

**BRANDON VALLEY  
SCHOOL DISTRICT NO. 49-2**

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

**JUNE 30, 2015**

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

School Board

Sandy Klatt

Gregg Ode

Cary Schroeder

Renee Ullom

Sue Hegland

Business Manager

Paul J. Lundberg

Superintendent

David Pappone

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# QUAM & BERGLIN, P.C.

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Brandon Valley School District No. 49-2  
Minnehaha 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 Brandon Valley School District No. 49-2, Minnehaha 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

We believe that 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 Brandon Valley School District No. 49-2 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

#### *Adoption of New Accounting Standard*

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

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Funding Progress, the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the School District Contributions, and the Budgetary Comparison Schedules 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the Brandon Valley School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brandon Valley School District's internal control over financial reporting and compliance.

*Quam & Berglin, P.C.*

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

December 7, 2015

**BRANDON VALLEY SCHOOL DISTRICT 49-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

As management of Brandon Valley School District 49-2 (District), we offer readers of the District's financial statement this narrative overview and analysis of the District's financial performance for the fiscal year ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements immediately following this section.

**FINANCIAL HIGHLIGHTS**

- The District was just completing the construction of a new \$14M Intermediate School (Grades 5-6) at the end of FY15. It was opened in the fall of 2015 with over 600 students attending.
- The District's net position from Governmental activities increased by \$2,501,445.
- The District continues to maintain an adequate financial position in all major operating funds. The beginning fund balance of the General Fund was 30.2% and the ending fund balance is at 26.8%. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. The ending cash position of the General Fund on June 30, 2015 was \$6,489,630, which reflects a 2.7% decrease (\$179,423).
- The Capital Outlay Fund saw its revenues exceed expenditures by \$242,718. The ending cash position of the Capital Outlay Fund on June 30, 2015 was \$3,489,533, which reflects an increase of \$182,428 (5.5%).
- The Special Education Fund saw its expenses exceed revenues by \$312,827. The ending fund balance was \$416,667 which is 8.9% of expenses. The ending cash position of the Special Education Fund on June 30, 2015 was \$762,712, which reflects a decrease from the previous year of \$310,351 (28.9%).
- The Pension Fund is used for two purposes: early retirement payments and 1% of the General Fund South Dakota Retirement costs. The fund's expenditures exceeded revenues by \$37,020 leaving the fund balance on June 30, 2015 at \$538,372. The fund balance has been accumulated in recent years in order to properly fund an increasing number of early retirees. Based on early retirement projections, current revenues plus the existing fund balance will be adequate to account for all future expenditures.
- The Bond Redemption Fund is used to pay the debt service of General Obligation bonds of the District. Taxes are levied to adequately fund all debt service. The fund balance of this fund at June 30, 2015 was \$692,552.
- Business-type activities had an increase in net position of \$80,458 during the 2014-15 school year primarily due to revenues exceeding expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District'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-term 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, i.e., Food Service and Other Enterprise Fund.
  - 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

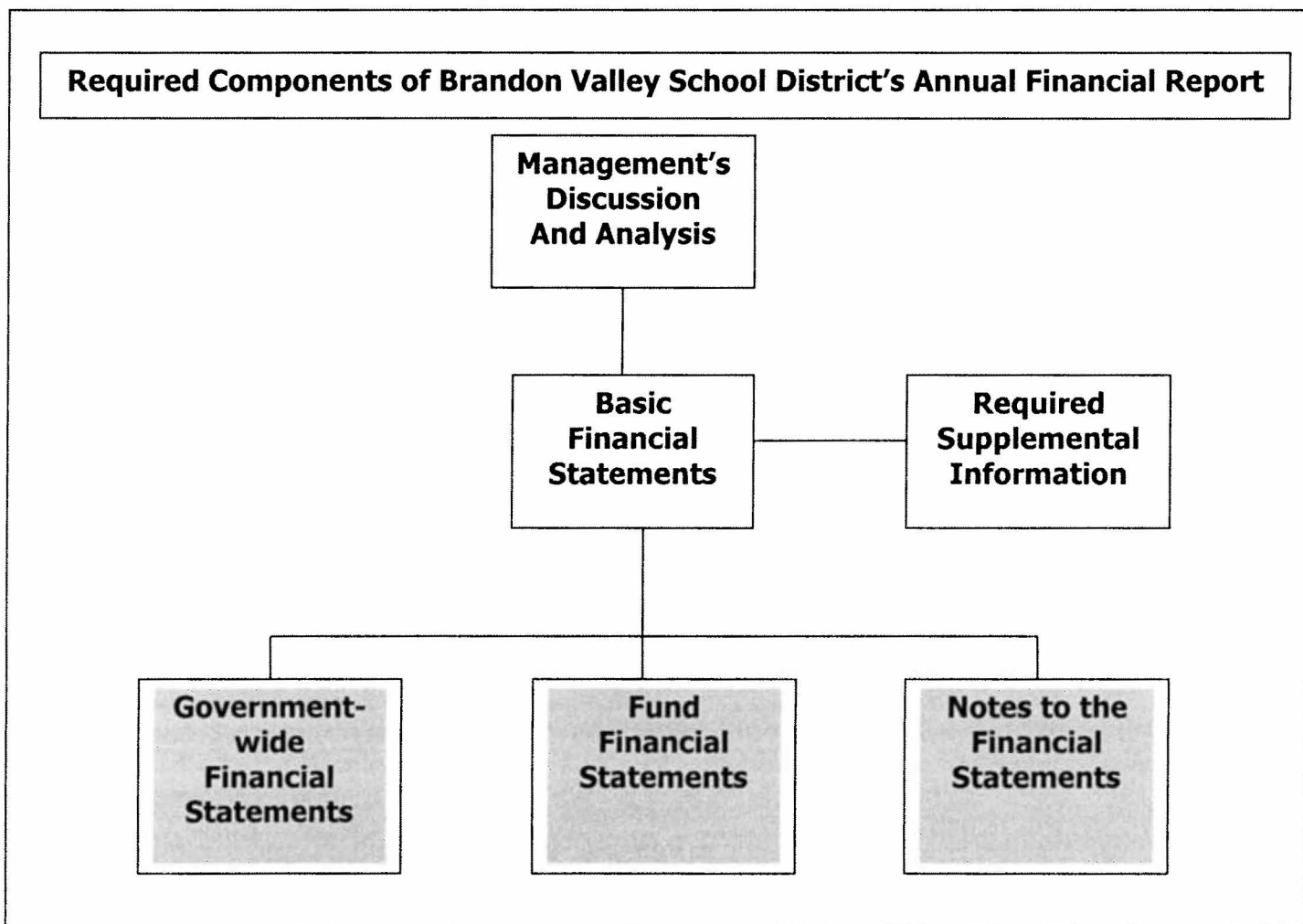




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

Major Functions of the Government-wide and Fund Financial Statements				
	Government- Wide <u>Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and secondary education programs.	Activities the District operates similar to private businesses, e.g., food services.	Instances in which the District administers resources on behalf of someone else, e.g., scholarship programs and student activities monies.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures, and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses, and Changes in Fund Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, short term and long-term; funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless 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 are 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, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** – This category includes services where a fee to students is charged to help cover the costs of providing these services to all students. The Food Service Fund and an enterprise fund for Driver's Education are the only business-type activities of the District.

## 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 District 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 the relationship and reconciles the differences between the fund financial statements and the government-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 (one type of proprietary fund) to report the activities of its Food Service and Driver's Education programs.
- **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 BRANDON VALLEY SCHOOL DISTRICT 49-2 AS A WHOLE

The District's combined net position changed as follows:

**Table A-1  
Brandon Valley School District 49-2  
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total		% Change 2014-15
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	
Current and Other Assets	\$34,184,089	\$23,626,944	\$581,636	\$422,235	\$34,765,725	\$24,049,179	-30.8%
Net Pension Assets	\$0	\$6,044,980	\$0	\$0	\$0	6,044,980	-
Capital Assets	46,158,291	56,428,691	121,487	359,341	46,279,778	56,788,032	22.7%
Total Assets	<u>\$80,342,380</u>	<u>\$86,100,615</u>	<u>\$703,123</u>	<u>\$781,576</u>	<u>\$81,045,503</u>	<u>\$86,882,191</u>	<u>7.2%</u>
Pension Related Deferred Outflows	\$0	\$5,492,724	\$0	\$0	\$0	5,492,724	
Deferred Loss on Refunding	101,817	76,363	0	0	101,817	76,363	25.0%
Total Deferred Outflows of Resources	<u>\$101,817</u>	<u>\$5,569,087</u>	<u>\$0</u>	<u>\$0</u>	<u>\$101,817</u>	<u>\$5,569,087</u>	<u>5,289.5%</u>
Long-Term Debt Outstanding	\$37,220,448	\$35,287,362	\$0	\$0	\$37,220,448	\$35,287,362	-5.2%
Other Liabilities	4,922,338	5,332,371	42,071	40,065	4,964,409	5,372,436	8.2%
Total Liabilities	<u>\$42,142,786</u>	<u>\$40,619,733</u>	<u>\$42,071</u>	<u>\$40,065</u>	<u>\$42,184,857</u>	<u>\$40,659,798</u>	<u>-3.6%</u>
Pension Related Deferred Inflows	0	7,001,107	0	0	0	7,001,107	
Net Position:							
Net Investment in Capital Assets	\$20,569,099	\$21,479,394	\$121,487	\$359,341	\$20,690,586	\$21,838,735	-3.5%
Restricted	8,666,977	13,692,004	0	0	8,666,977	13,692,004	78.7%
Unrestricted	9,065,335	8,877,464	539,565	382,170	9,604,900	9,259,634	-3.6%
Total Net Position	<u>\$38,301,411</u>	<u>\$44,048,862</u>	<u>\$661,052</u>	<u>\$741,511</u>	<u>\$38,962,463</u>	<u>\$44,790,373</u>	<u>14.7%</u>
Beginning Net Position	37,408,297	38,301,411	581,347	661,052	37,989,644	38,962,463	
Prior Period Adjustment	0	3,246,006	0	0	0	3,246,006	
Adjusted Beginning Net Position	<u>\$37,408,297</u>	<u>\$41,547,417</u>	<u>\$581,347</u>	<u>\$661,052</u>	<u>\$37,989,644</u>	<u>\$42,208,469</u>	
Increase(Decrease) in Net Position	<u>\$893,114</u>	<u>\$2,501,445</u>	<u>\$79,705</u>	<u>\$80,458</u>	<u>\$972,819</u>	<u>\$2,581,903</u>	
Percentage of Increase (Decrease) in Net Position	<u>2.4%</u>	<u>6.5%</u>	<u>13.7%</u>	<u>12.2%</u>	<u>2.6%</u>	<u>5.9%</u>	

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 certificate 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.

The total assets of the School District increased \$5,836,688. Equity in the School District's pooled cash and cash equivalents decreased \$11,328,497. Property tax receivables increased \$668,103 and other assets decreased \$81,607. Net Pension assets increased \$6,044,980. Capital assets increased \$10,508,254 and are discussed in detail later in this report.

Total Liabilities of the School District decreased \$1,525,059 which is primarily the result of the pay down of debt.

The total net position of the School District increased \$2,581,903, which included an increase of \$6,173,176 in capital asset investment and restricted net position and a decrease of \$345,266 in unrestricted net position which involve the general operations of the School District. There was a prior period adjustment of \$3,246,006 related to GASB 68 adjustments.

**GOVERNMENTAL ACTIVITIES**

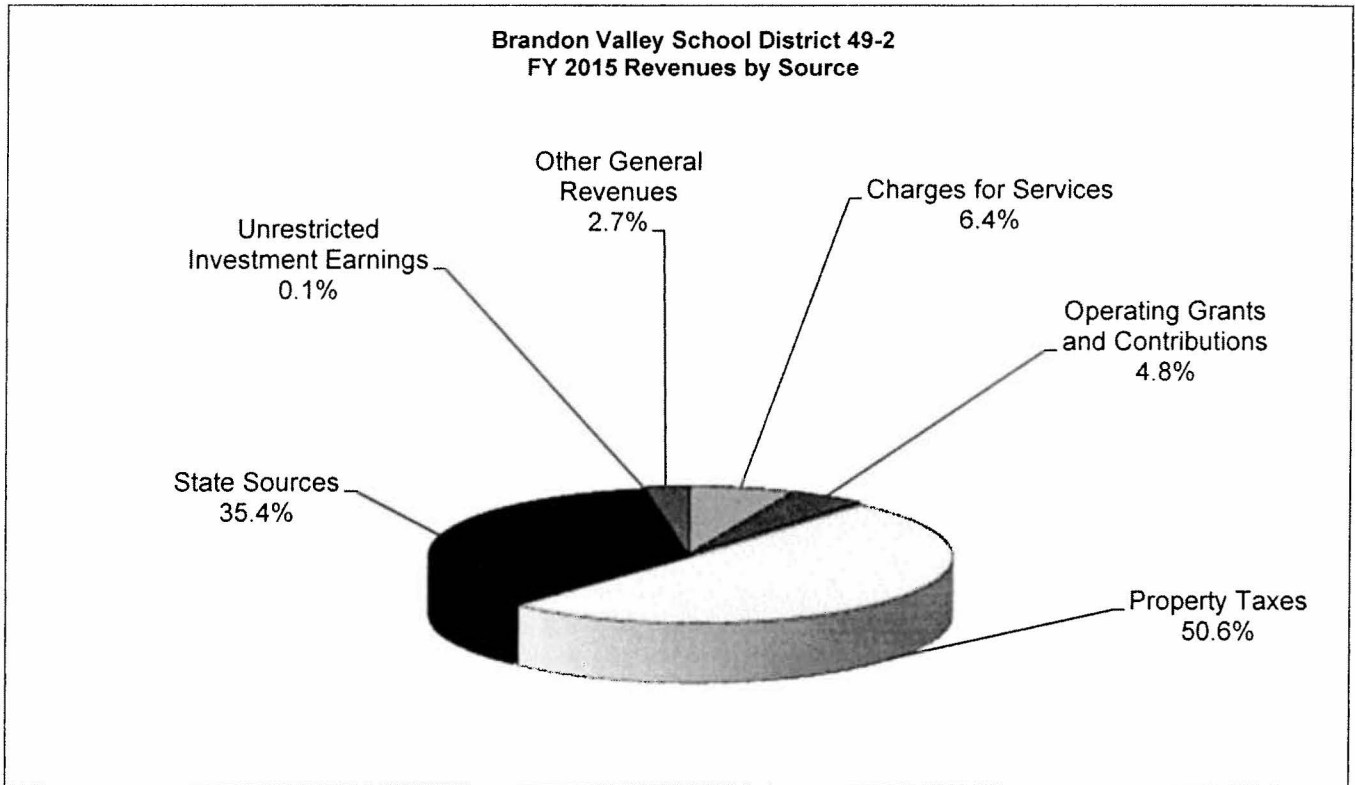
Table A-2 and the narrative that follow consider the operations of the government-wide activities.

**Table A-2  
Brandon Valley School District 49-2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2014-15
	2014	2015	2014	2015	2014	2015	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$809,534	\$745,472	\$1,435,211	\$1,504,219	\$2,244,745	\$2,249,691	0.2%
Operating Grants and Contributions	964,608	997,237	714,922	664,099	1,679,530	1,661,336	-1.1%
Capital Grants and Contributions	0	0			0	0	0.0%
General Revenues							
Property Taxes	16,235,117	17,698,814			16,235,117	17,698,814	9.0%
State Sources	11,947,400	12,391,080			11,947,400	12,391,080	3.7%
Unrestricted Investment Earnings	28,495	27,502			28,495	27,502	-3.5%
Other General Revenues	407,601	934,509			407,601	934,509	129.3%
<b>Total Revenues</b>	<b>\$30,392,755</b>	<b>\$32,794,614</b>	<b>\$2,150,133</b>	<b>\$2,168,318</b>	<b>\$32,542,888</b>	<b>\$34,962,932</b>	<b>7.4%</b>
<b>Expenses</b>							
Instruction	\$16,016,580	\$16,840,458			\$16,016,580	\$16,840,458	5.7%
Support Services	11,623,168	11,253,863			11,623,168	11,253,863	-3.2%
Community Service	0	0			0	0	0.0%
Non-programmed Charges	105,720	164,202			105,720	164,202	N/A
Debt Service	1,049,994	1,269,174			1,049,994	1,269,174	20.9%
Co-Curricular Activities	704,179	765,472			704,179	765,472	8.7%
Food Service			2,030,020	2,052,560	2,030,020	2,052,560	1.1%
Driver's Education			40,408	35,300	40,408	35,300	N/A
<b>Total Expenses</b>	<b>\$29,499,641</b>	<b>\$30,293,169</b>	<b>\$2,070,428</b>	<b>\$2,087,860</b>	<b>\$31,570,069</b>	<b>\$32,381,029</b>	<b>2.8%</b>
Excess of Revenue Over (Under) Expenses	\$893,114	\$2,501,445	\$79,705	\$80,458	\$972,819	\$2,581,903	157.0%
Increase (Decrease) in Net Assets	<u>\$893,114</u>	<u>\$2,501,445</u>	<u>\$79,705</u>	<u>\$80,458</u>	<u>\$1,702,066</u>	<u>\$2,581,903</u>	<u>46.9%</u>

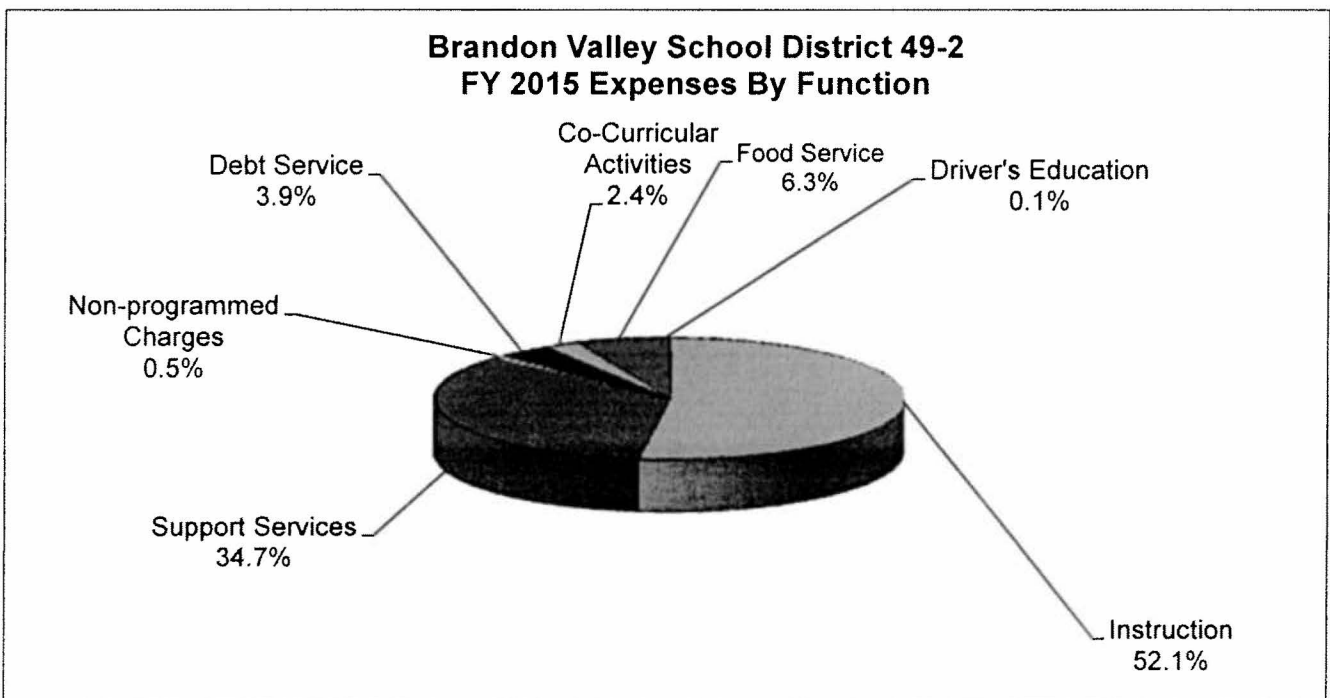
The District's revenues totaled \$34,962,932 (See Table A-2). Half of the District's revenue came from property taxes, with over a third coming from state aid (See Figure A-3).

**Figure A-3**



The District's expenditures totaled \$32,381,029 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities and food services (See Figure A-4).

**Figure A-4**



## **BUSINESS-TYPE ACTIVITIES**

Revenues of the District's business-type activities, i.e., food services, driver's education increased by 0.8% from \$2,150,133 in FY2014 to \$2,168,318 in FY2015 and expenses increased by 0.8% from \$2,070,428 in FY2014 to \$2,087,860 in FY2015.

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

Fund Balances changed as follows: General Fund decreased \$325,724, resulting primarily from expenditures exceeding revenues. Capital Outlay Fund increased \$242,718 because of projects coming in under budget or not completed. Special Education Fund decreased \$312,827 as a result of expenditures exceeding revenues which was planned/budgeted. Pension Fund decreased \$37,302 as a result of expenditures exceeding revenues which was planned/budgeted. Bond Redemption Fund decreased \$8,905 as a result of expenditures exceeding revenues.

## **BUDGETARY HIGHLIGHTS**

The Board of Education was presented with a preliminary budget for their review and consideration on May 12, 2014 as prescribed by state statute. Following their review, the 2014-15 budget was adopted by the Board of Education on July 14, 2014 with only minor modifications.

## **CAPITAL ASSET ADMINISTRATION**

At the end of FY2015, the District had invested \$82,111,114 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 and deductions) of \$12,554,447 or 18.0%, over the previous year. This increase is mostly represented by the completion of a new Intermediate School.

**Table A-3**  
**Brandon Valley School District 49-2**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business Activities	
	FY2014	FY2015	FY2014	FY2015
Land	\$1,893,008	\$1,893,008		
Buildings	53,127,267	53,711,024		
Improvements other than Buildings	3,716,566	3,716,566		
Equipment	8,683,063	9,639,686	661,484	925,430
Construction Work in Progress	1,475,279	12,276,593		
<b>Total Capital Assets</b>	<u>68,895,183</u>	<u>81,185,684</u>	<u>661,484</u>	<u>925,430</u>
Accumulated Depreciation	(22,736,892)	(24,756,993)	(539,997)	(566,089)
<b>Total All Capital Assets</b>	<u>\$46,158,291</u>	<u>\$56,428,691</u>	<u>\$121,487</u>	<u>\$359,341</u>

**LONG-TERM DEBT**

At year-end, the District had \$37,502,088 in general obligation bonds, capital outlay certificates, and other long-term obligations. This is a decrease of 5.0% as shown on table A-4.

**Table A-4**  
**Brandon Valley School District 49-2**  
**Outstanding Debt and Obligations**

	Governmental Activities		Business Type Activities		Total Dollar Change	Total Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014-15	FY2014-15
Capital Outlay Certificates	\$8,155,000	\$7,820,000			(\$335,000)	-4.1%
General Obligation Bonds	30,375,000	28,995,000			(1,380,000)	-4.5%
Early Retirement, Accrued Leave Payable, & Accrued Interest	944,903	687,088			(257,815)	-27.3%
<b>Total Outstanding Debt and Obligations</b>	<u>\$39,474,903</u>	<u>\$37,502,088</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>(\$1,972,815)</u>	-5.0%

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

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial condition in the future:

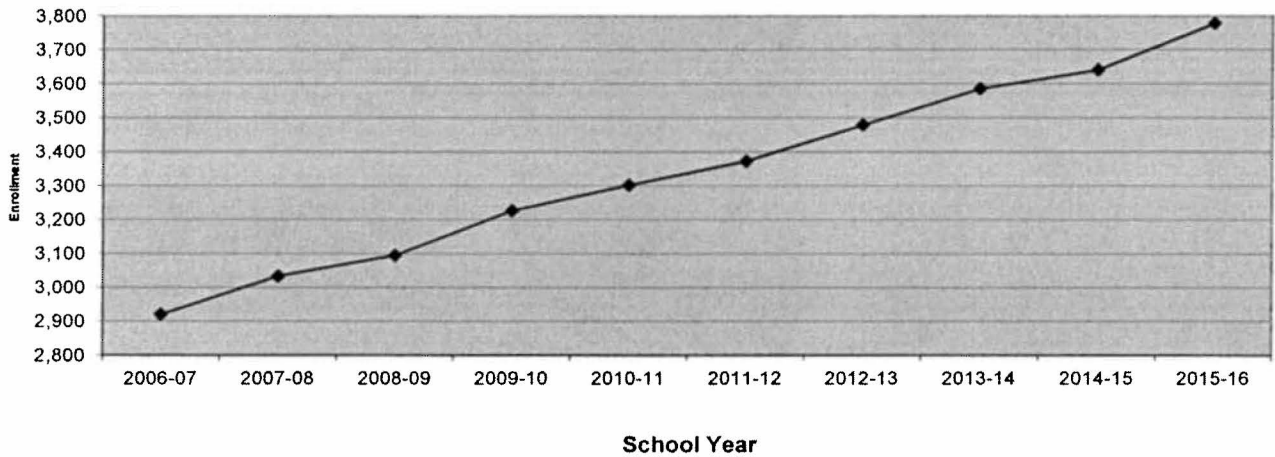
The District experienced an increase in the 2016 assessed value of the District in the amount of \$121M or 8.5%. We believe that the increase is reflecting a rebound in the home building environment which should equate to additional funding for the District. The Funds that receive financial support from property taxes except for the General fund and the Special Education fund will benefit proportionately from this increase in value. The manner in which the state aid formulas for the General fund and the Special Education fund are calculated eliminate the benefit of increased value for these funds. The state legislature annually sets the maximum dollars per 1,000 of assessed value a district can request in all taxing funds except the Debt Service fund which is established by an approved resolution voted upon by district patrons.

The State Aid formula for the General and Special Education funds are based on the District's fall enrollment and the number of special needs students being served in various need categories respectively. The 2014-15 general state aid is calculated on \$4,781/student based upon the September child count and increases annually by the lesser of the rate of inflation or three percent (3%). The state aid formula insures that the state aid and the amount the district can generate through property taxes will equal the per total student allocation. The per pupil allocation increased in 2014-15 and 2015-16 (2%). The district is utilizing some cash reserves to fund its current year's operating budgets. Additional funding from the State of South Dakota would provide needed resources for the District. It appears that the financial condition of the state is improving so we are cautiously optimistic of receiving additional revenue above the statutory minimums. The special education aid is calculated very similar with the use of six (6) different student categories, each having a varying value assigned to the category. Once again, the calculated student need of the Special Education fund is accommodated by the amount that can be generated locally through property taxes and state support. With the basic formula being calculated on the student need amount less the amount raised locally through property taxes equaling the amount of state support, you can see that the District does not receive the financial advantage of increased assessed value in the General Fund or Special Education Fund.

The enrollment of the District has increased over the past ten years and 2014-15 was not an exception. Total number of students increased 55 in 2014-15 and 138 in 2015-16. These enrollment increases have allowed the District financial successes that have not been experienced by other school districts in the state of South Dakota in the past years. With a major portion of the District's state funding based on enrollment numbers, the financial impact of increasing enrollment is an important factor in the financial stability of the District. Enrollment increases are a significant source of new revenue for the District. The following graph illustrates prior enrollment and potential trends.



**Figure A-5  
Enrollment During the Last Ten Years**



- The state of the national economy continues to be a concern. We believe that our local economy has turned around and is rebounding nicely. The financial condition of the State of South Dakota will have a significant impact on how revenues will flow to the local School Districts. We predict revenue streams to increase at the statutory inflationary level at the least, and combined with our “new” revenue sources coming from increased enrollments should put us in a solid financial position.
- Inflation rates will have a significant impact on the School District along with State of South Dakota revenues. It is projected that rates of inflation will be very low in the next five years causing an effect on the additional income that is received by the School District. General and Special Education Fund per student increases are based on the rate of inflation or 3%, whichever is less.
- Annually the District negotiates the salary and benefits package of District employees. With approximately 86% of the General fund expenditures being salary and benefit costs, the outcome of negotiations has a major impact on the future financial status of the District.

## **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 regarding this report or need additional information, please contact the Brandon Valley School District 49-2 Business Office, 300 S. Splitrock Boulevard, Brandon, SD 57005.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**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	\$ 10,425,680.70	\$ 393,075.25	\$ 10,818,755.95
Investments	4,000,000.00		4,000,000.00
Taxes Receivable	8,375,122.82		8,375,122.82
Due from Other Governments	826,140.19		826,140.19
Inventories		29,159.24	29,159.24
Net Pension Asset	6,044,980.41		6,044,980.41
Capital Assets:			
Land and Construction in Progress	14,169,601.00		14,169,601.00
Other Capital Assets, Net of Depreciation	<u>42,259,090.00</u>	<u>359,341.15</u>	<u>42,618,431.15</u>
<b>TOTAL ASSETS</b>	<u>86,100,615.12</u>	<u>781,575.64</u>	<u>86,882,190.76</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Loss on Refunding	76,362.84		76,362.84
Pension Related Deferred Outflows	<u>5,492,723.79</u>		<u>5,492,723.79</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>5,569,086.63</u>		<u>5,569,086.63</u>
<b>LIABILITIES :</b>			
Accounts Payable	844,718.81		844,718.81
Accrued Wages and Benefits Payable	2,089,606.80	10,138.41	2,099,745.21
Accrued Interest Payable	183,319.27		183,319.27
Deposits Payable		29,926.66	29,926.66
Noncurrent Liabilities:			
Due Within One Year	2,214,726.37		2,214,726.37
Due in More than One Year	<u>35,287,362.00</u>		<u>35,287,362.00</u>
<b>TOTAL LIABILITIES</b>	<u>40,619,733.25</u>	<u>40,065.07</u>	<u>40,659,798.32</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	<u>7,001,106.40</u>		<u>7,001,106.40</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>7,001,106.40</u>		<u>7,001,106.40</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	21,479,393.92	359,341.15	21,838,735.07
Restricted for:			
Capital Outlay	5,391,134.21		5,391,134.21
Special Education	1,332,037.48		1,332,037.48
Debt Service	1,897,497.64		1,897,497.64
Pension	534,737.32		534,737.32
SDRS Pension Purposes	4,536,597.80		4,536,597.80
Unrestricted	<u>8,877,463.73</u>	<u>382,169.42</u>	<u>9,259,633.15</u>
<b>TOTAL NET POSITION</b>	<u>\$ 44,048,862.10</u>	<u>\$ 741,510.57</u>	<u>\$ 44,790,372.67</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 16,840,458.48	\$ 479,226.38	\$ 997,237.00	\$ (15,363,995.10)	\$	\$(15,363,995.10)
Support Services	11,253,863.47	44,510.00		(11,209,353.47)		(11,209,353.47)
Nonprogrammed Charges	164,202.00			(164,202.00)		(164,202.00)
*Interest on Long-term Debt	1,269,173.79			(1,269,173.79)		(1,269,173.79)
Cocurricular Activities	765,472.18	118,360.78		(647,111.40)		(647,111.40)
Total Governmental Activities	<u>30,293,169.92</u>	<u>642,097.16</u>	<u>997,237.00</u>	<u>(28,653,835.76)</u>		<u>(28,653,835.76)</u>
Business-type Activities:						
Food Service	2,052,560.29	1,482,912.11	642,341.24		72,693.06	72,693.06
Drivers Education Program	35,299.68	43,065.00			7,765.32	7,765.32
Total Business-type Activities	<u>2,087,859.97</u>	<u>1,525,977.11</u>	<u>642,341.24</u>		<u>80,458.38</u>	<u>80,458.38</u>
Total Primary Government	<u>\$ 32,381,029.89</u>	<u>\$ 2,168,074.27</u>	<u>\$ 1,639,578.24</u>	<u>(28,653,835.76)</u>	<u>80,458.38</u>	<u>(28,573,377.38)</u>

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

**General Revenues:**

Taxes:

Property Taxes	16,885,143.43	16,885,143.43
Utility Taxes	813,671.07	813,671.07

Revenue from State Sources:

State aid	12,391,080.24	12,391,080.24
Unrestricted Investment Earnings	27,502.37	27,502.37
Other General Revenues	1,037,883.53	1,037,883.53

Total General Revenues 31,155,280.64 31,155,280.64

Change in Net Position 2,501,444.88 80,458.38 2,581,903.26

Net Position - Beginning 38,301,410.85 661,052.19 38,962,463.04

Prior Period Adjustment 3,246,006.37 3,246,006.37

Adjusted Net Position - Beginning 41,547,417.22 661,052.19 42,208,469.41

NET POSITION - ENDING \$ 44,048,862.10 \$ 741,510.57 \$ 44,790,372.67

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

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**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**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>							
Assets:							
Cash and Cash Equivalents	\$ 2,502,130.08	\$ 3,489,532.52	\$ 762,712.13	\$ 538,371.93	\$ 692,551.95	\$ 2,440,382.09	\$ 10,425,680.70
Investments	4,000,000.00						4,000,000.00
Taxes Receivable - Current	3,692,001.30	2,080,192.33	892,401.36	208,019.27	1,266,836.80		8,139,451.06
Taxes Receivable - Delinquent	126,895.62	52,358.19	22,969.17	5,408.12	28,040.66		235,671.76
Due from Other Governments	814,402.09		11,738.10				826,140.19
<b>TOTAL ASSETS</b>	<u>11,135,429.09</u>	<u>5,622,083.04</u>	<u>1,689,820.76</u>	<u>751,799.32</u>	<u>1,987,429.41</u>	<u>2,440,382.09</u>	<u>23,626,943.71</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
Liabilities:							
Accounts Payable	42,082.06	137,561.33	14,033.41			651,042.01	844,718.81
Contracts Payable	1,536,892.35		302,871.95				1,839,764.30
Payroll Deductions and Withholdings and Employer Matching Payable	208,964.58		40,877.92				249,842.50
<b>Total Liabilities</b>	<u>1,787,938.99</u>	<u>137,561.33</u>	<u>357,783.28</u>			<u>651,042.01</u>	<u>2,934,325.61</u>
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	3,818,896.92	2,132,550.52	915,370.53	213,427.39	1,294,877.46		8,375,122.82
<b>Total Deferred Inflows of Resources</b>	<u>3,818,896.92</u>	<u>2,132,550.52</u>	<u>915,370.53</u>	<u>213,427.39</u>	<u>1,294,877.46</u>		<u>8,375,122.82</u>
Fund Balances:							
Restricted:							
Capital Outlay		3,351,971.19					3,351,971.19
Special Education			416,666.95				416,666.95
Pension				538,371.93			538,371.93
Debt Service					692,551.95		692,551.95
Capital Projects						1,789,340.08	1,789,340.08
Unassigned	5,528,593.18						5,528,593.18
<b>Total Fund Balances</b>	<u>5,528,593.18</u>	<u>3,351,971.19</u>	<u>416,666.95</u>	<u>538,371.93</u>	<u>692,551.95</u>	<u>1,789,340.08</u>	<u>12,317,495.28</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 11,135,429.09</u>	<u>\$ 5,622,083.04</u>	<u>\$ 1,689,820.76</u>	<u>\$ 751,799.32</u>	<u>\$ 1,987,429.41</u>	<u>\$ 2,440,382.09</u>	<u>\$ 23,626,943.71</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Total Fund Balances - Governmental Funds		\$ 12,317,495.28
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. The cost of the assets is:	\$ 81,185,684.00	
and the accumulated depreciation is:	<u>(24,756,993.00)</u>	56,428,691.00
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	(28,995,000.00)	
Capital Outlay Certificates	(7,820,000.00)	
Early Retirement and Compensated Absences Payable	(256,827.37)	
Other Postemployment Benefits	<u>(430,261.00)</u>	(37,502,088.37)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		6,044,980.41
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		5,492,723.79
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.		(7,001,106.40)
Property taxes will be collected in the future but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds.		8,375,122.82
Accrued interest payable is accounted for in the Statement of Net Position but is not accounted for in the modified accrual basis of accounting.		(183,319.27)
Deferred Losses on refunded debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. Deferred amount is:		<u>76,362.84</u>
Net Position - Governmental Funds		<u>\$ 44,048,862.10</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 7,342,435.90	\$ 4,069,635.28	\$ 1,814,967.59	\$ 411,977.37	\$ 2,367,457.88	\$	\$ 16,006,474.02
Prior Years' Ad Valorem Taxes	84,055.52	41,004.13	17,330.56	4,100.41	21,780.60		168,271.22
Tax Deed Revenue	2,499.87	803.98	365.28	80.40	429.06		4,178.59
Utility Taxes	813,671.07						813,671.07
Mobile Home Taxes	2,415.34	1,333.73	584.68	133.35	773.89		5,240.99
Penalties and Interest on Taxes	16,047.78	8,162.98	3,477.51	816.45	4,371.31		32,876.03
Tuition and Fees:							
Regular Day School Tuition	134,826.93						134,826.93
Regular Day School Transportation Fees	44,510.00						44,510.00
Earnings on Investments and Deposits	19,540.44					7,961.93	27,502.37
Cocurricular Activities:							
Admissions	85,003.00						85,003.00
Other Pupil Activity Income	33,357.78						33,357.78
Other Revenue from Local Sources:							
Rentals	80,045.68						80,045.68
Contributions and Donations	34,049.16	19,855.06	594.00				54,498.22
Services Provided Other LEAs Within State			226,687.00				226,687.00
Insurance and Judgments	3,924.22						3,924.22
Charges for Services	41,050.35		76,662.10				117,712.45
Other	91,272.65	4,802.72	3,972.02			246,375.05	346,422.44
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	173,025.24						173,025.24
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	10,770,181.24						10,770,181.24
Restricted Grants-in-Aid	8,000.00		1,612,899.00				1,620,899.00
Other State Revenue	103,375.00						103,375.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-in-Aid Received from Federal Government Through the State	370,958.00		626,279.00				997,237.00
<b>Total Revenues</b>	<u>20,254,245.17</u>	<u>4,145,597.88</u>	<u>4,383,818.74</u>	<u>417,107.98</u>	<u>2,394,812.74</u>	<u>254,336.98</u>	<u>31,849,919.49</u>

## Expenditures:

## Instruction:

## Regular Programs:

Elementary	6,278,569.95	335,930.72		43,827.00	6,658,327.67
Middle/Junior High	2,598,605.00	102,553.88		18,396.00	2,719,554.88
High School	3,363,562.64	59,855.66		21,882.00	3,445,300.30

## Special Programs:

Gifted & Talented	69,696.31			480.00	70,176.31
Programs for Special Education		11,308.27	3,118,251.77		3,129,560.04
Culturally Different	75,721.03			518.00	76,239.03
Educationally Deprived	323,586.96			2,269.00	325,855.96

## Support Services:

## Pupils:

Guidance	536,837.49			4,109.00	540,946.49
Health	162,898.49	417.98	94,099.00	1,070.00	258,485.47
Psychological			224,658.57		224,658.57
Speech Pathology			535,493.95		535,493.95
Audiology			6,364.00		6,364.00
Student Therapy Services			314,900.00		314,900.00

## Support Services - Instructional Staff:

Improvement of Instruction	290,979.70			4,125.00	295,104.70
Educational Media	441,788.39	15,895.95		1,476.00	459,160.34

## Support Services - General Administration:

Board of Education	60,339.84				60,339.84
Executive Administration	416,814.96	12,419.00		3,306.00	432,539.96

## Support Services - School Administration:

Office of the Principal	1,265,774.40	2,783.94		9,766.00	1,278,324.34
Other	114,580.03	7,316.83			121,896.86

## Support Services - Business:

Fiscal Services	279,432.09			2,028.00	281,460.09
Facilities Acquisition and Construction		19,794.00			51,427.01
Operation and Maintenance of Plant	2,699,606.72	986,267.72		10,681.00	3,829,262.44
Pupil Transportation	908,469.38	17,197.53		1,225.00	926,891.91
Internal Services	37,360.29	65,807.30			103,167.59

## Support Services - Special Education:

Administrative Costs			85,613.00		85,613.00
Speech/Language Impairments			295,985.00		295,985.00
Transportation Costs			3,078.00		3,078.00



**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonprogrammed Charges:							
Early Retirement Payments				325,721.00			325,721.00
Debt Services		557,005.61			2,403,717.54		2,960,723.15
Cocurricular Activities:							
Male Activities	197,113.81	6,556.50					203,670.31
Female Activities	185,588.00						185,588.00
Transportation	67,977.50						67,977.50
Combined Activities	225,921.44	19,089.93		3,531.00			248,542.37
Capital Outlay		1,682,678.89	18,202.31			11,139,647.46	12,840,528.66
Total Expenditures	<u>20,601,224.42</u>	<u>3,902,879.71</u>	<u>4,696,645.60</u>	<u>454,410.00</u>	<u>2,403,717.54</u>	<u>11,303,987.47</u>	<u>43,362,864.74</u>
Excess of Revenue Over (Under) Expenditures	<u>(346,979.25)</u>	<u>242,718.17</u>	<u>(312,826.86)</u>	<u>(37,302.02)</u>	<u>(8,904.80)</u>	<u>(11,049,650.49)</u>	<u>(11,512,945.25)</u>
↳ Other Financing Sources:							
Sale of Surplus Property	<u>21,255.01</u>						<u>21,255.01</u>
Total Other Financing Sources (Uses)	<u>21,255.01</u>						<u>21,255.01</u>
Net Change in Fund Balances	(325,724.24)	242,718.17	(312,826.86)	(37,302.02)	(8,904.80)	(11,049,650.49)	(11,491,690.24)
FUND BALANCE - JULY 1, 2014	<u>5,854,317.42</u>	<u>3,109,253.02</u>	<u>729,493.81</u>	<u>575,673.95</u>	<u>701,456.75</u>	<u>12,838,991</u>	<u>23,809,185.52</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 5,528,593.18</u>	<u>\$ 3,351,971.19</u>	<u>\$ 416,666.95</u>	<u>\$ 538,371.93</u>	<u>\$ 692,551.95</u>	<u>\$ 1,789,340.08</u>	<u>\$12,317,495.28</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (11,491,690.24)

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

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Unavailable revenue - property taxes increased by the following amount this year:

Unavailable Revenue - Property Taxes	\$ 8,375,122.82	
Adjust Prior Year Taxes	<u>(7,707,020.24)</u>	668,102.58

Governmental funds report capital outlays as expenditures, but in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. The amount by which capital outlay expenses exceeds depreciation expenses in the period is:

Cost of Capital Assets	12,840,528.01	
Depreciation Expense	<u>(2,570,128.00)</u>	10,270,400.01

Repayment of long term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

General Obligation Bonds	1,380,000.00	
Capital Outlay Certificates	<u>335,000.00</u>	1,715,000.00

In the Statement of Activities, certain operating expenses (compensated absences, early retirement benefits, and other post-employment benefits) are measured by the amounts earned and paid during the year. In the governmental funds however expenditures for these items are the amount of financial resources used. This year,

Early Retirement, Compensated Absences and Other Postemployment Benefits exceeded the amount paid out by:		72,491.74
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Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.

1,290,591.43

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Accrued interest increased during the year by:

2,003.65

When bonds are issued there can be a deferred outflow of resources. This deferred outflow resources consists of a loss on refunding which is amortized over the life of the bonds issued. The amount of amortization during the year is:

(25,454.29)

Change in Net Position of Governmental Activities

\$ 2,501,444.88

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 350,613.47	\$ 42,461.78	\$ 393,075.25
Inventory of Supplies	8,778.58		8,778.58
Inventory of Stores Purchased for Resale	8,260.61		8,260.61
Inventory of Donated Food	12,120.05		12,120.05
Total Current Assets	<u>379,772.71</u>	<u>42,461.78</u>	<u>422,234.49</u>
Capital Assets:			
Machinery and Equipment	925,430.30		925,430.30
Less: Accumulated Depreciation (Credit)	<u>(566,089.15)</u>		<u>(566,089.15)</u>
Total Noncurrent Assets	<u>359,341.15</u>		<u>359,341.15</u>
<b>TOTAL ASSETS</b>	<u><b>739,113.86</b></u>	<u><b>42,461.78</b></u>	<u><b>781,575.64</b></u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Contracts Payable		9,200.00	9,200.00
Payroll Deductions and Withholdings and Employer Matching Payable		938.41	938.41
Deposits Payable	<u>29,926.66</u>		<u>29,926.66</u>
Total Current Liabilities	<u>29,926.66</u>	<u>10,138.41</u>	<u>40,065.07</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	359,341.15		359,341.15
Unrestricted Net Position	<u>349,846.05</u>	<u>32,323.37</u>	<u>382,169.42</u>
Total Net Position	<u><b>\$ 709,187.20</b></u>	<u><b>\$ 32,323.37</b></u>	<u><b>\$ 741,510.57</b></u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>Operating Revenue:</b>			
Food Sales:			
To Pupils	\$ 1,056,670.20	\$	\$ 1,056,670.20
To Adults	29,127.70		29,127.70
A la Carte	375,356.14		375,356.14
Other Charges for Goods and Services	21,758.07	43,065.00	64,823.07
Total Operating Revenue	<u>1,482,912.11</u>	<u>43,065.00</u>	<u>1,525,977.11</u>
<b>Operating Expenses:</b>			
Salaries	688,002.86	28,547.00	716,549.86
Employee Benefits	244,163.37	3,292.17	247,455.54
Purchased Services	26,186.41		26,186.41
Supplies	58,650.12	3,460.51	62,110.63
Cost of Sales-Purchased Food	843,396.16		843,396.16
Cost of Sales-Donated Food	162,359.14		162,359.14
Miscellaneous	3,709.89		3,709.89
Depreciation-Local Funds	26,092.34		26,092.34
Total Operating Expenses	<u>2,052,560.29</u>	<u>35,299.68</u>	<u>2,087,859.97</u>
Operating Income (Loss)	<u>(569,648.18)</u>	<u>7,765.32</u>	<u>(561,882.86)</u>
<b>Nonoperating Revenue (Expense):</b>			
State Sources:			
Cash Reimbursements	11,077.12		11,077.12
Federal Sources:			
Cash Reimbursements	478,124.46		478,124.46
Donated Food	153,139.66		153,139.66
Total Nonoperating Revenue (Expense)	<u>642,341.24</u>		<u>642,341.24</u>
Change in Net Position	72,693.06	7,765.32	80,458.38
Net Position - Beginning	<u>636,494.14</u>	<u>24,558.05</u>	<u>661,052.19</u>
<b>NET POSITION - ENDING</b>	<u>\$ 709,187.20</u>	<u>\$ 32,323.37</u>	<u>\$ 741,510.57</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 1,461,476.98	\$ 43,065.00	\$ 1,504,541.98
Other Operating Cash Receipts (Payments)	21,758.07		21,758.07
Payments to Suppliers for Goods and Services	(936,175.16)	(3,460.51)	(939,635.67)
Payments to Employees	(932,166.23)	(33,125.47)	(965,291.70)
Net Cash Provided (Used) by Operating Activities	(385,106.34)	6,479.02	(378,627.32)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	489,201.58		489,201.58
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	(263,946.30)		(263,946.30)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (159,851.06)	\$ 6,479.02	\$ (153,372.04)
Cash and Cash Equivalents at Beginning of Year	\$ 510,464.53	\$ 35,982.76	\$ 546,447.29
CASH AND CASH EQUIVALENTS AT END OF YEAR	350,613.47	42,461.78	393,075.25
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (159,851.06)	\$ 6,479.02	\$ (153,372.04)
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>			
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (569,648.18)	\$ 7,765.32	\$ (561,882.86)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	26,092.34		26,092.34
Value of Commodities Used	162,359.14		162,359.14
Change in Assets and Liabilities:			
Inventories	(3,189.88)		(3,189.88)
Accounts and Other Payables	(1,042.70)		(1,042.70)
Accrued Wages Payable		(1,286.30)	(1,286.30)
Unearned Revenue	322.94		322.94
Net Cash Provided (Used) by Operating Activities	\$ (385,106.34)	\$ 6,479.02	\$ (378,627.32)
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 153,139.66		

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>\$ 157,410.65</u>
TOTAL ASSETS	<u>157,410.65</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>157,410.65</u>
TOTAL LIABILITIES	<u>\$ 157,410.65</u>

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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 Brandon Valley School District No. 49-2, 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 minus liabilities and deferred inflows equal net position). Net position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

*Fund Financial Statements:*

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

proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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 Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.*

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

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

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the 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.*

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

Capital Projects Fund – the Intermediate School Project is the capital project maintained by the School District. This is a major fund.



## Proprietary Funds:

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

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

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

Other Enterprise Fund - A fund used to record financial transactions related to drivers education conducted for the benefit of the children. The fund is financed by user charges. This is a major fund.

## Fiduciary Funds:

Fiduciary funds consist of the following subcategories and are never considered to be major funds:

*Agency Funds* - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: Science Clubs, Student Council, Drama Club, Special Olympics, Orchestra, Choir, Language Clubs, FFA, Peer Helpers, Class Funds, Charitable Needs Funds, ESD +6 Lobby Funds, FBLA 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 does not exceed one bill-paying cycle, and for the Brandon Valley School District No. 49-2, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2015 are amounts due from other governments for grants and other receivables.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources 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 fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

#### **d. Interfund Eliminations and Reclassifications**

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

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

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

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

*Government-Wide Statements*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction period interest is not capitalized, in accordance with USGAAP, while 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 2.21 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by estimated historical costs. The total June 30, 2015 balance for capital assets for business-type activities are all 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Buildings	10,000.00	Straight Line	5-50 yrs.
Building Improvements	10,000.00	Straight Line	5-40 yrs.
Improvements other than Buildings	10,000.00	Straight Line	5-40 yrs.
Machinery and Equipment	1,000.00	Straight Line	5-15 yrs.
Electronics, Computers, Cameras etc	500.00	Straight Line	4 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	12 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, early retirement benefits payable, capital outlay certificates payable, other postemployment benefits, 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 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 Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

### j. Cash and Cash Equivalents

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

k. Equity Classifications

*Government-wide Statements:*

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

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

*Fund Financial Statements:*

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

l. Application of Net Position

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures

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

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is in nonspendable form or because of legal and contractual constraints.
2. 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.
3. 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.

4. 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.
5. Unassigned – includes positive fund balance with 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 Government does not have a formal minimum fund balance policy.

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

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investments except the Special Revenue funds. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Since pooling was done to maximize cash management, the interest income from the various special revenue funds was directly recognized in the General Fund. Such amounts were not material to the individual funds.

### NOTE 3 – RECEIVABLES AND PAYABLES

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

### NOTE 4 – INVENTORY

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

In the government-wide 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 in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2015 in the governmental funds.

### NOTE 5 – PROPERTY TAXES

Property taxes are levied on or before each October 1, attached 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 intended to be used to finance the current year's appropriations but which will not be collected during the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,893,008	\$	\$	\$ 1,893,008
Construction Work in Progress	<u>1,475,279</u>	<u>10,981,142</u>	<u>179,828</u>	<u>12,276,593</u>
<b>Total Assets not being depreciated</b>	<u>3,368,287</u>	<u>10,981,142</u>	<u>179,828</u>	<u>14,169,601</u>
Capital Assets, being depreciated:				
Buildings	53,127,267	583,757		53,711,024
Improvements Other than Buildings	3,716,566			3,716,566
Machinery and Equipment	7,753,527	1,415,521	529,362	8,639,686
Library Books	<u>929,536</u>	<u>39,936</u>	<u>20,665</u>	<u>948,807</u>
<b>Total Assets being depreciated</b>	<u>65,526,896</u>	<u>2,039,214</u>	<u>550,027</u>	<u>67,016,083</u>
Less Accumulated Depreciation:				
Buildings	15,554,316	1,291,317		16,845,633
Improvements Other than Buildings	1,615,077	201,049		1,816,126
Machinery and Equipment	4,909,832	1,015,361	529,362	5,395,831
Library Books	<u>657,667</u>	<u>62,401</u>	<u>20,665</u>	<u>699,403</u>
Total Accumulated Depreciation	<u>22,736,892</u>	<u>2,570,128</u>	<u>550,027</u>	<u>24,756,993</u>
Total Capital Assets, being depreciated, net	<u>42,790,004</u>	<u>(530,914)</u>		<u>42,259,090</u>
Governmental activities capital assets, net	<u>\$ 46,158,291</u>	<u>\$ 10,450,228</u>	<u>\$ 179,828</u>	<u>\$ 56,428,691</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 1,373,025
Support Services	1,137,409
Co-Curricular	<u>59,694</u>
Total Depreciation expense-governmental activities	<u>\$ 2,570,128</u>

Business - Type Activity:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 661,484	\$ 263,946	\$	\$ 925,430
Less Accumulated Depreciation:				
Machinery and Equipment	<u>539,997</u>	<u>26,092</u>		<u>566,089</u>
Business-type activity capital assets, net	<u>\$ 121,487</u>	<u>\$ 237,854</u>	<u>\$</u>	<u>\$ 359,341</u>

Depreciation expense was charged to functions as follows:

Business-type Activity

Food Service	\$ 26,092
Total Depreciation expense-business-type activity	<u>\$ 26,092</u>



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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/2015</u>	<u>Committed</u>
Intermediate School	\$ 13,081,466.17	\$ 12,185,209.79	\$ 896,256.38
High School Office/Complex Remodel	<u>199,652.46</u>	<u>91,382.79</u>	<u>108,269.67</u>
Total Construction Work in Progress	<u>\$ 13,281,118.63</u>	<u>\$ 12,276,592.58</u>	<u>\$ 1,004,526.05</u>

**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 Benefits Payable</u>	<u>Compensated Absences</u>	<u>Other Post-employment Benefits</u>	<u>Totals</u>
Liabilities Payable,						
July 1, 2014	\$ 30,375,000	\$ 8,155,000	\$ 378,581	\$ 28,411	\$ 352,588	\$ 39,289,580
Additions			164,202	39,765	77,673	281,640
Deletions	<u>(1,380,000)</u>	<u>(335,000)</u>	<u>(325,721)</u>	<u>(28,411)</u>		<u>(2,069,132)</u>
LIABILITIES PAYABLE,						
JUNE 30, 2015	<u>\$ 28,995,000</u>	<u>\$ 7,820,000</u>	<u>\$ 217,062</u>	<u>\$ 39,765</u>	<u>\$ 430,261</u>	<u>\$ 37,502,088</u>
Due within One Year	<u>\$ 1,705,000</u>	<u>\$ 335,000</u>	<u>\$ 134,961</u>	<u>\$ 39,765</u>	<u>\$</u>	<u>\$ 2,214,726</u>

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

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

Governmental Activities:

General Obligation Bonds:

Series 2008 – General Obligation Bonds dated February 15, 2008; Interest rates at 3.5% to 4.375% depending on length to maturity. Final maturity is December 15, 2027, payments to be made from the Bond Redemption Fund. \$ 18,100,000.00

Series 2011 – General Obligation Refunding Bonds dated July 22, 2011; Interest rates at .55% to 2.90%, depending on length to maturity. Final maturity is July 1, 2021; payments to be made from the Bond Redemption Fund. 4,945,000.00

Series 2013 – General Obligation Bonds dated December 31, 2013; Interest rates at 1.250% to 4.100%, depending on length to maturity. Final maturity is June 30, 2034; payments to be made from the Bond Redemption Fund. 5,950,000.00

Capital Outlay Certificates:

Series 2014 – Certificates dated February 6, 2014; Interest rates at 0.300% to 3.950%, depending on length to maturity; final maturity is August 1, 2033; payments made from the Capital Outlay Fund. 7,820,000.00

Early Retirement:

Obligation to individuals who fall under the early retirement plan of the Brandon Valley School District. Payments are made to the retiree at the retiree's discretion. Payments are made from the Pension Fund. 217,062.00

Vested Annual Leave:

Payments from the General and Special Education Funds. 39,765.37

Other Postemployment Benefits:

Obligation to individuals who are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund. 430,261.00

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

Annual Requirements to Maturity for Long Term Debt  
June 30, 2015

Year Ending	General Obligation Bonds		Capital Outlay Certificates		Early Retirement	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2016	1,705,000	985,311	335,000	221,618	134,961	2,174,961	\$ 1,206,929
2017	1,850,000	941,849	340,000	216,980	82,101	2,272,101	1,158,829
2018	2,000,000	891,121	340,000	212,730		2,340,000	1,103,851
2019	2,175,000	831,412	345,000	208,018		2,520,000	1,039,430
2020	2,355,000	763,661	350,000	202,892		2,705,000	966,553
2021-2025	10,245,000	2,720,374	1,880,000	898,132		12,125,000	3,618,506
2026-2030	6,885,000	817,697	2,175,000	600,131		9,060,000	1,417,828
2031-2035	1,780,000	149,249	2,055,000	166,394		3,835,000	315,643
Totals	<u>\$ 28,995,000</u>	<u>\$ 8,100,674</u>	<u>\$ 7,820,000</u>	<u>\$ 2,726,895</u>	<u>\$ 217,062</u>	<u>\$ 37,032,062</u>	<u>\$ 10,827,569</u>

## NOTE 8 – OPERATING LEASES

The district leases various copy machines. These operating leases include maintenance and repairs. The payments of \$4,826.00 per month are made from the Capital Outlay Fund. The following are the minimum payments on the existing operating leases:

<u>Year</u>	<u>Amount</u>
2016	\$ 57,912.00
2017	57,912.00
2018	40,018.00

## NOTE 9 – RESTRICTED NET POSITION

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

<u>Major Purpose</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 5,391,134.21
Special Education Purposes	Law	1,332,037.48
Pension Purposes	Law	534,737.32
Debt Service Purposes	Debt Covenants	1,897,497.64
SDRS Pension Purposes	Law	<u>4,536,597.80</u>
Total Restricted Net Position		<u>\$ 13,692,004.45</u>

## NOTE 10 – PENSION PLAN

### **Plan Information:**

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

### **Benefits Provided:**

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

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,035,253.71, \$878,631.73, and \$818,292.42, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 89,002,219.23
Less proportionate share of total pension assets	<u>82,957,238.82</u>
Proportionate share of net pension asset	<u><u>\$ 6,044,980.41</u></u>

At June 30 2015, the School District reported an asset of \$6,044,980.41 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 .8390456%, which is an increase of .8390456% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$255,337.72. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 511,487.08	\$
Changes in assumption	3,945,983.00	
Net difference between projected and actual earnings on pension plan investments		7,001,106.40
District contributions subsequent to the measurement date	<u>1,035,253.71</u>	
TOTAL	<u>\$ 5,492,723.79</u>	<u>\$ 7,001,106.40</u>

\$1,035,253.71 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	\$ (480,342.10)
2016	(480,342.10)
2017	(480,342.10)
2018	<u>(1,102,610.01)</u>
TOTAL	<u>\$ (2,543,636.32)</u>

**Actuarial Assumptions:**

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

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

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

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

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

allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 5,973,577.64	\$ (6,044,980.41)	\$ (15,847,368.94)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 11 – JOINT VENTURES**

The school district participates in the East Dakota Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing education services to the member school districts.

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

Lennox	17.3%
Brandon Valley	60.5%
West Central	22.2%

The co-op's governing board is composed of one representative from each member school district, who is also 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.

At June 30, 2015, this joint venture had total assets of \$2,148,235.37, total liabilities of \$44,733.17, and net position of \$2,103,502.20 in the General and Special Education Funds.

#### NOTE 12 – RISK MANAGEMENT

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

##### Employee Health Insurance

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

##### Liability Insurance

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

##### Worker's Compensation

The School District purchases liability insurance for worker's compensation from a commercial carrier.

##### Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2015, no claims for unemployment benefits were paid. At June 30, 2015, no claims for unemployment benefits had been filed and none are anticipated in the next fiscal year.

#### NOTE 13 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement within six years of attaining age 55 and have at least 15 years of continuous service with the district. Under the plan, the district will pay 100% of the employee's current annual salary, payable over two to five years as a contribution to the employee's 403(b). These amounts are shown as liabilities until paid for the amount approved in the early retirement agreement. The School District paid five people \$325,721 for such benefits during the year.

#### NOTE 14 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 15 – POSTEMPLOYMENT MEDICAL PLAN

*Plan Description:* Brandon Valley School District Medical Plan (BVSDMP) is a single-employer defined benefit medical plan administered by the Wellmark Blue Cross Blue Shield Health Plan. BVSDMP provides medical and prescription drug insurance benefits to eligible retirees and their spouses at their cost. This is the same plan that covers the current employees and their families. South Dakota Codified Law 6-1-16 assigns the authority for establishing, administering and amending plan provisions to the governing body. The health plan does not issue separately stated stand-alone financial statements.

*Funding Policy:* The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher or administrator, who retires from the District on or after the age of 55 and with at least 15 years of consecutive service with the District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

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

Annual required contribution	\$ 139,143
Interest on net OPEB obligation	14,104
Adjustment to annual required contribution	<u>(20,390)</u>
Annual OPEB cost (expense)	132,857
Contributions made	<u>(55,184)</u>
Increase in net OPEB obligation	77,673
Net OPEB obligation - beginning of year	<u>352,588</u>
Net OPEB obligation - end of year	<u>\$ 430,261</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	90,112	34.8%	307,553
6/30/2014	88,436	49.1%	352,588
6/30/2015	132,857	41.5%	430,261

*Funded Status and Funding Progress:* As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,179,202, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,179,202.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts



determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 1.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 3.0 percent after five years. Both rates included a 2.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period of 30 years.

NOTE 16 – PAYMENTS MADE BY STATE FOR BENEFIT OF DISTRICT

Brandon Valley School District recognized \$8,000 of revenues in the General Fund, resulting from salaries and fringe benefits paid for teacher training directly by the State of South Dakota.

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	\$ 1,135,693.77
Restatement for pension accounting:	
Net Pension Asset	2,365,650.32
Pension related Deferred Outflows of Resources	<u>1,035,253.71</u>
Net Position July 1, 2014, as restated	<u>\$ 4,536,597.80</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 7,140,000.00	\$ 7,140,000.00	\$ 7,342,435.90	\$ 202,435.90
Prior Years' Ad Valorem Taxes	100,000.00	100,000.00	84,055.52	(15,944.48)
Tax Deed Revenue			2,499.87	2,499.87
Utility Taxes	810,000.00	810,000.00	813,671.07	3,671.07
Mobile Home Taxes	5,000.00	5,000.00	2,415.34	(2,584.66)
Penalties and Interest on Taxes	30,000.00	30,000.00	16,047.78	(13,952.22)
Tuition and Fees:				
Regular Day School Tuition	5,000.00	5,000.00	134,826.93	129,826.93
Regular Day School Transportation Fees	140,000.00	140,000.00	44,510.00	(95,490.00)
Other Transportation Fees	45,000.00	45,000.00	0.00	(45,000.00)
Earnings on Investments and Deposits	25,000.00	25,000.00	19,540.44	(5,459.56)
Cocurricular Activities:				
Admissions	85,000.00	85,000.00	85,003.00	3.00
Other Pupil Activity Income	30,000.00	30,000.00	33,357.78	3,357.78
Other Revenue from Local Sources:				
Rentals	80,000.00	80,000.00	80,045.68	45.68
Donations	25,000.00	25,000.00	34,049.16	9,049.16
Insurance and Judgments	10,000.00	10,000.00	3,924.22	(6,075.78)
Charges for Services	120,000.00	120,000.00	41,050.35	(78,949.65)
Other	80,000.00	80,000.00	91,272.65	11,272.65
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	185,000.00	185,000.00	173,025.24	(11,974.76)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	11,200,000.00	11,200,000.00	10,770,181.24	(429,818.76)
Restricted Grants-in-Aid			8,000.00	8,000.00
Other State Revenue	125,000.00	125,000.00	103,375.00	(21,625.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid received from Federal Government				
Through the State	380,000.00	380,000.00	370,958.00	(9,042.00)
Total Revenue	<u>20,620,000.00</u>	<u>20,620,000.00</u>	<u>20,254,245.17</u>	<u>(365,754.83)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	6,323,700.00	6,323,700.00	6,278,569.95	45,130.05
Middle/Junior High	2,614,700.00	2,614,700.00	2,598,605.00	16,095.00
High School	3,342,500.00	3,342,500.00	3,363,562.64	(21,062.64)

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Gifted and Talented	\$ 71,300.00	\$ 71,300.00	\$ 69,696.31	\$ 1,603.69
Culturally Different	78,000.00	78,000.00	75,721.03	2,278.97
Educationally Deprived	325,000.00	325,000.00	323,586.96	1,413.04
Support Services:				
Pupils:				
Guidance	547,100.00	547,100.00	536,837.49	10,262.51
Health	162,700.00	162,700.00	162,898.49	(198.49)
Support Services - Instructional Staff:				
Improvement of Instruction	324,100.00	324,100.00	290,979.70	33,120.30
Educational Media	448,100.00	448,100.00	441,788.39	6,311.61
Support Services - General Administration:				
Board of Education	78,200.00	78,200.00	60,339.84	17,860.16
Executive Administration	415,800.00	415,800.00	416,814.96	(1,014.96)
Support Services - School Administration:				
Office of the Principal	1,269,400.00	1,269,400.00	1,265,774.40	3,625.60
Other	122,500.00	122,500.00	114,580.03	7,919.97
Support Services - Business:				
Fiscal Services	284,500.00	284,500.00	279,432.09	5,067.91
Operation and Maintenance of Plant	2,771,300.00	2,771,300.00	2,699,606.72	71,693.28
Pupil Transportation	999,900.00	999,900.00	908,469.38	91,430.62
Internal Services	38,600.00	38,600.00	37,360.29	1,239.71
Cocurricular Activities:				
Male Activities	201,800.00	201,800.00	197,113.81	4,686.19
Female Activities	187,800.00	187,800.00	185,588.00	2,212.00
Transportation	64,800.00	64,800.00	67,977.50	(3,177.50)
Combined Activities	227,200.00	227,200.00	225,921.44	1,278.56
Total Expenditures	<u>20,899,000.00</u>	<u>20,899,000.00</u>	<u>20,601,224.42</u>	<u>297,775.58</u>
Excess of Revenue Over (Under)Expenditures	<u>(279,000.00)</u>	<u>(279,000.00)</u>	<u>(346,979.25)</u>	<u>(67,979.25)</u>
Other Financing Sources:				
Sale of Surplus Property	<u>25,000.00</u>	<u>25,000.00</u>	<u>21,255.01</u>	<u>(3,744.99)</u>
Total Other Financing Sources (Uses)	<u>25,000.00</u>	<u>25,000.00</u>	<u>21,255.01</u>	<u>(3,744.99)</u>
Net Change in Fund Balances	(254,000.00)	(254,000.00)	(325,724.24)	(71,724.24)
FUND BALANCE - JULY 1, 2014	<u>5,854,317.42</u>	<u>5,854,317.42</u>	<u>5,854,317.42</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$ 5,600,317.42</u>	<u>\$ 5,600,317.42</u>	<u>\$ 5,528,593.18</u>	<u>\$ (71,724.24)</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 3,952,000.00	\$ 3,952,000.00	\$ 4,069,635.28	\$ 117,635.28
Prior Years' Ad Valorem Taxes	45,000.00	45,000.00	41,004.13	(3,995.87)
Tax Deed Revenue			803.98	803.98
Mobile Home Taxes	5,000.00	5,000.00	1,333.73	(3,666.27)
Penalties and Interest on Taxes	10,000.00	10,000.00	8,162.98	(1,837.02)
Other Revenue from Local Sources:				
Donations	41,000.00	41,000.00	19,855.06	(21,144.94)
Other			4,802.72	4,802.72
<b>Total Revenue</b>	<u>4,053,000.00</u>	<u>4,053,000.00</u>	<u>4,145,597.88</u>	<u>92,597.88</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	611,450.00	611,450.00	628,713.90	(17,263.90)
Middle/Junior High	278,900.00	278,900.00	283,761.18	(4,861.18)
High School	362,900.00	362,900.00	255,168.22	107,731.78
Special Programs:				
Gifted	2,100.00	2,100.00	1,935.00	165.00
Special Education	73,700.00	73,700.00	65,111.24	8,588.76
Support Services - Pupils:				
Guidance	4,700.00	4,700.00	3,428.00	1,272.00
Health	2,800.00	2,800.00	2,524.98	275.02
Support Services - Instructional Staff:				
Educational Media	101,000.00	101,000.00	98,424.96	2,575.04
Support Services - General Administration:				
Executive Administration	35,850.00	35,850.00	27,565.01	8,284.99
Support Services - School Administration:				
Office of the Principal	10,500.00	10,500.00	9,643.94	856.06
Other	6,600.00	6,600.00	7,316.83	(716.83)
Support Services - Business:				
Facilities Acquisition and Construction			450,880.60	(450,880.60)
Operation and Maintenance of Plant	1,602,500.00	1,602,500.00	1,104,040.98	498,459.02
Pupil Transportation	270,000.00	270,000.00	309,349.03	(39,349.03)
Internal Services	90,000.00	90,000.00	65,807.30	24,192.70
Debt Services	557,000.00	557,000.00	557,005.61	(5.61)
Cocurricular Activities	43,000.00	43,000.00	32,202.93	10,797.07
<b>Total Expenditures</b>	<u>4,053,000.00</u>	<u>4,053,000.00</u>	<u>3,902,879.71</u>	<u>150,120.29</u>
<b>Net Change in Fund Balance</b>			242,718.17	242,718.17
<b>FUND BALANCE - JULY 1, 2014</b>	<u>3,109,253.02</u>	<u>3,109,253.02</u>	<u>3,109,253.02</u>	
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 3,109,253.02</u>	<u>\$ 3,109,253.02</u>	<u>\$ 3,351,971.19</u>	<u>\$ 242,718.17</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,760,000.00	\$ 1,760,000.00	\$ 1,814,967.59	\$ 54,967.59
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	17,330.56	(2,669.44)
Tax Deed Revenue			365.28	365.28
Mobile Home Taxes	1,000.00	1,000.00	584.68	(415.32)
Penalties and Interest on Taxes	4,000.00	4,000.00	3,477.51	(522.49)
Tuition and Fees:				
Regular Day School Tuition	10,000.00	10,000.00		(10,000.00)
Other Revenue from Local Sources:				
Charges for Services	110,000.00	110,000.00	76,662.10	(33,337.90)
Contributions and Donations			594.00	594.00
Services Provided Other LEAs in State			226,687.00	226,687.00
Other	20,000.00	20,000.00	3,972.02	(16,027.98)
Revenue from State Sources:				
Restricted Grants in Aid	1,655,000.00	1,655,000.00	1,612,899.00	(42,101.00)
Other State Revenue	220,000.00	220,000.00		(220,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received From Federal Government through State	626,000.00	626,000.00	626,279.00	279.00
<b>Total Revenue</b>	<u>4,426,000.00</u>	<u>4,426,000.00</u>	<u>4,383,818.74</u>	<u>(42,181.26)</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	3,939,500.00	3,939,500.00	3,136,454.08	803,045.92
Support Services - Pupils:				
Health			94,099.00	(94,099.00)
Psychological			224,658.57	(224,658.57)
Speech Pathology	498,000.00	498,000.00	535,493.95	(37,493.95)
Student Therapy Services			321,264.00	(321,264.00)
Support Services - Special Education:				
Administrative Costs	177,500.00	177,500.00	381,598.00	(204,098.00)
Transportation Costs	5,000.00	5,000.00	3,078.00	1,922.00
Other	120,000.00	120,000.00		120,000.00
<b>Total Expenditures</b>	<u>4,740,000.00</u>	<u>4,740,000.00</u>	<u>4,696,645.60</u>	<u>43,354.40</u>
Net Change in Fund Balance	(314,000.00)	(314,000.00)	(312,826.86)	1,173.14
FUND BALANCE - JULY 1, 2014	<u>729,493.81</u>	<u>729,493.81</u>	<u>729,493.81</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$ 415,493.81</u>	<u>\$ 415,493.81</u>	<u>\$ 416,666.95</u>	<u>\$ 1,173.14</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
PENSION FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 400,000.00	\$ 400,000.00	\$ 411,977.37	\$ 11,977.37
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	4,100.41	100.41
Tax Deed Revenue			80.40	80.40
Mobile Home Taxes			133.35	133.35
Penalties and Interest on Taxes	<u>1,000.00</u>	<u>1,000.00</u>	<u>816.45</u>	<u>(183.55)</u>
Total Revenue	<u>405,000.00</u>	<u>405,000.00</u>	<u>417,107.98</u>	<u>12,107.98</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	44,300.00	44,300.00	43,827.00	473.00
Middle/Junior High	18,200.00	18,200.00	18,396.00	(196.00)
High School	21,600.00	21,600.00	21,882.00	(282.00)
Special Programs:				
Gifted	500.00	500.00	480.00	20.00
Culturally Different	500.00	500.00	518.00	(18.00)
Educationally Deprived	2,300.00	2,300.00	2,269.00	31.00
Support Services:				
Pupils:				
Guidance	4,100.00	4,100.00	4,109.00	(9.00)
Health	1,100.00	1,100.00	1,070.00	30.00
Instructional Staff:				
Improvement of Instruction	2,700.00	2,700.00	4,125.00	(1,425.00)
Educational Media	3,000.00	3,000.00	1,476.00	1,524.00
General Administration:				
Executive Administration	3,800.00	3,800.00	3,306.00	494.00
School Administration:				
Office of the Principal	9,100.00	9,100.00	9,766.00	(666.00)
Other	800.00	800.00		800.00
Business:				
Fiscal Services	2,100.00	2,100.00	2,028.00	72.00
Operation and Maintenance of Plant	11,400.00	11,400.00	10,681.00	719.00
Pupil Transportation	1,200.00	1,200.00	1,225.00	(25.00)
Internal Services	300.00	300.00		300.00
Nonprogrammed Charges:				
Early Retirement Payments	326,000.00	326,000.00	325,721.00	279.00
Cocurricular Activities	<u>5,000.00</u>	<u>5,000.00</u>	<u>3,531.00</u>	<u>1,469.00</u>
Total Expenditures	<u>458,000.00</u>	<u>458,000.00</u>	<u>454,410.00</u>	<u>3,590.00</u>
Net Change in Fund Balances	(53,000.00)	(53,000.00)	(37,302.02)	15,697.98
FUND BALANCE - JULY 1, 2014	<u>575,673.95</u>	<u>575,673.95</u>	<u>575,673.95</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$ 522,673.95</u>	<u>\$ 522,673.95</u>	<u>\$ 538,371.93</u>	<u>\$ 15,697.98</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**  
**JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)
7/1/2010	\$ 0	\$ 1,112,564	\$ 1,112,564	0.0%
7/1/2012	\$ 0	\$ 1,053,397	\$ 1,053,397	0.0%
7/1/2015	\$ 0	\$ 1,179,202	\$ 1,179,202	0.0%

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
\$ 12,513,145	9%
\$ 13,633,474	8%
\$ 17,254,233	7%

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

	2015
District's proportion of the net pension liability (asset)	0.8390456%
District's proportionate share of net pension liability (asset)	\$ (6,044,980)
District's covered-employee payroll	\$ 14,672,600
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**  
**BRANDON VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**South Dakota Retirement System**

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 880,356</u>	<u>\$ 1,035,254</u>
Contributions in relation to the contractually required contribution	<u>\$ 880,356</u>	<u>\$ 1,035,254</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 14,672,600	\$ 17,254,233
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year. 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).

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2015</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	N/A	\$ 162,359.14
Cash Assistance: (Note 2)			
School Breakfast Program	10.553	N/A	57,373.92
National School Lunch Program	10.555	N/A	418,494.86
Special Milk Program for Children	10.556	N/A	2,255.68
Total Child Nutrition Cluster			<u>640,483.60</u>
Total U.S. Department of Agriculture			<u>640,483.60</u>
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	291,528.00
Special Education Cluster: (Note 3)			
Special Education - Grants to States	84.027	N/A	612,417.00
Special Education - Preschool Grants	84.173	N/A	13,862.00
Total Special Education Cluster			<u>626,279.00</u>
Improving Teacher Quality State Grants	84.367	N/A	79,430.00
Total U.S. Department of Education			<u>997,237.00</u>
Grand Total			<u><b>\$ 1,637,720.60</b></u>

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

# QUAM & BERGLIN, P.C.

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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  
Brandon Valley School District No. 49-2  
Minnehaha 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 Brandon Valley School District No. 49-2, Minnehaha 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 December 7, 2015.

### Internal Control Over Financial Reporting

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Quam & Berglin, P.C.*

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

December 7, 2015

# QUAM & BERGLIN, P.C.

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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  
Brandon Valley School District No. 49-2  
Minnehaha County, South Dakota

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

We have audited the Brandon Valley School District No. 49-2, 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 Brandon Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

### ***Management's Responsibility***

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

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

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

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

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

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

In our opinion, Brandon Valley School District No. 49-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

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

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

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

## **Purpose of this Report**

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

*Quam & Berglin, P.C.*

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

December 7, 2015



**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**PRIOR AUDIT FINDINGS:**

**PRIOR FEDERAL AUDIT FINDINGS:**

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

**PRIOR OTHER AUDIT FINDINGS:**

There are no written prior other audit findings to report.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Our audit did not disclose any noncompliance that was material to the financial statements.

***Federal Awards***

- c. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- d. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

- e. The federal awards tested as major programs were:

	<u>CFDA#</u>
Special Education Cluster:	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173

- f. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.00.
- g. Brandon Valley School District qualified as a low-risk auditee.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FEDERAL AUDIT FINDINGS:**

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

**CURRENT OTHER AUDIT FINDINGS:**

There are no written current other audit findings to report.