

**SIOUX VALLEY SCHOOL**  
**DISTRICT NO. 5-5**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**JUNE 30, 2015**

SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

School Board

Gloria Koerlin

Jay Trenhaile

Michelle Strasburg

Gene Bjorklund

Doug Wermedal

Business Manager

Lori Nelson

Superintendent

Tom Oster

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# QUAM & BERGLIN, P.C.

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Sioux Valley School District No. 5-5  
Brookings County, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sioux Valley School District No. 5-5, Brookings County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sioux Valley School District No. 5-5 as of June 30, 2015, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Adoption of New Accounting Standard*

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

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Pension Schedules and the Management's Discussion and Analysis (MD&A), as listed in the Table of Contents, 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 the 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 the 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Quam & Berglin, P.C.*

Quam & Berglin, P.C.  
Certified Public Accountants

February 19, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Sioux Valley School District No. 5-5's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The Sioux Valley School District has experienced a steady increase in students. With increased enrollment comes increased revenue and expenses.
- Expenditures were lower than budgeted due to cost saving measures.
- The District continues to be very financially sound.
- 2015 saw the completion of the Performing Arts Center. The district also purchased nearby land and converted it to a parking lot.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School'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-term and long-term financial information about the activities that the school operates like businesses. Proprietary funds operated by the school are the Food Service, Before and After School Enrichment (BASE) and Driver's Education programs.
  - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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.

Figure A-1  
 Required Components of Sioux Valley School District's Annual Financial Report

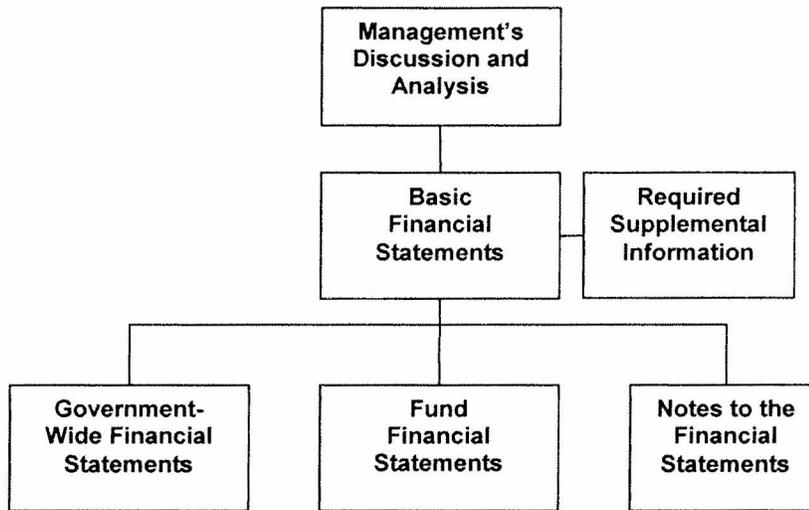


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of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

Figure A-2

Major Features of Sioux Valley School District's Government Wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and secondary education programs.	Activities the School operates similar to private businesses, the food service and latchkey programs.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Net Positions *Statement of Changes in 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 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 School'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 payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

The government-wide statements report information about the School 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. 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 School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – are one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School'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 School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and secondary school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, co-curricular activities (athletics, oral interp, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The School charges fees to help cover the costs of providing certain services. The Food Service, Before and After School Enrichment (BASE) and Driver's Education programs are the business-type activities of the School.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School 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 the Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the School'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 the 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 School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The Food Service Enterprise Fund, the Before and After School Enrichment, and the Driver's Education Program (types of proprietary funds) are the proprietary funds maintained by the School.

- Fiduciary Funds – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School’s combined net position increased as follows:

**Table A-1  
Sioux Valley School District 5-5  
Statement of Net Position**

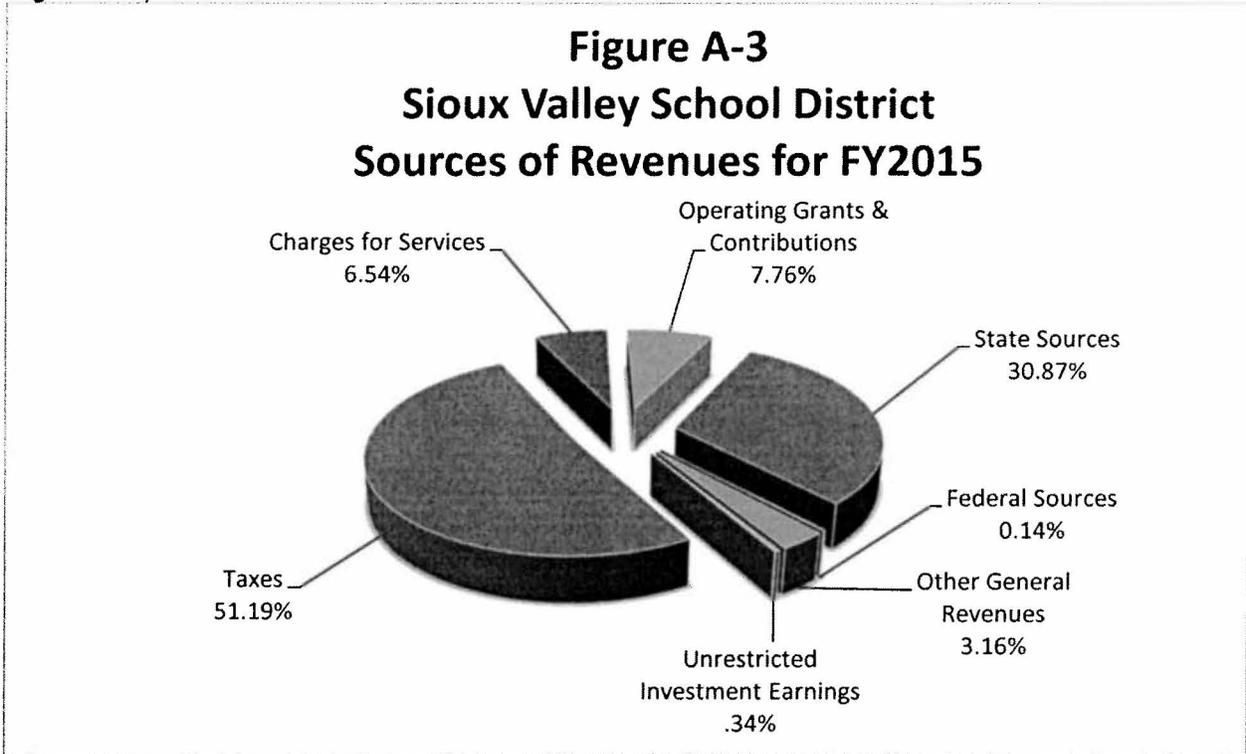
	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	2014	2015	2014	2015	2014	2015	
Current and Other Assets	\$ 6,217,457.36	\$ 6,332,096.02	\$ 174,091.59	\$ 185,452.07	\$ 6,391,548.95	\$ 6,517,548.09	2%
Capital Assets	7,928,097.76	8,856,391.94	45,936.39	40,940.66	7,974,034.15	8,897,332.60	12%
Total Assets	<u>14,145,555.12</u>	<u>15,188,487.96</u>	<u>220,027.98</u>	<u>226,392.73</u>	<u>14,365,583.10</u>	<u>15,414,880.69</u>	7%
Deferred Charges on Refunding		26,666.65				26,666.65	100%
Pension Related Deferred Outflows		876,578.52				876,578.52	100%
Total Deferred Outflows		<u>903,245.17</u>				<u>903,245.17</u>	100%
Long-Term Debt Outstanding	5,576,297.16	5,210,137.70			5,576,297.16	5,210,137.70	-7%
Other Liabilities	734,017.68	754,009.58	15,270.52	25,473.78	749,288.20	779,483.36	4%
Total Liabilities	<u>6,310,314.84</u>	<u>5,964,147.28</u>	<u>15,270.52</u>	<u>25,473.78</u>	<u>6,325,585.36</u>	<u>5,989,621.06</u>	-5%
Pension Related Deferred Inflows		1,129,950.54				1,129,950.54	100%
Taxes Levied for a Future Period	1,389,128.70	1,486,499.34			1,389,128.70	1,486,499.34	7%
Total Deferred Outflows	<u>1,389,128.70</u>	<u>2,616,449.88</u>			<u>1,389,128.70</u>	<u>2,616,449.88</u>	
Net Position:							
Net Investment in Capital Assets	2,486,431.08	3,758,058.59	45,936.39	40,940.66	2,532,367.47	3,798,999.25	50%
Restricted	1,471,951.21	1,260,397.51			1,471,951.21	1,260,397.51	-14%
Unrestricted	<u>2,521,062.61</u>	<u>2,492,679.87</u>	<u>158,821.07</u>	<u>159,978.29</u>	<u>2,679,883.68</u>	<u>2,652,658.16</u>	-1%
Total Net Position	<u>6,479,444.90</u>	<u>7,511,135.97</u>	<u>204,757.46</u>	<u>200,918.95</u>	<u>6,684,202.36</u>	<u>7,712,054.92</u>	15%
Beginning Net Position	<u>5,746,562.93</u>	<u>7,003,337.33</u>	<u>204,585.84</u>	<u>204,757.46</u>	<u>5,951,148.77</u>	<u>7,208,094.79</u>	21%
Increase (Decrease) in Net Position	<u>\$ 732,881.97</u>	<u>\$ 507,798.64</u>	<u>\$ 171.62</u>	<u>\$ (3,838.51)</u>	<u>\$ 733,053.59</u>	<u>\$ 503,960.13</u>	-31%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, capital outlay certificates, capital acquisition financing leases, and early retirement benefits payable, have been reported in this manner on the Statement of Net Position. The difference between the school’s assets and liabilities is its net position.

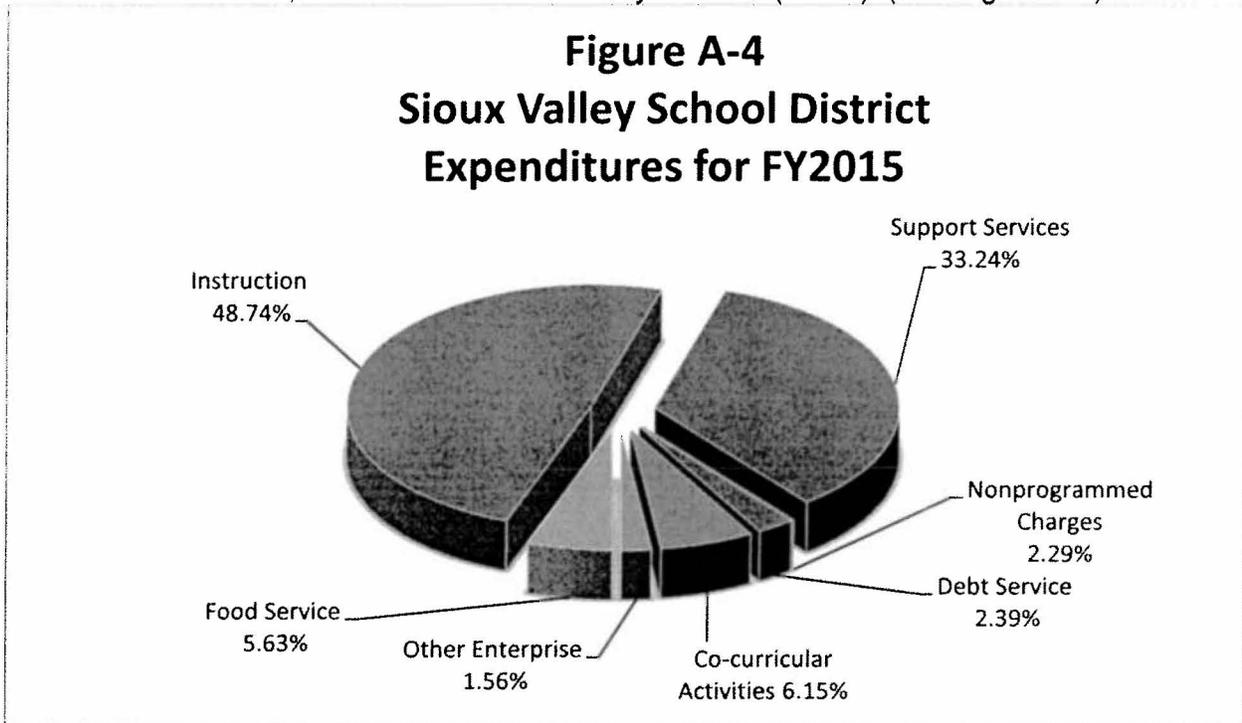
### Changes in Net position

This section shows condensed financial comparison of revenues and expenses and provides explanations for significant differences.

The School's revenues totaled \$6,243,687. (See Table A-2.) Approximately 51% of the School's revenue comes from property and other taxes, and 31% comes from state aid. (See Figure A-3).



The School's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, food services and latchkey services (BASE). (See Figure A-4)



## GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 considers the operations of the governmental activities.

**Table A-2**  
**Sioux Valley School District 5-5**  
**Changes in Net Position**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>						
Program Revenue:						
Charges for Services	\$ 42,731.42	\$ 84,321.62	\$ 307,189.99	\$ 324,179.37	\$ 349,921.41	\$ 408,500.99
Operating Grants and Contributions	490,342.71	375,369.05	96,527.16	108,859.81	586,869.87	484,228.86
General Revenues:						
Taxes	2,976,950.67	3,196,139.47			2,976,950.67	3,196,139.47
Revenue State Sources	1,697,156.35	1,927,614.60			1,697,156.35	1,927,614.60
Revenue Federal Sources	3,892.50	8,844.23			3,892.50	8,844.23
Other General Revenues	236,908.50	197,596.41	2,425.00		239,333.50	197,596.41
Unrestricted Investment Earnings	<u>26,223.57</u>	<u>20,762.69</u>			<u>26,223.57</u>	<u>20,762.69</u>
<b>Total Revenues</b>	<b><u>5,474,205.72</u></b>	<b><u>5,810,648.07</u></b>	<b><u>406,142.15</u></b>	<b><u>433,039.18</u></b>	<b><u>5,880,347.87</u></b>	<b><u>6,243,687.25</u></b>
<b>Expenses:</b>						
Instruction	2,602,497.94	2,818,326.25			2,602,497.94	2,818,326.25
Support Services	1,619,393.93	1,984,822.55			1,619,393.93	1,984,822.55
Nonprogrammed Charges	250.00				250.00	
Interest on Long-Term Debt	173,393.06	142,701.67			173,393.06	142,701.67
Co-curricular Activities	343,746.01	356,998.96			343,746.01	356,998.96
Other Enterprise			102,183.09	114,471.70	102,183.09	114,471.70
Food Service			<u>305,830.25</u>	<u>322,405.99</u>	<u>305,830.25</u>	<u>322,405.99</u>
<b>Total Expenses</b>	<b><u>4,739,280.94</u></b>	<b><u>5,302,849.43</u></b>	<b><u>408,013.34</u></b>	<b><u>436,877.69</u></b>	<b><u>5,147,294.28</u></b>	<b><u>5,739,727.12</u></b>
Excess (Deficiency) Before Transfers	734,924.78	507,798.64	(1,871.19)	(3,838.51)	733,053.59	503,960.13
Transfers	<u>(2,042.81)</u>		<u>2,042.81</u>			
Prior Period Adjustment		<u>523,892.43</u>				<u>523,892.43</u>
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ 732,881.97</u></b>	<b><u>\$ 507,798.64</u></b>	<b><u>\$ 171.62</u></b>	<b><u>\$ (3,838.51)</u></b>	<b><u>\$ 733,053.59</u></b>	<b><u>\$ 503,960.13</u></b>

### BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities increased nearly 7% to \$433,039; likewise, there was a 7% increase in expenses. Factors contributing to these results included:

- The Before and After School Enrichment (BASE) program had an increase in expenses and revenue due to increased enrollment.
- The Driver's Education Program continues to serve the maximum amount of students allowable.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund had a slight decrease in fund balance as a result of technology, salary and benefits increases and curriculum investments. The Capital Outlay Fund decreased due to the completion of the Performing Arts Center. The Pension Fund had an increase in fund balance. This fund will fluctuate based on the number of early retirees. The Special Education Fund had a small decrease in Fund Balance.

## BUDGETARY HIGHLIGHTS

The School Board adopted the FY2015 Budget on July 14, 2014.

## CAPITAL ASSET ADMINISTRATION

By the end of 2015, the School had invested \$11,022,575 in a broad range of capital assets, including land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$1,157,230 over last year.

**Table A-3**  
**Sioux Valley School District 5-5**  
**Capital Assets**

	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	
Land	\$ 20,679	\$ 66,750	\$	\$	\$ 20,679	\$ 66,750	223%
Construction Work-In-Progress	2,240,006	34,551			2,240,006	34,551	-98%
Buildings	5,509,865	8,770,149			5,509,865	8,770,149	59%
Improvement Other Than Bldgs	795,616	847,597			795,616	847,597	7%
Library Books	177,292	180,892			177,292	180,892	2%
Machinery & Equipment	<u>1,016,645</u>	<u>1,017,394</u>	<u>85,242</u>	<u>85,242</u>	<u>1,101,887</u>	<u>1,102,636</u>	0%
Total	<u>\$9,760,103</u>	<u>\$ 10,917,333</u>	<u>\$85,242</u>	<u>\$85,242</u>	<u>\$9,845,345</u>	<u>\$ 11,002,575</u>	12%
Less Accumulated Depreciation	<u>(1,832,005)</u>	<u>(2,060,941)</u>	<u>(39,306)</u>	<u>(44,301)</u>	<u>(1,871,311)</u>	<u>(2,105,242)</u>	
Net Capital Assets	<u>\$7,928,098</u>	<u>\$ 8,856,392</u>	<u>\$45,936</u>	<u>\$40,941</u>	<u>\$7,974,034</u>	<u>\$ 8,897,333</u>	

This year's capital asset purchases were library books, wellness center improvements, land purchase and parking lot completion and completion of the Performing Arts Center.

## LONG-TERM DEBT

At year-end the School had \$5,210,137 in long-term obligations as shown on Table A-4 below. This declines as payments are made on Capital Outlay certificates.

**Table A-4**  
**Sioux Valley School District 5-5**  
**Outstanding Debt and Obligations**

	Governmental Activities		Total Change	Total Percent Change
	<u>2014</u>	<u>2015</u>		
Compensated Absences	\$ 11,957.16	\$ 11,827.70	\$ (129.46)	-1%
Early Retirement	89,340.00	37,610.00	(51,730.00)	-58%
Capital Acquisition Lease		35,700.00	35,700.00	100%
Capital Outlay Certificates	<u>5,475,000.00</u>	<u>5,125,000.00</u>	<u>(350,000.00)</u>	-6%
Total	<u>\$ 5,576,297.16</u>	<u>\$ 5,210,137.70</u>	<u>\$ (366,159.46)</u>	-7%

The School issued Capital Outlay Certificates during fiscal year 2005. The proceeds were used to construct a new lunchroom, commons, and physical education center. The School refunded the Capital Outlay Certificates in September 2009. During fiscal year 2012, the School refinanced the 15 year Capital Outlay Lease Purchase Agreement for HVAC renovations with a promissory note at First National Bank in Volga, SD. This note was paid off during fiscal year 2014 with the proceeds of the new issue of Capital Outlay Certificates. This issue was \$3,800,000 to finance the construction of the Performing Arts Center as well as pay off the note at First National Bank in Volga. The School also received during fiscal year 2012, a \$500,000 allocation of Qualified Zone Academy Bonds which will be repaid interest free over 30 years.

The School is liable for the accrued vacation leave payable to the superintendent, business manager, secretary, custodians, and BASE director.

The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 50% of their last year's salary in equal payments spread over three years. This plan allows the school to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The School's current economic position has shown little change. One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the 2014-15 school year ensures that property taxes plus state aid will equal approximately \$4,781 per pupil. The school district's state aid enrollment increased from 582 students in 2014 to 633 students in 2015.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sioux Valley School's Business Office, 200 Hansina Avenue, PO Box 278, Volga, SD 57071.

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,978,726.44	\$ 176,346.01	\$ 3,155,072.45
Investments	600,000.00		600,000.00
Accounts Receivable	85,870.00	6,932.68	92,802.68
Taxes Receivable	1,490,837.05		1,490,837.05
Due from Other Governments	121,837.16		121,837.16
Inventories		2,173.38	2,173.38
Net Pension Asset	975,635.63		975,635.63
Restricted Assets:			
Cash with Fiscal Agent	79,189.74		79,189.74
Capital Assets:			
Land and Construction in Progress	101,300.20		101,300.20
Other Capital Assets, Net of Depreciation	8,755,091.74	40,940.66	8,796,032.40
<b>TOTAL ASSETS</b>	<u>15,188,487.96</u>	<u>226,392.73</u>	<u>15,414,880.69</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Charges on Refunding Debt	26,666.65		26,666.65
Pension Related Deferred Outflows	876,578.52		876,578.52
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>903,245.17</u>		<u>903,245.17</u>
<b>LIABILITIES :</b>			
Accounts Payable	374,196.02	4,252.98	378,449.00
Accrued Wages & Benefits Payable	379,813.56	7,444.38	387,257.94
Unearned Revenue		13,776.42	13,776.42
Noncurrent Liabilities:			
Due Within One Year	449,321.49		449,321.49
Due in More than One Year	4,760,816.21		4,760,816.21
<b>TOTAL LIABILITIES</b>	<u>5,964,147.28</u>	<u>25,473.78</u>	<u>5,989,621.06</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for Future Period	1,486,499.34		1,486,499.34
Pension Related Deferred Inflows	1,129,950.54		1,129,950.54
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,616,449.88</u>		<u>2,616,449.88</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,758,058.59	40,940.66	3,798,999.25
Restricted for:			
Capital Outlay	366,307.28		366,307.28
Special Education	32,753.80		32,753.80
Debt Service	79,189.74		79,189.74
Pension	59,883.08		59,883.08
SDRS Pension Purposes	722,263.61		722,263.61
Unrestricted	2,492,679.87	159,978.29	2,652,658.16
<b>TOTAL NET POSITION</b>	<u>\$ 7,511,135.97</u>	<u>\$ 200,918.95</u>	<u>\$ 7,712,054.92</u>

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,818,326.25	\$	\$ 284,969.05	\$ (2,533,357.20)	\$	\$ (2,533,357.20)
Support Services	1,984,822.55	41,210.48		(1,943,612.07)		(1,943,612.07)
*Interest on Long-term Debt	142,701.67			(142,701.67)		(142,701.67)
Cocurricular Activities	356,998.96	43,111.14	90,400.00	(223,487.82)		(223,487.82)
Total Governmental Activities	<u>5,302,849.43</u>	<u>84,321.62</u>	<u>375,369.05</u>	<u>(4,843,158.76)</u>		<u>(4,843,158.76)</u>
Business-type Activities:						
Food Service	322,405.99	202,379.45	108,859.81		(11,166.73)	(11,166.73)
Latchkey	108,252.69	114,924.92			6,672.23	6,672.23
Driver's Education	6,219.01	6,875.00			655.99	655.99
Total Business-Type Activities	<u>436,877.69</u>	<u>324,179.37</u>	<u>108,859.81</u>		<u>(3,838.51)</u>	<u>(3,838.51)</u>
Total Primary Government	<u>\$ 5,739,727.12</u>	<u>\$ 408,500.99</u>	<u>\$ 484,228.86</u>	<u>(4,843,158.76)</u>	<u>(3,838.51)</u>	<u>(4,846,997.27)</u>

\*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

**General Revenues:**

Taxes:

Property Taxes 3,092,784.90 3,092,784.90

Utility Taxes 103,354.57 103,354.57

Revenue from State Sources:

State Aid 1,927,614.60 1,927,614.60

Revenue from Federal Sources 8,844.23 8,844.23

Unrestricted Investment Earnings 20,762.69 20,762.69

Other General Revenues 197,596.41 197,596.41

Total General Revenues  
and Transfers 5,350,957.40 5,350,957.40

Change in Net Position 507,798.64 (3,838.51) 503,960.13

Net Position - Beginning 6,479,444.90 204,757.46 6,684,202.36

Prior Period Adjustment 523,892.43 523,892.43

Adjusted Net Position-Beginning 7,003,337.33 204,757.46 7,208,094.79

NET POSITION - ENDING \$ 7,511,135.97 \$ 200,918.95 \$ 7,712,054.92

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

SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Certificate Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,112,053.12	\$ 683,804.38	\$ 85,476.76	\$ 97,392.18	\$	\$ 2,978,726.44
Cash with Fiscal Agent					79,189.74	79,189.74
Investments	600,000.00					600,000.00
Accounts Receivable	85,870.00					85,870.00
Taxes Receivable--Current	733,577.43	472,051.39	233,665.29	47,205.23		1,486,499.34
Taxes Receivable--Delinquent	2,607.15	1,090.71	538.95	100.90		4,337.71
Due from Other Governments	121,837.16					121,837.16
<b>TOTAL ASSETS</b>	<u>\$ 3,655,944.86</u>	<u>\$ 1,156,946.48</u>	<u>\$ 319,681.00</u>	<u>\$ 144,698.31</u>	<u>\$ 79,189.74</u>	<u>\$ 5,356,460.39</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	\$ 70,277.48	\$ 282,887.81	\$ 21,030.73	\$	\$	\$ 374,196.02
Contracts Payable	264,546.86		25,585.90			290,132.76
Payroll Deductions and Withholdings and Employer Matching Payable	83,035.52		6,645.28			89,680.80
<b>Total Liabilities</b>	<u>417,859.86</u>	<u>282,887.81</u>	<u>53,261.91</u>			<u>754,009.58</u>
Deferred Inflows of Resources:						
Taxes Levied for a Future Period	733,577.43	472,051.39	233,665.29	47,205.23		1,486,499.34
Unavailable Revenue-Property Taxes	2,607.15	1,090.71	538.95	100.90		4,337.71
<b>Total Deferred Inflows of Resources</b>	<u>736,184.58</u>	<u>473,142.10</u>	<u>234,204.24</u>	<u>47,306.13</u>		<u>1,490,837.05</u>
Fund Balances:						
Restricted		400,916.57	32,214.85	97,392.18	79,189.74	609,713.34
Assigned	634,957.00					634,957.00
Unassigned	1,866,943.42					1,866,943.42
<b>Total Fund Balances</b>	<u>2,501,900.42</u>	<u>400,916.57</u>	<u>32,214.85</u>	<u>97,392.18</u>	<u>79,189.74</u>	<u>3,111,613.76</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,655,944.86</u>	<u>\$ 1,156,946.48</u>	<u>\$ 319,681.00</u>	<u>\$ 144,698.31</u>	<u>\$ 79,189.74</u>	<u>\$ 5,356,460.39</u>

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Fund Balances - Governmental Funds		\$3,111,613.76
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	\$ 10,917,333.40	
Accumulated Depreciation	<u>(2,060,941.46)</u>	8,856,391.94
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Capital Outlay Certificates Payable	(5,125,000.00)	
Capital Lease Payable	(35,700.00)	
Compensated Absences	(11,827.70)	
Early Retirement Benefits Payable	<u>(37,610.00)</u>	(5,210,137.70)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		
		975,635.63
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		
		876,578.52
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds		
		(1,129,950.54)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.		
		4,337.71
Deferred charges on refunded debt, which are not accounted in the governmental funds, are accounted for in the Statement of Net Position. Deferred amount is:		
		<u>26,666.65</u>
Net Position - Governmental Funds		<u>\$7,511,135.97</u>

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Certificate Fund	Total Governmental Funds
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 1,521,433.20	\$ 974,921.21	\$ 492,359.41	\$ 97,492.10	\$	\$ 3,086,205.92
Prior Years' Ad Valorem Taxes	1,186.26	779.18	380.73	75.08		2,421.25
Utility Taxes	103,354.57					103,354.57
Penalties and Interest on Taxes	2,160.98	687.04	350.18	67.81		3,266.01
Earnings on Investments and Deposits	20,617.73				144.96	20,762.69
Cocurricular Activities:						
Admissions	29,096.00					29,096.00
Other Pupil Activity Income	14,015.14					14,015.14
Other Revenue from Local Sources:						
Rentals	2,281.80					2,281.80
Contributions and Donations		90,400.00				90,400.00
Charges for Services	5,559.60		1,763.28			7,322.88
Other	17,649.45	6,767.28				24,416.73
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	61,486.99					61,486.99
Revenue in Lieu of Taxes	6,519.41	1,163.86	1,398.96	167.39		9,249.62
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	1,927,614.60					1,927,614.60
Restricted Grants-in-Aid	9,875.00		106,678.00			116,553.00
Other State Revenue	1,350.00					1,350.00
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	8,844.23					8,844.23
Restricted Grants-in-Aid Received from Federal Government Through the State	103,699.00					103,699.00
Other Federal Revenue	40,053.00				23,314.05	63,367.05
<b>Total Revenue</b>	<u>3,876,796.96</u>	<u>1,074,718.57</u>	<u>602,930.56</u>	<u>97,802.38</u>	<u>23,459.01</u>	<u>5,675,707.48</u>

**Expenditures:**

## Instruction:

## Regular Programs:

Elementary	1,040,275.20	33,940.35	1,074,215.55
Middle/Junior High	345,776.78	20,484.90	366,261.68
High School	780,017.80	41,774.17	821,791.97

## Special Programs:

Programs for Special Education		486,250.68	486,250.68
Programs for Educationally Deprived	83,542.89		83,542.89

## Support Services:

## Pupils:

Attendance and Social Work	51.53		51.53
Guidance	80,120.12	617.04	80,737.16
Health	227.83		227.83
Psychology		9,891.84	9,891.84
Speech Pathology		43,563.87	43,563.87
Student Therapy		15,001.32	15,001.32

## Support Services - Instructional Staff:

Improvement of Instruction	32,425.20		32,425.20
Educational Media	116,528.22	23,419.50	139,947.72

## Support Services - General Administration:

Board of Education	51,174.54	939.78	52,114.32
Executive Administration	195,894.77		195,894.77

## Support Services - School Administration:

Office of the Principal	252,915.95	13,241.02	266,156.97
Other	160.71		160.71

## Support Services - Business:

Fiscal Services	117,308.68	800.00	118,108.68
Facilities Acquisition and Construction		228,137.09	228,137.09
Operation and Maintenance of Plant	526,570.91	20,752.00	547,322.91
Pupil Transportation	132,767.39		132,767.39
Staff	1,797.25		1,797.25

## Support Services - Special Education:

Administrative Costs		10,883.09	10,883.09
Transportation Costs		11,832.40	11,832.40
Other Special Education Costs		26,217.87	26,217.87

## Nonprogrammed Charges:

Early Retirement Payments		51,730.00	51,730.00
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**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Debt Services		469,860.95			23,314.05	493,175.00
Cocurricular Activities:						
Male Activities	61,622.30	18,380.25				80,002.55
Female Activities	50,380.63	20,083.68				70,464.31
Transportation	30,694.48					30,694.48
Combined Activities	139,133.30	12,800.29				151,933.59
Capital Outlay		1,169,896.09				1,169,896.09
Total Expenditures	<u>4,039,386.48</u>	<u>2,073,570.29</u>	<u>605,197.89</u>	<u>51,730.00</u>	<u>23,314.05</u>	<u>6,793,198.71</u>
Excess of Revenue Over (Under) Expenditures	(162,589.52)	(998,851.72)	(2,267.33)	46,072.38	144.96	(1,117,491.23)
<b>Other Financing Sources:</b>						
Transfers In					26,315.79	26,315.79
Transfers (Out)		(26,315.79)				(26,315.79)
General Long-Term Debt Issued		42,840.00				42,840.00
Sale of Surplus Property	95,400.00					95,400.00
Total Other Financing Sources	<u>95,400.00</u>	<u>16,524.21</u>			<u>26,315.79</u>	<u>138,240.00</u>
Net Change in Fund Balances	(67,189.52)	(982,327.51)	(2,267.33)	46,072.38	26,460.75	(979,251.23)
Fund Balance Beginning	<u>2,569,089.94</u>	<u>1,383,244.08</u>	<u>34,482.18</u>	<u>51,319.80</u>	<u>52,728.99</u>	<u>4,090,864.99</u>
FUND BALANCE - ENDING	<u>\$ 2,501,900.42</u>	<u>\$ 400,916.57</u>	<u>\$ 32,214.85</u>	<u>\$ 97,392.18</u>	<u>\$79,189.74</u>	<u>\$ 3,111,613.76</u>

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

**SIoux VALLEY SCHOOL DISTRICT NO. 5-5  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (979,251.23)

Amounts reported for governmental activities in the statement of activities are different because:

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year. 891.72

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. This is the change in early retirement benefits payable and compensated absences.

Early Retirement Benefits Payable	\$ 51,730.00	
Compensated Absences Payable	<u>129.46</u>	51,859.46

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay expense exceeds depreciation in the period.

Depreciation Expense	(239,040.30)	
Capital Outlays	<u>1,169,896.09</u>	930,855.79

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 357,140.00

When bonds are issued there are often deferred charges involved. This deferred charge is deferred over the life of the bond issued. (6,666.67)

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (42,840.00)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 198,371.18

In the statement of activities, losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (2,561.61)

Change in Net Position of Governmental Activities \$ 507,798.64

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 47,141.18	\$ 129,204.83	\$ 176,346.01
Accounts Receivable	1,884.39	5,048.29	6,932.68
Inventory of Donated Food	2,173.38		2,173.38
Total Current Assets	<u>51,198.95</u>	<u>134,253.12</u>	<u>185,452.07</u>
Capital Assets:			
Machinery and Equipment	85,242.01		85,242.01
Less: Accumulated Depreciation	<u>(44,301.35)</u>		<u>(44,301.35)</u>
Total Noncurrent Assets	<u>40,940.66</u>		<u>40,940.66</u>
<b>TOTAL ASSETS</b>	<u>92,139.61</u>	<u>134,253.12</u>	<u>226,392.73</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable		4,252.98	4,252.98
Contracts Payable	230.77	6,450.16	6,680.93
Payroll Deductions and Withholdings and Employers Matching Payable	151.26	612.19	763.45
Unearned Revenue	<u>13,776.42</u>		<u>13,776.42</u>
Total Current Liabilities	<u>14,158.45</u>	<u>11,315.33</u>	<u>25,473.78</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	40,940.66		40,940.66
Unrestricted Net Position	<u>37,040.50</u>	<u>122,937.79</u>	<u>159,978.29</u>
Total Net Position	<u>\$ 77,981.16</u>	<u>\$ 122,937.79</u>	<u>\$ 200,918.95</u>

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	
<b>Operating Revenue:</b>			
Food Sales:			
To Pupils	\$ 196,777.85	\$	\$ 196,777.85
To Adults	5,601.60		5,601.60
Other Charges for Goods & Services		121,799.92	121,799.92
Total Operating Revenue	<u>202,379.45</u>	<u>121,799.92</u>	<u>324,179.37</u>
<b>Operating Expenses:</b>			
Salaries	8,373.71	78,898.53	87,272.24
Employee Benefits	3,174.50	7,904.25	11,078.75
Purchased Services	279,256.07	12,161.49	291,417.56
Supplies	10,266.11	11,589.39	21,855.50
Cost of Sales-Purchased		3,918.04	3,918.04
Cost of Sales-Donated Food	16,339.87		16,339.87
Depreciation-Local Funds	4,995.73		4,995.73
Total Operating Expenses	<u>322,405.99</u>	<u>114,471.70</u>	<u>436,877.69</u>
Operating Income (Loss)	<u>(120,026.54)</u>	<u>7,328.22</u>	<u>(112,698.32)</u>
<b>Nonoperating Revenue (Expense):</b>			
State Sources:			
Cash Reimbursements	1,798.27		1,798.27
Federal Sources:			
Cash Reimbursements	90,787.64		90,787.64
Donated Food	16,273.90		16,273.90
Total Nonoperating Revenue (Expense)	<u>108,859.81</u>		<u>108,859.81</u>
Income Before Contributions	<u>(11,166.73)</u>	<u>7,328.22</u>	<u>(3,838.51)</u>
Change in Net Position	(11,166.73)	7,328.22	(3,838.51)
Net Position - Beginning	<u>89,147.89</u>	<u>115,609.57</u>	<u>204,757.46</u>
NET POSITION - ENDING	<u>\$ 77,981.16</u>	<u>\$ 122,937.79</u>	<u>\$ 200,918.95</u>

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Funds</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 207,663.36	\$ 125,887.63	\$ 333,550.99
Payments to Suppliers	(289,522.18)	(24,917.21)	(314,439.39)
Payments to Employees	(11,401.84)	(84,734.86)	(96,136.70)
Net Cash Provided (Used) by Operating Activities	<u>(93,260.66)</u>	<u>16,235.56</u>	<u>(77,025.10)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants	<u>92,585.91</u>	<u>                    </u>	<u>92,585.91</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (674.75)</u>	<u>\$ 16,235.56</u>	<u>\$ 15,560.81</u>
Cash and Cash Equivalents at Beginning of Year	\$ 47,815.93	\$ 112,969.27	\$ 160,785.20
Cash and Cash Equivalents at End of Year	<u>47,141.18</u>	<u>129,204.83</u>	<u>176,346.01</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (674.75)</u>	<u>\$ 16,235.56</u>	<u>\$ 15,560.81</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (120,026.54)	\$ 7,328.22	\$ (112,698.32)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	4,995.73		4,995.73
Value of Donated Commodities Used	16,339.87		16,339.87
Change in Assets and Liabilities:			
Accounts Receivable	46.65	4,087.71	4,134.36
Unearned Revenue	5,237.26		5,237.26
Accounts Payable and Other Payables	<u>146.37</u>	<u>4,819.63</u>	<u>4,966.00</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (93,260.66)</u>	<u>\$ 16,235.56</u>	<u>\$ (77,025.10)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 16,273.90		

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 14,568.92	\$ 19,592.53
Accounts Receivable		24.70
TOTAL ASSETS	14,568.92	19,617.23
<b>LIABILITIES:</b>		
Amounts Held for Others		19,617.23
Total Liabilities		\$ 19,617.23
<b>NET POSITION</b>		
Held in Trust for Scholarships	\$ 14,568.92	

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

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>Private-Purpose Trust Funds</u></b>
<b>ADDITIONS:</b>	
Contributions and Donations	<u>\$ 20,252.61</u>
Total Additions	<u>20,252.61</u>
<b>DEDUCTIONS:</b>	
Trust Deductions for Scholarships	12,702.95
Trust Deductions from the Angel Fund	<u>544.97</u>
Total Deductions	<u>13,247.92</u>
Change in Net Position	7,004.69
Net Position - Beginning	<u>7,564.23</u>
<b>NET POSITION - ENDING</b>	<b><u><u>\$ 14,568.92</u></u></b>

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

SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Sioux Valley School District No. 5-5, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

#### **Governmental Funds:**

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

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

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

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

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

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

2012 QZAB Redemption Fund – A fund established to account for the funds restricted to use for the payment of principal and interest on Qualified Zone Academy Bonds. This is a major fund.

## **Proprietary Funds:**

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

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

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

Other Enterprise Fund - A fund used to record financial transactions related to after school programs conducted for the benefit of the children (BASE). The after school program part of the fund is financed by user charges and grants. The fund is also used to account for driver's education financial transactions. This is a major fund.

## **Fiduciary Funds:**

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

*Agency Funds* - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: student class funds, student club funds, and clearing accounts.

*Private-Purpose Trust Funds* - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains a private-purpose trust fund for scholarships which are primarily funded through current contributions and an Angel Tree Fund for student needs.

### c. Measurement Focus and Basis of Accounting

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

**Measurement Focus:***Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**Basis of Accounting:***Government-wide Financial Statements:*

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

*Fund Financial Statements:*

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days, which is one bill-paying cycle. The revenues which are accrued at June 30, 2015 are amounts due mainly from other governments for grants.

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

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

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

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payable have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments

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

Investments classified in the financial statements consist entirely (primarily) of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets

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

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

*Government-Wide 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. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 0.46% for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities are all valued at the original cost.

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

Land is an inexhaustible capital asset and is not depreciated.

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	NA	NA
Improvements	\$ 5,000	Straight Line	20 years
Buildings	5,000	Straight Line	50-99 years
Machinery and Automotive Equipment	4,000	Straight Line	5-20 years
Furniture and Equipment	5,000	Straight Line	5-20 years
Food Service Machinery and Equipmen	500	Straight Line	12 years

*Fund Financial Statements:*

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

g. Long-Term Liabilities:

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

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

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

#### h. Program Revenues

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

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

#### i. Proprietary Funds Revenue and Expense Classifications:

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

#### j. Cash and Cash Equivalents:

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

#### k. Equity Classifications

##### *Government-wide Financial Statements:*

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

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

##### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund

equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

I. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures

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

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

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

The School District has not adopted a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

**SIOUX VALLEY SCHOOL DISTRICT NO. 05-5  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Debt Service Fund	Total Governmental Funds
<b>Fund Balances:</b>						
<i>Restricted for:</i>						
Capital Outlay	\$	\$ 400,916.57	\$	\$	\$	\$ 400,916.57
Special Education			32,214.85			32,214.85
Pension				97,392.18		97,392.18
Debt Service					79,189.74	79,189.74
<i>Assigned to:</i>						
Subsequent Year's Budget	559,419.00					559,419.00
<i>Unassigned</i>	<u>1,942,481.42</u>					<u>1,942,481.42</u>
<b>Total Fund Balances</b>	<b><u>\$ 2,501,900.42</u></b>	<b><u>\$ 400,916.57</u></b>	<b><u>\$ 32,214.85</u></b>	<b><u>\$ 97,392.18</u></b>	<b><u>\$ 79,189.74</u></b>	<b><u>\$ 3,111,613.76</u></b>

n. Pensions

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

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments - In general, SDCL 4-5-6 permits school funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of

the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

Concentration of Credit Risk - The school district places no limit on the amount that may be invested in any one issuer.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund, except for the private purpose trust fund and debt service fund, which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resource for the investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

### NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 79,189.74	For Debt Service, by debt covenants (sinking funds required to be in a separate account)

### NOTE 4 - RECEIVABLES AND PAYABLES

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

### NOTE 5 - INVENTORY

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

#### NOTE 6 - PROPERTY TAXES

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

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

**NOTE 7 - CHANGES IN CAPITAL ASSETS:**

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

***Primary Government:***

	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
Capital Assets, not depreciated:				
Land	\$ 20,679.00	\$ 46,070.70	\$	\$ 66,749.70
Constuction Work-In-Progress	2,240,005.89	1,054,829.50	3,260,284.89	34,550.50
Totals	<u>2,260,684.89</u>	<u>1,100,900.20</u>	<u>3,260,284.89</u>	<u>101,300.20</u>
Capital Assets, being depreciated:				
Buildings	5,509,864.56	3,260,284.89		8,770,149.45
Improvements	795,616.34	51,980.99		847,597.33
Library Books	177,291.86	10,034.78	6,434.17	180,892.47
Machinery and Equipment	1,016,644.73	6,980.12	6,230.90	1,017,393.95
Totals	<u>7,499,417.49</u>	<u>3,329,280.78</u>	<u>12,665.07</u>	<u>10,816,033.20</u>
Less Accumulated Depreciation:				
Buildings	1,216,067.20	128,808.13		1,344,875.33
Improvements	179,395.28	42,050.43		221,445.71
Library Books	61,113.74	9,044.62	6,434.17	63,724.19
Machinery and Equipment	375,428.40	59,137.12	3,669.29	430,896.23
Totals	<u>1,832,004.62</u>	<u>239,040.30</u>	<u>10,103.46</u>	<u>2,060,941.46</u>
Capital Assets being depreciated, net	<u>5,667,412.87</u>	<u>3,090,240.48</u>	<u>2,561.61</u>	<u>8,755,091.74</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,928,097.76</u>	<u>\$ 4,191,140.68</u>	<u>\$ 3,262,846.50</u>	<u>\$ 8,856,391.94</u>

Depreciation expense was charged to the functions as follows:

Instruction	\$ 143,424.18
Support Service	71,712.09
Co-curricular	23,904.03
Total Depreciation expense-governmental activities	<u>\$ 239,040.30</u>

	Balance 6/30/14	Increases	Decreases	Balance 6/30/15
<b><i>Business-Type Activities:</i></b>				
Capital Assets being Depreciated				
Machinery & Equipment	\$ 85,242.01	\$	\$	\$ 85,242.01
Less Accumulated Depreciation				
Machinery & Equipment	39,305.62	4,995.73	-	44,301.35
Total Business-type Activities, net	<u>\$ 45,936.39</u>	<u>\$ (4,995.73)</u>	<u>\$</u>	<u>\$ 40,940.66</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Food Service	<u>\$ 4,995.73</u>

Construction Work In Progress at June 30, 2015 is composed of the following:

Project Name	Project Authorization	Expended Thru 6/30/15	Committed
Grandstand	\$ 200,926.00	\$ 34,550.50	\$ 166,375.50

**NOTE 8 - LONG-TERM LIABILITIES:**

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

<i>Primary Government</i>	2009 Capital Outlay Certificates	2013 Capital Outlay Certificates	QZAB Certificates	Early Retirement Benefits Payable	Financing Lease Copiers	Compensated Absences	Totals
Governmental Activities:							
Liabilities Payable, June 30, 2014	\$ 1,175,000.00	\$ 3,800,000.00	\$ 500,000.00	\$ 89,340.00	\$	\$ 11,957.16	\$ 5,576,297.16
New Additions					42,840.00	15,854.97	58,694.97
Retired Amounts	<u>180,000.00</u>	<u>170,000.00</u>		<u>51,730.00</u>	<u>7,140.00</u>	<u>15,984.43</u>	<u>424,854.43</u>
Liabilities Payable, June 30, 2015	<u>\$ 995,000.00</u>	<u>\$ 3,630,000.00</u>	<u>\$ 500,000.00</u>	<u>\$ 37,610.00</u>	<u>\$ 35,700.00</u>	<u>\$ 11,827.70</u>	<u>\$ 5,210,137.70</u>
Due within One Year	<u>\$ 190,000.00</u>	<u>\$ 175,000.00</u>	<u>\$ 26,315.79</u>	<u>\$ 37,610.00</u>	<u>\$ 8,568.00</u>	<u>\$ 11,827.70</u>	<u>\$ 449,321.49</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Liabilities payable at June 30, 2015 are comprised of the following:

**Capital Outlay Certificates**

Series 2009 Refunding Capital Outlay Certificates, interest rates from 2.0% to 3.5%, depending on length to maturity, final maturity December 15, 2019. Payable from Capital Outlay Fund. \$ 995,000.00

**Capital Outlay Certificates**

Series 2013 Capital Outlay Certificates, interest rates from .45% to 3.45%, depending on length to maturity, final maturity January 15, 2033. Payable from Capital Outlay Fund. 3,630,000.00

**Qualified Zone Academy Bonds:**

Qualified Zone Academy Bonds (QZAB), Series 2012, mature on January 1, 2031 at zero interest. Payable from the Debt Service Fund. 500,000.00

**Early Retirement Benefits:**

Liability payable to teachers who have chosen to participate in the district's 37,610.00

**Compensated Absences:**

Accumulated vacation payable for administrative and support staff – payments 11,827.70

**Financing Lease:**

Lease of Copiers. Final Payment due September 2019. Payments from the Capital Outlay Fund 35,700.00

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

Year Ending June 30	2009 Capital Outlay		2013 Capital Outlay				Capital	Total	
	Certificates		Certificates		QZAB Certificates		Lease	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$ 190,000	\$ 27,403	\$ 175,000	\$ 84,654	\$ 26,316	\$ 25,150	\$ 8,568	\$ 399,884	\$ 137,207
2017	195,000	22,441	175,000	83,516	26,316	25,150	8,568	404,884	131,107
2018	195,000	16,835	175,000	81,985	26,316	25,150	8,568	404,884	123,970
2019	205,000	10,630	175,000	80,016	26,316	25,150	8,568	414,884	115,796
2020	210,000	3,675	180,000	77,573	26,316	25,150	1,428	417,744	106,398
2021-2025			950,000	333,730	131,579	125,750		1,081,579	459,480
2026-2030			1,075,000	202,643	131,579	125,750		1,206,579	328,393
2031-2035			725,000	37,684	105,263	37,725		830,263	75,409
Totals	<u>\$ 995,000</u>	<u>\$ 80,984</u>	<u>\$ 3,630,000</u>	<u>\$ 981,801</u>	<u>\$ 500,001</u>	<u>\$ 414,975</u>	<u>\$ 35,700</u>	<u>\$ 5,160,701</u>	<u>\$ 1,477,760</u>

## NOTE 9 – PENSION PLAN

### **Plan Information:**

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

### **Benefits Provided:**

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

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$157,160.70, \$142,085.94, and \$158,091.47, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$	14,364,601.79
Less proportionate share of total pension assets		<u>13,388,966.16</u>
Proportionate share of net pension asset	\$	<u><u>975,635.63</u></u>

At June 30 2015, the School District reported an asset of \$975,635.63 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was 0.1354186% which is an increase of 0.1354186% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$41,210.49. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 82,551.97	\$
Changes in assumption	636,865.86	
Net difference between projected and actual earnings on pension plan investments		1,129,950.54
District contributions subsequent to the measurement date	<u>157,160.70</u>	
TOTAL	<u>\$ 876,578.52</u>	<u>\$ 1,129,950.54</u>

\$157,160.70 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2015	\$	(77,525.29)
2016		(77,525.29)
2017		(77,525.29)
2018		<u>(177,956.84)</u>
TOTAL	\$	<u>(410,532.72)</u>

**Actuarial Assumptions:**

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 964,111.51	\$ (975,635.63)	\$ (2,557,701.89)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 10 - OPERATING LEASES**

The School District leases copiers and a duplicator on an operating lease. Monthly payments are made from the Capital Outlay Fund in the amounts of \$1,268.00 and \$425.00, respectively. The required minimum future payments are as follows:

FY	<u>Capital Outlay Fund</u>
2016	\$ 5,100.00
2017	4,250.00

**NOTE 11 - RESTRICTED NET POSITION**

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

<u>Major Purposes:</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 366,307.28
Special Education Purposes	Law	32,753.80
Pension Purposes	Law	59,683.08
SDRS Pension Purposes	Law	722,263.61
Debt Service Purposes	Debt Covenants	79,189.74
Total Restricted Net Position		<u>\$ 1,260,197.51</u>

NOTE 12 – INTERFUND TRANSFERS

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

<u>Transfer From:</u>		<u>Transfer To:</u>
		Debt Service
Capital Outlay Fund	\$	26,315.79

The Capital Outlay Fund transferred monies to pay for a QZAB payment.

NOTE 13 - JOINT VENTURES

The school district participates in the joint venture known as Northeast Educational Services Cooperative formed for the purpose of providing educational support services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

<u>School District</u>	<u>%</u>	<u>School District</u>	<u>%</u>
Arlington	3.94	Hamlin	9.97
Britton-Hecla	6.78	Henry	2.40
Castlewood	3.66	Iroquois	3.03
Clark	5.07	Lake Preston	2.29
De Smet	4.39	Rosholt	2.93
Deubrook	4.81	Sioux Valley	8.09
Deuel	6.85	Summit	2.28
Elkton	4.42	Waubay	2.33
Enemy Swim	2.42	Waverly/South Shore	2.97
Estelline	3.57	Webster	7.42
Florence	2.88	Willow Lake	3.15
Grant-Deuel	1.47	Wilmot	2.88

The co-op's governing board is composed of one school board member representative from each member school district. The superintendent from each member school serves on an advisory board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2015, this joint venture had total assets of \$1,573,954.47, total liabilities of \$415,200.27, and net position of \$1,158,754.20.

NOTE 14 - RISK MANAGEMENT

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

Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance

program for South Dakota local government entities. The school district pays a monthly premium to the pool administered by the Associated School Boards of South Dakota to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

#### Liability Insurance

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

#### Worker's Compensation

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

#### Unemployment Benefits

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

During the year ended June 30, 2015, no claims for unemployment benefits were paid. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

#### NOTE 15 - EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers. The plan is available to employees who choose early retirement after age 55 and have at least ten years of continuous service with the district or any employee who has 25 years of service with the district. Under the plan, the district will pay 50% of the current salary contract. Such amounts are payable in three

or more equal installments, as determined by the employee at the time of retirement. Payments made to seven retired employees for early retirement during the year were \$51,730.00.

NOTE 16 - SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2015 the school district was not involved in any litigation.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$ 183,296.43
Restatement for pension accounting:	
Net Pension Asset	381,806.49
Pension related Deferred Outflows of Resources	<u>157,160.70</u>
Net Position July 1, 2014, as restated	<u>\$ 722,263.62</u>

NOTE 18 – CONTINGENCIES

The Associated School Boards Health Benefits Fund has a deficit Net Position. As a member of Associated School Districts Health Benefits Fund, the School District has a potential liability. As of June 30, 2014 the School District's estimated share of the liability was \$162,688. This information was not available for the year ended June 30, 2015 at the time the financial statements were issued.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,485,550.00	\$ 1,485,550.00	\$ 1,521,433.20	\$ 35,883.20
Prior Years' Ad Valorem Taxes	8,000.00	8,000.00	1,186.26	(6,813.74)
Utility Taxes	85,000.00	85,000.00	103,354.57	18,354.57
Penalties and Interest on Taxes	3,000.00	3,000.00	2,160.98	(839.02)
Earnings on Investments and Deposits	17,000.00	17,000.00	20,617.73	3,617.73
Cocurricular Activities:				
Admissions	27,200.00	27,200.00	29,096.00	1,896.00
Other Pupil Activity Income			14,015.14	14,015.14
Other Revenue from Local Sources:				
Rentals			2,281.80	2,281.80
Charge for Services	20,000.00	20,000.00	5,559.60	(14,440.40)
Other	19,600.00	19,600.00	17,649.45	(1,950.55)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	58,000.00	58,000.00	61,486.99	3,486.99
Revenue in Lieu of Taxes	5,000.00	5,000.00	6,519.41	1,519.41
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
State Aid	1,625,116.00	1,625,116.00	1,828,737.00	203,621.00
State Apportionment	34,000.00	34,000.00	40,309.94	6,309.94
Bank Franchise Tax	50,000.00	50,000.00	58,567.66	8,567.66
Other Grants-in-Aid			9,875.00	9,875.00
Other State Revenue	2,000.00	2,000.00	1,350.00	(650.00)
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid				
Received from Federal Government	3,000.00	3,000.00	8,844.23	5,844.23
Restricted Grants-in-Aid Received from Federal Government through the State				
	114,000.00	114,000.00	103,699.00	(10,301.00)
Other Federal Revenue	34,000.00	34,000.00	40,053.00	6,053.00
<b>Total Revenue</b>	<u>3,590,466.00</u>	<u>3,590,466.00</u>	<u>3,876,796.96</u>	<u>286,330.96</u>

**Expenditures:**

Instruction:

Regular Programs:

Elementary School	953,250.00	1,041,250.00	1,040,275.20	974.80
Middle/Junior High	347,925.00	367,925.00	345,776.78	22,148.22
High School	758,600.00	796,600.00	780,017.80	16,582.20

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Special Programs:				
Educationally Deprived	91,500.00	91,500.00	83,542.89	7,957.11
Support Services:				
Pupils:				
Attendance and Social Work	250.00	250.00	51.53	198.47
Guidance	94,535.00	94,535.00	80,120.12	14,414.88
Health	2,200.00	2,200.00	227.83	1,972.17
Support Services - Instructional Staff:				
Improvement of Instruction	37,000.00	37,000.00	32,425.20	4,574.80
Educational Media	135,300.00	135,300.00	116,528.22	18,771.78
Support Services - General Administration:				
Board of Education	58,550.00	58,550.00	51,174.54	7,375.46
Executive Administration	204,425.00	204,425.00	195,894.77	8,530.23
Support Services - School Administration:				
Office of the Principal	270,125.00	270,125.00	252,915.95	17,209.05
Other	1,300.00	1,300.00	160.71	1,139.29
Support Services - Business:				
Fiscal Services	118,525.00	118,525.00	117,308.68	1,216.32
Facilities Acquisition and Construction		10,000.00		10,000.00
Operation and Maintenance of Plant	590,550.00	620,550.00	526,570.91	93,979.09
Pupil Transportation	194,960.00	194,960.00	132,767.39	62,192.61
Support Services - Central:				
Staff	2,200.00	2,200.00	1,797.25	402.75
Cocurricular Activities:				
Male Activities	66,255.00	66,255.00	61,622.30	4,632.70
Female Activities	55,760.00	55,760.00	50,380.63	5,379.37
Transportation	29,400.00	32,400.00	30,694.48	1,705.52
Combined Activities	157,275.00	157,275.00	139,133.30	18,141.70
Contingencies	50,000.00	37,000.00		37,000.00
Total Expenditures	<u>4,219,885.00</u>	<u>4,395,885.00</u>	<u>4,039,386.48</u>	<u>356,498.52</u>
Excess of Revenue Over (Under)				
Expenditures	(629,419.00)	(805,419.00)	(162,589.52)	642,829.48
Other Financing Sources				
Sale of Surplus Property	<u>70,000.00</u>	<u>70,000.00</u>	<u>95,400.00</u>	<u>25,400.00</u>
Net Change in Fund Balances	(559,419.00)	(735,419.00)	(67,189.52)	668,229.48
Fund Balance - Beginning	<u>2,569,089.94</u>	<u>2,569,089.94</u>	<u>2,569,089.94</u>	
FUND BALANCE - ENDING	<u>\$ 1,939,670.94</u>	<u>\$ 1,833,670.94</u>	<u>\$ 2,501,900.42</u>	<u>\$ 668,229.48</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 932,500.00	\$ 932,500.00	\$ 974,921.21	\$ 42,421.21
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	779.18	(720.82)
Penalties and Interest on Taxes	750.00	750.00	687.04	(62.96)
Other Revenue from Local Sources:				
Contributions and Donations	50,000.00	50,000.00	90,400.00	40,400.00
Other		42,900.00	6,767.28	(36,132.72)
Revenue from Intermediate Sources: County				
Revenue in Lieu of Taxes	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,163.86</u>	<u>163.86</u>
Total Revenue	<u>985,750.00</u>	<u>1,028,650.00</u>	<u>1,074,718.57</u>	<u>46,068.57</u>
<b>Expenditures:</b>				
Instruction				
Regular programs:				
Elementary	15,600.00	34,900.00	33,940.35	959.65
Middle/Junior High	12,700.00	21,300.00	20,484.90	815.10
High School	37,300.00	52,300.00	41,774.17	10,525.83
Support Services-Instructional Staff:				
Educational Media	33,550.00	33,550.00	33,454.28	95.72
Support Services- School Admin.				
Office of the Principal	15,000.00	15,000.00	13,241.02	1,758.98
Support Services - Business:				
Fiscal Services	9,300.00	9,300.00	800.00	8,500.00
Facilities Acquisition and Construction	1,676,500.00	1,676,500.00	1,346,467.78	330,032.22
Operation and Maintenance of Plant	58,500.00	58,500.00	62,282.62	(3,782.62)
Pupil Transportation	20,000.00	20,000.00		20,000.00
Debt Services	499,000.00	499,000.00	469,860.95	29,139.05
Cocurricular Activities:				
Male Activities	21,400.00	21,400.00	18,380.25	3,019.75
Female Activities	20,900.00	20,900.00	20,083.68	816.32
Combined Activities	<u>16,500.00</u>	<u>16,500.00</u>	<u>12,800.29</u>	<u>3,699.71</u>
Total Expenditures	<u>2,436,250.00</u>	<u>2,479,150.00</u>	<u>2,073,570.29</u>	<u>405,579.71</u>
Excess of Revenue Over (Under)Expenditures	(1,450,500.00)	(1,450,500.00)	(98,851.72)	451,648.28
<b>Other Financing Sources (Uses):</b>				
Transfers (Out)			(26,315.79)	(26,315.79)
Long-Term Debt Issued			42,840.00	42,840.00
Total Other Financing Sources			<u>16,524.21</u>	<u>16,524.21</u>
Net Change in Fund Balance	(1,450,500.00)	(1,450,500.00)	(98,327.51)	468,172.49
Fund Balance - Beginning	<u>1,383,244.08</u>	<u>1,383,244.08</u>	<u>1,383,244.08</u>	
FUND BALANCE - ENDING	<u>\$ (67,255.92)</u>	<u>\$ (67,255.92)</u>	<u>\$ 400,916.57</u>	<u>\$ 468,172.49</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 474,500.00	\$ 474,500.00	\$ 492,359.41	\$ 17,859.41
Prior Years' Ad Valorem Taxes	500.00	500.00	380.73	(119.27)
Penalties and Interest on Taxes	400.00	400.00	350.18	(49.82)
Other Revenue from Local Sources:				
Charges for Services	4,700.00	4,700.00	1,763.28	(2,936.72)
Other				
Revenue in Lieu of Taxes	500.00	500.00	1,398.96	898.96
Revenue from State Sources:				
Restricted Grants-in-Aid	<u>150,575.00</u>	<u>150,575.00</u>	<u>106,678.00</u>	<u>(43,897.00)</u>
<b>Total Revenue</b>	<u>631,175.00</u>	<u>631,175.00</u>	<u>602,930.56</u>	<u>(28,244.44)</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	508,675.00	508,675.00	486,250.68	22,424.32
Support Services:				
Pupils:				
Guidance	850.00	850.00	617.04	232.96
Psychological	13,000.00	13,000.00	9,891.84	3,108.16
Speech Pathology	58,000.00	58,000.00	43,563.87	14,436.13
Student Therapy Services	19,900.00	19,900.00	15,001.32	4,898.68
Support Services - Instructional Staff:				
Improvement of Instruction	2,500.00	2,500.00		2,500.00
Support Services - General Administration:				
Board of Education	1,350.00	1,350.00	939.78	410.22
Support Services- Special Education				
Administrative Costs	26,900.00	26,900.00	10,883.09	16,016.91
Transportation Costs			11,832.40	(11,832.40)
Other Special Education Costs			26,217.87	(26,217.87)
<b>Total Expenditures</b>	<u>631,175.00</u>	<u>631,175.00</u>	<u>605,197.89</u>	<u>25,977.11</u>
Net Change in Fund Balances			(2,267.33)	(2,267.33)
Fund Balance - Beginning	<u>34,482.18</u>	<u>34,482.18</u>	<u>34,482.18</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 34,482.18</u>	<u>\$ 34,482.18</u>	<u>\$ 32,214.85</u>	<u>\$ (2,267.33)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**PENSION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$93,200.00	\$93,200.00	\$ 97,492.10	\$ 4,292.10
Prior Years' Ad Valorem Taxes			75.08	75.08
Penalties and Interest on Taxes			67.81	67.81
Revenue in Lieu of Taxes			167.39	167.39
Total Revenue	<u>93,200.00</u>	<u>93,200.00</u>	<u>97,802.38</u>	<u>4,602.38</u>
<b>Expenditures:</b>				
Early Retirement Payments	<u>52,200.00</u>	<u>52,200.00</u>	<u>51,730.00</u>	<u>470.00</u>
Total Expenditures	<u>52,200.00</u>	<u>52,200.00</u>	<u>51,730.00</u>	<u>470.00</u>
Net Change in Fund Balances	41,000.00	41,000.00	46,072.38	5,072.38
Fund Balance - Beginning	<u>51,319.80</u>	<u>51,319.80</u>	<u>51,319.80</u>	<u>          </u>
FUND BALANCE - ENDING	<u>\$92,319.80</u>	<u>\$92,319.80</u>	<u>\$ 97,392.18</u>	<u>\$ 5,072.38</u>

Schedule of Required Supplementary Information

SIOUX VALLEY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY (ASSET)

South Dakota Retirement System

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.13541860%
District's proportionate share of net pension liability (asset)	\$ (975,636)
District's covered-employee payroll	\$ 2,368,100
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

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

**Schedule of Required Supplementary Information**  
**SIOUX VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**South Dakota Retirement System**

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 142,086</u>	<u>\$ 157,161</u>
Contributions in relation to the contractually required contribution	<u>\$ 142,086</u>	<u>\$ 157,161</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
District's covered-employee payroll	\$2,368,100	\$2,619,350
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
And for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

# QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
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ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

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

School Board  
Sioux Valley School District No. 5-5  
Brookings County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sioux Valley School District No. 5-5, Brookings County, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 19, 2016.

### Internal Control Over Financial Reporting

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

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

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

control, described in the accompanying Schedule of Current Audit Findings that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **School District's Response to Findings**

Sioux Valley School District's response to the findings identified in our audit is described in the Corrective Action Plan as listed in the Table of Contents. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and we express no opinion on it.

### **Purpose of this Report**

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

*Quam & Berglin, P.C.*

Quam & Berglin, P.C.  
Certified Public Accountants

February 19, 2016

**SIOUX VALLEY SCHOOL DISTRICT NO. 5-5  
SCHEDULE OF AUDIT FINDINGS  
JUNE 30, 2015**

**PRIOR AUDIT FINDING:**

**Audit Finding Number 2014-001:**

A significant deficiency was reported for a lack of segregation of duties for revenues, expenditures, and payroll. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated as audit finding number 2015-001.

**CURRENT AUDIT FINDING:**

***Internal Control-Related Finding-Significant Deficiency:***

**Audit Finding Number 2015-001:**

There is a significant deficiency resulting from lack of segregation of duties for revenues, expenditures, and payroll.

**Criteria:**

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues, expenditures, and payroll. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

**Condition, Cause and Effect:**

A significant deficiency in internal control was reported due to lack of proper segregation of duties for revenues, expenditures, and payroll, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

**Recommendation:**

We recommend that Sioux Valley School District officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll functions and attempt to provide compensating controls whenever and wherever, practical.

**Corrective Action Plan**

The Board of Education has prepared a response as shown on the following page.

# Sioux Valley School District No. 5-5

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## CORRECTIVE PLAN OF ACTION JUNE 30, 2015

Sioux Valley School District No. 5-5 has considered the lack of segregation of duties for the revenues, expenditures and payroll function. At this time it is not cost effective for Sioux Valley School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Sioux Valley School District to decrease the likelihood that financial data is adversely affected.

The Sioux Valley School District's Board will continue to monitor the necessity to have segregation of duties for revenues and implement such a segregation as budget dollars and board authority allow.

  
Business Manager

  
Superintendent