160,538	160,538	152,513	8,025
Nonprogrammed charges:				
Unemployment payments	25,000	25,000	9,773	15,227
Total nonprogrammed charges	25,000	25,000	9,773	15,227
Co-curricular activities:				
Male activities	1,013,224	1,264,266	1,230,634	33,632
Female activities	828,035	954,160	895,483	58,677
Combined activities	803,215	2,291,940	2,289,880	2,060
Total co-curricular activities	2,644,474	4,510,366	4,415,997	94,369
Other	235,058	243,638	290,406	(46,768)
Total expenditures	148,749,842	153,165,424	149,109,891	4,055,533
Revenues over (under) expenditures	(5,439,021)	(5,751,612)	(3,376,804)	2,374,808
Other financing sources (uses)				
Transfers in	-	-	4,087,779	4,087,779
Sale of surplus property	-	351	1,332	981
Total other financing sources (uses)	-	351	4,089,111	4,088,760
Net change in fund balances	(5,439,021)	(5,751,261)	712,307	6,463,568
Fund balance - beginning	16,188,325	16,188,325	16,188,325	-
Fund balance - ending	\$ 10,749,304	\$ 10,437,064	\$ 16,900,632	\$ 6,463,568

See notes to required supplementary information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
For the Year Ended June 30, 2016**

	<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	\$ 24,970,250	\$ 24,970,250	\$ 25,098,939	\$ 128,689
Tuition and fees	43,659	43,659	43,164	(495)
Earnings on investments and deposits	35,000	35,000	28,233	(6,767)
Other	64,000	393,617	379,815	(13,802)
Total local sources	25,112,909	25,442,526	25,550,151	107,625
Federal sources:				
Restricted grants in aid:				
Received directly from federal government	-	-	18,439	18,439
Received from federal government through the state	-	28,400	96,083	67,683
Other federal revenue	328,308	588,308	806,299	217,991
Total federal sources	328,308	616,708	920,821	304,113
Total revenues	25,441,217	26,059,234	26,470,972	411,738
Expenditures				
Instruction:				
Regular programs:				
Elementary programs	373,280	529,792	1,561,031	(1,031,239)
Middle school programs	235,479	315,826	1,025,637	(709,811)
High school programs	723,648	827,884	2,283,009	(1,455,125)
Total regular programs	1,332,407	1,673,502	4,869,677	(3,196,175)
Special programs:				
Programs for mild disabilities	-	-	20,646	(20,646)
Programs for severe disabilities	-	-	48,557	(48,557)
Programs for the culturally different	-	-	1,557	(1,557)
Other	24,980	72,177	28,812	43,365
Total special programs	24,980	72,177	99,572	(27,395)
Total instruction	1,357,387	1,745,679	4,969,249	(3,223,570)
Support services:				
Pupils-				
Health services	38,465	38,465	4,543	33,922
Student therapy services	-	-	1,449	(1,449)
Total pupils	38,465	38,465	5,992	32,473
Instructional staff:				
Improvement of instructional services	300,000	300,000	-	300,000
Educational media services	124,400	131,322	33,156	98,166
Total instructional staff	424,400	431,322	33,156	398,166
General and administrative:				

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Board of education services	-	600,000	602,226	(2,226)
Total general and administrative	-	600,000	602,226	(2,226)
School administration:				
Office of the principal services	43,232	49,227	45,316	3,911
Other	-	-	5,200	(5,200)
Total school administration	43,232	49,227	50,516	(1,289)
Business:				
Fiscal services	25,617	25,617	265,672	(240,055)
Facilities acquisition	5,808,838	7,920,760	4,785,164	3,135,596
Operation and maintenance of plant	442,550	887,550	838,050	49,500
Pupil transportation services	1,284,700	1,544,700	1,503,633	41,067
Total business	7,561,705	10,378,627	7,392,519	2,986,108
Central, data processing services	966,086	969,857	1,166,308	(196,451)
Total support services	9,033,888	12,467,498	9,250,717	3,216,781
Nonprogrammed charges, payments to other educational institutions	615,068	615,068	604,048	11,020
Total nonprogrammed charges	615,068	615,068	604,048	11,020
Debt service	11,651,833	11,651,833	11,371,834	279,999
Co-curricular activities:				
Male activities	63,050	68,647	41,890	26,757
Female activities	-	928	28,227	(27,299)
Combined activities	88,600	120,496	40,507	79,989
Total co-curricular activities	151,650	190,071	110,624	79,447
Total expenditures	22,809,826	26,670,149	26,306,472	363,677
Revenues over expenditures	2,631,391	(610,915)	164,500	775,415
Other financing sources (uses)				
Transfers out	-	-	(14,002,219)	(14,002,219)
Capital leases	-	-	-	-
Capital outlay certificates issued	-	-	13,450,000	13,450,000
Compensation for loss of general capital assets	-	-	-	-
Premium on certificates issued	-	-	694,394	694,394
Direct financing lease principal payments received	-	-	-	-
Sale of surplus property	-	3,432	147,494	144,062
Total other financing sources (uses)	-	3,432	289,669	286,237
Net change in fund balances	2,631,391	(607,483)	454,169	1,061,652
Fund balance - beginning	12,460,464	12,460,464	12,460,464	-
Fund balance - ending	\$ 15,091,855	\$ 11,852,981	\$ 12,914,633	\$ 1,061,652

See notes to required supplementary information.

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Special Education Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Taxes	\$ 12,004,047	\$ 12,004,047	\$ 12,145,373	\$ 141,326
Tuition and fees	137,000	137,000	171,605	34,605
Earnings on investments and deposits	20,000	20,000	31,374	11,374
Other	740,000	743,312	509,493	(233,819)
Total local sources	12,901,047	12,904,359	12,857,845	(46,514)
State sources:				
Restricted grants in aid	16,706,166	16,706,166	16,531,612	(174,554)
Tuition	30,000	30,000	11,592	(18,408)
Other	-	-	8,148	8,148
Total state sources	16,736,166	16,736,166	16,551,352	(184,814)
Federal sources, received from federal government through the state				
	5,166,000	5,166,000	5,127,793	(38,207)
Total revenues	34,803,213	34,806,525	34,536,990	(269,535)
Expenditures				
Instruction:				
Special programs:				
Programs for mild disabilities	14,994,159	15,090,781	12,908,096	2,182,685
Programs for severe disabilities	6,201,910	6,138,564	6,626,368	(487,804)
Day programs	1,815,940	1,815,940	1,968,621	(152,681)
Residential programs	220,000	-	-	-
Early childhood programs	1,602,629	1,602,975	1,616,553	(13,578)
Prolonged assistance programs	403,634	402,884	419,313	(16,429)
Other	1,518,934	1,518,934	1,387,889	131,045
Total special programs	26,757,206	26,570,078	24,926,840	1,643,238
Total instruction	26,757,206	26,570,078	24,926,840	1,643,238
Support services:				
Pupils:				
Health services	10,000	10,000	7,483	2,517
Speech pathology services	1,943,132	1,943,132	1,996,932	(53,800)
Student therapy services	1,665,457	1,665,457	1,669,397	(3,940)
Orientation and mobility services	119,423	119,423	114,402	5,021
Total pupils	3,738,012	3,738,012	3,788,214	(50,202)
Special education:				
Administrative costs	1,739,706	2,012,987	2,206,393	(193,406)
Transportation costs	2,028,543	2,028,543	2,097,606	(69,063)
Other	2,963,441	2,919,337	2,626,875	292,462
Total special education	6,731,690	6,960,867	6,930,874	29,993
Total support services	10,469,702	10,698,879	10,719,088	(20,209)

(continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Special Education Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Nonprogrammed charges, early retirement payments	226,218	226,218	145,900	80,318
Total expenditures	37,453,126	37,495,175	35,791,828	1,703,347
Revenues over (under) expenditures	(2,649,913)	(2,688,650)	(1,254,838)	1,433,812
Net change in fund balances	(2,649,913)	(2,688,650)	(1,254,838)	1,433,812
Fund balance - beginning	7,207,588	7,207,588	7,207,588	-
Fund balance - ending	<u>\$ 4,557,675</u>	<u>\$ 4,518,938</u>	<u>\$ 5,952,750</u>	<u>\$ 1,433,812</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Tuition and fees	\$ 11,850,816	\$ 11,850,816	\$ 11,335,268	\$ (515,548)
Earnings on investments and deposits	15,000	15,000	28,200	13,200
Other	404,800	425,122	451,048	25,926
Total local sources	12,270,616	12,290,938	11,814,516	(476,422)
State sources:				
Restricted grants in aid	6,430,667	6,430,667	6,787,834	357,167
Other	1,922,727	19,774,256	18,486,538	(1,287,718)
Total state sources	8,353,394	26,204,923	25,274,372	(930,551)
Federal sources:				
Restricted grants in aid:				
Received from federal government through the state	871,192	871,192	876,871	5,679
Other federal revenue	1,152,866	1,152,866	1,466,511	313,645
Total federal sources	2,024,058	2,024,058	2,343,382	319,324
Other	-	-	250,000	250,000
Total revenues	22,648,068	40,519,919	39,682,270	(837,649)
Expenditures				
Instruction:				
Adult/continuing education programs:				
Adult basic education programs	275,523	275,523	272,667	2,856
Adult continuing education programs	63,684	63,684	63,008	676
Total adult/continuing education programs	339,207	339,207	335,675	3,532
Post-secondary occupational programs	12,512,751	13,559,366	12,704,805	854,561
Total instruction	12,851,958	13,898,573	13,040,480	858,093
Support services:				
Pupils, guidance services	269,008	269,008	260,518	8,490
Instructional staff:				
Improvement of instructional services	1,488,440	1,488,440	1,250,369	238,071
Total instructional staff	1,488,440	1,488,440	1,250,369	238,071
General and administrative, board of education services	190,600	190,600	174,923	15,677
School administration, other	4,344,874	4,344,874	4,453,124	(108,250)

(continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Business:				
Fiscal services	518,139	518,139	497,660	20,479
Facilities acquisition	2,150,477	18,975,713	18,108,210	867,503
Operation and maintenance of plant	1,631,749	1,631,749	1,491,208	140,541
Total business	4,300,365	21,125,601	20,097,078	1,028,523
Central, data processing services	1,647,740	1,647,740	1,549,207	98,533
Total support services	12,241,027	29,066,263	27,785,219	1,281,044
Nonprogrammed charges, early retirement payments	58,337	58,337	31,898	26,439
Unemployment payments	-	-	1,854	(1,854)
Total nonprogrammed charges	58,337	58,337	33,752	24,585
Co-curricular activities, combined activities	11,684	11,684	9,595	2,089
Total expenditures	25,163,006	43,034,857	40,869,046	2,165,811
Revenues over (under) expenditures	(2,514,938)	(2,514,938)	(1,186,776)	1,328,162
Other financing sources (uses)				
Transfers in	270,000	270,000	-	(270,000)
Transfers out	(172,000)	(172,000)	(172,000)	-
Sale of surplus property	-	-	35,445	35,445
Total other financing sources (uses)	98,000	98,000	(136,555)	(234,555)
Net change in fund balances	(2,416,938)	(2,416,938)	(1,323,331)	1,093,607
Fund balance - beginning	8,283,218	8,283,218	8,283,218	-
Fund balance - ending	\$ 5,866,280	\$ 5,866,280	\$ 6,959,887	\$ 1,093,607

See notes to required supplementary information.

Sioux Falls School District 49-5

**Schedule of Funding Progress for Other Postemployment Benefits
June 30, 2016**

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, 2015	\$ -	\$ 14,280,000	\$ 14,280,000	0.0%	\$ 129,841,687	11.0%
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%

The District has elected to have biennial valuations performed.

Sioux Falls School District 49-5

Schedule of the District's Proportionate Share of the Net Pension Asset

South Dakota Retirement System

Last 2 Fiscal Years *

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension asset	7.082%	7.095%
District's proportionate share of net pension asset	\$ 51,024,154	\$ 30,092,793
District's covered-employee payroll (approximately)	\$ 129,193,000	\$ 132,577,000
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	39.49%	22.70%
Plan fiduciary net position as a percentage of the total pension asset	107.3%	104.1%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is June 30 of previous fiscal year.

Sioux Falls School District 49-5
Schedule of District Contributions
South Dakota Retirement System

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 5,729	\$ 6,100	\$ 6,458	\$ 6,819	\$ 7,048	\$ 6,731	\$ 6,814	\$ 7,431	\$ 7,773	\$ 7,970
Contributions in relation to the contractually required contribution	<u>\$ 5,729</u>	<u>\$ 6,100</u>	<u>\$ 6,458</u>	<u>\$ 6,819</u>	<u>\$ 7,048</u>	<u>\$ 6,731</u>	<u>\$ 6,814</u>	<u>\$ 7,431</u>	<u>\$ 7,773</u>	<u>\$ 7,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 95,351	\$ 101,491	\$ 107,461	\$ 113,457	\$ 117,203	\$ 111,865	\$ 113,340	\$ 123,553	\$ 129,193	\$ 132,577
Contributions as a percentage of covered-employee payroll	6.01%	6.01%	6.01%	6.01%	6.01%	6.02%	6.01%	6.01%	6.02%	6.01%

Sioux Falls School District 49-5

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 and major special revenue funds. 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.

Note 3 Changes of Benefit Terms – Pension Asset

No significant changes in benefit terms for the pension asset were disclosed in the actuarial valuation report as of June 30, 2015.

Note 4. Changes of Assumptions – Pension Asset

No significant changes in assumptions for the pension asset were disclosed in the actuarial valuation report as of June 30, 2015.

Sioux Falls School District 49-5

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special	Debt	Capital Projects Funds				Total
	Revenue	Service	Elementary	Capital	Hail	Middle	
Assets	Fund	Fund		Project	Improvement	Damage	School
	Pension	Bond		Plan	Project	Project	Funds
		Redemption		Project			
Cash	\$ 1,177,436	\$ (3,517)	\$ 2,795,947	\$ 1,905,259	\$ 887,668	\$ 8,461	\$ 6,771,254
Current taxes receivable, net	1,422,018	-	-	-	-	-	1,422,018
Delinquent taxes receivable, net	14,720	145,499	-	-	-	-	160,219
Interest receivable	895	477	-	46	-	-	1,418
Total assets	\$ 2,615,069	\$ 142,459	\$ 2,795,947	\$ 1,905,305	\$ 887,668	\$ 8,461	\$ 8,354,909
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities, accounts payable	\$ 1,118,742	\$ -	\$ 593,249	\$ 152,524	\$ 61,339	\$ -	\$ 1,925,854
Deferred inflows of resources:							
Taxes levied for a future period	1,484,509	-	-	-	-	-	1,484,509
Unavailable revenue - property taxes	11,818	142,459	-	-	-	-	154,277
Total deferred inflows of resources	1,496,327	142,459	-	-	-	-	1,638,786
Fund balances:							
Restricted:							
Construction projects	-	-	2,202,698	1,752,781	-	8,461	3,963,940
Committed:							
Hail damage project	-	-	-	-	826,329	-	826,329
Total fund balances	-	-	2,202,698	1,752,781	826,329	8,461	4,790,269
Total liabilities, deferred inflows of resources and fund balances	\$ 2,615,069	\$ 142,459	\$ 2,795,947	\$ 1,905,305	\$ 887,668	\$ 8,461	\$ 8,354,909

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, 2016

	Special Revenue Fund	Debt Service Fund Bond Redemption	Capital Projects Funds				Total Nonmajor Governmental Funds
			Elementary Project	Capital Improvement Plan Project	Hail Damage Project	Middle School Project	
Revenues							
Local sources:							
Taxes	\$ 2,909,503	\$ 1,441,783	\$ -	\$ -	\$ -	\$ -	\$ 4,351,286
Earnings on investments and deposits	4,834	3,643	245	2,925	-	-	11,647
Other	-	-	-	18,583	-	-	18,583
Total local sources	2,914,337	1,445,426	245	21,508	-	-	4,381,516
State sources:							
State sources, other	-	-	-	768,454	-	-	768,454
Total state sources	-	-	-	768,454	-	-	768,454
Total revenues	2,914,337	1,445,426	245	789,962	-	-	5,149,970
Expenditures							
Current:							
Instruction:							
Regular programs:							
Elementary programs	598,532	-	-	-	-	-	598,532
Middle school programs	598,532	-	-	-	-	-	598,532
High school programs	598,532	-	-	-	-	-	598,532
Total regular programs	1,795,596	-	-	-	-	-	1,795,596
Total instruction	1,795,596	-	-	-	-	-	1,795,596
Support services:							
Business:							
Fiscal services	-	500	-	-	-	-	500
Facilities acquisition	-	-	-	299,955	-	-	299,955
Total business	-	500	-	299,955	-	-	300,455
Total support services	-	500	-	299,955	-	-	300,455
Nonprogrammed charges, early retirement payments	1,118,741	-	-	-	-	-	1,118,741
Capital Outlay	-	-	9,802,703	3,631,035	1,071,026	7,870	14,512,634
Total expenditures	2,914,337	500	9,802,703	3,930,990	1,071,026	7,870	17,727,426
Revenues over (under) expenditures	-	1,444,926	(9,802,458)	(3,141,028)	(1,071,026)	(7,870)	(12,577,456)
Other financing sources							
Transfers in	-	-	12,000,000	1,985,219	-	17,000	14,002,219
Transfers out	-	(4,087,779)	-	-	-	-	(4,087,779)
Compensation for loss of capital assets - hail insurance proceeds	-	-	-	-	273,034	-	273,034
Total other financing sources	-	(4,087,779)	12,000,000	1,985,219	273,034	17,000	10,187,474
Net change in fund balances	-	(2,642,853)	2,197,542	(1,155,809)	(797,992)	9,130	(2,389,982)
Fund balance - beginning	-	2,642,853	5,156	2,908,590	1,624,321	(669)	7,180,251
Fund balance (deficit) - ending	\$ -	\$ -	\$ 2,202,698	\$ 1,752,781	\$ 826,329	\$ 8,461	\$ 4,790,269

Sioux Falls School District 49-5

Combining Statement of Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

Assets and Deferred Outflows of Resources	Community Services	House Construction	Post-Secondary Bookstore	Post-Secondary Child Care	Post-Secondary TSI	Totals
Current assets:						
Cash	\$ 2,582,772	\$ 170,565	\$ 903,870	\$ -	\$ -	\$ 3,657,207
Accounts receivable	-	-	82,407	15,871	26,098	124,376
Due from other governments	45	-	16,499	-	36,704	53,248
Inventory and prepaid expenses	-	-	701,081	-	-	701,081
Total current assets	2,582,817	170,565	1,703,857	15,871	62,802	4,535,912
Noncurrent assets:						
Net pension asset	734,146	-	24,807	45,391	50,038	854,382
Capital assets:						
Buildings and improvements	-	-	23,720	-	-	23,720
Improvements other than building	-	-	-	6,866	-	6,866
Machinery and equipment-local funds	122,766	14,521	213,985	15,798	622,755	989,825
Less accumulated depreciation	(69,706)	(13,068)	(175,535)	(19,103)	(510,711)	(788,123)
Total capital assets (net of accumulated depreciation)	53,060	1,453	62,170	3,561	112,044	232,288
Total noncurrent assets	787,206	1,453	86,977	48,952	162,082	1,086,670
Total assets	3,370,023	172,018	1,790,834	64,823	224,884	5,622,582
Deferred outflows of resources, pension-related deferred outflows	1,396,151	-	45,871	91,362	88,924	1,622,308
Total assets and deferred outflows of resources	\$ 4,766,174	\$ 172,018	\$ 1,836,705	\$ 156,185	\$ 313,808	\$ 7,244,890
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts payable	\$ 59,150	\$ -	\$ 16,331	\$ 28	\$ 1,074	\$ 76,583
Accrued wages and related benefits payable	608,799	-	9,337	8,674	7,824	634,634
Due to other funds	61,879	-	1,892	17,701	185,036	266,508
Deferred income	-	-	-	-	-	-
Total current liabilities	729,828	-	27,560	26,403	193,934	977,725
Noncurrent liabilities, net OPEB obligation	22,623	-	733	1,519	1,392	26,267
Total liabilities	752,451	-	28,293	27,922	195,326	1,003,992
Deferred inflows of resources, pension-related deferred inflows	1,089,948	-	36,408	69,015	72,277	1,267,648
Net position:						
Invested in capital assets	53,060	1,453	62,170	3,561	112,044	232,288
Restricted for SDRS pension	1,040,349	-	34,270	67,738	66,685	1,209,042
Unrestricted	1,830,366	170,565	1,675,564	(12,051)	(132,524)	3,531,920
Total net position	2,923,775	172,018	1,772,004	59,248	46,205	4,973,250
Total liabilities, deferred inflows of resources and net position	\$ 4,766,174	\$ 172,018	\$ 1,836,705	\$ 156,185	\$ 313,808	\$ 7,244,890

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, 2016

	Community Services	House Construction	Post-Secondary Bookstore	Post-Secondary Child Care	Post-Secondary TSI	Totals
Operating revenue						
Tuition	\$ 4,044,303	\$ -	\$ -	\$ -	\$ 402,410	\$ 4,446,713
Bookstore sales	-	-	2,191,513	-	-	2,191,513
Other	1,766,579	-	9,443	264,253	33,140	2,073,415
Total operating revenue	5,810,882	-	2,200,956	264,253	435,550	8,711,641
Operating expenses						
Salaries	4,063,605	-	117,903	210,908	211,171	4,603,587
Employee benefits	863,053	-	24,720	73,990	35,011	996,774
Purchased services	621,350	1,233	2,929	1,948	111,259	738,719
Supplies	303,793	-	12,399	5,159	20,748	342,099
Non-capitalized equipment	717	-	-	-	-	717
Cost of sales - purchases	-	-	2,011,566	-	-	2,011,566
Miscellaneous	51,843	-	101,824	1,116	50,296	205,079
Pension expense	82,430	-	2,641	5,656	4,927	95,654
Depreciation - local funds	10,905	1,452	14,063	690	31,797	58,907
Total operating expenses	5,997,696	2,685	2,288,045	299,467	465,209	9,053,102
Operating income (loss)	(186,814)	(2,685)	(87,089)	(35,214)	(29,659)	(341,461)
Nonoperating revenues						
Local sources:						
Gain on disposal of fixed assets	-	-	-	-	(2,004)	(2,004)
Total nonoperating revenues	-	-	-	-	(2,004)	(2,004)
Income (loss) before transfers	(186,814)	(2,685)	(87,089)	(35,214)	(31,663)	(343,465)
Transfers in	-	-	-	172,000	-	172,000
Total contributions and transfers	-	-	-	172,000	-	172,000
Change in net position	(186,814)	(2,685)	(87,089)	136,786	(31,663)	(171,465)
Net position - beginning	3,110,589	174,703	1,859,093	(77,538)	77,868	5,144,715
Net position - ending	\$ 2,923,775	\$ 172,018	\$ 1,772,004	\$ 59,248	\$ 46,205	\$ 4,973,250

Sioux Falls School District 49-5

Combining Statement of Net Position
Internal Service Funds
For the Year Ended June 30, 2016

Assets	Group Health		Totals
	Insurance	Reprographics	
Current assets:			
Cash	\$ 9,941,601	\$ 153,558	\$ 10,095,159
Accounts receivable	3,519	167	3,686
Due from other funds	2,702,156	-	2,702,156
Inventory and prepaid expenses	12,757	29,372	42,129
Total current assets	12,660,033	183,097	12,843,130
Noncurrent assets:			
Capital assets:			
Machinery and equipment-local funds	-	419,507	419,507
Less accumulated depreciation	-	(328,792)	(328,792)
Total capital assets (net of accumulated depreciation)	-	90,715	90,715
Total assets	\$ 12,660,033	\$ 273,812	\$ 12,933,845
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 41,060	\$ 9,054	\$ 50,114
Accrued wages and related benefits payable	-	5,111	5,111
Incurred but not reported claims	3,300,000	-	3,300,000
Due to other funds	-	2,162	2,162
Total current liabilities	3,341,060	16,327	3,357,387
Total liabilities	3,341,060	16,327	3,357,387
Net position:			
Invested in capital assets, net of related debt	-	90,715	90,715
Unrestricted	9,318,973	166,770	9,485,743
Total net position	9,318,973	257,485	9,576,458
Total liabilities and net position	\$ 12,660,033	\$ 273,812	\$ 12,933,845

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, 2016

	Group Health Insurance	Reprographics	Totals
Operating revenue			
Charges equivalent to insurance premiums	\$ 30,040,025	\$ -	\$ 30,040,025
Other	84,322	304,056	388,378
Total operating revenue	30,124,347	304,056	30,428,403
Operating expenses			
Salaries	-	108,766	108,766
Employee benefits	-	35,488	35,488
Purchased services	3,037,054	58,932	3,095,986
Supplies	28,837	21,263	50,100
Insurance claims	26,941,226	-	26,941,226
Depreciation - local funds	-	45,247	45,247
Total operating expenses	30,007,117	269,696	30,276,813
Operating income	117,230	34,360	151,590
Nonoperating revenues (expenses)			
Local sources, investment earnings	37,432	-	37,432
Loss on disposal of fixed assets	-	(5,140)	(5,140)
Total nonoperating revenues (expenses)	37,432	(5,140)	32,292
Change in net position	154,662	29,220	183,882
Net position - beginning	9,164,311	228,265	9,392,576
Net position - ending	\$ 9,318,973	\$ 257,485	\$ 9,576,458

Sioux Falls School District 49-5

Combining Statement of Net Position
 Fiduciary Agency Funds
 June 30, 2016

	Flexible Spending Accounts	Student Activity	Payroll Withholding	Total Agency Funds
Assets				
Cash	\$ 171,008	\$ 4,129,495	\$ 1,367,621	\$ 5,668,124
Accounts receivable	-	-	5,113	5,113
Total assets	\$ 171,008	\$ 4,129,495	\$ 1,372,734	\$ 5,673,237
Liabilities				
Benefits payable	\$ 171,008	-	\$ 1,372,734	\$ 1,543,742
Amounts held for others	-	4,129,495	-	4,129,495
Total liabilities	\$ 171,008	\$ 4,129,495	\$ 1,372,734	\$ 5,673,237

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 2,212,980	\$ 2,212,980	\$ 2,374,586	\$ (161,606)
Administrative, building	5,128,683	5,128,683	5,240,153	(111,470)
Clerical	3,981,597	4,015,009	3,900,230	114,779
Custodial and maintenance	6,459,524	6,459,524	6,221,061	238,463
Custodial manager	834,607	834,607	852,205	(17,598)
Technical/specialist	1,796,226	1,796,226	1,925,759	(129,533)
Instructional	70,115,342	69,918,281	69,406,370	511,911
Executive clerical	154,003	154,003	155,032	(1,029)
Employment contract	2,417,278	2,561,678	2,684,116	(122,438)
Education assistant	1,302,718	1,403,071	1,352,519	50,552
Total regular salaries	94,402,958	94,484,062	94,112,031	372,031
Temporary:				
Administrative	5,358	17,558	20,313	(2,755)
Clerical	-	-	31,504	(31,504)
Custodial and maintenance	101,281	101,281	91,587	9,694
Substitute teachers	2,199,824	2,263,261	1,989,187	274,074
Other	244,469	503,471	524,435	(20,964)
Total temporary salaries	2,550,932	2,885,571	2,657,026	228,545
Total salaries	96,953,890	97,369,633	96,769,057	600,576
Employee benefits:				
Retirement:				
South Dakota Retirement System	4,470,168	4,484,055	3,832,951	651,104
Social Security	6,904,469	6,929,409	6,935,381	(5,972)
Total retirement benefits	11,374,637	11,413,464	10,768,332	645,132
Insurance:				
Long-term disability	36,080	36,106	36,670	(564)
Workers' compensation	756,856	756,856	871,473	(114,617)
Hospital/medical	16,461,884	16,486,738	16,615,645	(128,907)
Dental	1,174,077	1,176,745	1,159,156	17,589
Administrator life	4,767	4,767	2,980	1,787
Basic life	9,174	10,161	15,252	(5,091)
Total insurance benefits	18,442,838	18,471,373	18,701,176	(229,803)
Total employee benefits	29,817,475	29,884,837	29,469,508	415,329

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	3,466,344	3,898,880	3,916,242	(17,362)
Property	523,350	563,884	256,327	307,557
Transportation and travel	3,523,060	4,369,998	4,702,330	(332,332)
Communication	425,047	403,487	421,953	(18,466)
Advertising	56,480	56,480	34,133	22,347
Printing and publishing	863,553	1,035,083	1,152,153	(117,070)
Tuition	1,011,790	1,045,290	1,056,378	(11,088)
Utilities	3,963,026	3,963,026	2,547,249	1,415,777
Repair and maintenance	721,601	727,839	583,744	144,095
Total purchased services	14,554,251	16,063,967	14,670,509	1,393,458
Supplies and materials:				
Supplies	3,966,139	5,491,782	4,648,827	842,955
Textbooks	2,110,065	2,103,048	1,378,740	724,308
Library books	255,097	283,181	235,174	48,007
Periodicals	81,931	98,652	403,233	(304,581)
Food	82,182	697,527	721,068	(23,541)
Non-capitalized equipment	33,050	56,045	59,134	(3,089)
Total supplies and materials	6,528,464	8,730,235	7,446,176	1,284,059
Other:				
Dues and fees	173,895	387,643	375,929	11,714
Insurance and judgments	340,715	340,715	14,022	326,693
Refunding escrow and other	-	225,603	193,878	31,725
Miscellaneous	381,152	162,791	170,812	(8,021)
Total other	895,762	1,116,752	754,641	362,111
Total expenditures	\$ 148,749,842	\$ 153,165,424	\$ 149,109,891	\$ 4,055,533

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Capital Outlay Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	\$ 84,000	\$ 180,200	\$ 265,641	\$ (85,441)
Property insurance	-	330,000	330,739	(739)
Transportation	1,280,000	1,280,000	1,280,000	-
Utilities	-	445,000	445,774	(774)
Total purchased services	1,364,000	2,235,200	2,322,154	(86,954)
Capital acquisitions:				
Buildings and improvements	3,533,273	4,356,910	2,927,641	1,429,269
Land improvements	2,245,565	3,505,133	1,794,081	1,711,052
New equipment	1,051,163	1,418,729	4,331,594	(2,912,865)
Vehicles	205,000	465,000	390,228	74,772
Replacement equipment	2,128,924	2,137,265	2,266,767	(129,502)
Total capital acquisitions	9,163,925	11,883,037	11,710,311	172,726
Other:				
Redemption of principal	6,290,000	6,290,000	6,010,000	280,000
Interest	5,361,833	5,361,833	5,361,834	(1)
Dues and fees	15,000	15,000	26,638	(11,638)
Liability insurance premiums	-	270,000	271,487	(1,487)
Miscellaneous	615,068	615,079	604,048	11,031
Total other	12,281,901	12,551,912	12,274,007	277,905
Total expenditures	\$ 22,809,826	\$ 26,670,149	\$ 26,306,472	\$ 363,677

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 723,553	\$ 723,553	\$ 690,801	\$ 32,752
Administrative, building	57,802	57,802	57,394	408
Clerical	286,436	286,436	274,681	11,755
Technical/specialist	1,969,089	1,969,089	1,826,732	142,357
Instructional	13,977,225	13,977,225	13,414,517	562,708
Executive clerical	43,549	43,549	43,806	(257)
Employment contract	1,987,307	1,987,307	2,177,209	(189,902)
Education assistant	4,138,405	4,138,405	3,737,631	400,774
Total regular salaries	23,183,366	23,183,366	22,222,771	960,595
Temporary:				
Administrative	28,830	28,830	22,493	6,337
Clerical	-	-	1,693	(1,693)
Substitute teachers	388,865	388,865	563,756	(174,891)
Other	46,980	46,980	16,073	30,907
Total temporary salaries	464,675	464,675	604,015	(139,340)
Early retirement payments	226,218	226,218	145,900	80,318
Total salaries	23,874,259	23,874,259	22,972,686	901,573
Employee benefits:				
Retirement:				
South Dakota Retirement System	1,386,032	1,386,032	1,319,939	66,093
Social Security	1,683,935	1,683,935	1,610,068	73,867
Total retirement benefits	3,069,967	3,069,967	2,930,007	139,960
Insurance:				
Long-term disability	9,030	9,030	8,356	674
Workers' compensation	189,259	189,259	204,833	(15,574)
Hospital/medical	4,099,080	4,099,080	4,095,732	3,348
Dental	293,693	293,693	301,312	(7,619)
Administrator life	547	547	309	238
Basic life	2,264	2,264	4,068	(1,804)
Total insurance benefits	4,593,873	4,593,873	4,614,610	(20,737)
Total employee benefits	7,663,840	7,663,840	7,544,617	119,223

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	1,505,983	1,505,983	1,167,940	338,043
Property	64,304	64,304	60,349	3,955
Transportation and travel	2,142,451	2,143,309	2,147,541	(4,232)
Communication	-	700	9,638	(8,938)
Printing and publishing	1,500	3,000	22,927	(19,927)
Tuition	1,171,466	1,171,466	1,286,746	(115,280)
Repair and maintenance	235,500	235,500	178,463	57,037
Total purchased services	5,121,204	5,124,262	4,873,604	250,658
Supplies and materials:				
Supplies	497,722	537,259	307,454	229,805
Textbooks	51,999	50,199	16,543	33,656
Library books	8,870	8,870	2,539	6,331
Periodicals	2,600	2,600	6,003	(3,403)
Food	10,327	11,430	12,820	(1,390)
Non-capitalized equipment	975	975	6,567	(5,592)
Total supplies and materials	572,493	611,333	351,926	259,407
Capital acquisitions, new equipment	150,000	150,000	5,255	144,745
Other:				
Dues and fees	19,580	19,730	18,609	1,121
Insurance and judgments	45,000	45,000	19,895	25,105
Miscellaneous	6,750	6,751	5,236	1,515
Total other	71,330	71,481	43,740	27,741
Total expenditures	\$ 37,453,126	\$ 37,495,175	\$ 35,791,828	\$ 1,703,347

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 925,504	\$ 925,504	\$ 1,022,783	\$ (97,279)
Clerical	434,393	434,393	499,599	(65,206)
Custodial and maintenance	537,459	537,459	509,919	27,540
Custodial manager	117,402	117,402	126,085	(8,683)
Technical/specialist	883,874	883,874	752,553	131,321
Instructional	6,456,379	6,456,379	6,406,076	50,303
Executive clerical	51,700	51,700	51,838	(138)
Employment contract	1,948,164	1,948,164	1,904,038	44,126
Total regular salaries	11,354,875	11,354,875	11,272,891	81,984
Temporary:				
Substitute teachers	16,000	16,000	23,052	(7,052)
Other	239,146	239,146	259,614	(20,468)
Total temporary salaries	255,146	255,146	282,666	(27,520)
Early retirement payments	58,337	58,337	31,898	26,439
Total salaries	11,668,358	11,668,358	11,587,455	80,903
Employee benefits:				
Retirement:				
South Dakota Retirement System	681,292	681,292	633,033	48,259
Social Security	888,171	888,171	827,088	61,083
Total retirement benefits	1,569,463	1,569,463	1,460,121	109,342
Insurance:				
Long-term disability	5,532	5,532	4,849	683
Workers' compensation	130,733	130,733	98,561	32,172
Hospital/medical	1,528,558	1,528,558	1,453,331	75,227
Dental	105,587	105,587	102,592	2,995
Administrator life	576	576	356	220
Basic life	1,509	1,509	1,379	130
Total insurance benefits	1,772,495	1,772,495	1,661,068	111,427
Total employee benefits	3,341,958	3,341,958	3,121,189	220,769

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	1,783,546	1,783,546	1,662,571	120,975
Property	192,900	192,900	185,977	6,923
Transportation and travel	234,997	246,196	207,017	39,179
Communication	100,260	100,260	102,764	(2,504)
Advertising	291,800	291,800	307,347	(15,547)
Printing and publishing	193,445	193,445	131,558	61,887
Utilities	433,000	433,000	421,426	11,574
Repair and maintenance	446,927	446,927	518,766	(71,839)
Total purchased services	3,676,875	3,688,074	3,537,426	150,648
Supplies and materials:				
Supplies	1,277,274	1,284,402	1,112,600	171,802
Library books	21,375	21,375	3,481	17,894
Periodicals	6,785	6,785	1,719	5,066
Food	98,054	99,772	107,606	(7,834)
Non-capitalized equipment	218,560	218,560	160,670	57,890
Total supplies and materials	1,622,048	1,630,894	1,386,076	244,818
Capital acquisitions:				
Buildings and improvements	1,716,126	18,541,355	17,865,598	675,757
Land improvements	134,351	134,351	5,659	128,692
New equipment	1,435,855	2,462,155	1,810,462	651,693
Total capital acquisitions	3,286,332	21,137,861	19,681,719	1,456,142
Other:				
Dues and fees	1,347,535	1,347,805	1,209,063	138,742
Insurance and judgments	98,600	98,600	85,768	12,832
Miscellaneous	25,300	25,307	24,435	872
Bad debt expense	96,000	96,000	235,915	(139,915)
Total other	1,567,435	1,567,712	1,555,181	12,531
Total expenditures	\$ 25,163,006	\$ 43,034,857	\$ 40,869,046	\$ 2,165,811

Sioux Falls School District 49-5

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture:				
Pass-Through the S.D. Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program (Note B)	N/A	10.553	\$ 849,211	\$ -
National School Lunch Program, including commodities (Note B)	N/A	10.555	5,540,983	-
Summer Food Service Program for Children (Note B)	N/A	10.559	81,736	-
Total child nutrition cluster			<u>6,471,930</u>	-
Child and Adult Care Food Program (Note B)	N/A	10.558	377,617	-
Fresh Fruit and Vegetable Program	N/A	10.582	360,084	-
Total U.S. Department of Agriculture			<u>7,209,631</u>	-
U.S. Department of Defense:				
Pass-Through the S.D. Department of Military and Veterans' Affairs:				
National Guard ChalleNge Program - Starbased Program	N/A	12.404	552	-
U.S. Department of the Interior:				
Direct Federal Funding:				
Indian Education_Assistance to Schools - Johnson O'Malley (Note B)	N/A	15.130	21,706	-
U.S. Department of Labor:				
Direct Federal Funding:				
Trade Adjustment Assistance Community College and Career Training Grant	TC-25007-13-60-A-46	17.282	1,456,611	-
National Endowment for the Arts:				
Pass-Through the S.D. Department of Education:				
Promotion of the Arts_Partnership Agreements	N/A	45.025	2,692	-
National Science Foundation:				
Pass-Through the S.D. Department of Education:				
Office of Experimental Program to Stimulate Competitive Research	N/A	47.081	9,071	-
Department of Veterans Affairs:				
Direct Federal Funding:				
Post-9/11 Veterans Educational Assistance	N/A	64.028	108	-
Environmental Protection Agency Office of Air and Radiation:				
Pass-Through the S.D. Department of Education:				
National Clean Diesel Emissions Reduction Program	N/A	66.039	219,012	219,012

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures of Federal Awards (continued)
 Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education:				
Direct Federal Funding:				
Student Financial Assistance Program Cluster:				
Federal Supplemental Educational Opportunity Grants	N/A	84.007	\$ 58,859	\$ -
Federal Work-Study Program	N/A	84.033	62,362	-
Federal Pell Grant Program	N/A	84.063	3,290,134	-
Federal Direct Student Loans (Note C)	N/A	84.268	9,868,444	-
Total student financial assistance cluster	N/A		13,279,799	-
Indian Education - Grants to Local Educational Agencies	N/A	84.060	194,952	-
Pass-Through the S.D. Department of Labor:				
Adult Education - Basic Grants to States	N/A	84.002	185,993	-
Pass-Through the S.D. Department of Education:				
Title I Grants to Local Educational Agencies	N/A	84.010	5,730,898	-
Migrant Education - State Grant Program	N/A	84.011	293,951	-
Special Education Cluster (IDEA):				
Special Education - Grants to States (Note B)	N/A	84.027	4,936,209	-
Special Education - Preschool Grants	N/A	84.173	191,558	-
Total special education cluster			5,127,767	-
Career and Technical Education -- Basic Grants to States	N/A	84.048	892,634	-
Education of Homeless Children and Youth	N/A	84.196	84,787	-
Title III - English Language Acquisition Grants	N/A	84.365	452,665	-
Title II, Part B - Mathematics and Science Partnerships	N/A	84.366	109,556	-
Title II, Part A - Improving Teacher Quality State Grants	N/A	84.367	955,039	-
Total U.S. Department of Education			27,308,041	-

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures of Federal Awards (continued)
 Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services:				
Direct Federal Funding:				
Head Start	N/A	93.600	\$ 2,368,936	\$ -
Pass-Through the S.D. Department of Social Services:				
Temporary Assistance for Needy Families	N/A	93.558	5,016	-
Pass-Through the S.D. Department of Human Services:				
Grants to States for Operation of State Offices of Rural Health	N/A	93.913	6,000	-
Pass-Through the S.D. Department of Health:				
Maternal and Child Health Services Block Grant to the States	N/A	93.994	34,097	-
Pass-Through Lutheran Social Services:				
Refugee and Entrant Assistance Discretionary Grants	N/A	93.576	74,225	74,225
Total U.S. Department of Health and Human Services			2,488,274	74,225
Total federal financial assistance			\$ 38,715,698	\$ 293,237

See Notes to Schedule of Expenditures of Federal Awards.

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2016**

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note B. Reporting

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

Note C. Federal Direct Student Loan Programs

During the fiscal year ended June 30, 2016, the District issued new loans to students under the Federal Direct Student Loan Program (FDLP). The loan program includes Stafford Loans, unsubsidized Stafford Loans and PLUS Program Loans for graduate and professional students. The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the Schedule. The District is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the District's basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the District at June 30, 2016.

Note D. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are generally reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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**

Independent Auditor's Report

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2016. 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. However, material weaknesses may exist that have not been identified.

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*.

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.

RSM US LLP

Sioux Falls, South Dakota
December 21, 2016

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance**

Independent Auditor's Report

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 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, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. 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.

RSM US LLP

Sioux Falls, South Dakota
December 21, 2016

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X 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 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

93.600 Head Start

Dollar threshold used to distinguish between type A and type B programs \$1,161,471

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

II. Financial Statement Findings

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

No matters were reported.

Sioux Falls School District 49-5

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

Finding 2015-001: Inadequate support of salaries and wages charged to federal program

Trade Adjustment Assistance Community College and Career Technical Training Grant (CFDA No. 17.282), Pass-Through the S.D. Department of Education – federal award period 2014/2015

Finding: A signed semi-annual certification for an individual's payroll expenditures charged to the Trade Adjustment Assistance Community College and Career Technical Training Grant was not obtained.

Corrective Action Taken: Human Resources now distributes and collects semi-annual certifications on a timely basis and within the certification period. Additionally Human Resources verifies that the semi-annual certification documentation is on file prior to employment separation.