

**DAKOTA VALLEY SCHOOL
DISTRICT NO. 61-8**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2015

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

School Board

Steve Kistner

Kam Smith

Corey Reiff

James Heeren

Kevin Hoffman

Business Manager

Mike Hamm

Superintendent

Al Leber

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet-Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	26
Statement of Net Position-Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds	28
Statement of Cash Flows-Proprietary Funds	29
Statement of Net Position-Fiduciary Funds	30
Statement of Changes in Net Position - Fiduciary Funds	31
Notes to the Financial Statements	32
Required Supplementary Information	
Budgetary Comparison Schedules-Budgetary Basis:	
General Fund	53
Capital Outlay	55
Special Education	56
Pension Fund	57
Schedule of Funding Progress for Other Post-Employment Benefits	58
Schedule of the Proportionate Share of the Net Pension Liability (Asset)	59
Schedule of the School District Contributions	60
Notes to the Required Supplementary Information	61
Supplementary Information	
Schedule of Expenditures of Federal Awards	62
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 <i>Government Auditing Standards</i>	64
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	66
Schedule of Prior Audit Findings and Questioned Costs	68
Schedule of Current Audit Findings and Questioned Costs	69
Corrective Action Plan	71

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

School Board
Dakota Valley School District No. 61-8
Union County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of Dakota Valley School District No. 61-8, Union County, South Dakota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously 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 Dakota Valley School District No. 61-8 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Funding Progress, the Pension Schedules and the Budgetary Comparison Schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering Dakota Valley School District's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD

March 15, 2016

**DAKOTA VALLEY SCHOOL DISTRICT 61-8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

This discussion and analysis of the Dakota Valley School District's financial performance provides an overview of the District's financial activities for the fiscal year ended on June 30, 2015. Please read it in conjunction with the District's financial statements and accompanying notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's Net Position from governmental activities increased by \$1,219,588, or 7.05%. Cash and cash equivalents and investments increased by \$23,900,316, and taxes receivable increased by \$93,246 and amounts due from other governments increased by \$18,042 over the previous fiscal year.
- The District's Net Position from business-type activities increased by \$36,691. The amount invested in capital assets, net of related depreciation, decreased by \$1,084.
- During the year, the District's revenues for the governmental funds exceeded expenses by \$21,975,980.
- Expenditures from the General Fund exceeded revenues by \$85,617. Actual revenues came in \$136,596 under projections. Actual expenditures amounted to \$7,362,792 or 99.8% of original budget, actual revenues came in at \$7,277,195 or 98.15% of original budget, this combined with a prior period adjustment of \$181,489.49 resulted in an increase to the General Fund Balance; the ending balance is \$1,576,962.
- The Capital Outlay Fund ended the year with \$197,096 more expenditures than revenues. The Capital Outlay fund balance ended the year at \$2,669,160.
- The fund balance for the Special Education Fund decreased \$78,362, from \$382,217 to \$303,856.
- The Pension Fund Balance ended the year at \$80,722, an increase of \$3,909 from the previous year while relieving the General Fund of \$180,000 of SDRS contribution expenditure.
- The Bond Redemption Funds saw expenditures exceed revenues by \$183,359, which decreased the fund balance from \$494,118 to \$313,759.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school government, reporting the school's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the District operates like businesses. The only proprietary fund operated by the District is the Food Service Operation.

- Fiduciary fund statements provide information about financial relationships, in which the school acts solely as a trustee or agent for the benefit of others. These funds are not available to finance operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1

Required Components of the Dakota Valley School District’s Annual Financial Report:

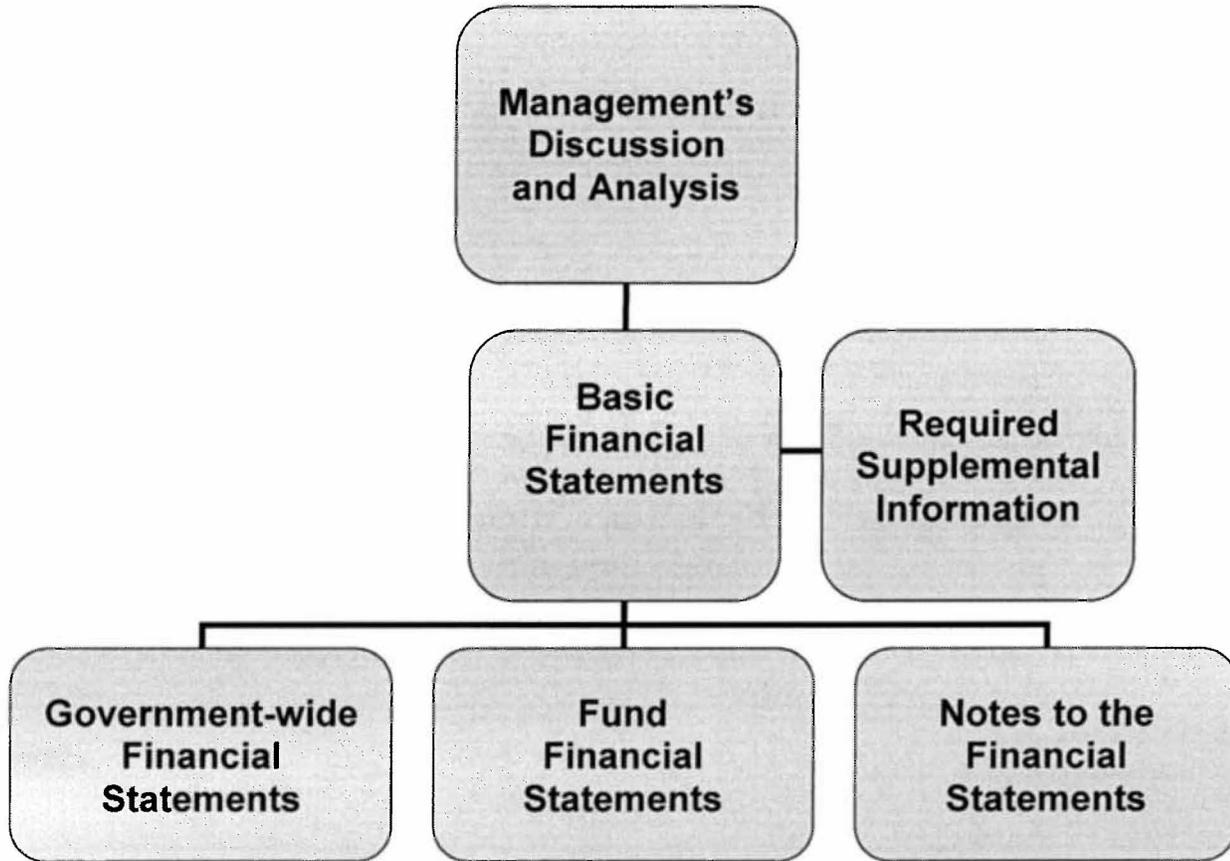


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the school government covered and the types of information contained. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each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

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flow	*Statement of Net Position *Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expense during year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary, middle and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, facilities management, etc.), debt service payments, extra-curricular activities (athletics, fine arts, etc.), and capital equipment purchases. Property taxes, state grants, federal grants and investment earnings finance most of these activities.
- **Business-Type Activities** - Students may purchase breakfast and/or lunch from the school based on a pricing schedule set by the board. The Food Service Fund is the only business-type activity of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. Funds are accounting devices that the school uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash for cash flow purposes and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the school charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the District.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance operations.

FINANCIAL ANALYSIS OF THE DAKOTA VALLEY SCHOOL DISTRICT AS A WHOLE

Statement of Net Position

The District's combined net position changed as follows:

Table A-1
DAKOTA VALLEY SCHOOL DISTRICT
Statement of Net Position

	Primary Government						% Change 2014-2015
	Governmental Activities		Business-Type Activities		Total		
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	
Current and Other Assets	\$ 9,868,380.47	\$ 36,123,185.20	\$ 180,844.70	\$ 221,595.09	\$ 10,049,225.17	\$ 36,344,780.29	261.67%
Capital Assets	19,492,505.02	24,155,686.87	8,310.00	7,226.23	19,500,815.02	24,162,913.10	23.91%
Total Assets	29,360,885.49	60,278,872.07	189,154.70	228,821.32	29,550,040.19	60,507,693.39	104.76%
Pension Related Deferred Outflows		2,083,186.34				2,083,186.34	100.00%
Long-Term Debt Outstanding	7,290,260.37	34,435,890.53			7,290,260.37	34,435,890.53	372.35%
Other Liabilities	739,161.65	2,620,609.56	13,983.19	16,959.11	753,144.84	2,637,568.67	250.21%
Total Liabilities	8,029,422.02	37,056,500.09	13,983.19	16,959.11	8,043,405.21	37,073,459.20	360.92%
Pension Related Deferred Inflows		2,668,571.58				2,668,571.58	100.00%
Taxes Levied for a Future Period	4,040,050.76	4,125,986.29			4,040,050.76	4,125,986.29	2.13%
Total Deferred Inflows of Resources	4,040,050.76	6,794,557.87			4,040,050.76	6,794,557.87	68.18%
Net Position:							
Net Investment in Capital Assets	12,697,505.02	11,903,051.23	8,310.00	7,226.23	12,705,815.02	11,910,277.46	-6.26%
Restricted	3,418,287.13	5,397,956.05			3,418,287.13	5,397,956.05	57.91%
Unrestricted	1,175,620.56	1,209,993.17	166,861.51	204,635.98	1,342,482.07	1,414,629.15	5.37%
Total Net Position	\$ 17,291,412.71	\$ 18,511,000.45	\$ 175,171.51	\$ 211,862.21	\$ 17,466,584.22	\$ 18,722,862.66	7.19%
Increase (Decrease) in Net Position	689,005.96	(11,073.90)	36,749.15	36,630.70	746,755.11	19,016.60	
Adjusted Beginning Net Position	16,602,406.75	18,528,674.35	118,422.36	175,171.51	16,720,829.11	18,703,845.86	
Ending Net Position	\$ 17,291,412.71	\$ 18,511,000.45	\$ 175,171.51	\$ 211,862.21	\$ 17,466,584.22	\$ 18,722,862.66	
Percentage of Increase (Decrease) in Net Position	4.15%	-0.10%	47.92%	20.95%	4.46%	0.10%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District may consist of general obligation bonds, compensated absences payable, early retirement benefits payable, other postemployment benefits payable and/or financing leases. The difference between the District's assets and liabilities are its net position.

Changes in Net Position

Governmental Activities:

- Current and other assets increased \$26,254,805 from \$9,868,380 in FY2014 to \$36,123,185 in FY2015.
- Taxes increased from \$8,370,970 in FY2014 to \$8,718,297 in FY2015, an increase of 4.15%.
- State Aid increased from \$2,133,369 in FY2014 to \$2,170,961 in FY2015, an increase of 1.76%.
- Capital Assets (net of depreciation) increased \$4,663,182.
- Long-term Debt outstanding was increased by \$27,145,630 from \$7,290,261 in FY2014 to \$34,435,891 in FY2015. Other Liabilities increased \$1,881,448 from \$739,162 in FY2014 to \$2,620,610 in FY 2015.
- The net impact of the factors described above accounted for an overall increase of \$1,219,588 or 7.05% in Net Position in FY2015

Business-Type Activities:

- Net Position from business-type activities increased by \$36,691. While cash and current assets increased \$40,750, the amount invested in capital assets, net of related depreciation, decreased by \$1,084 resulting in 20.95% increase of Total Net Position for business-type activities in FY2015.

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the government-wide activities.

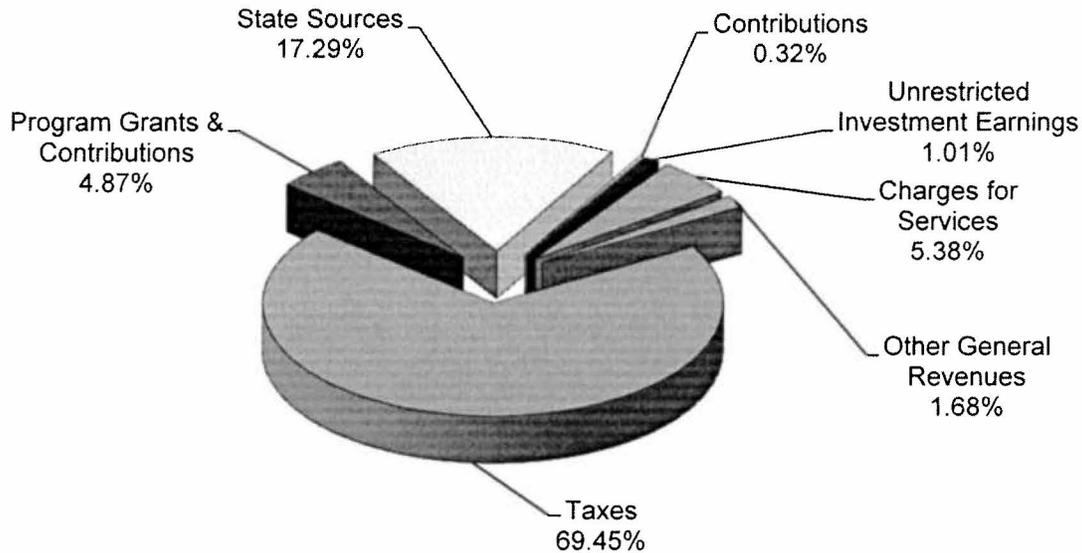
TABLE A-2
 DAKOTA VALLEY SCHOOL DISTRICT 61-8
 Changes in Net Position

	Total Governmental Activities		Total Business-Type Activities		Total	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Revenues						
Program Revenues						
Charges for Services	\$ 81,389.68	\$ 161,321.42	\$ 498,168.11	\$ 513,557.83	\$ 579,557.79	\$ 674,879.25
Operating Grants and Contributions	492,585.96	403,005.78	200,982.18	209,050.37	693,568.14	612,056.15
General Revenues						
Taxes	8,370,969.95	8,718,297.14			8,370,969.95	8,718,297.14
Revenue State Sources	2,133,368.53	2,170,961.22			2,133,368.53	2,170,961.22
Contributions	96,178.52	40,628.14			96,178.52	40,628.14
Other General Revenue	211,170.06	211,102.60			211,170.06	211,102.60
Unrestricted Investment Earnings	7,216.82	127,325.70	89.78	100.73	7,306.60	127,426.43
Total Revenues	11,392,879.52	11,832,642.00	699,240.07	722,708.93	12,092,119.59	12,555,350.93
Expenses						
Instruction	6,036,012.55	5,714,514.12			6,036,012.55	5,714,514.12
Support Services	3,772,609.12	3,990,732.61			3,772,609.12	3,990,732.61
Nonprogrammed Charges	32,782.12	37,960.08			32,782.12	37,960.08
Debt Services	255,323.54	1,527,978.26			255,323.54	1,527,978.26
Cocurricular Activities	607,146.22	579,130.83			607,146.22	579,130.83
Driver's Education			8,772.86	18,873.04		18,873.04
Food Service			633,718.06	667,145.19	633,718.06	667,145.19
Total Expenses	10,703,873.55	11,850,315.90	642,490.92	686,018.23	11,337,591.61	12,536,334.13
Increase (Decrease) in Net Position	\$ 689,005.97	\$ (17,673.90)	\$ 56,749.15	\$ 36,690.70	\$ 745,755.12	\$ 19,016.80
NET POSITION - ENDING	\$ 17,291,412.72	\$ 18,511,000.45	\$ 175,171.51	\$ 211,862.21	\$ 17,466,584.23	\$ 18,722,862.66

The District's FY2015 revenues totaled \$11,832,642, an increase of \$439,762 or 3.850%. (See Table A-2) A significant portion of the revenue from governmental activities (69.45%) was derived from property and other taxes (See Figure A-3). The District received donations and contributions totaling \$40,628, which amounted to .32% of total revenue sources. The remaining 30.23% of revenue is comprised of state sources (i.e. state aid and school and public lands allocation), intermediate sources (i.e. county apportionment and revenue for joint facilities), local sources (i.e. admissions for pupil activities and facility usage fees), charges for services (i.e. food service operations, tuition and internal sales), operating grants and contributions (i.e. Federal Grant programs) and earnings from investments.

Figure A-3

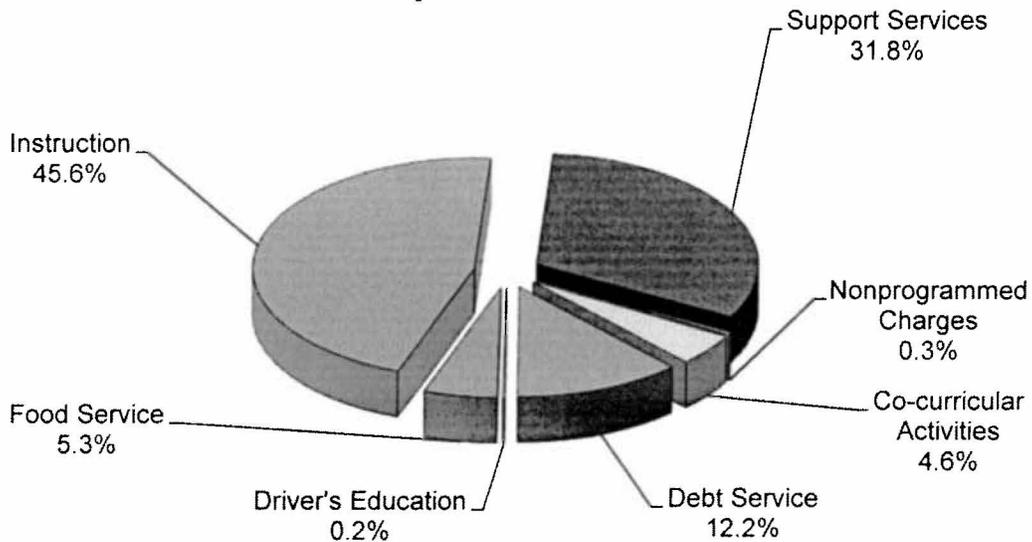
Dakota Valley School District Sources of Revenues for FY2015



The District's expenses for FY2015 totaled \$11,850,316 as compared to \$10,703,874 in FY2014, an increase of \$1,146,442 or 10.71% (See Table A-2) and covered a range of services including: instruction, support services, debt service, co-curricular activities and food service (See Figure A-4). The percentages expended by function changed from FY2014 to FY2015 as follows: Instruction decreased 5.33% from \$6,036,013 to \$5,714,514; Support Services increased 5.78% from \$3,772,609 to \$3,990,733; Debt Service increased 498.45% from \$255,324 to \$1,527,978; Co-curricular Activities decreased 4.61% from \$607,146 to \$579,131; and Food Service increased from \$633,718 to \$607,145.

Figure A-4

Dakota Valley School District Functional Expenses for FY2015



BUSINESS-TYPE ACTIVITIES

Revenues of the business-type activities increased by \$23,469 in FY2015 (See Table A-2) while expenses increased \$43,527 or 6.77%. Factors contributing to these results included:

- Total operating revenues increased from \$498,168 in FY2014 to \$513,558 in FY2015.
- Total non-operating revenue increased from \$200,982 in FY2014 to \$209,151 in FY2015.
- School lunches are purchased on a per meal basis. Participation in the school lunch program increased from 64.8% in FY2014 to 65.2% in FY2015.
- Total lunches sold decreased from 141,384 in FY2014 to 134,585 in FY2015.
- Total breakfast meals sold decreased from 27,106 in FY2014 to 24,946 in FY2015.
- Extra food sales decreased from \$202,949 in FY2014 to \$189,439 in FY2015.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Fund balances changed as follows: General Fund increased by \$95,872 from \$1,481,091 to \$1,576,963. The District requested 76% of the available \$600,000 Opt Out that was adopted in 2001 for taxes payable in 2002 and beyond. The District is under no obligation to request all or any of the additional tax request, however, because these funds have been budgeted for recurring expenses (i.e. salaries and programs), the District will continue utilizing this additional tax levy into the foreseeable future. The Capital Outlay Fund ended FY2015 with a fund balance of \$2,669,160, an increase of \$465,318. The Special Education Fund ended the year with a fund balance of \$303,856 a decrease of \$78,362 as compared to the FY2014 fund balance of \$382,217. The Pension Fund Balance ended the year at \$80,722, an increase of \$3,909 from the previous year, while relieving the General Fund of \$180,000 of SDRS contribution expense. The Bond Redemption Funds saw expenditures exceed revenues by \$183,359, which decreased the fund balance from \$494,118 to \$310,759.

BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the District's budget several times. These amendments fall into two categories

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary expenses to provide for items necessary for the educational programs of the District.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the District had invested \$34,087,792 (before depreciation) in a broad range of capital assets, including land, buildings, improvements, and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$5,262,420 from the previous year.

Table A-3
DAKOTA VALLEY SCHOOL DISTRICT 61-8 - Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Land	\$ 625,964	\$ 625,964	\$	\$	\$ 625,964	\$ 625,964
Construction Work in Progress	165,878	5,353,336			165,878	5,353,336
Buildings	24,749,110	24,749,110			24,749,110	24,749,110
Improvements other than Building	1,722,839	1,722,839			1,722,839	1,722,839
Machinery and Equipment	879,585	1,001,359	239,724	239,724	1,119,309	1,241,083
Library Books	442,272	395,460			442,272	395,460
Total Capital Assets	\$ 28,585,648	\$ 33,848,068	\$ 239,724	\$ 239,724	\$ 28,825,372	\$ 34,087,792
Accumulated Depreciation	(9,093,143)	(9,692,381)	(231,414)	(231,414)	(9,324,557)	(9,923,795)
Ending Book Value	\$ 19,492,505	\$ 24,155,687	\$ 8,310	\$ 8,310	\$ 19,500,815	\$ 24,163,997

LONG-TERM DEBT

As of fiscal year-end, the district has \$30,283,608 in general obligation bonds outstanding as well as \$3,640,000 in capital outlay certificates. Bonds in the amount of \$1,115,000 were retired during the year. Accrued absence salaries increased by \$611 during the year. This policy is described in more detail below. Overall, the District's outstanding debt increased by \$27,145,630 from FY2014 as compared to FY2015 per Table A-4 below

Table A-4
DAKOTA VALLEY SCHOOL DISTRICT 61-8
Outstanding Debt and Obligations

	Governmental Activities		Total
	FY2014	FY2015	% Change
General Obligation Bonds	\$ 2,875,000.00	\$ 30,283,608.40	953.34%
Capital Outlay Certificates	3,920,000.00	3,640,000.00	-7.14%
Capital Acquisition Leases	132,003.17	65,786.34	-50.16%
Early Retirement Payable	32,782.12	48,887.45	49.13%
Compensated Absences	94,657.08	95,268.34	0.65%
Other Postemployment Benefits	235,818.00	302,340.00	28.21%
Total Long-Term Liabilities	\$ 7,290,260.37	\$ 34,435,890.53	372.35%
Net Increase (Decrease)			372.35%

The District has a certain amount of compensated absence liability at the end of each fiscal year. Teachers and administrators may sell unused sick leave to the District according to established policies. In addition, the superintendent may be compensated for unused vacation leave according to his negotiated contract.

The District also maintains an early retirement plan allowing those meeting certain qualifications to retire early and receive 60% of their last year's salary in one lump sum, or in three equal payments,

during the following fiscal year. This plan allows the District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Based on the increase in overall fund balances for the governmental funds, the District did see an improvement in their economic condition. The combined fund balances of the General Fund, Capital Outlay, Special Education, Pension, Bond Redemption and Capital Projects totaled \$27,020,712 at year-end as compared to \$5,044,732 at the end of FY2014. The valuation of taxable property in the District increased \$73,199,179 (or 10.55%) to \$767,183,608 as compared to \$693,984,429 in the previous year. The increase in property value generates more tax revenues for the District; however, South Dakota codified law limits the maximum levies that may be assessed for school purposes. In addition, the Dakota Valley Board of Education is very cognizant of the total school levy assessed against property owners in the school district. The total levy assessed in 2014 for taxes payable in 2015 did not increase for owner-occupied dwellings. The levy for agricultural property decreased \$0.13 per thousand and the commercial levy decreased \$.10 per thousand.

The State of South Dakota establishes funding for schools by apportioning funds from their General Fund Budget in the form of aid to education. This funding is now calculated on a per student allocation based on the District's actual fall enrollment from the previous year. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,877 per pupil.

Given the large amount of construction of new homes and apartments in the District and economic expansion in the area, enrollment increased in FY2015 to 1,286 students, which will result in a significantly higher funding basis for subsequent fiscal planning. The allocation per student will be based on fall enrollment as of September 30th rather than Average Daily Membership as in the past. School districts experiencing growing enrollment, as is the case with Dakota Valley, will be positively impacted as aid will be provided based on the greater of actual enrollment from the previous year or a two-year average if enrollment is declining. Additional state aid will be provided to districts that experience enrollment growth of more than 5% or 25 students.

The District's enrollment increased by 2.6% from 1,253 in FY14 to 1,286 in FY14.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dakota Valley Business Office, 1150 Northshore Drive, North Sioux City, SD 57049 or call (605) 422-3800 between 8:00 am and 4:00 pm, Monday – Friday.

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 27,418,361.37	\$ 208,546.96	\$ 27,626,908.33
Investments	408,279.04		408,279.04
Taxes Receivable	4,177,733.60		4,177,733.60
Accounts Receivable		5,115.62	5,115.62
Due from Other Governments	171,432.00		171,432.00
Inventory		7,932.51	7,932.51
Net Pension Asset	2,304,130.52		2,304,130.52
Restricted Assets:			
Cash with Fiscal Agent	1,643,248.67		1,643,248.67
Capital Assets:			
Land and Construction in Progress	5,979,299.99		5,979,299.99
Other Capital Assets, Net of Depreciation	18,176,386.88	7,226.23	18,183,613.11
TOTAL ASSETS	<u>60,278,872.07</u>	<u>228,821.32</u>	<u>60,507,693.39</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	2,083,186.34		2,083,186.34
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,083,186.34</u>		<u>2,083,186.34</u>
LIABILITIES:			
Accounts Payable	156,271.98		156,271.98
Contracts and Benefits Payable	746,293.30		746,293.30
Construction Payable	1,694,872.36		1,694,872.36
Retainage Payable	23,171.92		23,171.92
Deposits Payable		16,959.11	16,959.11
Noncurrent Liabilities:			
Due in More than One Year	1,075,033.12		1,075,033.12
Due Within One Year	33,360,857.41		33,360,857.41
TOTAL LIABILITIES	<u>37,056,500.09</u>	<u>16,959.11</u>	<u>37,073,459.20</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	2,668,571.58		2,668,571.58
Taxes Levied for a Future Period	4,125,986.29		4,125,986.29
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,794,557.87</u>		<u>6,794,557.87</u>
NET POSITION:			
Net Investment in Capital Assets	11,903,051.23	7,226.23	11,910,277.46
Restricted for:			
Capital Outlay	2,612,824.20		2,612,824.20
Special Education	308,905.09		308,905.09
Pension	32,888.95		32,888.95
Science Center	408,279.04		408,279.04
SDRS Pension Purposes	1,718,745.28		1,718,745.28
Debt Services	316,313.49		316,313.49
Unrestricted	1,209,993.17	204,635.98	1,414,629.15
TOTAL NET POSITION	<u>\$ 18,511,000.45</u>	<u>\$ 211,862.21</u>	<u>\$ 18,722,862.66</u>

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 5,714,514.12	\$ 32,834.49	\$ 403,005.78	\$ (5,278,673.85)	\$	\$ (5,278,673.85)
Support Services	3,990,732.61	97,325.61		(3,893,407.00)		(3,893,407.00)
Nonprogrammed Charges	37,960.08			(37,960.08)		(37,960.08)
*Interest on Long-term Debt	1,527,978.26			(1,527,978.26)		(1,527,978.26)
Cocurricular Activities	579,130.83	31,161.32		(547,969.51)		(547,969.51)
Total Governmental Activities	<u>11,850,315.90</u>	<u>161,321.42</u>	<u>403,005.78</u>	<u>(11,285,988.70)</u>		<u>(11,285,988.70)</u>
Business-type Activities:						
Food Service	667,145.19	491,657.83	209,050.37		33,563.01	33,563.01
Driver's Education	18,873.04	21,900.00			3,026.96	3,026.96
Total Business-type Activities	<u>686,018.23</u>	<u>513,557.83</u>	<u>209,050.37</u>		<u>36,589.97</u>	<u>36,589.97</u>
Total Primary Government	<u>\$ 12,536,334.13</u>	<u>\$ 674,879.25</u>	<u>\$ 612,056.15</u>	<u>(11,285,988.70)</u>	<u>36,589.97</u>	<u>(11,249,398.73)</u>

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

General Revenues:

Taxes:

Property Taxes	8,624,453.35	8,624,453.35
Utility Tax	93,843.79	93,843.79

Revenue from State Sources:

State Aid	2,170,961.22	2,170,961.22	
Unrestricted Investment Earnings	127,325.70	100.73	127,426.43
Contributions not Restricted to Specific Programs	40,628.14		40,628.14
Other General Revenues	211,102.60		211,102.60
Total General Revenues	<u>11,268,314.80</u>	<u>100.73</u>	<u>11,268,415.53</u>

Change in Net Position	<u>(17,673.90)</u>	<u>36,690.70</u>	<u>19,016.80</u>
Net Position-Beginning	17,291,412.71	175,171.51	17,466,584.22
Prior Period Adjustment	1,237,261.64		1,237,261.64
Adjusted Net Position-Beginning	<u>18,528,674.35</u>	<u>175,171.51</u>	<u>18,703,845.86</u>
NET POSITION - ENDING	<u>\$ 18,511,000.45</u>	<u>\$ 211,862.21</u>	<u>\$ 18,722,862.66</u>

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

THIS PAGE DELIBERATELY BLANK

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>
ASSETS:				
Cash and Cash Equivalents	\$2,223,750.63	\$1,048,893.36	\$ 349,008.99	\$ 80,722.35
Cash with Fiscal Agent		1,643,248.67		
Investments				
Taxes Receivable--Current	2,148,599.72	812,138.33	428,966.72	97,735.58
Taxes Receivable--Delinquent	30,638.86	9,450.33	5,049.58	1,054.05
Due from Other Fund				
Due from Other Governments	<u>116,540.00</u>		<u>54,892.00</u>	
TOTAL ASSETS	<u>\$4,519,529.21</u>	<u>\$3,513,730.69</u>	<u>\$ 837,917.29</u>	<u>\$179,511.98</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 112,369.34	\$ 22,981.82	\$ 4,710.82	\$
Contracts Payable	564,644.64		76,397.23	
Construction Payable				
Retainage Payable				
Due to Other Fund				
Payroll Deductions and Withholdings and Employer Matching Payable	<u>86,314.00</u>		<u>18,937.43</u>	
Total Liabilities	<u>763,327.98</u>	<u>22,981.82</u>	<u>100,045.48</u>	
Deferred Inflows of Resources:				
Taxes Levied for a Future Period	2,148,599.72	812,138.33	428,966.72	97,735.58
Unavailable Revenue-Property Taxes	<u>30,638.86</u>	<u>9,450.33</u>	<u>5,049.58</u>	<u>1,054.05</u>
Total Deferred Inflows of Resources	<u>2,179,238.58</u>	<u>821,588.66</u>	<u>434,016.30</u>	<u>98,789.63</u>
Fund Balances:				
Restricted		2,669,160.21	303,855.51	80,722.35
Unassigned	<u>1,576,962.65</u>			
Total Fund Balances	<u>1,576,962.65</u>	<u>2,669,160.21</u>	<u>303,855.51</u>	<u>80,722.35</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$4,519,529.21</u>	<u>\$3,513,730.69</u>	<u>\$ 837,917.29</u>	<u>\$179,511.98</u>

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

Science Center Fund	Debt Service Funds			High School Building Capital Project	Total Governmental Funds
	High School Debt Service	Elementary School Debt Service	New High School Debt Service		
\$	\$ 103,666.64	\$ 275,000.20	\$	\$23,337,319.20	\$27,418,361.37
408,279.04					1,643,248.67
		193,447.50	445,098.44		408,279.04
	1,966.52	3,587.97			4,125,986.29
				67,907.84	51,747.31
					67,907.84
					171,432.00
<u>\$408,279.04</u>	<u>\$ 105,633.16</u>	<u>\$ 472,035.67</u>	<u>\$ 445,098.44</u>	<u>\$23,405,227.04</u>	<u>\$33,886,962.52</u>
\$	\$	\$	\$	\$ 16,210.00	\$ 156,271.98
					641,041.87
				1,694,872.36	1,694,872.36
				23,171.92	23,171.92
			67,907.84		67,907.84
					105,251.43
			67,907.84	1,734,254.28	2,688,517.40
		193,447.50	445,098.44		4,125,986.29
	1,966.52	3,587.97			51,747.31
	1,966.52	197,035.47	445,098.44		4,177,733.60
408,279.04	103,666.64	275,000.20		21,670,972.76	25,511,656.71
			(67,907.84)		1,509,054.81
<u>408,279.04</u>	<u>103,666.64</u>	<u>275,000.20</u>	<u>(67,907.84)</u>	<u>21,670,972.76</u>	<u>27,020,711.52</u>
<u>\$408,279.04</u>	<u>\$ 105,633.16</u>	<u>\$ 472,035.67</u>	<u>\$ 445,098.44</u>	<u>\$23,405,227.04</u>	<u>\$33,886,962.52</u>

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances - Governmental Funds \$ 27,020,711.52

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.

Cost of Capital Assets	\$ 33,848,068.17	
Accumulated Depreciation	<u>(9,692,381.30)</u>	24,155,686.87

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

General Obligation Bonds Payable	(30,283,608.40)	
General Obligation Certificates Payable	(3,640,000.00)	
Accrued Compensated Absences	(95,268.34)	
Early Retirement Payable	(48,887.45)	
Capital Acquisition Lease Payable	(65,786.34)	
Other Postemployment Benefits	<u>(302,340.00)</u>	(34,435,890.53)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

2,304,130.52

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

2,083,186.34

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds

(2,668,571.58)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.

51,747.31

Net Position- Governmental Funds

\$ 18,511,000.45

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

THIS PAGE DELIBERATELY BLANK

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 4,491,814.19	\$ 1,855,525.73	\$ 969,909.70	\$ 203,915.19
Prior Years' Ad Valorem Taxes	34,716.94	13,537.34	7,279.12	1,519.41
Utility Taxes	93,843.79			
Penalties and Interest on Taxes	9,900.47	3,023.88	1,606.71	329.52
Earnings on Investments and Deposits	3,754.29	6,612.51		
Tuition and Fees				
Tuition from Pupils and Students	13,072.63			
Cocurricular Activities:				
Admissions	29,258.32			
Other Pupil Activity Income	1,903.00			
Other Revenue from Local Sources:				
Contributions and Donations	1,553.76			
Charges for Services	11,998.39		7,763.47	
Other	38,574.38	500.00		
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	217,403.92			
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,170,961.22			
Restricted Grants-in-Aid	18,250.00		10,642.00	
Other State Revenue	1,523.68			
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	138,645.50	5,390.00	230,078.28	
Total Revenue	<u>7,277,174.48</u>	<u>1,884,589.46</u>	<u>1,227,279.28</u>	<u>205,764.12</u>

Science Center Fund	Debt Service Funds				High School Building Capital Project	Total Governmental Funds
	High School Debt Service	Elementary School Debt Service	New High School Debt Service			
\$	\$	\$ 521,670.91	\$ 492,663.41	\$	\$ 8,535,499.13	
	2,973.21	5,170.38			65,196.40	
	449.49	1,092.28	44.38		93,843.79	
1,628.23				115,330.67	16,446.73	
					127,325.70	
					13,072.63	
					29,258.32	
					1,903.00	
					1,553.76	
					19,761.86	
					39,074.38	
					217,403.92	
					2,170,961.22	
					28,892.00	
					1,523.68	
					374,113.78	
<u>1,628.23</u>	<u>3,422.70</u>	<u>527,933.57</u>	<u>492,707.79</u>	<u>115,330.67</u>	<u>11,735,830.30</u>	

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,722,813.30	23,836.37		70,000.00
Middle/Junior High	944,230.58	41,522.03		55,000.00
High School	1,278,487.45	175,534.47		55,000.00
Special Programs:				
Gifted and Talented	33.67			
Programs for Special Education			1,021,870.16	
Programs for Educationally Deprived	195,683.48			
Other Special Programs	23,267.90			
Support Services:				
Pupils:				
Guidance	192,256.34			
Health	70,349.62			
Psychological			57,057.52	
Speech Pathology			113,685.97	
Student Therapy			41,856.48	
Support Services - Instructional Staff:				
Improvement of Instruction	78,119.02	34,198.47		
Educational Media	376,639.75	164,751.49		
Support Services - General Administration:				
Board of Education	140,967.90	62,107.37		
Executive Administration	206,526.62			
Support Services - School Administration:				
Office of the Principal	454,408.33			
Other	353.48			
Support Services - Business:				
Fiscal Services	184,617.47	9,950.97		
Facilities Acquisition and Construction				
Operation and Maintenance of Plant	602,679.21	438,176.34		
Pupil Transportation	368,361.06	59,663.41		
Internal Services	71,535.93	4,239.00		
Support Services - Central:				
Staff	6,377.76			
Support Services - Special Education:				
Administrative Costs			27,244.72	
Speech/Language Impairments			43,926.14	
Early Retirement				21,854.75
Debt Services		450,975.33		

Science Center Fund	Debt Service Funds			High School Building Capital Project	Total Governmental Funds
	High School Debt Service	Elementary School Debt Service	New High School Debt Service		
					1,816,649.67
					1,040,752.61
					1,509,021.92
					33.67
					1,021,870.16
					195,683.48
					23,267.90
					192,256.34
					70,349.62
					57,057.52
					113,685.97
					41,856.48
					112,317.49
					541,391.24
					203,075.27
					206,526.62
					454,408.33
					353.48
					194,568.44
					1,040,855.55
					428,024.47
					75,774.93
					6,377.76
					27,244.72
					43,926.14
					21,854.75
		646,807.50	560,615.63	750,796.63	2,409,195.09

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund
Cocurricular Activities:				
Male Activities	85,799.84			
Female Activities	89,403.37			
Transportation	76,425.97			
Combined Activities	193,453.89	39,600.14		
Capital Outlay		182,938.51		
Total Expenditures	<u>7,362,791.94</u>	<u>1,687,493.90</u>	<u>1,305,640.99</u>	<u>201,854.75</u>
Excess of Revenue Over (Under) Expenditures	<u>(85,617.46)</u>	<u>197,095.56</u>	<u>(78,361.71)</u>	<u>3,909.37</u>
Other Financing Sources:				
Proceeds from Long Term Debt				
Premiums on Bonds Issued				
Total Other Financing Sources				
Net Change in Fund Balances	<u>(85,617.46)</u>	<u>197,095.56</u>	<u>(78,361.71)</u>	<u>3,909.37</u>
Beginning Fund Balance	1,481,090.62	2,203,842.14	382,217.22	76,812.98
Prior Period Adjustment	<u>181,489.49</u>	<u>268,222.51</u>		
Adjusted Beginning Fund Balance	<u>1,662,580.11</u>	<u>2,472,064.65</u>	<u>382,217.22</u>	<u>76,812.98</u>
ENDING FUND BALANCE	<u>\$ 1,576,962.65</u>	<u>\$ 2,669,160.21</u>	<u>\$ 303,855.51</u>	<u>\$ 80,722.35</u>

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

Science Center Fund	Debt Service Funds			High School Building Capital Project	Total Governmental Funds
	High School Debt Service	Elementary School Debt Service	New High School Debt Service		
					85,799.84
					89,403.37
					76,425.97
					233,054.03
				5,187,457.68	5,370,396.19
		646,807.50	560,615.63	5,938,254.31	17,703,459.02
1,628.23	3,422.70	(118,873.93)	(67,907.84)	(5,822,923.64)	(5,967,628.72)
				27,000,000.00	27,000,000.00
				943,608.40	943,608.40
				27,943,608.40	27,943,608.40
1,628.23	3,422.70	(118,873.93)	(67,907.84)	22,120,684.76	21,975,979.68
406,650.81	100,243.94	393,874.13			5,044,731.84
				(449,712.00)	
406,650.81	100,243.94	393,874.13		(449,712.00)	5,044,731.84
<u>\$ 408,279.04</u>	<u>\$ 103,666.64</u>	<u>\$ 275,000.20</u>	<u>\$ (67,907.84)</u>	<u>\$ 21,670,972.76</u>	<u>\$27,020,711.52</u>

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 21,975,979.68

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 capital outlays expense exceeds depreciation expense in the period.

Capital Outlays	\$5,370,396.19	
Depreciation Expense	<u>(699,389.35)</u>	4,671,006.84

The issuance of long-term debt is an other financing source in the fund statements but an increase in long term liabilities on the government wide statements. (27,943,608.40)

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. 7,311.09

Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Capital Outlay Certificates	280,000.00	
General Obligation Bonds	535,000.00	
Financing (Capital Acquisition) Leases	<u>66,216.83</u>	881,216.83

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal, or expense from the gain is reflected, regardless of whether a gain or loss is recognized. (7,825.00)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 481,483.64

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in:

Compensated Absences Payable	(611.25)	
Early Retirement Payable	(16,105.33)	
Other Postemployment Benefits	<u>(66,522.00)</u>	<u>(83,238.58)</u>

Change in Net Position of Governmental Activities \$ (17,673.90)

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 192,020.49	\$ 16,526.47	\$ 208,546.96
Accounts Receivable	5,115.62		5,115.62
Inventory of Donated Food	7,932.51		7,932.51
Total Current Assets	<u>205,068.62</u>	<u>16,526.47</u>	<u>221,595.09</u>
Capital Assets:			
Machinery and Equipment	239,724.39		239,724.39
Less: Accumulated Depreciation	<u>(232,498.16)</u>		<u>(232,498.16)</u>
Total Noncurrent Assets	<u>7,226.23</u>		<u>7,226.23</u>
TOTAL ASSETS	<u>212,294.85</u>	<u>16,526.47</u>	<u>228,821.32</u>
LIABILITIES:			
Current Liabilities:			
Deposits Payable	<u>16,959.11</u>		<u>16,959.11</u>
Total Current Liabilities	<u>16,959.11</u>		<u>16,959.11</u>
NET POSITION:			
Net Investment in Capital Assets	7,226.23		7,226.23
Unrestricted Net Position	<u>188,109.51</u>	<u>16,526.47</u>	<u>204,635.98</u>
TOTAL NET POSITION	<u>\$ 195,335.74</u>	<u>\$ 16,526.47</u>	<u>\$ 211,862.21</u>

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITON
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	
Operating Revenue:			
Tuition and Fees:			
Drivers Education	\$	\$ 21,900.00	\$ 21,900.00
Sales:			
To Pupils	291,339.70		291,339.70
To Adults	13,194.80		13,194.80
A la Carte	73,030.78		73,030.78
Other	114,092.55		114,092.55
Total Operating Revenue	<u>491,657.83</u>	<u>21,900.00</u>	<u>513,557.83</u>
Operating Expenses:			
Other Community Services:			
Salaries		13,200.00	13,200.00
Employee Benefits		1,801.80	1,801.80
Repairs		130.00	130.00
Supplies		3,741.24	3,741.24
Food Service:			
Purchased Services	591,378.83		591,378.83
Repairs	13,259.78		13,259.78
Supplies	16,901.54		16,901.54
Cost of Sales-Donated Food	42,493.59		42,493.59
Miscellaneous	2,027.68		2,027.68
Depreciation-Local Funds	1,083.77		1,083.77
Total Operating Expenses	<u>667,145.19</u>	<u>18,873.04</u>	<u>686,018.23</u>
Operating Income (Loss)	<u>(175,487.36)</u>	<u>3,026.96</u>	<u>(172,460.40)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	100.73		100.73
State Sources:			
Cash Reimbursements	3,206.80		3,206.80
Federal Sources:			
Cash Reimbursements	163,349.98		163,349.98
Donated Food	42,493.59		42,493.59
Total Nonoperating Revenue (Expense)	<u>209,151.10</u>		<u>209,151.10</u>
Change in Net Position	33,663.74	3,026.96	36,690.70
Net Position - Beginning	<u>161,672.00</u>	<u>13,499.51</u>	<u>175,171.51</u>
NET POSITION - ENDING	<u>\$ 195,335.74</u>	<u>\$ 16,526.47</u>	<u>\$ 211,862.21</u>

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 498,356.55	\$ 21,900.00	\$ 520,256.55
Payments to Employees		(15,001.80)	(15,001.80)
Payments to Suppliers	(608,280.37)		(608,280.37)
Other Operating Payments	(15,287.46)	(3,871.24)	(19,158.70)
Net Cash Provided (Used) by Operating Activities	(125,211.28)	3,026.96	(122,184.32)
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	166,556.78		166,556.78
Cash Flows from Capital and Related Financing Activities:			
Interest Earnings	100.73		100.73
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 41,446.23</u>	<u>\$ 3,026.96</u>	<u>\$ 44,473.19</u>
Cash and Cash Equivalents at Beginning of Year	\$ 150,574.26	\$ 13,499.51	\$ 164,073.77
Cash and Cash Equivalents at End of Year	<u>192,020.49</u>	<u>16,526.47</u>	<u>208,546.96</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 41,446.23</u>	<u>\$ 3,026.96</u>	<u>\$ 44,473.19</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (175,487.36)	\$ 3,026.96	\$(172,460.40)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,083.77		1,083.77
Value of Commodities Used	42,493.59		42,493.59
Change in Assets and Liabilities:			
Accounts Receivable	3,722.80		3,722.80
Deposits Payable	2,975.92		2,975.92
Net Cash Provided (Used) by Operating Activities	<u>\$ (125,211.28)</u>	<u>\$ 3,026.96</u>	<u>\$(122,184.32)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 42,493.59		

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash & Cash Equivalents	\$	\$ 21,479.52
Investments	16,039.62	60.38
Accounts Receivable		3,125.89
 TOTAL ASSETS	16,039.62	24,665.79
 LIABILITIES:		
Amounts Held for Others		24,665.79
Total Liabilities		\$ 24,665.79
 NET POSITION		
Held in Trust for Scholarships	\$ 16,039.62	

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
No additions	<u>\$ 0.00</u>
DEDUCTIONS:	
No Deductions	<u>0.00</u>
Change in Net Position	0.00
Net Position - Beginning	<u>16,039.62</u>
NET POSITION - ENDING	<u><u>\$ 16,039.62</u></u>

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Dakota Valley School District No. 61-8, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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 Funds - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

Science Center Fund—A fund established for the purpose of accounting for other special revenue intended for the building of a new science center. This is a major fund.

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

The High School Bond Debt Service Fund--A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The Elementary School Bond Debt Service Fund--A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The New High School Bond Debt Service Fund--A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The High School Building Capital Projects Fund is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- 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.

Other Enterprise Fund-- An enterprise fund maintained by the School District to record financial transactions related to Driver's Education. The 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:

Private-Purpose Trust Funds- private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, and other governments. The School District maintains a private-purpose trust fund for fine arts camp scholarships.

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature

they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: class funds, student organizations, and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period does not exceed one bill-paying cycle, and for the Dakota Valley School District No. 61-8, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2015 are amounts due from other governments for grants and other accounts receivable.

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

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

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

Government-Wide 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 1.41% for which costs were determined by estimates of original costs. The total June 30, 2015 balance of capital assets for business-type activities includes approximately 10.37% for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement costs.

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 asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	NA	NA
Improvements	\$ 25,000.00	Straight Line	10-50 yrs
Buildings	25,000.00	Straight Line	50-75 yrs
Machinery and Equipment	5,000.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	2,500.00	Straight Line	10 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School 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 the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications

Government-wide Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of Net Position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position – All other Net Position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures:

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

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

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

district would first use *committed, then assigned, and lastly, unassigned* amounts of unrestricted fund balance when expenditures are made.

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

The purpose of the major Science Center Special Revenue Fund was to account for revenues from donations for the building and maintenance of the school's science center.

A schedule of fund balances is provided as follows:

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Science Center Fund	Combined Debt Service Funds	Capital Project Funds	Total Governmental Funds
Fund Balances:								
Restricted for:								
Capital Outlay -	\$	\$ 1,026,911.54	\$	\$	\$	\$	\$	\$ 1,026,911.5
For Defeasance of Debt		1,642,248.67						1,642,248.6
Special Education			303,855.51					303,855.5
Pension				80,722.35				80,722.3
Bond Redemption-HS						103,666.64		103,666.6
Bond Redemption-ES						275,000.20		275,000.2
Science Center					408,279.04			408,279.0
Capital Projects							21,670,972.76	21,670,972.7
Assigned to:								
Unassigned	1,576,962.65					(67,907.84)		1,509,054.8
Total Fund Balances	<u>\$ 1,576,962.65</u>	<u>\$ 2,669,160.21</u>	<u>\$ 303,855.51</u>	<u>\$ 80,722.35</u>	<u>\$ 408,279.04</u>	<u>\$ 310,759.00</u>	<u>\$ 21,670,972.76</u>	<u>\$ 27,020,711.5</u>

o. Pensions:

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

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

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed

deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school funds to be invested 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 that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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 interest rates.

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

Concentration of Credit Risk- The school district places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2015.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the fund making the investment or the General Fund. The School District's policy is to credit all income from deposits and investments to the General Fund except for the Capital Outlay, Food Service, Science Center Fund, Capital Projects Funds and Private Purpose Trust Funds, which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Investment income was not material to any of the funds for the current year.

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

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

Amount:	Purpose:
\$ 1,643,248.67	For Debt Service, by debt covenants (sinking funds required to be in a separate account)

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables and Payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

NOTE 5 - INVENTORY

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

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

In the governmental fund financial statements, inventories in the General 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 consumed. No material inventories were on hand as of June 30, 2015 in the governmental funds.

NOTE 6 - PROPERTY TAXES

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

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

NOTE 7 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 07/01/14	Increases	(Decrease)	Balance 06/30/15
Governmental Activities:				
Capital Asset, not depreciated:				
Land	\$ 625,964.10	\$	\$	\$ 625,964.10
Construction Work in Progress	165,878.21	5,187,457.68		5,353,335.89
Totals	<u>791,842.31</u>	<u>5,187,457.68</u>		<u>5,979,299.99</u>
Capital Assets, depreciated:				
Buildings	24,749,109.69			24,749,109.69
Improvements Other Than Buildings	1,722,838.63			1,722,838.63
Library Books	442,272.83	17,364.00	(64,176.00)	395,460.83
Machinery and Equipment	879,584.52	165,574.51	(43,800.00)	1,001,359.03
Totals	<u>27,793,805.67</u>	<u>182,938.51</u>	<u>(107,976.00)</u>	<u>27,868,768.18</u>
Less Accumulated Depreciation:				
Buildings	7,243,396.02	496,602.80		7,739,998.82
Improvements	885,415.46	99,739.77		985,155.23
Library Books	333,080.87	19,773.04	(64,176.00)	288,677.91
Machinery and Equipment	631,250.61	83,273.74	(35,975.00)	678,549.35
Total Accumulated Depreciation	<u>9,093,142.96</u>	<u>699,389.35</u>	<u>(100,151.00)</u>	<u>9,692,381.31</u>
Total Capital Assets, being depreciated, net	<u>18,700,662.71</u>	<u>(516,450.84)</u>	<u>(7,825.00)</u>	<u>18,176,386.87</u>
Governmental activity capital assets, net	<u>\$ 19,492,505.02</u>	<u>\$ 4,671,006.84</u>	<u>\$ (7,825.00)</u>	<u>\$ 24,155,686.86</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:		
Instruction		\$ 424,870.74
Support Services		180,070.99
Co-Curricular Activities		94,447.62
Total Depreciation expense-governmental activities		<u>\$ 699,389.35</u>

Business-type activity,

Capital assets, net		
Capital Assets, depreciated:		
Machinery and Equipment	\$ 239,724.39	\$ 239,724.39
Less Accumulated Depreciation:		
Machinery and Equipment	<u>231,414.39</u>	<u>1,083.77</u>
Business-type activity capital assets, net	<u>\$ 8,310.00</u>	<u>\$ (1,083.77)</u>

**Depreciation expense was charged to functions as follows:

Business-type Activities		
Food Service		<u>\$ 1,083.77</u>

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

Project Name	Project Authorization	Expended Through 6/30/2015	Committed
New High School-Professional	\$ 2,530,758.76	\$ 1,088,894.30	\$ 1,441,864.46
New High School	29,552,395.25	4,264,441.59	25,287,953.66
	<u>\$ 32,083,154.01</u>	<u>\$ 5,353,335.89</u>	<u>\$ 26,729,818.12</u>

NOTE 8 - LONG -TERM LIABILITIES

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

Primary Government:	07/01/14	Additions	Deletions	06/30/15	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 2,875,000.00	\$ 27,000,000.00	\$ 535,000.00	\$ 29,340,000.00	\$ 550,000.00
Premium on Bonds		943,608.40		943,608.40	37,744.34
Capital Outlay Certificates	3,920,000.00		280,000.00	3,640,000.00	290,000.00
Financing (Capital					
Acquisition) Lease	132,003.17		66,216.83	65,786.34	65,786.34
Early Retirement	32,782.12	37,960.07	21,854.74	48,887.45	36,234.10
Other Postemployment Benefits	235,818.00	72,150.00	5,628.00	302,340.00	
Accrued Compensated Absences	94,657.08	86,644.00	86,032.74	95,268.34	95,268.34
Total Governmental Activities	<u>\$ 7,290,260.37</u>	<u>\$ 28,140,362.47</u>	<u>\$ 994,732.31</u>	<u>\$ 34,435,890.53</u>	<u>\$ 1,075,033.12</u>

Compensated absences for governmental activities and other postemployment benefits typically have been liquidated from the General and Special Education Funds. Early Retirement payments are liquidated from the Pension Fund.

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences and other postemployment benefits, as of June 30, 2015 are as follows:

F/Y	General Obligation Bonds (including premium)		Capital Outlay Certificates		Capital (Financing)		Total	
	Principal	Interest	Principal	Interest	Leases Principal	Retirement Principal	Principal	Interest
2016	\$ 587,744	\$ 1,213,106	\$ 290,000	\$ 94,480	\$ 65,786	\$ 36,234	\$ 979,764	\$ 1,307,586
2017	607,744	1,192,631	1,970,000	21,479		12,653	2,590,397	1,214,110
2018	632,744	1,166,356	340,000	17,933			972,744	1,184,289
2019	662,744	1,135,856	340,000.00	13,682.00			1,002,744	1,149,538
2020	642,744	1,114,182	345,000.00	11,906.00			987,744	1,126,088
2021-2025	4,088,722	5,170,569	355,000.00				4,443,722	5,170,569
2026-2030	5,688,722	4,192,203					5,688,722	4,192,203
2031-2035	7,543,722	2,793,688					7,543,722	2,793,688
2036-2040	9,828,722	1,002,400					9,828,722	1,002,400
Totals	<u>\$ 30,283,608</u>	<u>\$ 18,980,991</u>	<u>\$ 3,640,000</u>	<u>\$ 159,480</u>	<u>\$ 65,786</u>	<u>\$ 48,887</u>	<u>\$ 34,038,281</u>	<u>\$ 19,140,471</u>

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

	<u>Canon Copiers</u>	<u>Laptops</u>
Principal	\$ 38,610.00	\$ 172,480.00
Interest	<u> </u>	<u> </u>
Total	<u>\$ 38,610.00</u>	<u>\$ 172,480.00</u>

Governmental Activities

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

General Obligation Bonds:

Series 2008, Issued April 9, 2008, interest rates from 2.3 to 5.0% depending on length to maturity; Interest payable semi-annually; Final payment December 2018
 Payments from the Debt Service Fund. \$ 2,340,000.00

Series 2014, Issued January 15, 2015, interest rates from 2.0 to 4.0% depending on length to maturity; Interest payable semi-annually; Final payment July 2039
 Payments from the Debt Service Fund. 27,000,000.00

Capital Outlay Certificates:

Series 2008, issued July 15, 2008, crossover refunded maturity date December, 2015. Interest rates from 2.65-4.15% depending on on length to maturity. Interest payable semi-annually.
 Payments from the Capital Outlay Fund. 1,925,000.00

Series 2012, issued September 25, 2012, maturing December 2020. Interest rates from 0.95 to 1.75% depending on length to maturity. Interest payable semi-annually.
 Payments from the Capital Outlay Fund. 1,715,000.00

Capital (Financing) Leases:

Financing Lease with Canon Financial Services, Inc. for the purchase of copiers, matures June 30, 2016
 Payments to be made from Capital Outlay Fund. 8,580.00

Financing Lease with HP Financial Services, for the purchase of computers, matures June 30, 2016. Payments to be made from Capital Outlay Fund 57,206.34

Compensated Absences:

Vested leave. Payments to be made from the General Fund and Special Education Fund. 95,268.34

Other Postemployment Benefits:

See note 10 for a complete description of the liability for other postemployment benefits. Payments to be made from the General Fund 302,340.00

Early Retirement Payable:

Represents obligations to employees who have chosen to take advantage of the school district's early retirement plan. Payments to be made from the Pension Fund 48,887.45

NOTE 9 – RESTRICTED NET POSITION

The following table shows the Net Position restricted for other purposes as shown in the statement of Net Position.

<u>Major Purposes</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 2,612,824.20
Special Education Purposes	Law	308,905.09
Pension Purposes	Law	32,888.95
Science Center Purposes	Donor Stipulation	408,279.04
SDRS Pension Purposes	Law	1,718,745.28
Debt Service Purposes	Debt Covenants	316,313.49
Total Restricted Net Position		<u>\$ 5,397,956.05</u>

NOTE 10 – INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2015 were as follows:

	Interfund Receivable	Interfund Payable
Major Funds:		
High School Capital Project	\$ 67,907.84	\$
High School Debt Service		67,907.84

These interfund balances are from cash balance shortages created from the new high school building project. These will be liquidated during the next fiscal year.

NOTE 11 – PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited

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

Benefits Provided:

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 was \$384,158.03, \$335,560.27, and \$315,687.84 respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 33,924,465.54
Less proportionate share of total pension assets	<u>31,620,335.02</u>
Proportionate share of net pension asset	<u>\$ 2,304,130.52</u>

At June 30 2015, the School District reported an asset of \$2,304,130.52 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .3198142%, which is an increase of .3198142% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$97,325.61. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 194,960.60	\$
Changes in assumption	1,504,067.71	
Net difference between projected and actual earnings on pension plan investments		2,668,571.58
District contributions subsequent to the measurement date	<u>384,158.03</u>	
TOTAL	<u>\$ 2,083,186.34</u>	<u>\$ 2,668,571.58</u>

\$384,158.03 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	\$ (183,089.24)
2016	(183,089.24)
2017	(183,089.24)
2018	<u>(420,275.53)</u>
TOTAL	<u>\$ (969,543.26)</u>

Actuarial Assumptions:

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

Inflation 3.25 percent

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

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

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

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

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

Discount Rate:

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

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

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

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 2,276,914.33	\$ (2,304,130.52)	\$ (6,040,450.74)

Pension Plan Fiduciary Net Position:

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

NOTE 12 – POSTEMPLOYMENT MEDICAL PLAN

Plan Description: Dakota Valley School District has a single-employer defined benefit medical plan administered by Coventry Health Insurance of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. Nyhart Actuarial Services issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Dakota Valley School District, 1150 Northshore Dr., North Sioux City, SD 57049 or by calling 605-422-3800.

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

Annual OPEB Cost and Net OPEB Obligation: The school district's annual other postemployment benefit (OPEB) cost (expense) 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the school district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation to the plan:

Annual required contribution	\$ 70,948
Interest on net OPEB obligation	10,612
Adjustment to annual required contribution	<u>(9,410)</u>
Annual OPEB cost (expense)	72,150
Employer contributions made	<u>(5,628)</u>
Increase in net OPEB obligation	66,522
Net OPEB obligation - beginning of year	<u>235,818</u>
Net OPEB obligation - end of year	<u>\$ 302,340</u>

The school district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2015 and the preceding two years, was as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
06/30/13	61,857	10.49%	180,328
06/30/14	66,446	16.49%	235,818
06/30/15	66,522	7.80%	302,340

Funded Status and Funding Progress: As of June 30, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$393,866, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$393,866.

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 of the employer are subject to continual revision as actual results are compared with 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 of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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

In the June 30, 2015 actuarial valuation, the Unit Credit Actuarial Cost Method (with attribution through all years of employment) was used to allocate the cost of benefits to years of active service. The objective under this method is to expense each participant's benefit under the plan proportional to the service rendered. At the time the funding method is introduced, there will be a liability, which represents the contributions, which would have accumulated if this method of funding had always been used (called the Actuarial Liability). The difference between this actuarial liability and the assets, if any, is the unfunded actuarial liability, which is typically amortized over a period of years. The maximum permissible years under GASB 45 is 30.

NOTE 13 - EARLY RETIREMENT

The district adopted an early retirement policy in fiscal year 2007 for employees who meet certain criteria. The plan is available to employees who are 55 and above but not over 60 as of June 30 in the school year in which the application for an early retirement is made. Those who choose early retirement must have at least fifteen years of continuous service with the district or its predecessor school district. Those employees with half time or more employment may participate in the plan on a pro-rata basis. Under the plan, the district will pay up 55% of the current salary contract, excluding extra-curricular and extra-duty pay. Such amounts are payable in annual installments, spread over the next three years. There were no disbursements during fiscal year 2015 but an additional contract for \$48,887.45 was entered into with one employee payable over the next two fiscal years.

NOTE 14 - RISK MANAGEMENT

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

Employee Health Insurance

The school district purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance

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

Worker's Compensation

The school district purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage in the past three years.

Unemployment Benefits

The school district provides coverage for unemployment benefits by paying into the unemployment compensation fund established by state law and managed by the State of South Dakota

NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

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

Net Position July 1, 2014, as previously reported	\$ 432,885.88
Restatement for pension accounting:	
Net Pension Asset	901,701.37
Pension related Deferred Outflows of Resources	<u>384,158.03</u>
Net Position July 1, 2014, as restated	<u>\$ 1,718,745.28</u>

It was also noted that during the prior year, new high school building expenditures were expended to general fund and capital outlay fund in error. These expenditures should have been expended to the new capital projects fund. A total of \$449,712.00 was adjusted to the prior period fund balances to correct.

**REQUIRED SUPPLEMENTARY INFORMATION
 DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
 BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 4,315,721.00	\$ 4,315,721.00	\$ 4,491,814.19	\$ 176,093.19
Prior Years' Ad Valorem Taxes			34,716.94	34,716.94
Utility Taxes	100,000.00	100,000.00	93,843.79	(6,156.21)
Penalties and Interest on Taxes	14,000.00	14,000.00	9,900.47	(4,099.53)
Tuition and Fees				
Student Tuition			13,072.63	13,072.63
Earnings on Investments/ Deposits	25,000.00	25,000.00	3,754.29	(21,245.71)
Cocurricular Activities:				
Admissions			29,258.32	29,258.32
Other Pupil Activity Income			1,903.00	1,903.00
Other Revenue from Local Sources:				
Contributions and Donations	10,000.00	10,000.00	1,553.76	(8,446.24)
Charges for Services			11,998.39	11,998.39
Other	110,000.00	110,000.00	38,574.38	(71,425.62)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	230,000.00	230,000.00	217,403.92	(12,596.08)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,472,391.00	2,472,391.00	2,170,961.22	(301,429.78)
Restricted Grants-in-Aid			18,250.00	18,250.00
Other State Revenue			1,523.68	1,523.68
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	136,658.00	136,658.00	138,645.50	1,987.50
Total Revenue	<u>7,413,770.00</u>	<u>7,413,770.00</u>	<u>7,277,174.48</u>	<u>(136,595.52)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	1,715,052.00	1,715,052.00	1,722,813.30	(7,761.30)
Middle/Junior High	1,021,493.00	1,021,493.00	944,230.58	77,262.42
High School	1,259,584.00	1,259,584.00	1,278,487.45	(18,903.45)
Special Programs:				
Gifted and Talented			33.67	(33.67)
Educationally Deprived	197,105.00	197,105.00	195,683.48	1,421.52
Other Special Programs	35,532.00	35,532.00	23,267.90	12,264.10

REQUIRED SUPPLEMENTARY INFORMATION
DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Support Services:				
Pupils:				
Guidance	187,464.00	187,464.00	192,256.34	(4,792.34)
Health	78,787.00	78,787.00	70,349.62	8,437.38
Support Services - Instructional Staff:				
Improvement of Instruction	78,169.00	78,169.00	78,119.02	49.98
Educational Media	385,534.00	385,534.00	376,639.75	8,894.25
Support Services - General Administration:				
Board of Education	124,091.00	124,091.00	140,967.90	(16,876.90)
Executive Administration	202,072.00	202,072.00	206,526.62	(4,454.62)
Support Services - School Administration:				
Office of the Principal	452,881.00	452,881.00	454,408.33	(1,527.33)
Other	2,500.00	2,500.00	353.48	2,146.52
Support Services - Business:				
Fiscal Services	173,214.00	173,214.00	184,617.47	(11,403.47)
Operation and Maintenance of Plant	554,119.00	554,119.00	602,679.21	(48,560.21)
Pupil Transportation	371,650.00	371,650.00	368,361.06	3,288.94
Internal Services	58,557.00	58,557.00	71,535.93	(12,978.93)
Support Services - Central:				
Staff	11,000.00	11,000.00	6,377.76	4,622.24
Cocurricular Activities:				
Male Activities	95,142.00	101,002.00	85,799.84	15,202.16
Female Activities	80,442.00	84,442.00	89,403.37	(4,961.37)
Transportation	84,771.00	84,771.00	76,425.97	8,345.03
Combined Activities	206,778.00	206,778.00	193,453.89	13,324.11
Total Expenditures	<u>7,375,937.00</u>	<u>7,385,797.00</u>	<u>7,362,791.94</u>	<u>23,005.06</u>
Excess of Revenue Over (Under) Expenditures	37,833.00	27,973.00	(85,617.46)	(113,590.46)
Other Financing Sources (Uses): Sale of Surplus Property	<u>2,000.00</u>	<u>2,000.00</u>	<u> </u>	<u>(2,000.00)</u>
Net Change in Fund Balances	<u>39,833.00</u>	<u>29,973.00</u>	<u>(85,617.46)</u>	<u>(115,590.46)</u>
Beginning Fund Balance	1,481,090.62	1,481,090.62	1,481,090.62	
Prior Period Adjustment	<u> </u>	<u> </u>	<u>181,489.49</u>	<u>181,489.49</u>
Adjusted Beginning Fund Balance	<u>1,481,090.62</u>	<u>1,481,090.62</u>	<u>1,662,580.11</u>	<u>181,489.49</u>
ENDING FUND BALANCE	<u>\$ 1,520,923.62</u>	<u>\$ 1,511,063.62</u>	<u>\$ 1,576,962.65</u>	<u>\$ 65,899.03</u>

**REQUIRED SUPPLEMENTARY INFORMATION
DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,864,560.00	\$ 1,864,560.00	\$ 1,855,525.73	\$ (9,034.27)
Prior Years' Ad Valorem Taxes			13,537.34	13,537.34
Penalties and Interest on Taxes			3,023.88	3,023.88
Earnings on Investments			6,612.51	6,612.51
Other			500.00	500.00
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State			5,390.00	5,390.00
Total Revenue	<u>1,864,560.00</u>	<u>1,864,560.00</u>	<u>1,884,589.46</u>	<u>20,029.46</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	22,500.00	22,500.00	23,836.37	(1,336.37)
Middle/Junior High	82,500.00	82,500.00	41,522.03	40,977.97
High School	139,500.00	139,500.00	175,534.47	(36,034.47)
Support Services - Instructional Staff:				
Improvement of Instruction	93,000.00	93,000.00	34,198.47	58,801.53
Educational Media	200,500.00	200,500.00	189,077.85	11,422.15
Support Services - General Administration:				
Board of Education	60,000.00	60,000.00	62,107.37	(2,107.37)
Support Services - Business:				
Fiscal Services	19,500.00	19,500.00	9,950.97	9,549.03
Facilities Acquisition and Construction				
Operation & Maintenance of Plant	660,804.00	660,804.00	585,843.49	74,960.51
Pupil Transportation	81,489.00	81,489.00	59,663.41	21,825.59
Internal Services	21,500.00	21,500.00	9,382.00	12,118.00
Debt Services	374,458.00	374,458.00	450,975.33	(76,517.33)
Cocurricular Activities:				
Combined Activities	63,000.00	63,000.00	45,402.14	17,597.86
Total Expenditures	<u>1,818,751.00</u>	<u>1,818,751.00</u>	<u>1,687,493.90</u>	<u>131,257.10</u>
Net Change in Fund Balances	<u>45,809.00</u>	<u>45,809.00</u>	<u>197,095.56</u>	<u>151,286.56</u>
Beginning Fund Balance	2,203,842.14	2,203,842.14	2,203,842.14	
Prior Period Adjustment			268,222.51	268,222.51
Adjusted Beginning Fund Balance	<u>2,203,842.14</u>	<u>2,203,842.14</u>	<u>2,472,064.65</u>	<u>268,222.51</u>
ENDING FUND BALANCE	<u>\$ 2,249,651.14</u>	<u>\$ 2,249,651.14</u>	<u>\$ 2,669,160.21</u>	<u>\$ 419,509.07</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
 BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
 SPECIAL EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 972,248.00	972,248.00	\$ 969,909.70	\$ (2,338.30)
Prior Years' Ad Valorem Taxes			7,279.12	7,279.12
Penalties and Interest on Taxes			1,606.71	1,606.71
Other Revenue from Local Sources:				
Charges for Services			7,763.47	7,763.47
Revenue from State Sources:				
Restricted Grants-in-Aid	100,000.00	100,000.00	10,642.00	(89,358.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>231,436.00</u>	<u>231,436.00</u>	<u>230,078.28</u>	<u>(1,357.72)</u>
Total Revenue	<u>1,303,684.00</u>	<u>1,303,684.00</u>	<u>1,227,279.28</u>	<u>(76,404.72)</u>
Expenditures:				
Special Programs:				
Programs for Special Education	745,009.00	745,009.00	613,837.91	131,171.09
Severe Disabilities	100,974.00	100,974.00	194,346.98	(93,372.98)
Day Programs	9,000.00	9,000.00	50,000.00	(41,000.00)
Residential Programs	52,000.00	52,000.00	59,981.89	(7,981.89)
Early Childhood Programs	117,693.00	117,693.00	103,703.38	13,989.62
Support Services				
Pupils:				
Psychological	51,768.00	51,768.00	57,057.52	(5,289.52)
Speech Pathology	116,865.00	116,865.00	113,685.97	3,179.03
Student Therapy Services	41,000.00	41,000.00	41,856.48	(856.48)
Support Services - Special Education				
Administrative Costs	76,777.00	76,777.00	27,244.72	49,532.28
Speech/Language Impairments			<u>43,926.14</u>	<u>(43,926.14)</u>
Total Expenditures	<u>1,311,086.00</u>	<u>1,311,086.00</u>	<u>1,305,640.99</u>	<u>5,445.01</u>
 Net Change in Fund Balance	 (7,402.00)	 (7,402.00)	 (78,361.71)	 (70,959.71)
 Beginning Fund Balance	 <u>382,217.22</u>	 <u>382,217.22</u>	 <u>382,217.22</u>	 <u> </u>
 ENDING FUND BALANCE	 <u>\$ 374,815.22</u>	 <u>\$ 374,815.22</u>	 <u>\$ 303,855.51</u>	 <u>\$ (70,959.71)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
 BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
 PENSION FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 203,806.00	\$ 203,806.00	\$ 203,915.19	\$ 109.19
Prior Years' Ad Valorem Taxes			1,519.41	1,519.41
Penalties and Interest on Taxes			329.52	329.52
Total Revenue	<u>203,806.00</u>	<u>203,806.00</u>	<u>205,764.12</u>	<u>1,958.12</u>
Expenditures:				
Regular Programs:				
Elementary School	70,000.00	70,000.00	70,000.00	
Middle/Junior High	55,000.00	55,000.00	55,000.00	
High School	55,000.00	55,000.00	55,000.00	
Nonprogrammed Charges:				
Early Retirement Payments	<u>30,260.00</u>	<u>30,260.00</u>	<u>21,854.75</u>	<u>8,405.25</u>
Total Expenditures	<u>210,260.00</u>	<u>210,260.00</u>	<u>201,854.75</u>	<u>8,405.25</u>
Net Change in Fund Balances	(6,454.00)	(6,454.00)	3,909.37	10,363.37
Beginning Fund Balance	<u>76,812.98</u>	<u>76,812.98</u>	<u>76,812.98</u>	
ENDING FUND BALANCE	<u>\$ 70,358.98</u>	<u>\$ 70,358.98</u>	<u>\$ 80,722.35</u>	<u>\$ 10,363.37</u>

REQUIRED SUPPLEMENTARY INFORMATION
DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/09	\$ 0.00	\$ 331,000	\$ 331,000	0.0%	\$ 2,290,524	14.5%
06/30/12	0.00	393,866	393,866	0.0%	2,144,721	18.4%
06/30/15	0.00	469,688	469,688	0.0%	2,073,436	22.7%

Schedule of Required Supplementary Information
DAKOTA VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015
District's proportion of the net pension liability (asset)	0.3198142%
District's proportionate share of net pension liability (asset)	\$ (2,304,131)
District's covered-employee payroll	\$ 5,592,667
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

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

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

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 335,560</u>	<u>\$ 384,158</u>
Contributions in relation to the contractually required contribution	<u>\$ 335,560</u>	<u>\$ 384,158</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$5,592,667	\$6,402,598
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2015</u>
U.S. Department of Agriculture: Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-cash Assistance:			
Commodities	10.555	N/A	\$ 48,477.52
Cash Assistance: (Note 2)			
School Breakfast Program	10.553	N/A	25,531.42
National School Lunch Program	10.555	N/A	<u>137,818.56</u>
Total U.S. Department of Agriculture			<u>211,827.50</u>
U.S. Department of Education:			
Pass-Through the SD Department of Education:			
Title I Cluster: (Note 3)			
Title I- Grants to Local Educational Agencies	84.010A	N/A	<u>94,737.00</u>
Total Title I Cluster			<u>94,737.00</u>
Special Education Cluster: (Note 3)			
Special Education - Grants to States	84.027	N/A	223,513.00
Special Education-Preschool Grants	84.173	N/A	<u>5,084.00</u>
Total Special Education Cluster			<u>228,597.00</u>
Special Education - Grants for Infants and Families	84.181	N/A	1,647.28
Improving Teacher Quality State Grants	84.367	N/A	33,941.00
Pass Through Vermillion School District:			
Career and Technical Education - Basic Grants to States	84.048	N/A	<u>9,967.50</u>
Total U. S. Department of Education			<u>368,889.78</u>
U.S. Department of Homeland Security:			
Pass-Through the SD Department of Public Safety-Office of Homeland Security:			
Homeland Security Grant	97.067	N/A	<u>5,390.00</u>
Grand Total			<u>\$ 586,107.28</u>

DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

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

School Board
Dakota Valley School District No. 61-8
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dakota Valley School District No. 61-8, Union County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise Dakota Valley School District's basic financial statements and have issued our report thereon dated March 15, 2016.

Internal Control Over Financial Reporting

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

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

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 Dakota Valley School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as items 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dakota Valley 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*

Dakota Valley School District's Response to Finding

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

Purpose of this Report

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD

March 15, 2016

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Dakota Valley School District No. 61-8
Union County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Dakota Valley School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dakota Valley School District's major federal programs for the year ended June 30, 2015. Dakota Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Dakota Valley School District No. 61-8, Union County, South Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Quam & Berglin, P.C.
Quam and Berglin, P.C.
Elk Point, SD
March 15, 2016

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

PRIOR FEDERAL AUDIT FINDINGS:

Internal Control Related Findings - Material Weakness:

Prior Audit Finding Number 2014-001:

A material weakness was reported for a lack of segregation of duties for revenues, expenditures and payroll. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

Corrective Action Plan:

This prior audit finding has not been corrected and is restated as finding number 2015-001.

Prior Audit Finding Number 2014-002:

A material weakness was reported for expenditures exceeding the total amount budgeted for the General Fund. This prior audit finding has since been corrected.

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. A material weakness was disclosed as a finding for the following:
 - Lack of segregation of duties for revenues, expenditures and payroll as discussed in finding number 2015-001.
- c. Our audit did not disclose any noncompliance that was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings 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 included:

<u>Program</u>	<u>CFDA #</u>
Title I - Grants to Local Educational Agencies	84.010
Special Education Cluster:	
Grants to States	84.027
Preschool Grants	84.173

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.00.
- h. Dakota Valley School District did not qualify as a low-risk entity.

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings:

There are no written current internal control related findings.

Federal Compliance – Related Audit Findings and Questioned Costs

There are no current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control Related Findings - Material Weakness:

Audit Finding Number 2015-001:

Criteria:

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

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

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

Corrective Action Plan:

Mike Hamm, Business Manager for Dakota Valley School District is the contact person 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 School District Board of Education has prepared a response to this finding found in the Corrective Action Plan.

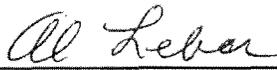
CORRECTIVE PLAN OF ACTION

June 30, 2015

Dakota Valley School District No. 61-8 has considered the lack of segregation of duties for revenues, expenditures and payroll. At this time, it is not cost effective for Dakota Valley School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Dakota Valley School District to decrease the likelihood that financial data is adversely affected.

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


Business Manager


Superintendent