

**SMEE SCHOOL DISTRICT NO. 15-3
AUDIT REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2015**

SMEE SCHOOL DISTRICT NO. 15-3
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
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	2
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Prior Audit Findings and Questioned Costs	4
Schedule of Findings and Questioned Costs	5 - 8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance	13 - 16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	17
Proprietary Funds	
Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Fund Net Position	19
Statement of Cash Flows	20 - 21
Fiduciary Funds	
Statement of Fiduciary Net Position	22
Notes to the Financial Statements	23 - 46

SMEE SCHOOL DISTRICT NO. 15-3
TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information Other than MD&A	
Budgetary Comparison Schedule - General Fund - Budgetary Basis	47 - 49
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis	50 - 51
Notes to the Required Supplementary Information - Budgetary Comparison Schedules	52 - 53
Required Supplementary Information - Pension Schedules	
Schedule of the District's Proportionate Share of the Pension Asset	54
Schedule of the District's Contributions	55
Notes to Required Supplementary Information - Pension Schedule	56
Schedule of Funding Progress	57
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	59
Schedule of Expenditures of Federal Awards	60 - 61



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

School Board
Smee School District No. 15-3
Wakpala, South Dakota

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 Smee School District No. 15-3 (School District), South Dakota, as of June 30, 2015 and for the year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

P.O. Box 669 • Mobridge, SD 57601-0669 • Fax (605) 845-2517 • Phone (605) 845-2927 • Toll Free 1-800-244-8436

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Smee School District No. 15-3, South Dakota as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard. As described in Note 14 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. As discussed in Note 18 to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Pension Schedules and Schedule of Funding Progress on pages 47 through 57 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Combining Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance listed in the Table of Contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Caull Barnes

Mobridge, South Dakota
November 25, 2015



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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
Smee School District No. 15-3
Wakpala, 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, business-type activities, each major fund, and the aggregate remaining fund information of Smee School District No. 15-3, Wakpala, South Dakota (School District), as of June 30, 2015, and for the year then ended which collectively comprise the School District's basic financial statements and have issued our report thereon November 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 Smee School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items listed as 2015-01, 2015-02 and 2015-03 to be material weaknesses.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

P.O. Box 669 • Mobridge, SD 57601-0669 • Fax (605) 845-2517 • Phone (605) 845-2927 • Toll Free 1-800-244-8436

MEMBERS, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

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

School District's Response to Findings

Smee School District No. 15-3's response to the finding identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit Smee School District No. 15-3's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Caull Barnes

Mobridge, South Dakota
November 25, 2015



CAHILL BAUER & ASSOCIATES, LLC

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

School Board
Smee School District No. 15-3
Wakpala, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the compliance of Smee School District No. 15-3, (School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

P.O. Box 669 • Mobridge, SD 57601-0669 • Fax (605) 845-2517 • Phone (605) 845-2927 • Toll Free 1-800-244-8436

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Compliance

The management of the Smee School District No. 15-3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the School District's internal control over compliance with these types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

Purpose of this Report

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

Mobridge, South Dakota
November 25, 2015

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2015 AND FOR THE YEAR THEN ENDED**

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2014-01:

A significant deficiency was reported for a lack of segregation of duties due to the size of the School District. This has been a finding since June 30, 1998.

Current Status: This has not been corrected and is restated as current audit finding 2015-01.

Finding 2014-2:

A significant deficiency was reported as the School District does not have an internal control system designed to provide for the preparation of the financial statements being audited. This has been a finding since June 30, 2008.

Current Status: This has not been corrected and is restated as current audit finding 2015-2.

Finding 2014-3:

A material weakness was reported as the auditors proposed several audit adjustments that resulted in significant changes to various asset and liability accounts, as well as classification of revenues and expenses. This has been a finding since June 30, 2008.

Current Status: This has not been corrected and is restated as current audit finding 2015-3.

FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No prior federal findings exist.

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

A - SUMMARY OF AUDIT RESULTS

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding 2015-1. A material weakness was disclosed for the preparation of the financial statements by the auditor as discussed in finding 2015-2. A material weakness was disclosed for a lack of internal controls over period-end financial reporting process as discussed in finding 2015-3.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit finding that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
Title I - CFDA No. 84.010
Impact Aid - CFDA No. 84.041
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Smee School District No. 15-3 did not qualify as a low-risk auditee.

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

CURRENT FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING 2015-01

Criteria

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of the cash transaction. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

Statement of Condition

A lack of proper segregation of duties existed for the revenue and expenditure functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. As a result, an inadequate segregation of duties existed for these functions of the School District.

Cause and Effect

Inaccurate financial statement and/or misappropriations of funds could result from a lack of segregation of duties.

Recommendation

We recommend that the School District's officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

Corrective Action Plan

The Superintendent is the contact person at this entity responsible for the corrective action plan for this comment. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Smee School District No. 15-3 is aware of the problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

FINDING 2015-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Statement of Condition

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause and Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

The School District management is aware of their overall responsibility for the preparation of the School's financial statements and footnotes.

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

FINDING 2015-03

Criteria

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Condition Found

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Corrective Action Plan

The School District is continuing its work in correcting this deficiency.

CURRENT FINDINGS - FEDERAL AUDIT FINDINGS

There are no written current federal compliance audit findings to report.

SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 2,618,313	\$ 6,106	\$ 2,624,419
Certificates of deposit	500,000	-	500,000
Taxes receivable	40,425	-	40,425
Other assets	167,092	5,052	172,144
Inventories	-	4,822	4,822
Net pension asset	733,857	-	733,857
Capital assets			
Land	62,100	-	62,100
Other capital assets, net of depreciation	6,458,553	20,972	6,479,525
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	655,150	-	655,150
TOTAL DEFERRED OUTFLOWS OF RESO	\$ 655,150	\$ -	\$ 655,150
TOTAL ASSETS	\$ 11,235,490	\$ 36,952	\$ 11,272,442

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts payable	\$ 67,527	\$ 2,113	\$ 69,640
Other current liabilities	205,328	-	205,328
Noncurrent liabilities:			
Due in more than one year	102,872	2,473	105,345
TOTAL LIABILITIES	\$ 375,727	\$ 4,586	\$ 380,313
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	849,930	-	849,930
Taxes levied for future period	38,151	-	38,151
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 888,081	\$ -	\$ 888,081
NET POSITION			
Net investment in capital assets	6,520,653	20,972	6,541,625
Restricted for			
Capital outlay	11,089	-	11,089
Special education	38,422	-	38,422
SDRS pension purposes	397,556	-	397,556
Pension	17,464	-	17,464
Unrestricted	2,986,498	11,394	2,997,892
TOTAL NET POSITION	\$ 9,971,682	\$ 32,366	\$ 10,004,048

**SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
Instruction	\$ 1,783,455	\$ -	\$ 1,053,980	\$ (729,475)	\$ -	\$ (729,475)
Support services	1,741,520	30,154	-	(1,711,366)	-	(1,711,366)
Cocurricular activities	104,695	1,891	-	(102,804)	-	(102,804)
Total governmental activities	3,629,670	32,045	1,053,980	(2,543,645)	-	(2,543,645)
Business-type activities						
Food service	244,383	14,764	154,767	-	(74,852)	(74,852)
Total primary government	\$ 3,874,053	\$ 46,809	\$ 1,208,747	(2,543,645)	(74,852)	(2,618,497)
General Revenues						
Taxes						
Property taxes				84,209	-	84,209
Gross receipts taxes				24,345	-	24,345
Revenue from state sources						
State aid				1,086,025	-	1,086,025
Revenue from federal sources				1,787,665	-	1,787,665
Unrestricted investment earnings				6,322	12	6,334
Other general revenues				20,812	-	20,812
Sale of Surplus Property				-	-	-
Transfers				(79,988)	79,988	-
Total general revenues				2,929,390	80,000	3,009,390
Change in net position				385,745	5,148	390,893
Net position - beginning				9,188,381	27,218	9,215,599
Prior Period Adjustment (Note 18)				397,556	-	397,556
Net position - ending				\$ 9,971,682	\$ 32,366	\$ 10,004,048

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

SMEE SCHOOL DISTRICT NO. 15-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Education Fund	Nonmajor Funds	
ASSETS				
Cash and cash equivalents	\$ 2,490,639	\$ 99,662	\$ 28,012	\$ 2,618,313
Investments	500,000	-	-	500,000
Interest receivable	625	-	-	625
Taxes receivables - current	20,546	7,013	11,771	39,330
Taxes receivables - delinquent	350	248	497	1,095
Due from other funds	4,818	2,599	-	7,417
Due from other governments	134,647	-	-	134,647
Prepaid expenses	24,404	-	-	24,404
TOTAL ASSETS	\$ 3,176,029	\$ 109,522	\$ 40,280	\$ 3,325,831
LIABILITIES, DEFERRED INFOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,764	\$ 27,734	\$ 29	\$ 67,527
Contracts payable	145,928	31,966	-	177,894
Payroll deductions and withholdings and employer matching payable	22,601	4,833	-	27,434
Total Liabilities	208,293	64,533	29	272,855
Deferred inflows of resources				
Unavailable Revenue - Property Taxes	350	248	497	1,095
Taxes levied for future period	19,886	6,567	11,698	38,151
Total Deferred inflows of resources	20,236	6,815	12,195	39,246
Fund balances				
Nonspendable				
Prepays	24,404	-	-	24,404
Restricted				
Capital Outlay	-	-	10,637	10,637
Pension	-	-	17,419	17,419
Unassigned	2,923,096	38,174	-	2,961,270
Total fund balance	2,947,500	38,174	28,056	3,013,730
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,176,029	\$ 109,522	\$ 40,280	\$ 3,325,831

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

**SMEE SCHOOL DISTRICT NO. 15-3
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Total fund balances - governmental funds	\$ 3,013,730
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.	6,520,653
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	733,857
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	655,150
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(849,930)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences \$22,547	
Other post-employment benefits \$80,325	(102,872)
Property taxes become due and payable on January 1; each year, but are not collected/available soon enough to pay current period expenditures; therefore, they are reported as unavailable revenue in the fund financial statements. However, because the <i>delinquent taxes</i> are due and payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government-wide financial statements.	1,093
Net position- governmental funds	<u>\$ 9,971,682</u>

SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Education Fund	Nonmajor Funds	
REVENUES				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 42,187	\$ 14,564	\$ 26,499	\$ 83,250
Prior years' ad valorem taxes	57	30	68	155
Tax deed revenue	68	12	23	103
Utility taxes	24,345	-	-	24,345
Penalties and interest on taxes	70	46	95	211
Earnings on investments and deposits	6,074	193	55	6,322
Cocurricular activities				
Admissions	1,891	-	-	1,891
Other revenue from local sources				
Charges for services	19,531	10,623	-	30,154
Other	12,757	-	-	12,757
Revenue from intermediate sources				
County sources				
County appointment	7,155	-	-	7,155
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	1,086,025	-	-	1,086,025
Restricted grants-in-aid	3,750	525,548	-	529,298

(Continued on next page)

SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Education Fund	Nonmajor Funds	
Revenue from federal sources				
Grants-in-aid				
Unrestricted grants-in-aid				
Received directly from the federal government	1,508,084	50,026	20,505	1,578,615
Restricted grants-in-aid				
Received directly from the federal government	33,551	-	-	33,551
Restricted grants-in-aid				
Received from federal government through the state	431,949	61,735	-	493,684
Johnson O'Malley funds	9,654	-	-	9,654
Other federal revenues	165,845	-	-	165,845
Total Revenues	<u>\$ 3,352,993</u>	<u>\$ 662,777</u>	<u>\$ 47,245</u>	<u>\$ 4,063,015</u>

EXPENDITURES

Instruction				
Regular programs				
Elementary	\$ 424,988	\$ -	\$ -	\$ 424,988
Middle/junior high	136,103	-	750	136,853
High school	381,467	-	2,229	383,696
Other regular programs	192,423	-	1,215	193,638

(Continued on next page)

SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Education Fund	Nonmajor Funds	
Special programs				
Programs for special education	-	316,787	-	316,787
Educationally deprived	306,734	-	-	306,734
Other special programs	33,552	-	-	33,552
Support services				
Pupils				
Attendance and social work	108,924	13,659	-	122,583
Guidance	3,756	-	-	3,756
Health	55,797	-	-	55,797
Psychological	-	14,503	-	14,503
Speech pathology	-	82,124	-	82,124
Audiology services	-	11,451	-	11,451
Student therapy services	-	67,926	-	67,926
Support services - instructional staff				
Improvement of instruction	3,750	-	-	3,750
Educational media	100,447	-	-	100,447
Support services - general administration				
Board of education	88,664	-	-	88,664
Executive administration	84,841	-	-	84,841
Support services - school administration:				
Office of the principal	135,118	-	-	135,118
Title I program administration	47,417	-	-	47,417
Other	492	-	-	492

(Continued on next page)

SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Governmental Funds
	General Fund	Education Fund	Nonmajor Funds	
Support services - business				
Fiscal services	109,515	-	-	109,515
Facilities acquisition and construction	-	-	8,941	8,941
Operation and maintenance of plant	316,860	-	68,385	385,245
Pupil transportation	189,357	-	4,850	194,207
Food services	7,016	-	-	7,016
Support services - special education				
Administrative costs	-	68,071	-	68,071
Other special education costs	-	45,057	-	45,057
Cocurricular activities				
Male activities	13,434	-	-	13,434
Female activities	24,465	-	-	24,465
Combined activities	14,227	-	-	14,227
Capital outlay	-	-	230,790	230,790
Total expenditures	<u>\$ 2,779,347</u>	<u>\$ 619,578</u>	<u>\$ 317,160</u>	<u>\$ 3,716,085</u>
Excess of revenue over (under) expenditures	\$ 573,646	\$ 43,199	\$ (269,915)	\$ 346,930
Other financing sources (uses)				
Transfer in	260	-	250,000	250,260
Transfer out	(330,000)	(193)	(55)	(330,248)
Sale of surplus property	100	-	800	900
Net other financing sources (uses)	<u>(329,640)</u>	<u>(193)</u>	<u>250,745</u>	<u>(79,088)</u>
Net change in fund balances	244,006	43,006	(19,170)	267,842
Fund balance - beginning	2,703,494	(4,832)	47,226	2,745,888
Fund Balance - Ending	<u>\$ 2,947,500</u>	<u>\$ 38,174</u>	<u>28,056</u>	<u>\$ 3,013,730</u>

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

**SMEE SCHOOL DISTRICT NO. 15-3
RECONCILIATION OF 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	\$	267,842
--	----	---------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$243,423) exceeded capital outlay (\$230,790) in the current period.		(12,633)
--	--	----------

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the state of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available This adjustment is the net change in compensated absences.		963
---	--	-----

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., pension revenue)		30,998
--	--	--------

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		110,522
--	--	---------

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		489
--	--	-----

The accrual of OPEB costs are not reflected in the governmental funds, but the statement of activities reflects the change in this liability from one year to the next.		(12,436)
---	--	----------

Change in net position of governmental activities	\$	<u>385,745</u>
---	----	----------------

**SMEE SCHOOL DISTRICT NO. 15-3
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2015**

	Enterprise Funds Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,106
Due from other funds	297
Due from other government	4,756
Inventory of supplies (resale)	4,822
Total current assets	<u>15,981</u>
Noncurrent assets	
Capital assets	
Machinery and equipment	161,727
Less accumulated depreciation	<u>(140,755)</u>
Total noncurrent assets	<u>20,972</u>
Total Assets	<u>\$ 36,953</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,113
Compensated absences	<u>2,474</u>
Total liabilities	<u>4,587</u>
NET POSITION	
Invested in capital assets	20,972
Unrestricted net position	<u>11,394</u>
Total net position	<u>32,366</u>
Total liabilities and net position	<u>\$ 36,953</u>

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

SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds Food Service Fund
OPERATING REVENUE	
Sales	
To adults	14,764
Total operating revenue	<u>14,764</u>
OPERATING EXPENSES	
Food Service	
Salaries	69,729
Employee benefits	29,571
Purchased services	6,550
Supplies	6,345
Cost of sales - purchased food	124,639
Cost of sales - donated food	5,985
Depreciation	1,564
Total Operating Expenses	<u>244,383</u>
Operating Loss	<u>(229,619)</u>
NONOPERATING REVENUES (EXPENSES)	
Local sources	
Investment earnings	12
State sources	
Cash reimbursements	649
Federal sources	
Cash reimbursements	133,513
Donated food	5,985
Total nonoperating revenues	<u>140,159</u>
INCOME (LOSS) BEFORE TRANSFERS	(89,460)
Capital Contribution	14,620
Transfers In	80,000
Transfers Out	<u>(12)</u>
CHANGE IN NET POSITION	5,148
NET POSITION - BEGINNING	<u>27,218</u>
NET POSITION - ENDING	<u><u>\$ 32,366</u></u>

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

**SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 14,289
Payments to suppliers	(138,570)
Payments to employees	(99,094)
Net cash used by operating activities	<u>(223,375)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash reimbursements - state sources	649
Cash reimbursements - federal sources	133,513
Transfers in	80,000
Transfers out	(12)
Net cash flows from noncapital financing activities	<u>214,150</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest received	<u>12</u>
Net cash flows from capital and related financing activities	<u>12</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,213)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,319</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,106</u>

(Continued on next page)

**SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds Food Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (229,619)
Adjustments to reconcile operating loss to net cash used by operating activities	
Value of commodities used	5,985
Depreciation expense	1,564
Change in assets and liabilities	
Accounts receivable	(475)
Inventories	(1,787)
Accounts and other payables	957
	<u>957</u>
Net Cash Used by Operating Activities	<u>\$ (223,375)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of commodities received	<u>\$ 5,985</u>

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

**SMEE SCHOOL DISTRICT NO. 15-3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 60,091</u>
Total assets	<u>60,091</u>
LIABILITIES	
Amounts held for others	<u>\$ 60,091</u>
Total liabilities	<u>60,091</u>
NET POSITION	<u><u>\$ -</u></u>

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

**SMEE SCHOOL DISTRICT NO. 15-3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(See Independent Auditors' Report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Smee School District No. 15-3, 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.

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

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

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses and those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operations 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 District or it meets the following criteria:

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

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

Governmental Funds

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

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

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is not a major fund.

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Proprietary Funds

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

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit-even if that government is not expected to make any payments-is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Fiduciary Funds

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

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

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 government funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and similar fiduciary funds.

Basis of Accounting

Government-wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type, 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).

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Smee School District No. 15-3, the length of that cycle is 45 days. The revenues which are accrued at June 30, 2015 are property taxes.

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 the general long-term debt which are recognized when due.

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

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 of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments 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 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 25 percent for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities includes approximately 5 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

Depreciation of all exhaustible fixed 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 assets 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:

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Improvements	\$ 2,500	Straight-line	15-50 years
Buildings	\$ 2,500	Straight-line	15-50 years
Machinery and equipment	\$ 2,500	Straight-line	3-20 years
Food service equipment	\$ 2,500	Straight-line	3-15 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 governmental-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 consist primarily of compensated absences, early retirement benefits payable, and capital outlay certificates payable.

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

NOTES TO FINANCIAL STATEMENTS - Page 8
(See Independent Auditors' Report)

h. Program Revenues

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

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

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. For purposes of financial statement reporting, the School District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications

Government-wide Statements

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

1. Net Invested 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.

NOTES TO FINANCIAL STATEMENTS - Page 9
(See Independent Auditors' Report)

2. Restricted Net Position - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position - All other net assets that do not meet the definition of "restricted" or "net invested 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.

l. Application of Net Position

It is the 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 Business Manager.
- Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

NOTES TO FINANCIAL STATEMENTS - Page 10
(See Independent Auditors' Report)

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

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

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

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 district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in 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. As of June 30, 2015, the School District had no investments.

NOTES TO FINANCIAL STATEMENTS - Page 11
(See Independent Auditors' Report)

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.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. The School District does not have a deposit policy for custodial risk. As of June 30, 2015, the School District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund. 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 resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund 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 restriction on interfund transfers.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. For the year ended June 30, 2015, the allowance for doubtful accounts totaled \$0.

NOTE 4 - INVENTORY

Inventory for consumption is stated at cost. Inventory for resale is stated at the lower of cost or market. The cost valuation method is the consumption 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 fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. 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.

NOTES TO FINANCIAL STATEMENTS - Page 12
(See Independent Auditors' Report)

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6- CHANGES IN CAPITAL ASSETS

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

	Balance on 7/1/2014	Increases	Decreases	Balance on 06/30/15
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 62,100	\$ -	\$ -	\$ 62,100
Total capital assets, being depreciated	62,100	-	-	62,100
Capital assets, being depreciated				
Buildings	8,520,589	224,640	-	8,745,229
Machinery and equipment	1,400,500	6,150	(27,000)	1,379,650
Total capital assets, being depreciated	9,921,089	230,790	(27,000)	10,124,879
Less accumulated depreciation for				
Buildings	2,228,101	196,782	-	2,424,883
Machinery and equipment	1,221,802	46,641	(27,000)	1,241,443
Total accumulated depreciation	3,449,903	243,423	(27,000)	3,666,326
Total capital assets, being depreciated, net	6,471,186	(12,633)	-	6,458,553
Governmental activity capital assets, net	\$ 6,533,286	\$ (12,633)	\$ -	\$ 6,520,653

NOTES TO FINANCIAL STATEMENTS - Page 13
(See Independent Auditors' Report)

Depreciation expense was charged to functions as follows

Governmental activities		
Instruction	\$	98,691
Support services		92,163
Co-curricular activities		<u>52,569</u>
Total depreciation expense - governmental activities	\$	<u><u>243,423</u></u>

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 147,107	\$ 14,620	\$ -	\$ 161,727
Less accumulated depreciation for Machinery and equipment	<u>139,189</u>	<u>1,564</u>	<u>-</u>	<u>140,753</u>
Total capital assets, being depreciated, net	\$ <u>7,918</u>	\$ <u>13,056</u>	\$ <u>-</u>	\$ <u>20,974</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Food Services	\$ <u><u>1,564</u></u>

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance on 07/01/2014	Additions	Deletions	Balance on 06/30/2015
Primary				
Governmental Activities:				
Compensated Absences	\$ 23,510	\$ 11,525	\$ (12,488)	\$ 22,547
Total governmental activities	\$ <u>23,510</u>	\$ <u>11,525</u>	\$ <u>(12,488)</u>	\$ <u>22,547</u>
Business Type Activities:				
Compensated Absences	\$ 2,268	\$ 800	\$ (595)	\$ 2,473
Total business type activities	\$ <u>2,268</u>	\$ <u>800</u>	\$ <u>(595)</u>	\$ <u>2,473</u>

NOTES TO FINANCIAL STATEMENTS - Page 14
(See Independent Auditors' Report)

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

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

Compensated absences:

Compensated absences payable from the General Fund	21,194
Compensated absences payable from the Special Education Fund	1,353
Compensated absences payable from the Food Service Fund	2,473
	<u>\$ 25,020</u>

NOTE 8 - OPERATING LEASES AND MAINTENANCE SERVICE AGREEMENT

The School District has entered into a noncancellable five year operating lease for a copier calling for minimum monthly payments of \$1,072. Expense for the year ended June 30, 2015, totaled \$12,864 under these agreements.

The following are the minimum payments on this operating lease and maintenance service agreement:

	Copier Lease	Total
2016	12,864	12,864
	<u>\$ 12,864</u>	<u>\$ 12,864</u>

NOTE 9 - INDIVIDUAL FUND INTERFUND TRANSACTIONS

There following interfund transfers were made for the year ended June 30, 2015.

	<u>Transfers to</u>			Total
	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Food Service Fund</u>	
<u>Transfers From</u>				
General Fund	\$ -	\$ 250,000	\$ 80,000	\$ 330,000
Capital Outlay Fund	21	-	-	21
Special Education	193	-	-	193
Pension Fund	34	-	-	34
Food Service Fund	12	-	-	12

The School District transferred money from the impact aid fund to the food service fund to subsidize the operating loss of that fund and recognized a capital contribution (transfer) for assets purchased within the capital outlay fund for food service. The remaining transfers of interest earnings were to the General Fund per school policy. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description - The Smee School District No. 15-3 Other Post Employment Benefit Plan (the OPEB Plan) is a single-employer defined benefit healthcare plan administered by the School District. The OPEB Plan provides a medical and prescription drug plan plus dental benefits to eligible retirees and their dependents as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The OPEB Plan does not issue separately stated stand-alone financial statements.

Funding Policy - The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. An individual is eligible to elect medical coverage upon retiring under the South Dakota Retirement System after reaching the age of 55 and with at least 30 years of service. Coverage ceases when the retiree or dependent attains the age of 65. The retiree is responsible for 100% of the premiums that are based on the average active employee rate.

Annual OPEB Cost and Net OPEB Obligation - the School District's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan.

Annual Required Contribution (ARC)	14,176
Interest on Net OPEB Obligation	2,037
Adjustment to Annual Required Contribution	(3,363)
Annual OPEB Cost	<u>12,850</u>
Contribution Made	(414)
Increase (Decrease) in Net OPEB Obligation	12,436
Net OPEB Obligation - Beginning of the Year	67,889
Net OPEB Obligation (Asset) - End of year	<u><u>80,325</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$ 17,162	4.10%	\$ 16,452
June 30, 2012	\$ 13,054	5.30%	\$ 43,667
June 30, 2013	\$ 13,179	5.30%	\$ 55,533
June 30, 2014	\$ 13,326	5.30%	\$ 67,889
June 30, 2015	\$ 12,850	3.20%	\$ 80,325

NOTES TO FINANCIAL STATEMENTS - Page 16
(See Independent Auditors' Report)

Funded Status and Funding Progress - As of June 30, 2015, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	\$	65,008
Actuarial value of Benefit Assets	\$	-
Unfunded Actuarial Accrued	\$	65,008
Funded Ratio		0%
Covered Payroll		N/A
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		N/A

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

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

The Unit Credit Actuarial Cost Method was used to determine the annual required contribution. The actuarial assumptions include a 4 percent rate of return and an annual healthcare cost trend rate of 9.3 percent initially, reduced by decrements to an ultimate rate of 4.6 percent after 45 years. Both rates include a 2 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortized period at June 30, 2015 was 30 years.

NOTES TO FINANCIAL STATEMENTS - Page 17
(See Independent Auditors' Report)

NOTE 11 - RESTRICTED NET POSITION

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Special Education Fund	Law	\$ 38,422
Capital Outlay Fund	Law	\$ 11,089
SDRS Pension Purposes		\$ 397,556
Pension Fund	Law	\$ 17,464
Total Restricted Net Position		<u>\$ 464,531</u>

NOTE 12 - PENSION PLAN

Plan Information:

All permanent employees working twenty or more hours per week participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 109, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

NOTES TO FINANCIAL STATEMENTS - Page 18
(See Independent Auditors' Report)

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% of salary; Class B Judiciary 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. The Cooperative's share of contributions to the SDRS for the years ended June 30, 2015, 2014 and 2013 were \$114,016, 110,368 and, \$110,244, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of

At June 30, 2015, SDRS is 107.28% 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	\$ 10,804,813	
Less proportionate share of total pension liability	10,070,956	
Proportionate share of net pension asset	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$ 733,857</td> </tr> </table>	\$ 733,857
\$ 733,857		

At June 30 2015, the District reported an asset of \$733,857 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 District’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 .10185960%.

NOTES TO FINANCIAL STATEMENTS - Page 19
(See Independent Auditors' Report)

For the year ended June 30, 2015, the School District recognized pension revenue of \$30,998. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 62,094	
Changes in assumption	\$ 479,040	
Net difference between projected and actual earnings		\$ 849,930
District contributions subsequent to the measurement	\$ 114,016	
Total	\$ 655,150	\$ 849,930

\$114,016 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	(58,313)
2016	(58,313)
2017	(58,313)
2018	(133,856)
TOTAL	\$ (308,795)

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.

NOTES TO FINANCIAL STATEMENTS - Page 20
(See Independent Auditors' Report)

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:

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	64.00%	4.70%
Fixed Income	26.00%	1.80%
Real Estate	8.00%	5.50%
Cash	2.00%	0.80%
Total	100.00%	

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).

NOTES TO FINANCIAL STATEMENTS - Page 21
(See Independent Auditors' Report)

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

The following presents the 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 District'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:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension asset	\$ 725,189	\$ (733,857)	\$ (1,923,860)

Pension Plan Fiduciary Net Position

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

NOTE 13 - JOINT VENTURE

The School District participates in the joint venture known as Oahe Special Education Cooperative, a cooperative service united (co-op) formed for the purpose of providing special educational services to the member school districts.

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

Bowdle School District No. 22-1	14.29%
Edmunds Central School District No. 22-5	14.29%
Eureka School District No. 44-1	14.29%
Herreid School District No. 10-1	14.29%
Hoven School District No. 53-2	14.28%
Selby Area School District No. 62-5	14.28%
Smee School District No. 15-3	14.28%

The Oahe Special Education Cooperative's governing board is composed of one representative from each member school district, which is a school board member.

The board is responsible for adopting the joint venture'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 joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Oahe Special Education Cooperative's office at PO Box 97 Java, SD 57452.

At June 30, 2015, this joint venture had total net position of \$312,104 (unaudited).

NOTES TO FINANCIAL STATEMENTS - Page 22
(See Independent Auditors' Report)

The School District also participates in the joint venture known as Northwest Area Schools Multi-District, a cooperative service united (co-op) formed for the purpose of providing educational services to the member school districts.

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

Dupree School District	14.29%
Faith School District	14.29%
Harding County School District	14.29%
McIntosh School District	14.29%
McLaughlin School District	14.28%
Smee School District No. 15-3	14.28%
Timber Lake School District	14.28%

The Northwest Area Schools Multi District's governing board is composed of one representative from each member school district, which is a school board member.

The board is responsible for adopting the joint venture'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 joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northwest Area Schools Multi-District's office at PO Box 35, Isabel, SD 57633.

At June 30, 2015, this joint venture had total fund balance of \$718,537 (audited).

NOTE 16 - RISK MANAGEMENT

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

Employee Health Insurance

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

NOTES TO FINANCIAL STATEMENTS - Page 23
(See Independent Auditors' Report)

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 and vehicle coverage from a commercial insurance carrier.

The School District joined the Associated School Boards of South Dakota Property Liability Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The school pays a premium to the pool to provide coverage for property, general, non-owned automobile, employee benefits, and crime liabilities.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$50,000 to the upper limit. The School District carries a \$500 deductible for the property liability coverage and a \$500 deductible for the crime liability coverage.

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

Workmen's Compensation

The School District participates, with several other educational united and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. 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 the all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2015, the pool's retained risk was \$300,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$700,000 for a total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to pool members for the year ended June 30, 2015.

Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NOTES TO FINANCIAL STATEMENTS - Page 24
(See Independent Auditors' Report)

NOTE 17 - LITIGATION

At June 30, 2015, the School District was not involved in any litigation.

NOTE 18 - PRIOR PERIOD ADJUSTMENT

The 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	\$ 9,188,381
Restatement for pension accounting:	
Net Pension Asset	287,188
Pension related Deferred Outflows of Resources	<u>110,368</u>
Net Position July 1, 2014, as restated	<u>\$ 9,585,937</u>

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through November 25, 2015, the date on which the financial statements were available to be issued. Management has determined there are none.

REQUIRED SUPPLEMENTARY INFORMATION

SMEE SCHOOL DISTRICT NO. 15-3
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
1000	Revenue from local sources			
1100	Taxes			
1110	Ad valorem taxes	\$ 30,000	30,000	\$ 42,187 \$ 12,187
1120	Prior years' ad valorem taxes	-	-	57 57
1130	Tax deed revenue	-	-	68 68
1140	Utility Tax	12,000	12,000	24,345 12,345
1190	Penalties and interest on taxes	500	500	70 (430)
1510	Earnings on investments and deposits	3,500	3,500	6,074 2,574
1700	Cocurricular activities			
1710	Admissions	2,000	2,000	1,891 (109)
1900	Other revenue from local sources			
	Charges for services	35,000	35,000	19,531 (15,469)
	Other	17,634	17,634	12,757 (4,877)
2000	Revenue from intermediate sources			
2100	County sources			
2110	County apportionment	4,500	4,500	7,155 2,655
3000	Revenue from state sources			
	Grants-in-aid			
3110	Unrestricted grants-in-aid	1,114,000	1,114,000	1,086,025 (27,975)
3120	Restricted grants-in-aid	-	-	3,750 3,750
4000	Revenue from federal sources			
	Grants-in-aid			
4140	Restricted grants-in-aid Received directly from federal government	33,551	33,551	33,551 -
4150- 4199	Restricted grants-in-aid received from federal government through the state	453,132	453,132	431,949 (21,183)
4900	Other	177,460	177,460	165,845 (11,615)
	Johnson O-Malley funds	6,578	6,578	9,654 3,076
	Total revenue	\$ 1,889,855	\$ 1,889,855	\$ 1,844,909 \$ (44,946)

(Continued on next page)

**SMEE SCHOOL DISTRICT NO. 15-3
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
1000	Instruction			
1100	Regular programs			
1111	Elementary	\$ 457,248	457,248	\$ 424,988 \$ 32,260
1121	Middle/junior high	146,782	146,782	136,103 10,679
1131	High School	397,526	397,526	381,467 16,059
	Other regular programs	206,701	206,701	192,423 14,278
1200	Special programs			
1270	Educationally deprived	406,766	319,536	306,734 12,802
	Other special programs	33,551	33,551	33,552 (1)
2000	Support services			
2100	Pupils			
2110	Attendance and social work	72,760	114,258	108,924 5,334
2120	Guidance	4,500	4,500	3,756 744
2134	Health	58,754	58,754	55,797 2,957
2200	Support services-instructional staff			
2210	Improvement of instruction	-	-	3,750 (3,750)
2220	Educational media	104,342	104,342	100,447 3,895
2300	Support services-general administration:			
2310	Board of education	91,317	91,317	88,664 2,653
2321	Executive administration	89,002	89,002	84,841 4,161
	Support services-school administration			
2410	Office of the Principal	137,529	183,260	135,118 48,142
2440	Title I Program Administration	-	-	47,417 (47,417)
2490	Other	1,200	1,200	492 708
2500	Support services-business			
2529	Fiscal services	109,540	109,540	109,515 25
2540	Operation and maintenance of plant	340,222	340,222	316,860 23,362
2550	Pupil Transportation	185,205	185,205	189,357 (4,152)
2560	Food services	5,913	5,913	7,016 (1,103)

SMEE SCHOOL DISTRICT NO. 15-3
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final			
6100	Male activities	24,427	24,427	13,434	10,993
6200	Female activities	24,427	24,427	24,465	(38)
6900	Combined activities	16,311	16,311	14,227	2,084
10	Total Expenditures	<u>\$ 2,914,023</u>	<u>\$ 2,914,022</u>	<u>\$ 2,779,347</u>	<u>\$ 134,675</u>
	Excess revenue over/under expenditures	<u>\$ (1,024,168)</u>	<u>\$ (1,024,167)</u>	<u>\$ (934,438)</u>	<u>\$ 89,729</u>
	Other financing sources/(uses)				
	Transfers In	793,704	793,704	1,000,260	206,556
	Sale of Surplus Property	-	-	100	100
	Net change in fund balances	<u>(230,464)</u>	<u>(230,463)</u>	<u>65,922</u>	<u>296,385</u>
	Fund balance - beginning	<u>187,056</u>	<u>187,056</u>	<u>187,056</u>	<u>-</u>
	Fund balance - ending	<u><u>\$ (43,408)</u></u>	<u><u>\$ (43,407)</u></u>	<u><u>\$ 252,978</u></u>	<u><u>\$ 296,385</u></u>

**SMEE SCHOOL DISTRICT NO. 15-3
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL EDUCATION FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
1000	Revenue from local sources				
1100	Taxes				
1110	Ad valorem taxes	\$ 7,000	\$ 7,000	\$ 14,564	\$ 7,564
1120	Prior years' ad valorem taxes	-	-	30	30
	Tax deed revenue	-	-	12	12
1190	Penalties and interest on taxes	-	-	46	46
	Earnings on investments and deposits	-	-	193	193
1990	Charges for services	18,000	18,000	10,623	(7,377)
3000	Revenue from state sources				
	Grants-in-aid				
3120	Restricted grants-in-aid	517,150	517,150	525,548	8,398
4000	Revenue from federal sources				
	Grants-in-aid				
	Unrestricted - received directly	42,800	42,800	50,026	7,226
	Restricted grants-in-aid received from federal government through the state	61,735	61,735	61,735	-
	Total revenue	646,685	646,685	662,777	16,092
EXPENDITURES					
	Instruction				
1200	Special programs				
	Programs for special education	380,626	380,626	316,787	63,839
2000	Support services				
2100	Pupils				
2113	Social work service	13,928	13,928	13,659	269
2149	Psychological	20,000	20,000	14,503	5,497
2150	Speech pathology	78,600	78,600	82,124	(3,524)
2160	Audiology services	10,500	10,500	11,451	(951)
2170	Student therapy services	72,080	72,080	67,926	4,154
2700	Support services - special education				
2710	Administrative costs	69,451	69,451	68,071	1,380
2730	Transportation costs	1,500	1,500	45,057	(43,557)
10	Total expenditures	646,685	646,685	619,578	27,107

(Continued on next page)

**SMEE SCHOOL DISTRICT NO. 15-3
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL EDUCATION FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenue over (under) expenditures/net change in fund balances	-	-	43,199	43,199
Transfers Out	-	-	(193)	193
Net change in fund balance	-	-	43,006	43,392
Fund balance - beginning	(4,832)	(4,832)	(4,832)	-
Fund balance -ending	\$ (4,832)	\$ (4,832)	\$ 38,174	\$ 43,199

**SMEE SCHOOL DISTRICT NO. 15-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
FOR THE YEAR ENDED JUNE 30, 2015**

BASIS OF PRESENTATION

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting. The

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

SMEE SCHOOL DISTRICT NO. 15-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
FOR THE YEAR ENDED JUNE 30, 2015

11. The following reconciles the U.S. GAAP Basis fund balance to the budgetary basis fund balance for the General Fund as of June 30, 2015:

U.S. GAAP Basis Fund Balance	\$	2,947,500
Less: portion comprised of unspent Impact Aid revenue	\$	(2,694,522)
Budgetary basis fund balance	\$	<u>252,978</u>

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF 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)	0.1018596%
District's proportionate share of net pension liability (asset)	\$ (733,857)
District's covered-employee payroll	\$ 1,966,736
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-37%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.286863%

* 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 previous fiscal year.

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	<u>2015</u>
Contractually required contribution	\$ 114,016
Contributions in relation to the contractually required contribution	<u>\$ 114,016</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 1,966,736
Contributions as a percentage of covered-employee payroll	6.00%

**SMEE SCHOOL DISTRICT NO. 15-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015
Schedule of Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Contributions**

Changes of benefit terms:

No changes were made.

Changes of assumptions:

No changes were made.

SUPPLEMENTARY INFORMATION

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (Unit Credit)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UUAL as of Percentage of Covered Payroll
June 30, 2010	-	60,229	60,229	0%	n/a	n/a
June 30, 2011	-	60,229	60,229	0%	n/a	n/a
June 30, 2012	-	53,509	53,509	0%	n/a	n/a
June 30, 2015	-	65,008	65,008	0%	n/a	n/a

**SMEE SCHOOL DISTRICT NO. 15-3
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Capital Outlay</u>	<u>Pension Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 10,665	\$ 17,347	\$ 28,012
Taxes receivable	10,632	1,139	11,771
Taxes receivable - delinquent	452	45	497
TOTAL ASSETS	<u>\$ 21,749</u>	<u>\$ 18,531</u>	<u>\$ 40,280</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 29	\$ -	\$ 29
Total Liabilities	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 29</u>
Deferred inflows of resources			
Unavailable Revenue - Property Taxes	452	45	497
Taxes levied for future period	10,631	1,067	11,698
Total Deferred Inflows of Resources	<u>11,083</u>	<u>1,112</u>	<u>12,195</u>
Fund Balances			
Restricted for			
Capital Outlay fund	10637	-	10,637
Pension fund	-	17,419	17,419
Total Fund Balances	<u>10,637</u>	<u>17,419</u>	<u>28,056</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 21,749</u>	<u>\$ 18,531</u>	<u>\$ 40,280</u>

SMEE SCHOOL DISTRICT NO. 15-3
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Capital Outlay</u>	<u>Pension</u>	
REVENUES			
Revenue from local sources			
Taxes			
Ad valorem taxes	\$ 24,019	\$ 2,480	\$ 26,499
Prior years' ad valorem taxes	62	6	68
Tax deed revenue	21	2	23
Penalties and interest on taxes	86	9	95
Earnings on investments and deposits	21	34	55
Revenue from federal sources			
Grants-in-aid			
Unrestricted grants-in-aid			
Received directly from the the federal government	20,505	-	20,505
Total Revenues	<u>\$ 44,714</u>	<u>\$ 2,531</u>	<u>\$ 47,245</u>
EXPENDITURES			
Instruction			
Regular programs			
Middle/junior high	\$ 750	\$ -	\$ 750
High school	2,229	-	2,229
Other regular programs	1,215	-	1,215
Support services - business			
Facilities acquisition and construction	8,941	-	8,941
Operation and maintenance of plant	68,385	-	68,385
Pupil transportation	4,850	-	4,850
Capital outlay	230,790	-	230,790
Total expenditures	<u>\$ 317,160</u>	<u>\$ -</u>	<u>\$ 317,160</u>
Excess of revenue over (under) expenditures	\$ (272,446)	\$ 2,531	\$ (269,915)
Other financing sources (uses)			
Transfer in	250,000	-	250,000
Transfer out	(21)	(34)	(55)
Compensation for loss of general capital assets	800	-	800
Net change in fund balances	(21,667)	2,497	(19,170)
Fund balance - Beginning	32,304	14,922	47,226
Fund Balance - Ending	<u>\$ 10,637</u>	<u>\$ 17,419</u>	<u>\$ 28,056</u>

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number		Disbursements/ Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through the SD Department of Education			
Child nutrition cluster			
School breakfast program (Note2)	10.553		
Cash Reimbursement		43,226	
National school lunch program (Note 2)	10.555		43,226
Cash Reimbursement		85,530	
Donated Food		5,985	
			91,515
Summer Food Service Program for Children	10.559		4,756
			139,497
Total child nutrition cluster			
Fresh Fruit & Vegetable Program	10.582		7,662
			147,159
U.S. DEPARTMENT OF THE INTERIOR			
Direct federal funding			
Indian education - assistance to schools - Johnson-O-Malley (Note 2)	15.130		9,654
			9,654
U.S DEPARTMENT OF EDUCATION			
Direct federal funding			
Impact aid	84.041	1,578,615	
Total Impact Aid:			1,578,615
Indian education - grants to local educational agencies	84.060		33,551
Pass-through the SD Department of Education			
Title I grants to local educational agencies	84.010	281,774	
Total Title I, Part A Cluster:			281,774
School Improvement Grant	84.377	112,708	112,708

**SMEE SCHOOL DISTRICT NO. 15-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Disbursements/ Expenditures
Special Education Cluser:		
Special Education - Grants to States - Flow Thr	84.027	63,000
Special Education - Preschool Grants (Note 2)	84.173	3,235
Total Special Education Cluser		<u>66,235</u>
Twenty-First Century Community Learning Centers	84.287	158,235
Rural Education	84.358(A)	7,610
Improving Teach Quality State Grants (Title II Part A)	84.367	16,953
State Fiscal Stabilization Fund - Education Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	6,534
Pass-Through Mid-Central Coop:		
Indian Education-Special Programs for Indian	84.378	1,818
Total U.S. Department of Education		<u><u>2,264,033</u></u>
Total Expenditures		<u><u>2,420,846</u></u>

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

NOTE 2 - FEDERAL REIMBURSEMENTS

Federal reimbursements are not based upon specific expenditures. Therefore, some amounts reported here represent cash received and/or food commodities used rather than federal expenditures.