

**FLANDREAU SCHOOL DISTRICT NO. 50-3**

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

**JUNE 30, 2015**

FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

School Board

Jeff Behrens

Darren Hamilton

Matt Lacey

Tricia LeBrun

Clay Pavlis

Tom Stenger

Val Sutton

Superintendent

Rick Weber

Business Manager

Lisa Sanderson

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**QUAM & BERGLIN, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

School Board  
Flandreau School District No. 50-3  
Moody County, South Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Flandreau School District No. 50-3, Moody County, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Flandreau School District No. 50-3 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### ***Adoption of New Accounting Standard***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Funding Progress, the Pension Schedules, and 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 Flandreau 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 14, 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 Flandreau School District's internal control over financial reporting and compliance.

*Quam & Berglin, P.C.*

Quam and Berglin, P.C.  
Certified Public Accountants

March 14, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Flandreau School District #50-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's net position from governmental fund activities is \$9,373,053.34 and business type activities is \$131,841.86. The total net position for governmental and business-type activities is \$9,504,895.20.
- During the year, per the Statement of Activities, the School's revenues generated from taxes and other revenues of the governmental activities were \$346,770.65 more than the \$5,947,296.24 governmental expenditures. The business-type activities revenues generated \$12,788.13 more than the business-type activities expenditures of \$364,457.67.
- In the Capital Outlay Fund, expenditures exceeded revenues by \$386,684.92. The Capital Outlay's fund balance decreased from \$705,075.75 to \$318,390.83. This is due to the CIP of the Energy Efficiency Project.
- Beginning with FY 2011 the Impact Aid fund is no longer recognized as a special revenue fund for year-end reporting. The Impact Aid fund is maintained throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY 2015 \$163,875 of Impact Aid funds were transferred to the General Fund
- The total cost of the School's General Fund programs decreased by 2.5% and the total cost of the School's Special Education Fund programs increased by 21.1%. The General Fund's cost increase was very minimal. Special Education cost increase involves additional staff and purchased services which are driven by individual student needs.
- The District reduced its General Obligation Bond indebtedness \$220,000. G.O. Bond debt payable on June 30, 2015, was \$1,480,000.
- The District decreased its Capital Outlay Certificate indebtedness \$205,000. Capital Outlay Certificates payable on June 30, 2015, was \$5,145,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how basic services, e.g., regular and special education, 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 school operates like a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has two business-type activities which are Food Service and Drivers Education.
  - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

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

Figure A-1

## Required Components of Flandreau School's Annual Financial Report

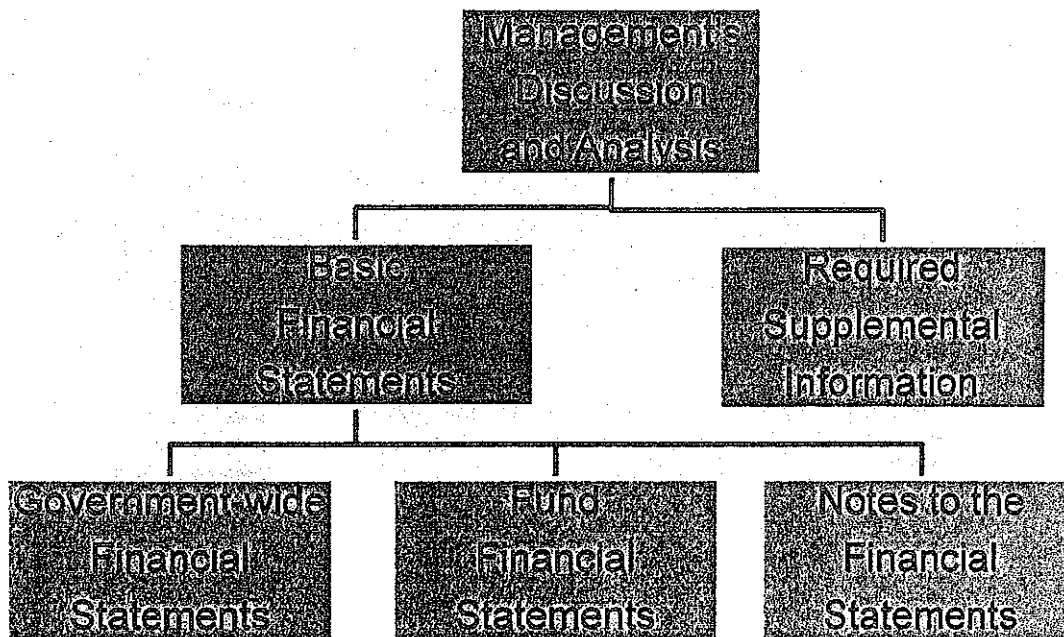




Figure A-2 summarizes the major features of the School's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

**FIGURE A-2**

**Major Features of Flandreau School's Government-wide and Fund Financial Statements**

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except for 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 *Statement of Cash Flows	*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 expenses 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 net position includes all of the District'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, i.e., the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base and changes in the state school aid funding formula, also need to be considered.

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, executive administration, school board, fiscal services, etc.), debt service payments, extracurricular activities (sports, speech, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** - The District has 2 business-type activities: Food Service and Drivers Education. The District charges a fee to students to help cover the costs of providing food services to all students and for also providing Drivers Education summer instruction to students.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some funds.
- The District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

The School has three generic fund types:

- **Governmental Funds** - Most of the District's basic services are included in the governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine if 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, additional information is provided on a subsequent page that explains relationship and reconciles the differences between the fund financial statements and the governmental-wide statements.

- Proprietary Funds - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short-and long-term financial information. The District uses enterprise funds (type of proprietary fund) to report the activities of its Food Service Program and Drivers Education Program.
- 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. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### COMBINED NET POSITION

The School's combined net position increased as follows:

Table A-1  
FLANDREAU SCHOOL DISTRICT #50-3  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Current and Other Assets	\$7,837,881.97	\$6,330,914.71	\$111,893.27	\$130,182.33	\$7,949,775.24	\$6,461,097.04
Capital Assets	10,076,862.21	12,453,000.24	12,393.95	8,675.44	10,089,256.16	12,461,675.68
<b>Total Assets</b>	<u>17,914,744.18</u>	<u>18,783,914.95</u>	<u>124,287.22</u>	<u>138,857.77</u>	<u>18,039,031.40</u>	<u>18,922,772.72</u>
Pension Related Deferred Outflows		1,103,985.49				1,103,985.49
Loss on Refunding Debt	130,454.56	111,818.20			130,454.56	111,818.20
<b>Total Deferred Outflows of Resource</b>	<u>130,454.56</u>	<u>1,215,803.69</u>			<u>130,454.56</u>	<u>1,215,803.69</u>
Long-Term Debt Outstanding	7,056,506.72	7,056,506.72			7,056,506.72	7,056,506.72
Other Liabilities	1,332,481.47	1,332,481.47	5,233.49	7,015.91	1,337,714.96	1,339,497.38
<b>Total Liabilities</b>	<u>8,388,988.19</u>	<u>8,388,988.19</u>	<u>5,233.49</u>	<u>7,015.91</u>	<u>8,394,221.68</u>	<u>8,396,004.10</u>
Pension Related Deferred Inflows		1,445,761.71				1,445,761.71
Taxes Levied for a Future Period	1,300,243.60	1,387,757.47			1,300,243.60	1,387,757.47
<b>Total Deferred Inflows of Resources</b>	<u>1,300,243.60</u>	<u>2,833,519.18</u>			<u>1,300,243.60</u>	<u>2,833,519.18</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	5,959,128.93	6,563,472.37	12,393.95	8,675.44	5,971,522.88	6,572,147.81
Restricted	1,016,902.76	1,355,598.79			1,016,902.76	1,355,598.79
Unrestricted	1,379,935.26	1,453,982.18	106,659.78	123,166.42	1,486,595.04	1,577,148.60
<b>Total Net Position</b>	<u>\$8,355,966.95</u>	<u>\$9,373,053.34</u>	<u>\$119,053.73</u>	<u>\$131,841.86</u>	<u>\$8,475,020.68</u>	<u>\$9,504,895.20</u>
Increase (Decrease) in Net Position	452,221.10	346,770.67	18,103.15	12,788.13	470,324.25	359,558.80
Adjusted Beginning Net Position	7,903,745.85	9,026,282.67	100,950.58	119,053.73	8,004,696.43	9,145,336.40
<b>Ending Net Position</b>	<u>\$8,355,966.95</u>	<u>\$9,373,053.34</u>	<u>\$119,053.73</u>	<u>\$131,841.86</u>	<u>\$8,475,020.68</u>	<u>\$9,504,895.20</u>
Percentage of Increase (Decrease) in Net Position	5.72%	3.84%	17.93%	10.74%	5.88%	3.93%

This section explains the differences between the current and prior year's assets, liabilities, and changes in net position.

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, consisting of construction bond

and capital outlay certificates indebtedness, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

## CHANGES IN NET POSITION

This section shows a comparison of assets, liabilities and net position and provides explanations for significant differences. Changes that occurred from FY 2014 to FY 2015 are as follows: Increase in revenue due to the following: Property taxes, state aid, and Impact Aid. Increase in expenditures due to the following: SE purchased services expenses, CP Energy Efficiency Project and debt services.

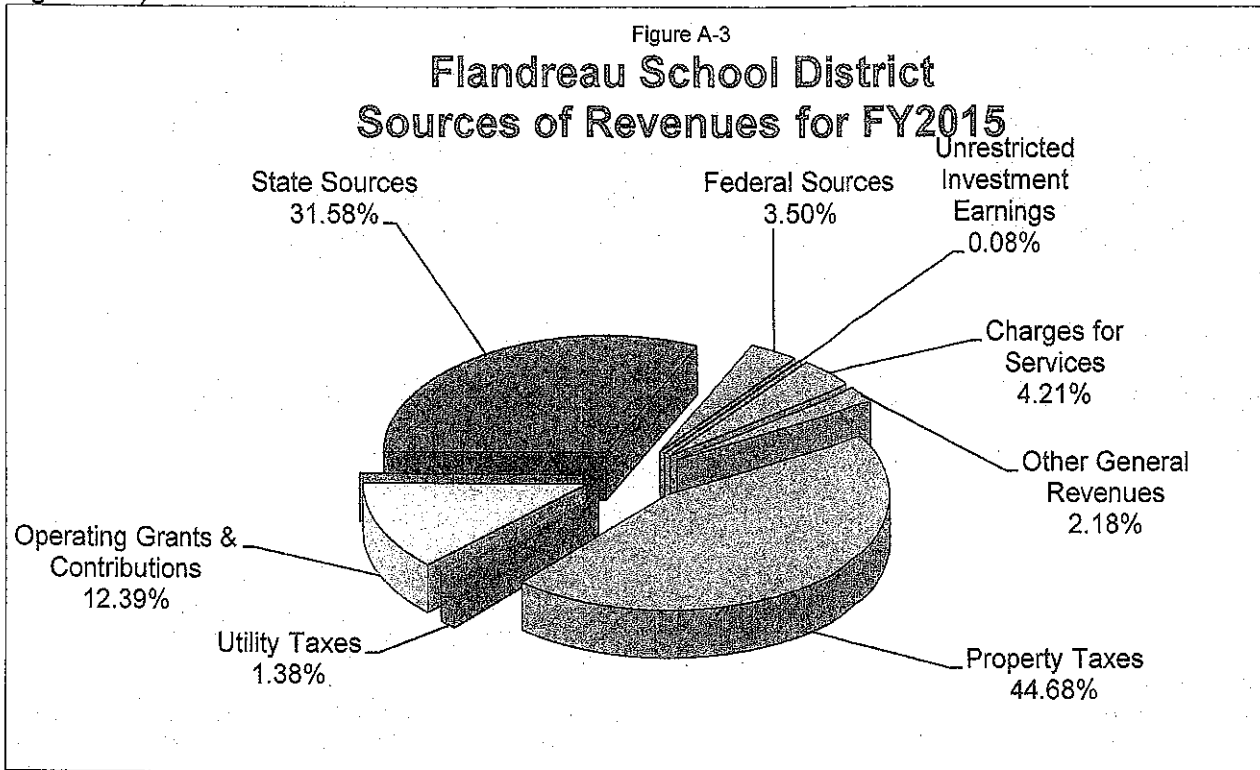
## GOVERNMENTAL ACTIVITIES

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

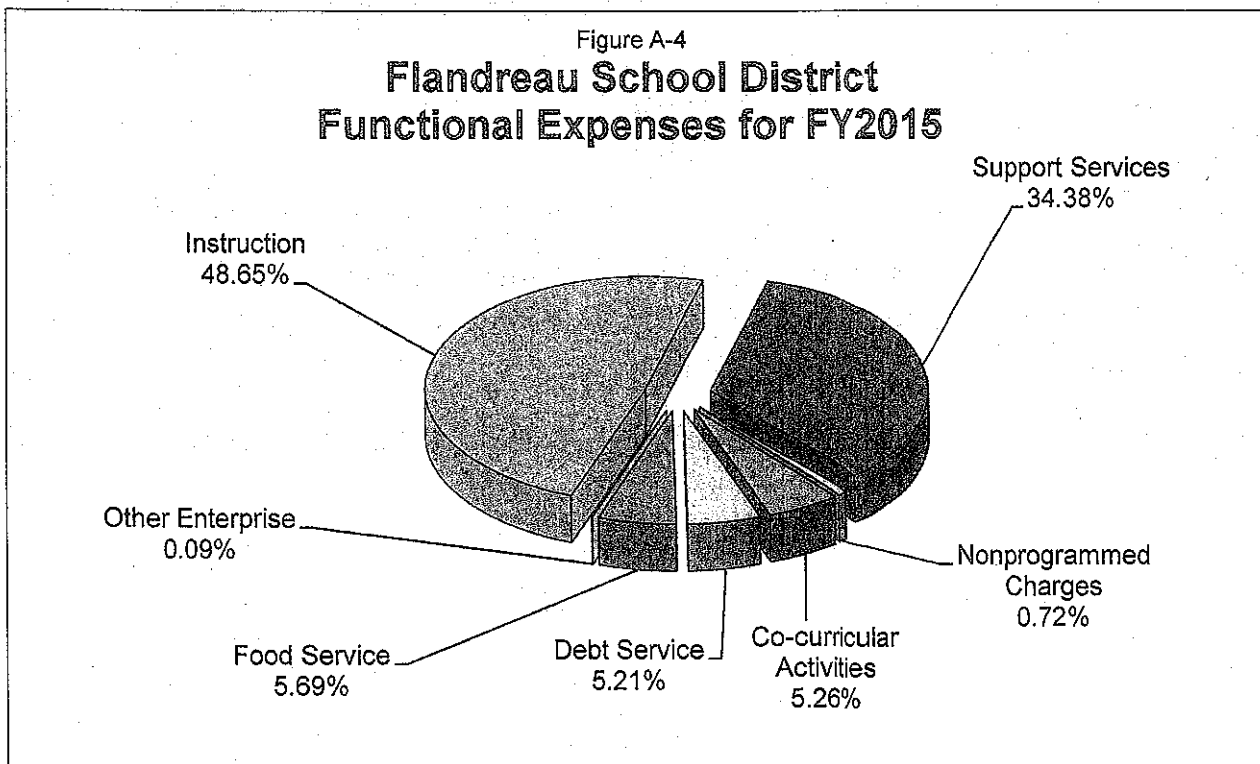
Table A-2  
FLANDREAU SCHOOL DISTRICT #50-3  
Changes in Net Position

	Total Governmental Activities		Total Business-Type Activities		Total	Total
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 83,950.62	\$ 102,679.09	\$ 171,842.65	\$ 178,338.75	\$ 255,793.27	\$ 281,017.84
Operating Grants and Contributic	732,868.77	627,654.48	183,461.50	198,797.48	916,330.27	826,451.96
General Revenues						
Property Taxes	2,790,888.20	2,981,127.25			2,790,888.20	2,981,127.25
Utility Taxes	94,020.65	91,987.46			94,020.65	91,987.46
Revenue State Sources	2,021,060.65	2,106,611.50			2,021,060.65	2,106,611.50
Revenue Federal Sources	178,483.32	233,505.42			178,483.32	233,505.42
Other General Revenue	132,422.87	145,380.82			132,422.87	145,380.82
Unrestricted Investment Earning:	7,121.12	5,120.87	127.93	109.57	7,249.05	5,230.44
<b>Total Revenues</b>	<b>6,040,816.20</b>	<b>6,294,066.89</b>	<b>355,432.08</b>	<b>377,245.80</b>	<b>6,396,248.28</b>	<b>6,671,312.69</b>
<b>Expenses</b>						
Instruction	3,072,480.75	3,070,296.30			3,072,480.75	3,070,296.30
Support Services	2,043,363.51	2,170,042.69			2,043,363.51	2,170,042.69
Nonprogrammed Charges		45,707.25				45,707.25
Debt Services	188,679.26	329,067.19			188,679.26	329,067.19
Cocurricular Activities	284,071.58	332,182.79			284,071.58	332,182.79
Food Service			332,285.70	358,806.57	332,285.70	358,806.57
Driver's Education			5,043.23	5,651.10	5,043.23	5,651.10
<b>Total Expenses</b>	<b>5,588,595.10</b>	<b>5,947,296.22</b>	<b>337,328.93</b>	<b>364,457.67</b>	<b>5,925,924.03</b>	<b>6,311,753.89</b>
<b>Increase (Decrease) in Net Pos</b>	<b>\$ 452,221.10</b>	<b>\$ 346,770.67</b>	<b>\$ 18,103.15</b>	<b>\$ 12,788.13</b>	<b>\$ 470,324.25</b>	<b>\$ 359,558.80</b>
Prior Period Adjustment		670,315.72				670,315.72
<b>NET POSITION - ENDING</b>	<b>\$ 8,355,966.95</b>	<b>\$ 9,373,053.34</b>	<b>\$ 119,053.73</b>	<b>\$ 131,841.86</b>	<b>\$ 8,475,020.68</b>	<b>\$ 9,504,895.20</b>

The District's Governmental and Business-type revenues totaled \$6,671,312.69 (See Table A-2). Over half of the District's revenue comes from 2 sources - property taxes and state aid. (See Figure A-3).



The District's Governmental and Business-type expenditures totaled \$6,311,753.89 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities, food services and driver's education. (See Figure A-4).



## **BUSINESS-TYPE ACTIVITIES**

Revenues and expenses of the District's business-type activities:

Food Service and Driver's Education revenues increased by 6.14% from \$355,432.08 in FY 2014 to \$377,245.80 in FY 2015 and expenses increased 8.04% from \$337,328.93 in FY 2014 to \$364,457.67 in FY 2015. Revenues exceeded expenditures \$18,103.53 in FY 2014 and revenues exceeded expenditures by \$12,788.13 in FY 2015.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

Fund balances changed as follows: General Fund increased \$126,626.79 due to revenues exceeding expenditures. Capital Outlay Fund decreased \$386,684.92 due to expenditures exceeding revenues. Special Education Fund decreased \$242,416.46 due to expenditures exceeding revenues. Pension Fund increased \$8,146.18 due to revenues exceeding expenditures. Impact Aid Fund increased \$59,541.42 due to revenues exceeding expenditures. Bond Redemption Fund increased \$3,967.65 as a result of revenues exceeding expenditures. Capital Projects Fund decreased \$2,178,158.23 as a result of expenditures exceeding revenues.

## **BUDGETARY HIGHLIGHTS**

During the course of the year, the School Board revised the District budget several times. These amendments fall into three categories:

- Supplemental appropriations approved to prevent budget overruns for unanticipated but necessary expenses.
- Changes in actual federal revenue receipts versus budgeted amounts.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes or budget variances for the year. The supplemental budget changes that were made were due to new or increased funding in federal grants.

## **CAPITAL ASSET ADMINISTRATION**

By the end of 2015, the District had invested \$12,453,000.24 (after depreciation) in a broad range of capital assets, including land, buildings, improvements other than buildings and equipment for governmental activities. (See Table A-3). This amount represents a net increase (including additions, deletions and depreciation) of \$2,376,138.03, or 23.58%, over the previous year. Primary capital asset purchases include CIP (Energy Efficiency Project).

Table A-3  
FLANDREAU SCHOOL DISTRICT 50-3  
Capital Assets (Net of Depreciation)

	Governmental		Business-Type	
	Activities		Activities	
	06/30/14	06/30/15	06/30/14	06/30/15
Capital Assets Not Being Depreciated				
Land	\$ 339,431.79	\$ 339,431.79		
CWIP	1,203,353.60	3,814,525.18		
Other Capital Assets Being Depreciated				
Buildings	9,407,608.11	9,407,608.11		
Improvements other than Buildings, CWIP	1,229,013.65	1,229,013.65		
Equipment	988,222.45	1,014,183.19	58,981.27	58,981.27
Total Other Capital Assets Being Depreciated	11,624,844.21	11,650,804.95	58,981.27	58,981.27
Accumulated Depreciation (Prior year)	(2,832,565.61)	(3,090,767.39)		
Accumulated Depreciation	(258,201.78)	(260,994.29)	(46,587.32)	(50,305.83)
Total Other Capital Assets (Net of Depreciation)	8,534,076.82	8,299,043.27	12,393.95	8,675.44
Total All Capital Assets (Net of Depreciation)	<u>10,076,862.21</u>	<u>12,453,000.24</u>	<u>12,393.95</u>	<u>8,675.44</u>

### LONG-TERM DEBT

At year-end, the District had \$1,480,000 in General Obligation Bonds and \$5,145,000 in Capital Outlay Certificates. Other obligations include the vacation leave of \$6,678.81 and early retirement of \$45,707.25. The net effect from the prior year is increased as shown on Table A-4 below.

Table A-4  
FLANDREAU SCHOOL DISTRICT #50-3  
Outstanding Debt and Obligations

	Governmental		
	Activities		
	FY2014	FY2015	
General Obligation Bonds	\$ 1,700,000.00	\$ 1,480,000.00	-12.94%
Capital Outlay Certificates	5,350,000.00	5,145,000.00	-3.83%
Early Retirement		45,707.25	100.00%
Compensated Absences	6,506.72	6,678.81	2.64%
Total Long-Term Liabilities	<u>\$ 7,056,506.72</u>	<u>\$ 6,677,386.06</u>	

**Net Increase (Decrease)**

**-5.37%**

The District is liable for the accrued vacation leave payable to full time year round staff. This involves one staff member. The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 75% of their last year's salary in 1 payment, paid in September of the following year. This plan allows the school to potentially reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers. At the end of FY 2015, the school had 1 teacher that elected the local early retirement option per policy.

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

Based on fund balances for governmental activities, the District's economic position decreased by \$2,608,977.57. The fund balance for the General Fund, increased by \$126,626.79 or 13.23%. Capital Outlay and Capital Projects fund balances experienced the largest decrease due the Energy Efficiency Project. This project will be completed in FY 2016. The Special Education Fund is deficit spending due to new student needs. SE funding cannot meet the demands. The District did experience a \$51,462,068 or 13.8% increase in total property valuation for the 2014 payable 2015 year. While a change in property valuation does affect the amount of revenue the District can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, an increase in property valuation does not increase revenues for the General Fund or Special Education because major revenues for these funds are based on an annual per pupil allocation that is set by the State. The allocation is based on a combination of local property tax revenue and state funds. Levies against property valuation determine local effort. This amount is subtracted from the local need and the difference is provided by the State as state aid. With regard to General Fund revenues, therefore, increases in local property valuation essentially increase the local effort and decrease the amount of state aid the District receives if the ADM/enrollment remains unchanged.

As noted above, one of the District's primary sources of revenue for the General Fund is the per student allocation received from the State of South Dakota.

1. The state aid formula for FY 2014 ensured that property taxes plus state aid equaled \$4,625.65 per pupil.
2. The state aid formula for FY 2015 ensured that property taxes plus state aid equaled \$4,781.14 per pupil.
3. In fiscal year ending June 30, 2014, state aid was based either on the average of the 2012 fall enrollment of 655.56 and the 2013 fall enrollment of 639.70 (average of 647.63) OR the 2013 fall enrollment, whichever is greater. Therefore, state aid for FY 14 was based on 647.63 students.
4. In fiscal year ending June 30, 2015, state aid was based either on the average of the 2013 fall enrollment of 639.70 and the 2014 fall enrollment of 656.84 (average of 648.27) OR the 2014 fall enrollment, whichever is greater. Therefore, state aid for FY 15 was based on 656.84 students.

Enrollment is projected to fluctuate for the next several years. As a result, the District is currently reviewing the projected enrollments to maintain a balanced budget.

## CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, 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 Flandreau School District 50-3 Business Office, 600 West Community Drive, Flandreau, SD 57028.



**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,461,891.56	\$ 118,956.50	\$ 3,580,848.06
Taxes Receivable	1,413,750.11		1,413,750.11
Accounts Receivable		7,951.13	7,951.13
Due from Other Governments	206,955.89		206,955.89
Inventories		3,274.70	3,274.70
Net Pension Asset	1,248,317.15		1,248,317.15
Capital Assets:			
Land and Construction in Progress	4,153,956.97		4,153,956.97
Other Capital Assets, Net of Depreciation	8,299,043.27	8,675.44	8,307,718.71
<b>TOTAL ASSETS</b>	<u>18,783,914.95</u>	<u>138,857.77</u>	<u>18,922,772.72</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	1,103,985.49		1,103,985.49
Deferred Loss on Refunding of Debt	111,818.20		111,818.20
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,215,803.69</u>		<u>1,215,803.69</u>
<b>LIABILITIES :</b>			
Accounts Payable	684,860.23	829.24	685,689.47
Accrued Wages & Benefits Payable	430,899.83		430,899.83
Deposits Payable		6,186.67	6,186.67
Noncurrent Liabilities:			
Due Within One Year	496,056.99		496,056.99
Due in More than One Year	6,181,329.07		6,181,329.07
<b>TOTAL LIABILITIES</b>	<u>7,793,146.12</u>	<u>7,015.91</u>	<u>7,800,162.03</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	1,445,761.71		1,445,761.71
Taxes Levied for a Future Period	1,387,757.47		1,387,757.47
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,833,519.18</u>		<u>2,833,519.18</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	6,563,472.37	8,675.44	6,572,147.81
Restricted for:			
Capital Outlay	324,249.89		324,249.89
Pension	56,234.74		56,234.74
Debt Service	68,573.23		68,573.23
SDRS Pension Purposes	906,540.93		906,540.93
Unrestricted	1,453,982.18	123,166.42	1,577,148.60
<b>TOTAL NET POSITION</b>	<u>\$ 9,373,053.34</u>	<u>\$ 131,841.86</u>	<u>\$ 9,504,895.20</u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government		
					Business-Type Activities	Total	
Primary Government:							
Governmental Activities:							
Instruction	\$ 3,070,296.30	\$ 75,489.69	\$ 627,654.48	\$ (2,442,641.82)	\$	\$ (2,442,641.82)	
Support Services	2,170,042.69			(2,094,553.00)		(2,094,553.00)	
Nonprogrammable Charges	45,707.25			(45,707.25)		(45,707.25)	
*Interest on Long-term Debt	329,067.19			(329,067.19)		(329,067.19)	
Curricular Activities	332,182.79	27,189.40		(304,993.39)		(304,993.39)	
Total Governmental Activities	5,947,296.22	102,679.09	627,654.48	(5,216,962.65)		(5,216,962.65)	
Business-type Activities:							
Food Service	358,806.57	172,338.75	198,797.48		12,329.66	12,329.66	
Driver's Education	5,651.10	6,000.00			348.90	348.90	
Total Business-type Activities	364,457.67	178,338.75	198,797.48		12,678.56	12,678.56	
Total Primary Government	\$ 6,311,753.89	\$ 281,017.84	\$ 826,451.96	(5,216,962.65)	12,678.56	(5,204,284.09)	

\*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:		Business-Type Activities		Total	
Taxes:					
Property Taxes	2,981,127.25				2,981,127.25
Utility Taxes	91,987.46				91,987.46
Revenue from State Sources:					
State Aid	2,106,611.50				2,106,611.50
Revenue from Federal Sources:					
Grants and Contributions not Restricted to Specific Programs	233,505.42				233,505.42
Unrestricted Investment Earnings	5,120.87		109.57		5,230.44
Other General Revenues	145,380.82				145,380.82
Total General Revenues	5,563,733.32		109.57		5,563,842.89
Change in Net Position	346,770.67		12,788.13		359,558.80
Net Position - Beginning	8,355,966.95		119,053.73		8,475,020.68
Prior Period Adjustment	670,315.72				670,315.72
Adjusted Net Position - Beginning	9,026,282.67		119,053.73		9,145,336.40
NET POSITION - ENDING	\$ 9,373,053.34		\$ 131,841.86		\$ 9,504,895.20

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

FLANDREAU SCHOOL DISTRICT NO. 50-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 1,749,341.32	\$ 336,786.42	\$ 53,192.95	\$ 55,481.50	\$ 66,451.54	\$ 1,200,637.83	\$ 3,461,891.56
Taxes Receivable--Current	529,086.01	437,418.46	248,187.44	50,778.58	122,286.98		1,387,757.47
Taxes Receivable--Delinquent	14,150.75	5,859.06	3,107.90	753.24	2,121.69		25,992.64
Due from Other Governments	134,036.29		72,919.60				206,955.89
Due from Other Fund	60,000.00						60,000.00
<b>TOTAL ASSETS</b>	<b>\$2,486,614.37</b>	<b>\$ 780,063.94</b>	<b>\$377,407.89</b>	<b>\$107,013.32</b>	<b>\$ 190,860.21</b>	<b>\$1,200,637.83</b>	<b>\$ 5,142,597.56</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 32,280.82	\$ 18,395.59	\$ 57,199.92	\$	\$	\$ 576,983.90	\$ 684,860.23
Contracts Payable	286,418.46		51,469.19				337,887.65
Due to Other Fund		60,000.00					60,000.00
Payroll Deductions and Withholdings and Employer Matching Payable	77,223.48		15,788.70				93,012.18
<b>Total Liabilities</b>	<b>395,922.76</b>	<b>18,395.59</b>	<b>184,457.81</b>			<b>576,983.90</b>	<b>1,175,760.06</b>
<b>Deferred Inflows of Resources:</b>							
Taxes Levied for a Future Period	529,086.01	437,418.46	248,187.44	50,778.58	122,286.98		1,387,757.47
Unavailable Revenue-Property Taxes	14,150.75	5,859.06	3,107.90	753.24	2,121.69		25,992.64
<b>Total Deferred Inflows of Resources</b>	<b>543,236.76</b>	<b>443,277.52</b>	<b>251,295.34</b>	<b>51,531.82</b>	<b>124,408.67</b>		<b>1,413,750.11</b>
<b>Fund Balances:</b>							
Restricted		318,390.83		55,481.50	66,451.54	623,653.93	1,063,977.80
Assigned for Subsequent Year's Budget	79,090.00						79,090.00
Unassigned	1,468,364.85		(58,345.26)				1,410,019.59
<b>Total Fund Balances</b>	<b>1,547,454.85</b>	<b>318,390.83</b>	<b>(58,345.26)</b>	<b>55,481.50</b>	<b>66,451.54</b>	<b>623,653.93</b>	<b>2,553,087.39</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$2,486,614.37</b>	<b>\$ 780,063.94</b>	<b>\$377,407.89</b>	<b>\$107,013.32</b>	<b>\$ 190,860.21</b>	<b>\$1,200,637.83</b>	<b>\$ 5,142,597.56</b>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 2,553,087.39

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 Assets	\$ 15,804,761.92	
Less: Accumulated Depreciation	<u>(3,351,761.68)</u>	12,453,000.24

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	(1,480,000.00)	
Capital Outlay Certificates	(5,145,000.00)	
Compensated Absences	(6,678.81)	
Early Retirement	<u>(45,707.25)</u>	(6,677,386.06)

Deferred outflows of resources consisting of losses on refunded debt are not accounted for in the governmental funds but are reported in the Statement of Net Position.

111,818.20

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

25,992.64

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

1,248,317.15

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

1,103,985.49

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

(1,445,761.71)

Net Position - Governmental Funds

\$ 9,373,053.34

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

FLANDREAU SCHOOL DISTRICT NO. 50-3  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 1,119,900.84	\$ 944,297.71	\$ 498,446.26	\$ 109,709.79	\$ 267,105.34		\$ 2,939,459.94
Prior Years' Ad Valorem Taxes	32,609.77	9,621.11	4,953.20	1,203.11	3,163.10		51,550.29
Utility Taxes	91,987.46						91,987.46
Penalties and Interest on Taxes	4,582.35	1,314.45	704.88	166.73	447.91		7,216.32
Earnings on Investments and Deposits	1,417.77	467.90	58.88	66.55	96.42	3,013.35	5,120.87
Other Revenue from Local Sources:							
Medicaid Direct Services			3,784.37				3,784.37
Medicaid Indirect Administrative Services	15,313.88		3,663.00				18,976.88
Co-curricular Activities:							
Admissions	22,974.40						22,974.40
Pupil Organization Membership	2,595.00						2,595.00
Rentals	995.00						995.00
Other Pupil Activity Income	625.00						625.00
Other Revenue from Local Sources:							
Rentals	1,500.00						1,500.00
Contributions and Donations	4,055.00						4,055.00
Other	30,935.82	1,400.00					32,335.82
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	107,398.50						107,398.50
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	2,106,611.50						2,106,611.50
Restricted Grants-in-Aid	13,021.13		176,642.00				189,663.13
Other State Revenues	91.50						91.50
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid Received			10,508.51				10,508.51
Directly from Federal Government	222,996.91						222,996.91
Restricted Grants-in-Aid Received	40,518.00						40,518.00
Directly from the Federal Government							
Restricted Grants-in-Aid Received from Federal Through State	194,969.35		202,504.00				397,473.35
<b>Total Revenue</b>	<u>4,015,099.18</u>	<u>957,101.17</u>	<u>901,265.10</u>	<u>111,146.18</u>	<u>270,812.77</u>	<u>3,013.35</u>	<u>6,258,437.75</u>

<b>Expenditures:</b>									
Instruction:									
Regular Programs:									
Elementary	898,254.98	116,216.68	35,000.00						1,049,471.66
Middle/Junior High	463,476.66	91,543.30	18,000.00						573,019.96
High School	678,284.30	49,868.23	30,000.00						758,152.53
Special Programs:									
Programs for Special Education									
Educationally Deprived	125,421.00			684,734.67					684,734.67
Support Services:									
Pupils:									
Guidance	45,695.60			7,056.00					45,695.60
Health	4,072.75			48,819.48					11,128.75
Psychological				138,745.87					48,819.48
Speech Pathology				37,727.30					138,745.87
Student Therapy									37,727.30
Support Services - Instructional Staff:									
Improvement of Instruction	29,116.98			579.66					29,696.64
Educational Media	157,783.30	336.81							158,120.11
Support Services - General Administration:									
Board of Education	44,137.49								44,137.49
Executive Administration	115,922.93		3,000.00						118,922.93
Support Services - School Administration:									
Office of the Principal	262,773.31		9,000.00						271,773.31
Other	368.96								368.96
Support Services - Business:									
Fiscal Services	129,984.45	5,865.14							143,849.59
Operation and Maintenance of Plant	488,618.94	120,561.69							609,180.63
Pupil Transportation	177,374.67	19,096.44							196,471.11
Food Services	16,647.99								16,647.99
Support Services - Special Education:									
Administrative Costs				77,007.32					77,007.32
Transportation Costs				36,615.66					36,615.66
Other Special Education Costs				112,395.60					112,395.60
Debt Services		494,649.51					299,744.17		794,393.68
Cocurricular Activities:									
Male Activities	49,236.56	7,114.25							56,350.81
Female Activities	30,572.26	1,637.10							32,209.36
Transportation	40,389.13	7,000.00							47,389.13
Combined Activities	70,798.71								70,798.71
Capital Outlay		25,960.74							2,637,132.32
<b>Total Expenditures</b>	<b>3,828,930.97</b>	<b>939,849.89</b>	<b>103,000.00</b>	<b>1,143,681.56</b>	<b>299,744.17</b>	<b>2,611,171.58</b>	<b>2,611,171.58</b>	<b>8,926,378.17</b>	

FLANDREAU SCHOOL DISTRICT NO. 50-3  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Excess of Revenue Over (Under) Expenditures	186,168.21	17,251.28	(242,416.46)	8,146.18	(28,931.40)	(2,608,158.23)	(2,667,940.42)
Other Financing Sources (Uses):							
Transfers In						430,000.00	430,000.00
Transfers Out		(430,000.00)					(430,000.00)
General Long-Term Debt Issued		1,130,000.00			1,495,000.00		2,625,000.00
Premium on Refunded Debt		26,764.90			38,034.30		64,799.20
Payment to Refunded Debt Escrow Agency		(1,130,701.10)			(1,500,135.25)		(2,630,836.35)
Total Other Financing Sources (Uses):		(403,936.20)			32,899.05	430,000.00	58,962.85
Net Change in Fund Balances	186,168.21	(386,684.92)	(242,416.46)	8,146.18	3,967.65	(2,178,158.23)	(2,608,977.57)
Fund Balance - Beginning	1,361,286.64	705,075.75	184,071.20	47,335.32	62,483.89	2,801,812.16	5,162,064.96
<b>FUND BALANCE - ENDING</b>	<b>\$1,547,454.85</b>	<b>\$ 318,390.83</b>	<b>\$ (58,345.26)</b>	<b>\$ 55,481.50</b>	<b>\$ 66,451.54</b>	<b>\$ 623,653.93</b>	<b>\$ 2,553,087.39</b>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$(2,608,977.57)

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 outlay expense exceeds depreciation expense:

Capital Outlays	\$ 2,637,132.32	
Depreciation Expense	<u>(260,994.29)</u>	2,376,138.03

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

General Obligation Bonds	1,715,000.00	
Capital Outlay Certificates	<u>1,335,000.00</u>	3,050,000.00

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.

General Obligation Bonds	(1,495,000.00)	
Capital Outlay Certificates	<u>(1,130,000.00)</u>	(2,625,000.00)

In the statement of activities, certain operating expenses (compensated absences and early retirement benefits) are measured by the amounts earned and paid during the year. In the governmental funds, however, expenditures for these items are different than the amount of financial resources used.

Change in Compensated Absences	(172.07)	
Early Retirement Change	<u>(45,707.25)</u>	(45,879.32)

Deferred outflows of resources consisting of losses from refunding on debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. This amount represents the amount of these charges expensed during the period.

(18,636.36)

Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned.

(17,099.30)

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

236,225.19

Change in Net Position of Governmental Activities

\$ 346,770.67

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



**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 116,050.02	\$ 2,906.48	\$ 118,956.50
Accounts Receivable	7,951.13		7,951.13
Inventory of Donated Food	3,274.70		3,274.70
Total Current Assets	<u>127,275.85</u>	<u>2,906.48</u>	<u>130,182.33</u>
Capital Assets:			
Machinery and Equipment	58,981.27		58,981.27
Less: Accumulated Depreciation	<u>(50,305.83)</u>		<u>(50,305.83)</u>
Total Noncurrent Assets	<u>8,675.44</u>		<u>8,675.44</u>
<b>TOTAL ASSETS</b>	<u>135,951.29</u>	<u>2,906.48</u>	<u>138,857.77</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	51.02	778.22	829.24
Deposits Payable	6,186.67		6,186.67
Total Current Liabilities	<u>6,237.69</u>	<u>778.22</u>	<u>7,015.91</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	8,675.44		8,675.44
Unrestricted Net Position	<u>121,038.16</u>	<u>2,128.26</u>	<u>123,166.42</u>
Total Net Position	<u>\$ 129,713.60</u>	<u>\$ 2,128.26</u>	<u>\$ 131,841.86</u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>Operating Revenue:</b>			
Sales:			
To Pupils	\$ 129,142.80	\$	\$ 129,142.80
To Adults	7,556.00		7,556.00
A la Carte	35,639.95		35,639.95
Other	41.47	6,000.00	6,041.47
Total Operating Revenue	<u>172,380.22</u>	<u>6,000.00</u>	<u>178,380.22</u>
<b>Operating Expenses:</b>			
Food Service:			
Salaries	16,193.35	4,136.00	20,329.35
Employee Benefits	4,548.18	564.56	5,112.74
Purchased Services	299,206.98	541.42	299,748.40
Repairs and Maintenance Services	7,284.45		7,284.45
Supplies	516.90	409.12	926.02
Cost of Sales-Donated Food	27,338.20		27,338.20
Depreciation-Local Funds	3,718.51		3,718.51
Total Operating Expenses	<u>358,806.57</u>	<u>5,651.10</u>	<u>364,457.67</u>
Operating Income (Loss)	<u>(186,426.35)</u>	<u>348.90</u>	<u>(186,077.45)</u>
<b>Nonoperating Revenue (Expense):</b>			
Local Sources:			
Investment Earnings	109.57		109.57
State Sources:			
Cash Reimbursements	1,931.88		1,931.88
Federal Sources:			
Cash Reimbursements	169,983.86		169,983.86
Donated Food	26,840.27		26,840.27
Total Nonoperating Revenue (Expense)	<u>198,865.58</u>		<u>198,865.58</u>
Change in Net Position	12,439.23	348.90	12,788.13
Net Position- Beginning	<u>117,274.37</u>	<u>1,779.36</u>	<u>119,053.73</u>
NET POSITION - ENDING	<u>\$ 129,713.60</u>	<u>\$ 2,128.26</u>	<u>\$ 131,841.86</u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2015**

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 173,659.46	\$ 6,000.00	\$ 179,659.46
Payments to Suppliers	(306,957.31)	(498.38)	(307,455.69)
Payments to Employees	(20,741.53)	(4,700.56)	(25,442.09)
Net Cash Provided (Used) by Operating Activities	<u>(154,039.38)</u>	<u>801.06</u>	<u>(153,238.32)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	<u>171,915.74</u>		<u>171,915.74</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	<u>109.57</u>		<u>109.57</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 17,985.93</u>	<u>\$ 801.06</u>	<u>\$ 18,786.99</u>
Cash and Cash Equivalents at Beginning of Year	\$ 98,064.09	\$ 2,105.42	\$ 100,169.51
Cash and Cash Equivalents at End of Year	<u>116,050.02</u>	<u>2,906.48</u>	<u>118,956.50</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 17,985.93</u>	<u>\$ 801.06</u>	<u>\$ 18,786.99</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (186,426.35)	\$ 348.90	\$ (186,077.45)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,718.51		3,718.51
Value of Commodities Used	27,338.20		27,338.20
Change in Assets and Liabilities:			
Accounts Payable	51.02	452.16	503.18
Deposits Payable	1,279.24		1,279.24
Net Cash Provided (Used) by Operating Activities	<u>\$ (154,039.38)</u>	<u>\$ 801.06</u>	<u>\$ (153,238.32)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 26,840.27		

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

FLANDREAU SCHOOL DISTRICT NO. 50-3  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 239,199.77	\$ 72,557.14
<b>TOTAL ASSETS</b>	<u>239,199.77</u>	<u>72,557.14</u>
<b>LIABILITIES:</b>		
Amounts Held for Others		72,557.14
<b>Total Liabilities</b>		<u>\$ 72,557.14</u>
<b>NET POSITION</b>		
Held in Trust for Scholarships	<u>\$ 239,199.77</u>	

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2015**

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions and Donations	\$ 1,500.00
Interest on Investments	<u>4,377.05</u>
Total Additions	<u>5,877.05</u>
<b>DEDUCTIONS:</b>	
Other Deductions	<u>4,995.21</u>
Total Deductions	<u>4,995.21</u>
Change in Net Position	881.84
Net Position - Beginning	<u>238,317.93</u>
<b>NET POSITION - ENDING</b>	<u><b>\$ 239,199.77</b></u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
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 in the United States of America.

a. Financial Reporting Entity

The reporting entity of Flandreau School District No. 50-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

*Government-wide Financial Statements:*

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

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

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

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

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

#### **Governmental Funds:**

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

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

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

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

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

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

*The Bond Redemption 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. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.*

Capital Project Funds – capital project 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 Capital Projects Fund – This fund is maintained by the School District for the purpose of an Energy Efficiency Project to replace the heating/cooling infrastructure, lighting, science rooms and bathroom remodeling for the high school. 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.

The Other Enterprise Fund is an enterprise fund maintained by the School District for the benefit of students. This fund is financed by user charges. 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 or other governments. The School District maintains the following private-purpose trust funds:

The Wm & Olive Jellife Scholarship Fund, The Fuller Scholarship Fund, The Rice Scholarship Fund, The Bechen Scholarship Fund, The Rusch Scholarship Fund, The Dakota Layers Scholarship Fund, The FFA Scholarship Fund, The F A Wittern Scholarship Fund, The General School Scholarship Fund, and The Masonic Scholarship Fund

They are used for the purpose of providing scholarships to students.

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



### c. Measurement Focus and Basis of Accounting

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

#### **Measurement Focus:**

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

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

##### *Fund Financial Statements:*

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

#### **Basis of Accounting:**

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

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

##### *Fund Financial Statements:*

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

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

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

All proprietary 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 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 2.47% for which costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities are valued at original cost.

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

	Threshold	Method	Life
Land	ALL	NA	NA
Buildings	\$ 15,000.00	Straight Line	5-50 yrs
Improvements other than Buildings	15,000.00	Straight Line	5-50 yrs
Machinery and Equipment	5,000.00	Straight Line	5-50 yrs
Food Service Machinery and Equipment	1,000.00	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 compensated absences, capital outlay certificates payable, early retirement benefits payable, and general obligation bonds 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. Deferred Inflows and 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.

k. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their 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.

l. Equity Classifications

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, and 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.

m. 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.

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.

A schedule of fund balances is provided as follows:

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
DISCLOSURE OF FUND BALANCES REPORTED ON 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>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>							
<i>Restricted for:</i>							
Capital Outlay	\$	\$318,390.83	\$	\$	\$		\$ 318,390.83
Pension				55,481.50			55,481.50
Bond Redemption					66,451.54		66,451.54
Capital Projects						623,653.93	623,653.93
<i>Assigned to:</i>							
Subsequent Year's Budget	79,090.00						79,090.00
<i>Unassigned</i>	<u>1,468,364.85</u>		<u>(58,345.26)</u>				<u>1,410,019.59</u>
<b>Total Fund Balances</b>	<u>\$1,547,454.85</u>	<u>\$318,390.83</u>	<u>\$(58,345.26)</u>	<u>\$55,481.50</u>	<u>\$66,451.54</u>	<u>\$ 623,653.93</u>	<u>\$2,553,087.39</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 district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

As of June 30, 2015, the School District had the following investments:

**External Investment Pools:**

SDFIT - Government Cash Reserves	Unrated	<u>\$ 964,668.53</u>
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The South Dakota Public Funds Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**Concentration of Credit Risk** – The School District places no limit on the amount that may be invested in any one issuer. More than 5% of the School District's investments are in South Dakota Public Funds Investment Trust.

**Interest Rate Risk** – The School District does not have a formal investment policy that limits

investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investments.

### NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all significant receivables to be collected within one year. No allowance for estimated uncollectible receivables has been established, as the District believes all receivables are collectible.

### NOTE 4 - INVENTORY

Inventory of the proprietary fund is valued 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 and proprietary fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of an immaterial balance 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 in the governmental funds as of June 30, 2015.

### NOTE 5 - 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 6 - CHANGES IN CAPITAL ASSETS**

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

Primary Government	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
<b>Governmental Activities:</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 339,431.79	\$	\$	\$ 339,431.79
Construction in Work in Progress	1,203,353.60	2,611,171.58		3,814,525.18
<b>Total, not being depreciated</b>	<b>1,542,785.39</b>	<b>2,611,171.58</b>		<b>4,153,956.97</b>
<b>Capital Assets, being depreciated:</b>				
Buildings	9,407,608.11			9,407,608.11
Improvements Other than Buildings	1,229,013.65			1,229,013.65
Machinery and Equipment	988,222.45	25,960.74		1,014,183.19
<b>Total, being depreciated</b>	<b>11,624,844.21</b>	<b>25,960.74</b>		<b>11,650,804.95</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	(2,077,782.11)	(125,434.78)		(2,203,216.89)
Improvements Other than Buildings	(543,741.51)	(72,566.28)		(616,307.79)
Machinery and Equipment	(469,243.77)	(62,993.23)		(532,237.00)
<b>Total Accumulated Depreciation</b>	<b>(3,090,767.39)</b>	<b>(260,994.29)</b>		<b>(3,351,761.68)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>8,534,076.82</b>	<b>(235,033.55)</b>		<b>8,299,043.27</b>
<b>Total</b>	<b>\$ 10,076,862.21</b>	<b>\$ 2,376,138.03</b>	<b>\$</b>	<b>\$ 12,453,000.24</b>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
Instruction	\$ 62,993.23
Support Services	72,566.28
Cocurricular	125,434.78
<b>Total depreciation expense - governmental activities</b>	<b>\$ 260,994.29</b>

**Business - Type Activity:**

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Capital Assets, being depreciated:</b>				
Machinery and Equipment	\$ 58,981.27	\$	\$	\$ 58,981.27
<b>Accumulated Depreciation:</b>				
Machinery and Equipment	(46,587.32)	(3,718.51)		(50,305.83)
<b>Business-type activity capital assets, net</b>	<b>\$ 12,393.95</b>	<b>\$ (3,718.51)</b>	<b>\$</b>	<b>\$ 8,675.44</b>

\*\*Depreciation expense was charged to functions as follows:

<b>Business-type Activity</b>	
Food Service	
<b>Total Depreciation expense - business-type activities</b>	<b>\$ 3,718.51</b>

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

Project Name	Project Authorization	Expended to 6/30/2015	Committed
Energy Efficiency Project	\$4,516,872.90	\$ 3,814,525.18	\$ 702,347.72



**NOTE 7 - LONG -TERM LIABILITIES**

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

<u>Governmental Activities</u>	<u>General Obligation Bonds</u>	<u>Capital Outlay Certificates</u>	<u>Early Retirement</u>	<u>Compensated Absences</u>	<u>Totals</u>
Long-Term Liabilities Payable, June 30, 2014	\$ 1,700,000.00	\$ 5,350,000.00	\$	\$ 6,506.72	\$ 7,056,506.72
Additions	1,495,000.00	1,130,000.00	45,707.25	5,349.74	2,676,056.99
Deletions	1,715,000.00	1,335,000.00		5,177.65	3,055,177.65
Long-Term Liabilities Payable, June 30, 2015	<u>\$ 1,480,000.00</u>	<u>\$ 5,145,000.00</u>	<u>\$ 45,707.25</u>	<u>\$ 6,678.81</u>	<u>\$ 6,677,386.06</u>
Due within One Year	<u>\$ 230,000.00</u>	<u>\$ 215,000.00</u>	<u>\$ 45,707.25</u>	<u>\$ 5,349.74</u>	<u>\$ 496,056.99</u>

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

During fiscal year 2015, the School District issued \$1,495,000 in General Obligation Refunding Bonds with an average interest rate of 2.0% to refund the following:

<u>Year Issued</u>	<u>Project</u>	<u>Average Interest Rate</u>	<u>Unpaid Principal at Time of Refunding</u>
2010	General Obligation Refunding Bonds	3.26%	\$1,480,000

The School District refunded the debt to reduce its total debt service payments over the next 7 years by \$73,367.38 and to obtain an economic gain of \$70,496.56.

The entire proceeds of the refunding issue in the amount of \$1,500,135.25 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue which was called effective June 8, 2015. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

During fiscal year 2015 the School District issued \$1,130,000 in Capital Outlay Refunding Certificates with an average interest rate of 2.0% to refund the following:

<u>Year Issued</u>	<u>Project</u>	<u>Average Interest Rate</u>	<u>Unpaid Principal at Time of Refunding</u>
2010	Capital Outlay Refunding Certificates	3.37%	\$1,115,000

The School District refunded the debt to reduce its total debt service payments over the next 7 years by \$55,271.72 and to obtain an economic gain of \$53,079.41.

The entire proceeds of the refunding issue in the amount of \$1,130,701.10 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue which was called effective June 8, 2015. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

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

**General Obligation Bonds:**

Series 2015 General Obligation Refunding Bonds issued April 7, 2015, maturing June 30, 2022, with annual interest rate of 2.0%. Semi-annual payments from Debt Service Fund. \$ 1,480,000.00

**Capital Outlay Certificates:**

Series 2015 Capital Outlay Refunding Certificates issued April 7, 2015, maturing June 30, 2022, interest rate of 2.0%. Semi-annual payments made from the Capital Outlay Fund. 1,120,000.00

Series 2013 Limited Tax Obligation Certificates, issued December 5, 2013, maturing June 1, 2033, interest rates from 1.60 to 4.30%, depending on length to maturity of the individual certificate, Semi-annual payments made from the Capital Outlay Fund. 4,025,000.00

**Compensated Absences:**

Vacation pay which is payable from the General Fund. 6,678.81

**Early Retirement Payable:**

Obligation to individuals who fall under the early retirement plan of the Flandreau School District. Payments are made to the retiree in the year following retirement. Payments are made from the Pension and General Fund. 45,707.25

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

Year	General Obligation Bonds		Capital Outlay Certificates		Early Retirement	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2016	\$ 230,000.00	\$ 29,600.00	\$ 215,000.00	\$ 170,747.50	\$45,707.25	\$ 490,707.25	\$ 200,347.50
2017	240,000.00	25,000.00	220,000.00	166,607.50		460,000.00	191,607.50
2018	240,000.00	20,200.00	225,000.00	162,367.50		465,000.00	182,567.50
2019	250,000.00	15,400.00	230,000.00	157,586.26		480,000.00	172,986.26
2020	255,000.00	10,400.00	240,000.00	152,705.00		495,000.00	163,105.00
2021-25	265,000.00	5,300.00	1,325,000.00	669,240.00		1,590,000.00	674,540.00
2026-30			1,575,000.00	435,205.00		1,575,000.00	435,205.00
2031-35			1,115,000.00	97,395.00		1,115,000.00	97,395.00
Total	\$ 1,480,000.00	\$ 105,900.00	\$ 5,145,000.00	\$ 2,011,853.76	\$ 45,707.25	\$ 6,670,707.25	\$ 2,117,753.76

**NOTE 8 - INTERFUND BALANCES**

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

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 60,000.00	\$
Special Education Fund		60,000.00
Total	\$ 60,000.00	\$ 60,000.00

The General Fund loaned money to the Special Education Fund for funding temporary cash shortages.

## NOTE 9 – RESTRICTED NET POSITION

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

<u>Major Purposes</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 324,249.89
Pension Purposes	Law	56,234.74
SDRS Pension Purposes	Law	906,540.92
Debt Service Purposes	Debt Covenants	68,573.23
Total Restricted Net Position		<u>\$ 1,355,598.78</u>

## NOTE 10 - INTERFUND TRANSFERS

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

	<u>Transfers to:</u>
<u>Transfers From:</u>	Capital Projects Fund
Major Funds:	
Capital Outlay Fund	\$ 430,000.00

A transfer of \$430,000 was made to the Capital Projects Fund from Capital Outlay Fund to help fund projects authorized.

## 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 public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 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.

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 the social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$183,496.70, \$181,797.75, and \$186,083.97, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 18,379,380.83
Less proportionate share of total pension assets	<u>17,131,063.68</u>
Proportionate share of net pension asset	<u>\$ 1,248,317.15</u>

At June 30 2015, the School District reported an asset of \$1,248,317.15 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 .1732669%, which is an increase of .1732669% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$52,728.45. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 105,624.51	\$
Changes in assumption	814,864.22	
Net difference between projected and actual earnings on pension plan investments		1,445,761.71
District contributions subsequent to the measurement date	<u>183,496.75</u>	
<b>TOTAL</b>	<u>\$ 1,103,985.49</u>	<u>\$ 1,445,761.71</u>

\$183,496.75 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	\$	(99,192.92)
2016		(99,192.92)
2017		(99,192.92)
2018		<u>(227,694.19)</u>
TOTAL	\$	<u>(525,272.97)</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:

**Discount Rate:**

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

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

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

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,233,572.14	\$ (1,248,317.15)	\$ (3,272,556.93)

**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 - JOINT VENTURES**

The School District participates in the Prairie Lake Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational services to the member school districts.

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

Baltic	8.00 %
Chester	6.00
Colman-Egan	5.00
Dell Rapids	15.00
Flandreau	14.00
Garretson	7.00
Howard	9.00
Madison Central	15.00
Oldham-Ramona	4.00
Rutland	3.00
Tri-Valley	14.00

The co-op's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2015, this joint venture had total assets of \$233,217.44, total deferred outflows of resources of \$71,478.60, total liabilities of \$94,406.65, total deferred inflows of resources of \$98,461.58, and net position of \$111,827.81.

**NOTE 13 - RISK MANAGEMENT**

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

#### Employee Health Insurance

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

#### 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, injuries to employees and natural disasters 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 during the past three years.

#### Unemployment Benefits

During the year ended June 30, 2015, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$9,152.00. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

#### NOTE 14 – FLANDREAU SCHOOL DISTRICT EDUCATION FOUNDATION

The Flandreau School District Education Foundation is a nonprofit organization formed April 30, 1999 by members of the community to accept contributions to be used for the benefit of the School District. The Foundation is a Component Unit of the Primary Government but is not reported as a Component Unit due to the following:

The Foundation had no assets at June 30, 2015. However, the organization will continue to exist, in case donations are made in the future. The Foundation's Board of Directors is made up of members of the school board.

#### NOTE 15- EARLY RETIREMENT PLAN

The School District maintains an early retirement plan for certified teachers. The plan is available to employees who choose early retirement after age 55 and have at least twenty years of continuous service with the District. Under the plan, the District will pay 75% of the current salary contract. Such amounts are payable in one installment, paid in September of the following year. No payments were made for early retirement during fiscal year 2015.

#### NOTE 16 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

#### NOTE 17 – PRIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$ 234,526.16
Restatement for pension accounting:	
Net Pension Asset	488,518.02
Pension related Deferred Outflows of Resources	<u>183,496.75</u>
Net Position July 1, 2014, as restated	<u>\$ 906,540.93</u>

**NOTE 18 – CONTINGENCIES**

The Associated School Boards Health Benefits Fund has a deficit Net Position. As a past member of Associated School Districts Health Benefits Fund, the School District has a potential liability. As of June 30, 2014, the School District's estimated share of the liability was \$160,146. This information was not available for the year ended June 30, 2015 at the time the financial statements were issued.



**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,127,657.00	\$ 1,127,657.00	\$ 1,119,900.84	\$ (7,756.16)
Prior Years' Ad Valorem Taxes	15,000.00	15,000.00	32,609.77	17,609.77
Utility Taxes	86,000.00	86,000.00	91,987.46	5,987.46
Penalties and Interest on Taxes	5,000.00	5,000.00	4,582.35	(417.65)
Earnings on Investments and Deposits	3,000.00	3,000.00	998.26	(2,001.74)
Cocurricular Activities:				
Admissions	24,000.00	24,000.00	22,974.40	(1,025.60)
Pupil Organization Membership	3,200.00	3,200.00	2,595.00	(605.00)
Rentals	1,000.00	1,000.00	995.00	(5.00)
Other Pupil Activity Income	600.00	600.00	625.00	25.00
Other Revenue from Local Sources:				
Rentals	600.00	600.00	1,500.00	900.00
Contributions and Donations			4,055.00	4,055.00
Medicaid Indirect Services	40,000.00	40,000.00	15,313.88	(24,686.12)
Other	36,118.00	42,118.00	30,935.82	(11,182.18)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	120,000.00	120,000.00	107,398.50	(12,601.50)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,109,641.00	2,109,641.00	2,106,611.50	(3,029.50)
Restricted Grants-in-Aid	1,500.00	13,625.00	13,021.13	(603.87)
Other State Revenue			91.50	91.50
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received				
Directly from Federal Government	40,317.00	40,317.00	40,518.00	201.00
Restricted Grants-in-Aid Received from Federal Government through the Sta	188,903.00	191,103.00	194,969.35	3,866.35
<b>Total Revenues</b>	<u>3,802,536.00</u>	<u>3,822,861.00</u>	<u>3,791,682.76</u>	<u>(31,178.24)</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	914,341.00	914,341.00	898,254.98	16,086.02
Middle/Junior High	471,692.00	471,692.00	463,476.66	8,215.34

**REQUIRED SUPPLEMENTARY INFORMATION**  
**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDING JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
High School	727,154.00	727,154.00	678,284.30	48,869.70
Special Programs:				
Educationally Deprived	127,300.00	128,800.00	125,421.00	3,379.00
Support Services - Pupils:				
Guidance	45,392.00	46,392.00	45,695.60	696.40
Health	4,150.00	4,150.00	4,072.75	77.25
Support Services - Instructional Staff:				
Improvement of Instruction	10,950.00	31,275.00	29,116.98	2,158.02
Educational Media	167,623.00	167,623.00	157,783.30	9,839.70
Support Services - General Administration:				
Board of Education	49,150.00	49,150.00	44,137.49	5,012.51
Executive Administration	122,057.00	122,057.00	115,922.93	6,134.07
Support Services - School Administration:				
Office of the Principal	278,372.00	278,372.00	262,773.31	15,598.69
Other	4,000.00	4,000.00	368.96	3,631.04
Support Services - Business:				
Fiscal Services	139,461.00	139,461.00	129,984.45	9,476.55
Operation and Maintenance of Plant	552,955.00	552,955.00	488,618.94	64,336.06
Pupil Transportation	190,000.00	190,000.00	177,374.67	12,625.33
Food Service	18,602.00	18,602.00	16,647.99	1,954.01
Community Services:				
Cocurricular Activities:				
Male Activities	47,815.00	49,815.00	49,236.56	578.44
Female Activities	31,691.00	31,691.00	30,572.26	1,118.74
Transportation	43,000.00	43,000.00	40,389.13	2,610.87
Combined Activities	71,605.00	71,605.00	70,798.71	806.29
Contingencies	15,000.00	10,500.00		10,500.00
<b>Total Expenditures</b>	<u>4,032,310.00</u>	<u>4,052,635.00</u>	<u>3,828,930.97</u>	<u>223,704.03</u>
Excess of Revenue Over (Under) Expenditures	<u>(229,774.00)</u>	<u>(229,774.00)</u>	<u>(37,248.21)</u>	<u>192,525.79</u>
Other Financing Sources (Uses) Transfer In	<u>163,875.00</u>	<u>163,875.00</u>	<u>163,875.00</u>	
Net Change in Fund Balances	(65,899.00)	(65,899.00)	126,626.79	192,525.79
FUND BALANCE - JULY 1, 2014	<u>957,030.70</u>	<u>957,030.70</u>	<u>957,030.70</u>	
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 891,131.70</u>	<u>\$ 891,131.70</u>	<u>\$ 1,083,657.49</u>	<u>\$ 192,525.79</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDING JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 960,000.00	\$ 960,000.00	\$ 944,297.71	\$ (15,702.29)
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	9,621.11	3,621.11
Penalties and Interest on Taxes	1,000.00	1,000.00	1,314.45	314.45
Earnings on Investments and Deposits	400.00	400.00	467.90	67.90
Other Revenue from Local Sources:				
Other			1,400.00	1,400.00
<b>Total Revenue</b>	<u>967,400.00</u>	<u>967,400.00</u>	<u>957,101.17</u>	<u>(10,298.83)</u>
<b>Expenditures:</b>				
Instruction:				
Regular programs:				
Elementary	121,000.00	121,000.00	116,216.68	4,783.32
Middle/Junior High	91,600.00	91,600.00	91,543.30	56.70
High School	63,900.00	63,900.00	49,868.23	14,031.77
Support Services - Instructional Staff:				
Educational Media	10,000.00	10,000.00	9,952.16	47.84
Support Services - Business:				
Fiscal Services	7,200.00	7,200.00	5,865.14	1,334.86
Operation and Maintenance of Plant	128,200.00	128,200.00	120,561.69	7,638.31
Pupil Transportation	34,000.00	34,000.00	19,096.44	14,903.56
Debt Services	473,500.00	499,563.00	494,649.51	4,913.49
Cocurricular Activities:				
Male Activities	10,000.00	10,000.00	7,114.25	2,885.75
Female Activities	2,000.00	2,000.00	1,637.10	362.90
Combined Activities	26,000.00	26,000.00	23,345.39	2,654.61
<b>Total Expenditures</b>	<u>967,400.00</u>	<u>993,463.00</u>	<u>939,849.89</u>	<u>53,613.11</u>
Excess of Revenue Over (Under)				
Expenditures	0.00	(26,063.00)	17,251.28	43,314.28
Other Financing Sources (Uses):				
Proceeds of General LT Debt		1,156,765.00	1,156,764.90	(0.10)
Transfer (Out)	(430,000.00)	(430,000.00)	(430,000.00)	
Payment to Refunded Debt		(1,130,702.00)	(1,130,701.10)	0.90
<b>Total Other Financing Sources (Uses):</b>	<u>(430,000.00)</u>	<u>(403,937.00)</u>	<u>(403,936.20)</u>	<u>0.80</u>
Net Change in Fund Balances	(430,000.00)	(430,000.00)	(386,684.92)	43,315.08
FUND BALANCE - JULY 1, 2014	<u>705,075.75</u>	<u>705,075.75</u>	<u>705,075.75</u>	
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 275,075.75</u>	<u>\$ 275,075.75</u>	<u>\$ 318,390.83</u>	<u>\$ 43,315.08</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDING JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 521,328.00	\$ 521,328.00	\$ 498,446.26	\$ (22,881.74)
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	4,953.20	953.20
Penalties and Interest on Taxes	1,000.00	1,000.00	704.88	(295.12)
Tuition and Fees:				
Services Provided by Other LEA's	74,000.00	74,000.00		(74,000.00)
Medicaid Direct Services	7,000.00	7,000.00	3,784.37	(3,215.63)
Medicaid Indirect Services	9,300.00	9,300.00	3,663.00	(5,637.00)
Earnings on Investment and Deposits	200.00	200.00	58.88	(141.12)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	178,754.00	178,754.00	176,642.00	(2,112.00)
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	14,000.00	14,000.00	10,508.51	(3,491.49)
Restricted Grants-in-Aid Received from Federal Government through State	<u>175,314.00</u>	<u>232,704.00</u>	<u>202,504.00</u>	<u>(30,200.00)</u>
<b>Total Revenue</b>	<u>984,896.00</u>	<u>1,042,286.00</u>	<u>901,265.10</u>	<u>(141,020.90)</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	688,784.00	776,284.00	684,734.67	91,549.33
Support Services				
Pupils:				
Health	4,000.00	7,300.00	7,056.00	244.00
Psychological	52,000.00	52,000.00	48,819.48	3,180.52
Speech Pathology	126,822.00	136,422.00	138,745.87	(2,323.87)
Student Therapy Services	44,500.00	44,500.00	37,727.30	6,772.70
Support Services - Instructional Staff:				
Improvement of Instruction	1,400.00	1,400.00	579.66	820.34
Support Services - Special Education:				
Administrative Costs	143,005.00	143,005.00	77,007.32	65,997.68
Transportation Costs	55,500.00	77,500.00	36,615.66	40,884.34
Other Special Education Costs		<u>114,000.00</u>	<u>112,395.60</u>	<u>1,604.40</u>
<b>Total Expenditures</b>	<u>1,116,011.00</u>	<u>1,352,411.00</u>	<u>1,143,681.56</u>	<u>208,729.44</u>
Net Change in Fund Balances	(131,115.00)	(310,125.00)	(242,416.46)	67,708.54
FUND BALANCE - JULY 1, 2014	<u>184,071.20</u>	<u>184,071.20</u>	<u>184,071.20</u>	
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 52,956.20</u>	<u>\$ (126,053.80)</u>	<u>\$ (58,345.26)</u>	<u>\$ 67,708.54</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
PENSION FUND  
FOR THE YEAR ENDING JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 118,860.00	\$ 118,860.00	\$ 109,709.79	\$ (9,150.21)
Prior Years' Ad Valorem Taxes			1,203.11	1,203.11
Penalties and Interest on Taxes			166.73	166.73
Earnings on Investments and Deposits	<u>100.00</u>	<u>100.00</u>	<u>66.55</u>	<u>(33.45)</u>
<b>Total Revenue</b>	<u>118,960.00</u>	<u>118,960.00</u>	<u>111,146.18</u>	<u>(7,813.82)</u>
<b>Expenditures</b>				
Instruction:				
Regular programs:				
Elementary	35,000.00	35,000.00	35,000.00	
Middle/Junior High	18,000.00	18,000.00	18,000.00	
High School	30,000.00	30,000.00	30,000.00	
Support Services:				
Executive Administration	3,000.00	3,000.00	3,000.00	
School Administration	9,000.00	9,000.00	9,000.00	
Business	8,000.00	8,000.00	8,000.00	
Nonprogrammed Charges:				
Early Retirement Payments	<u>15,960.00</u>	<u>15,960.00</u>		<u>15,960.00</u>
<b>Total Expenditures</b>	<u>118,960.00</u>	<u>118,960.00</u>	<u>103,000.00</u>	<u>15,960.00</u>
Net Change in Fund Balances			8,146.18	8,146.18
FUND BALANCE - JULY 1, 2014	<u>47,335.32</u>	<u>47,335.32</u>	<u>47,335.32</u>	
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 47,335.32</u>	<u>\$ 47,335.32</u>	<u>\$ 55,481.50</u>	<u>\$ 8,146.18</u>

Schedule of Required Supplementary Information

FLANDREAU SCHOOL DISTRICT NO. 50-3

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

South Dakota Retirement System

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1732669%
District's proportionate share of net pension liability (asset)	\$ (1,248,317)
District's covered-employee payroll	\$ 3,029,960
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**  
**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**South Dakota Retirement System**

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 181,798</u>	<u>\$ 183,497</u>
Contributions in relation to the contractually required contribution	<u>\$ 181,798</u>	<u>\$ 183,497</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$3,029,960	\$3,058,271
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

FLANDREAU SCHOOL DISTRICT NO. 50-3  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
And for each major Special Revenue Fund with a legally required budget

**NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING**

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

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



	Year Ended <u>06/30/15</u>
<u>General Fund:</u>	
<b>USGAAP Basis Fund Balance</b>	\$ 1,547,454.85
Reconciling Items:	
Impact Aid Fund Balance	\$ 463,797.36
Net Adjustment to GAAP Basis Fund Balance	<u>463,797.36</u>
<b>Budgetary Basis Fund Balance</b>	<u>\$ 1,083,657.49</u>

**NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES**

1. 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.
2. The budgetary basis comparison schedule for the General Fund includes only the budgeted amounts for the General Fund, and does not include any amounts for the blended Impact Aid Fund.

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2015**

	<u>CFDA Number</u>	<u>Expenditure Amount 2015</u>
U.S. Department of Agriculture:		
Pass-Through the SD Department of Education		
Child Nutrition Cluster: (Note 3)		
Non-cash Assistance: (Commodities)		
National School Lunch Program	10.555	\$ 27,338.20
Cash Assistance: (Note 2)		
School Breakfast Program	10.553	32,541.04
National School Lunch Program	10.555	<u>137,442.82</u>
Total Child Nutrition Cluster		<u>197,322.06</u>
Fresh Fruit and Vegetable Program (Note 3)	10.582	<u>16,648.35</u>
Total U.S. Department of Agriculture		<u>213,970.41</u>
U.S. Department of Education:		
Direct Federal Funding:		
Impact Aid	84.041	174,383.51
Indian Education - Grants to Local Educational Agencies	84.060	40,518.00
Pass-Through the SD Department of Education		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	<u>125,421.00</u>
Total Title I Cluster		<u>125,421.00</u>
Title III English Language Acquisition State Grants	34.365	2,200.00
Improving Teacher Quality Grants	84.367	50,700.00
Special Education Cluster:		
Special Education - Grants to States	84.027	197,883.00
Special Education - Preschool Grants	84.173	<u>4,621.00</u>
Total Special Education Cluster:		<u>202,504.00</u>
Total U.S. Department of Education		<u>595,726.51</u>
GRAND TOTAL		<u>\$ 809,696.92</u>

**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDING JUNE 30, 2015**  
**(continued)**

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the school 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 States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from accounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2: Federal reimbursements are not based upon 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  
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**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  
Flandreau School District No. 50-3  
Moody County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flandreau School District No. 50-3, Moody County, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item number 2015-001 to be a significant deficiency.

## Compliance and Other Matters

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

## School District's Response to Findings

The Flandreau School District's response to the findings identified in our audit is described in the accompanying Corrective Plan of Action. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §\_\_.320, this report is a matter of public record and its distribution is not limited.

*Quam & Berglin, P.C.*

Quam and Berglin, P.C.  
Certified Public Accountants

March 14, 2016

**QUAM & BERGLIN, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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

School Board  
Flandreau School District No. 50-3  
Moody County, South Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Flandreau School District No. 50-3, Moody County, South Dakota (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The 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 Flandreau School District's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, Flandreau School District No. 50-3 complied, in all material respects, with the 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**

The management of Flandreau School District No. 50-3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Flandreau 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.  
Certified Public Accountants

March 14, 2016

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FEDERAL AUDIT FINDINGS:**

***Federal Compliance-Related Audit Findings and Questioned Costs***

There are no compliance-related audit findings and questioned costs.

**CURRENT OTHER AUDIT FINDINGS:**

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

**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. 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 Found:**

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

**Recommendations:**

We recommend that the Board of Education be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls, whenever and wherever possible and practical.

**Response:**

The Board of Education of this entity is aware of this problem, which is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 64.



# FLANDREAU PUBLIC SCHOOLS

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LISA SANDERSON  
Business Manager

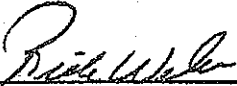
RICK WEBER  
Superintendent

## CORRECTIVE PLAN OF ACTION JUNE 30, 2015

Flandreau School District No. 50-3 has considered the lack of segregation of duties for revenues. At this time, it is not cost effective for Flandreau School District No. 50-3 to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Flandreau School District to decrease the likelihood that financial data is adversely affected.

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

  
\_\_\_\_\_  
Business Manager

  
\_\_\_\_\_  
Superintendent