



J O S E P H E V E

SINTE GLESKA UNIVERSITY

Financial and Compliance Audit Report

Year Ended September 30, 2015



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# SINTE GLESKA UNIVERSITY

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## INDEPENDENT AUDITORS' REPORT

**Board of Regents  
Sinte Gleska University  
Mission, South Dakota**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sinte Gleska University (the "University"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 University'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.

**Sinte Gleska University  
Independent Auditors' Report**

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sinte Gleska University as of September 30, 2015, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Sinte Gleska University has omitted a management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 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 June 10, 2016 on our consideration of the University's internal control over financial reporting and on 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 University's internal control over financial reporting and compliance.

JOSEPH EVE

*Certified Public Accountants*

**Great Falls, Montana  
June 10, 2016**

## ***Financial Statements***

**SINTE GLESKA UNIVERSITY**

**Statement of Net Position**

**September 30, 2015**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash	\$ 3,009,045
Investments	26,017
Restricted investments	2,863,963
Accounts receivable	461,543
Prepaid expenses	281,248
Inventories	43,849
Due from other governments	818,029
Capital assets	
Land	160,188
Other capital assets, net of depreciation	<u>14,462,744</u>
Total capital assets	<u>14,622,932</u>
<b>Total assets</b>	<u>22,126,626</u>
<b>Liabilities</b>	
Accounts payable	256,223
Accrued liabilities	266,746
Advances from grantors	4,047,555
Unearned tuition	<u>422,753</u>
<b>Total liabilities</b>	4,993,277
<b>Net position</b>	
Investment in capital assets	14,622,932
Restricted for permanent endowment- nonexpendable	2,728,408
Restricted for permanent endowment- expendable	139,067
Unrestricted (deficit)	<u>(357,058)</u>
<b>Total net position</b>	<u>\$ 17,133,349</u>

**SINTE GLESKA UNIVERSITY**

**Statement of Activities**

**For The Year Ended September 30, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Primary Governmental Activities</u>
<b>Functions/Programs</b>					
<b>Primary government</b>					
Governmental activities					
Instruction	\$ 2,776,016		\$ 3,629,481		\$ 853,465
Research	106,502		59,195		(47,307)
Public service	1,189,031		1,398,927		209,896
Academic support	581,879		547,225		(34,654)
Student services	4,381,599	\$ 405,472	4,733,069		756,942
Institutional support	3,381,296	1,661,571	1,304,093	\$ 769,796	354,164
Operations and maintenance	1,736,275		31,555		(1,704,720)
Library	364,339		359,381		(4,958)
Total governmental activities	<u>14,516,937</u>	<u>2,067,043</u>	<u>12,062,926</u>	<u>769,796</u>	<u>382,828</u>
<b>Total primary government</b>	<b>\$ <u>14,516,937</u></b>	<b>\$ <u>2,067,043</u></b>	<b>\$ <u>12,062,926</u></b>	<b>\$ <u>769,796</u></b>	<b><u>382,828</u></b>
<b>General revenues</b>					
Investment income					62,561
Other					132,354
Endowment gifts/additions					47,179
<b>Total general revenues</b>					<u>242,094</u>
<b>Change in net position</b>					<u>624,922</u>
<b>Net position - beginning of year</b>					<u>16,508,427</u>
<b>Net position - end of year</b>					<u>\$ 17,133,349</u>

See Accompanying Notes to the Financial Statements.

**SINTE GLESKA UNIVERSITY**

**Balance Sheet - Governmental Funds**

**September 30, 2015**

	<b>General Fund</b>	<b>PELL</b>	<b>Permanent Endowment</b>	<b>Other Governmental Funds</b>
<b>Assets</b>				
Current assets				
Cash	\$ 3,009,045			
Investments	26,017			
Restricted investments			\$ 2,863,963	
Accounts receivable	461,543			
Prepaid expenses	281,248			
Inventory	43,849			
Due from other funds		\$ 62	3,512	\$ 1,082,446
Due from other governments				818,029
<b>Total assets</b>	<b>\$ 3,821,702</b>	<b>\$ 62</b>	<b>\$ 2,867,475</b>	<b>\$ 1,900,475</b>
<b>Liabilities and fund balances</b>				
Liabilities				
Accounts payable	\$ 256,223			
Accrued liabilities	266,746			
Due to other funds	272,147			\$ 813,873
Advances from grantors	2,965,051	\$ 62		1,082,442
Unearned tuition	422,753			
Total liabilities	4,182,920	62	0	1,896,315
Fund balance				
Nonspendable	325,097		2,728,408	
Restricted for permanent endowment			139,067	
Assigned				4,160
Unassigned (deficit)	(686,315)			
Total fund balances	(361,218)	0	2,867,475	4,160
<b>Total liabilities and fund balance</b>	<b>\$ 3,821,702</b>	<b>\$ 62</b>	<b>\$ 2,867,475</b>	<b>\$ 1,900,475</b>

See Accompanying Notes to the Financial Statements.



**Total  
Governmental  
Funds**

---

\$ 3,009,045  
26,017  
2,863,963  
461,543  
281,248  
43,849  
1,086,020  

---

818,029

\$ 8,589,714

\$ 256,223  
266,746  
1,086,020  
4,047,555  

---

422,753  

---

6,079,297

3,053,505  
139,067  
4,160  

---

(686,315)  

---

2,510,417

\$ 8,589,714

**SINTE GLESKA UNIVERSITY**

**Reconciliation of Governmental Fund Balances to the  
Statement of Net Position**

**September 30, 2015**

**Total government fund balances** \$ 2,510,417

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.

14,622,932

**Net position - governmental activities,  
per statement of net position**

\$ 17,133,349

**SINTE GLESKA UNIVERSITY**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance - Governmental Funds**

**For The Year Ended September 30, 2015**

	<b>General Fund</b>	<b>PELL</b>	<b>Permanent Endowment</b>
<b>Revenues</b>			
Intergovernmental sources	\$ 4,638,048	\$ 1,491,082	
Tuition and fees	1,484,906		
Bookstore	405,471		
Endowment gifts/additions			\$ 47,179
Indirect cost recoveries	506,951		
Interest income	804		61,756
Donations	319,628		
Other revenue	309,021		
<b>Total revenues</b>	<b>7,664,829</b>	<b>1,491,082</b>	<b>\$ 108,935</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	791,472		
Research	3,239		
Public service	127,894		
Academic support	346,631		
Student services	1,752,505	1,491,082	
Institutional support	2,454,688		9,256
Operations and maintenance	902,197		
Library	321,959		
Indirect cost expense			
Capital outlay	9,766		
<b>Total expenditures</b>	<b>6,710,351</b>	<b>1,491,082</b>	<b>9,256</b>
Revenues over (under) expenditures	<b>954,478</b>	<b>0</b>	<b>99,679</b>
<b>Other financing sources (uses)</b>			
<b>Net change in fund balances</b>	<b>954,478</b>	<b>0</b>	<b>99,679</b>
<b>Fund balances, beginning of year</b>	<b>(1,315,696)</b>	<b>0</b>	<b>2,767,796</b>
<b>Fund balances, end of year</b>	<b>\$ (361,218)</b>	<b>\$ 0</b>	<b>\$ 2,867,475</b>

See Accompanying Notes to the Financial Statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,383,964	\$ 12,513,094
	1,484,906
	405,471
	47,179
	506,951
	62,560
	319,628
	<u>309,021</u>
<u>6,383,964</u>	<u>15,648,810</u>

1,984,544	2,776,016
103,264	106,503
1,061,137	1,189,031
235,248	581,879
1,138,012	4,381,599
910,787	3,374,731
45,851	948,048
42,380	364,339
506,951	506,951
<u>351,177</u>	<u>360,943</u>
<u>6,379,351</u>	<u>14,590,040</u>
<u>4,613</u>	<u>1,058,770</u>

4,613	1,058,770
<u>(453)</u>	<u>1,451,647</u>
\$ <u><u>4,160</u></u>	\$ <u><u>2,510,417</u></u>

**SINTE GLESKA UNIVERSITY**

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities**

**For The Year Ended September 30, 2015**

<b>Net change in fund balances - governmental funds</b>	<b>\$ 1,058,770</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	\$360,943
Depreciation expense	<u>(794,791)</u>
	<u>(433,848)</u>
<b>Change in net position of Governmental Activities</b>	<b>\$ <u>624,922</u></b>

***Notes to the Financial Statements***

# SINTE GLESKA UNIVERSITY

## Notes to the Financial Statements

For The Year Ended September 30, 2015

### Note 1 - Nature of Operations and Significant Accounting Policies

#### **A. Nature of Operations**

The financial statements for the Sinte Gleska University (the "University") for the fiscal year ended September 30, 2015, have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Organization**

The University is a not-for-profit organization located in Mission, South Dakota. Contributions to the University qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

The University was formed for the following purposes:

- i) To create and establish within the framework of the Rosebud Sioux Tribal Government, an institution for post-secondary and higher education.
- ii) To operate exclusively for non-profit purposes and that no part of the income or assets of the organization shall be distributed to or for the benefit of any individual; and
- iii) The organization shall be for educational, cultural, and humanitarian purposes only.

#### **B. Significant Accounting Policies**

#### **Reporting Entity**

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the University.

#### **Basis of Presentation**

#### **Basic Financial Statements**

The basic financial statements of the University include the university-wide and the fund financial statements. In the reporting model under GASB 35, the focus is on the University as a whole in the university-wide financial statements, while reporting additional and detailed information about the University's major Governmental Activities in fund financial statements.

# SINTE GLESKA UNIVERSITY

## Notes to the Financial Statements

For The Year Ended September 30, 2015

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

#### **B. Significant Accounting Policies - Continued**

##### **Basis of Presentation - Continued**

###### University-Wide Financial Statements

The University-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the University gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

These statements include the financial activities of the overall University. Eliminations have been made to minimize the double counting of internal activities.

The statements of activities presents a comparison between direct expenses and program revenues for each function of the University'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. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. Program revenues include program fees for services and grants and contributions restricted to a particular program. Revenues that are not classified as program revenues are presented as general revenues. When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted resources as they are needed.

###### Fund Financial Statements

The fund financial statements provide information about the University's funds. The emphasis of fund financial statements is on major governmental funds, each is displayed in a separate column. All the remaining governmental funds are aggregated and reported in a single column as nonmajor funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used in all government type funds. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (when it is both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one year availability period is used for revenue recognition for all governmental fund revenue. Expenditures are recorded when the related fund liability is incurred.



# SINTE GLESKA UNIVERSITY

## Notes to the Financial Statements

For The Year Ended September 30, 2015

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

#### **B. Significant Accounting Policies - Continued**

##### **Basis of Presentation - Continued**

The University reports the following major governmental funds:

*General Fund* - The general fund is the University's primary operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

*PELL* - The Pell fund accounts for the receipts and disbursements of Pell grant funds.

*Permanent Endowment* - The permanent endowment fund is used for donations that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the University's programs.

##### **Cash**

Cash includes all readily available sources of cash such as cash on hand and cash on deposit with financial institutions.

##### **Investments**

Investments are recorded at fair value. Fair value is determined by the reported market value of securities and mutual funds trading on national exchanges. The University does not have a formally adopted investment policy.

##### **Accounts Receivable**

Accounts receivable includes normal business receivables and consists primarily of amounts due from students for tuition. The allowance for doubtful account adjusts for those accounts the University deems uncollectible. As of September 30, 2015 the University has accrued an allowance of \$6,835,953.

##### **Inventory**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method. Inventory consists of bookstore textbooks, convenience items, and educational materials available for sale.

##### **Prepays**

The cost of governmental fund type insurance and other prepaids are recorded on the consumption method rather than when purchased.

SINTE GLESKA UNIVERSITY

Notes to the Financial Statements

For The Year Ended September 30, 2015

**Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

**B. Significant Accounting Policies - Continued**

**Due From Other Governments**

Due from other governments consists of amounts due for reimbursement of approved expenditures on grants and contracts entered into with various governmental agencies. Receivables of this nature are not collateralized and are considered fully collectible. Amounts received from the federal government for grants and contracts are recognized as revenue when they are expended or obligated. Unspent or unobligated funds must generally be returned to the funding agency and therefore are not recognized as revenue. Expenditures are recorded when the related fund liability is incurred.

**Interfund Receivables/Payables**

During the course of operations, activity occurs between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables in the fund financial statements, and are eliminated in the government-wide Statement of Net Position. Activity that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund activity is reported as transfers.

**Capital Assets and Depreciation**

Capital assets are stated at cost. Maintenance and repair costs are charged to expense as incurred. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are as follows:

<u>Asset Category</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Land Improvements	\$5,000	20
Buildings	5,000	40
Building Improvements	5,000	10
Equipment	5,000	5-15
Vehicles	5,000	5
Infrastructure	5,000	20
Intangible Licenses	5,000	Varies

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. There were no impairment losses for the year ended September 30, 2015.

# SINTE GLESKA UNIVERSITY

## Notes to the Financial Statements

For The Year Ended September 30, 2015

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

#### **B. Significant Accounting Policies - Continued**

##### **Compensated Absences**

The Sinte Gleska University accrues the cost of unpaid vacation. Accrued sick leave is not recorded, as the University has no legal obligation to pay such benefits upon termination. Accrued liabilities include \$84,693 of accrued vacation at September 30, 2015.

##### **Advances From Grantors**

Advances from grantors arise when potential revenue is received by the government before it has a legal claim to them. Due to grantors also arise when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the revenue recognition criteria is met, or when the government has a legal claim to the resources, the liabilities for advances from grantors is removed from the combined balance sheet and the revenue is recognized.

##### **Fund Equity**

In the University-wide financial statements, equity is classified as net position and displayed in three components:

**Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowing that is attributable to the acquisition or improvement of those assets.

**Restricted** - Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, or laws and regulations of other governments; or (b) law through enabling legislation.

**Unrestricted** - All net position that does not meet the definitions above.

The fund financial statements have been presented in accordance with the reporting model required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB Statement No. 54 provides for two major types of fund balances, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, such as inventories, prepaid amounts, and long-term notes receivable, or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

# SINTE GLESKA UNIVERSITY

## Notes to the Financial Statements

For The Year Ended September 30, 2015

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

#### **B. Significant Accounting Policies - Continued**

##### **Fund Equity - Continued**

**Restricted** - fund balances that are restricted for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed** - fund balances that can only be used for the specific purposes determined by a formal action of the University's highest level of decision-making authority, the Board of Regents. Commitments may be changed or lifted only by the University taking the same formal action that imposed the constraint originally (for example a resolution or ordinance).

**Assigned** - fund balances that are intended to be used by the University for specific purposes that are neither restricted nor committed. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purposes that is narrower than the general purposes of the University itself.

**Unassigned** - fund balances of the general fund that are not constrained for any particular purposes. It is also the residual classification for all negative fund balances. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

##### **Interest Income**

Interest earned on cash and investment balances is recorded as revenue when earned.

##### **Federal Awards and Grants**

The University has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in general expenditure disallowances under the terms of the grants, it is believed that any required reimbursement would not be material.

##### **Federal and State Income Taxes**

Sinte Gleska University, as a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code, is exempt from Federal and State income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note 2 - Cash**

At September 30, 2015, cash consisted of the following:

Demand deposits	\$ <u>3,009,045</u>
Total cash and cash equivalents	\$ <u><u>3,009,045</u></u>

At September 30, 2015, the carrying amount of deposits was \$3,009,045 and the bank balance was \$3,519,093. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$3,269,093 is secured by a custodian bank not in the University's name. The State Treasurer of South Dakota acts as one of a two-member commission which supervises the insuring of all public funds and the securities are pledged in the Treasurer's name.

**Note 3 - Investments**

As of September 30, 2015, the University had the following investments:

	Fair Value
Cash	\$ 106,456
Money Market Mutual Funds	537,996
Collateralized Mortgage Obligations (CMOs) & Asset Backed Securities	65,332
US Government Agencies	476,616
Open-End Mutual Funds: Government Bonds	1,287,041
Open-End Mutual Funds: Common Stocks	30,904
Corporate Bonds	130,633
Negotiable Certificates of Deposit	236,991
Common Stock	18,011
Total investments	\$ <u><u>2,889,980</u></u>

**Interest Rate Risk**

The University 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.

**Interest Rate Risk - Segmented Time Distribution**

As of September 30, 2015, the University had the following investment maturities:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
CMO & Asset Backed Securities	\$ 65,332	\$	\$	\$	\$ 65,332
US Government Agencies	476,616			846	475,770
Government Bond Funds	1,287,041	1,287,041			
Corporate Bonds	130,633		81,695		48,938
Negotiable Certificates of Deposit	236,991	225,989	11,002		
Total	\$ <u><u>2,196,613</u></u>	\$ <u><u>1,513,030</u></u>	\$ <u><u>92,697</u></u>	\$ <u><u>846</u></u>	\$ <u><u>590,040</u></u>

Cash, Money Market Mutual Funds, Open-End Mutual Funds: Common Stocks, and Common Stock are not subject to Interest Rate Risk.

**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note Note 3 - Investments - Continued**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University has no investment policy that would limit its investment choices.

As of September 30, 2015, the University held the following investments with related credit risks:

	Fair Value	Rating	
		S&P	Moody's
Money Market Mutual Funds:			
Charles Schwab Advisor Cash Reserves	\$ 537,996	A-	Baa2
US Government Agencies:			
Federal Home Loan Mortgage Corporation	383,835	AA+/A-1+	Aaa/P-1
Federal National Mortgage Association	92,781	AA+/A-1+	Aaa/P-1
CMO & Asset Backed Securities:			
CWALT, Inc. 2005-86CB	16,899	D	Caa3
JP Morgan Mtg Tr 2005-S3, 2006-S2	16,255	D	Caa2
Morgan Stanley Mtg Ln Tr 2005-7	11,224	D	Caa3
Morgan Stanley Mtg Ln Tr 2005-10	20,954	D	Caa3
Government Bond Funds:			
American Century Ginnie Mae Fund Investor	346,511	AA+/A-1+	Aaa/P-1
American Century Ginnie Mae Fund Institutional	940,530	AA+/A-1+	Aaa/P-1
Corporate Bonds:			
Morgan Stanley	81,695	A-	A3
Wachovia Capital Trust III	48,938	BBB	Baa2

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of a counterparty (the party that pledges collateral or repurchase agreement securities to the University or that sells investments to or buys them for the University), the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University currently does not have an investment policy for custodial credit risk. As of September 30, 2015, all of the University's investments are exposed to custodial credit risk as applicable by investment type.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University places no limit on the amount it may invest in any one issuer. Five percent (5%) or more of the University's total investments are concentrated in the following issuers:

<u>Issuer Organization</u>	<u>Percentage</u>
FHLMC	13%

**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note 4 - Due From Other Governments**

The following amounts are due from the respective funding agencies at September 30, 2015 for grant/contract program reimbursements:

U.S. Department		
Agriculture	\$	458,160
Health and Human Services		40,240
Energy		14,561
National Science Foundation		38,342
Labor		56,348
Education		175,532
National Aeronautics and Space Administration		16,846
Corporation for National and Community Service		10,284
State of South Dakota and Other Funding		7,716
Total due from other governments	\$	<u><u>818,029</u></u>

**Note 5 - Interfund Activity**

Amounts due from and due to other funds as of September 30, 2015 are as follows:

<b>Due from:</b>	<b>Due to:</b>			<b>Total</b>
	<b>Governmental</b>		<b>Other</b>	
	<b>PELL</b>	<b>Permanent Endowment</b>	<b>Governmental Funds</b>	
General fund	\$ 62	\$ 3,512	\$ 268,574	\$ 272,148
Other governmental funds			813,872	813,872
	<u>62</u>	<u>3,512</u>	<u>1,082,446</u>	<u>1,086,020</u>

Interfund balances represent non-interest bearing amounts owed to or from programs for administrative services rendered and for payments made on behalf of such entities. Amounts are generally due upon demand.

**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note 6 - Capital Assets**

Capital assets activity for the year ended September 30, 2015, is summarized as follows:

	Balance 10/1/2014	Additions	Balance 9/30/2015
Capital assets not being depreciated			
Land	\$ 68,051		\$ 68,051
Construction in progress	0	\$ 92,137	92,137
Total capital assets not being depreciated	68,051	92,137	160,188
Capital assets being depreciated			
Land improvements	336,894		336,894
Buildings	19,347,963		19,347,963
Equipment	2,007,573	55,216	2,062,789
Equipment under capital lease	296,764		296,764
Vehicles	363,943	156,115	520,058
Infrastructure	890,709	28,766	919,475
Intangible - Licenses	7,525	28,709	36,234
Total capital assets being depreciated	23,251,371	268,806	23,520,177
Less accumulated depreciation			
Land improvements	(155,431)	(20,717)	(176,148)
Buildings	(5,784,432)	(567,203)	(6,351,635)
Equipment	(1,543,324)	(117,985)	(1,661,309)
Equipment under capital lease	(296,764)		(296,764)
Vehicles	(305,327)	(37,068)	(342,395)
Infrastructure	(176,321)	(45,254)	(221,575)
Intangible - Licenses	(1,043)	(6,564)	(7,607)
Total accumulated depreciation	(8,262,642)	(794,791)	(9,057,433)
Net capital assets being depreciated	14,988,729	(525,985)	14,462,744
<b>Capital assets, net</b>	<b>\$ 15,056,780</b>	<b>\$(433,848)</b>	<b>\$ 14,622,932</b>

Depreciation expense for was \$794,791 during the year ended September 30, 2015. All depreciation was charged to the Operation and maintenance of plant function in the Statement of Activities.

**Note 7 - Accrued Liabilities**

A summary of accrued liabilities at September 30, 2015 is as follows:

Accrued salaries and payroll benefits	\$ 174,924
Accrued compensated absences	84,693
Other accrued liabilities	7,129
<b>Total accrued liabilities</b>	<b>\$ 266,746</b>



**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note 8 - Advances From Grantors**

The balances of advances from grantors at September 30, 2015 are as follows:

U.S. Department	
Interior	\$ 3,095,402
Agriculture	20,529
National Science Foundation	15,243
Education	62
State of South Dakota and Other Funding	<u>916,323</u>
Total advances from grantors	<u>\$ 4,047,559</u>

**Note 9 - Contingent Liabilities and Commitments**

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**Operating Leases**

The University maintains a herd of bison and leases a pasture for grazing. The pasture is leased at a rate of \$21,276 per year under a five year contract that began on April 1, 2013. In addition to cash payment, the lessor also receives two bison from the herd for processing. Subsequent contracts may be negotiated by the University and the lessor.

<u>Years Ending September 30,</u>	<u>Future minimum payments</u>
2016	\$ 21,276
2017	<u>21,276</u>
	<u>\$ 42,552</u>

**Note 10 - Retirement Plan**

The University has established a Simplified Employee Pension Plan for its employees. The University contributes two percent of each participating employees' salary to a self-directed annuity. The University's payroll for employees covered by the plan for the year ended September 30, 2015 was \$4,354,025. The total cost of the contributions for the fiscal year ended September 30, 2015 was \$72,687 from the University. The fund sponsors hold the plan's investments.

**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note 11 - Related Party Transactions**

The University has established relationships with two community colleges: Ihanktonwan Community College (ICC) and Lower Brule Community College (LBCC). Contracts with ICC and LBCC allow students of these colleges to pursue degree programs that will lead to a degree/certificate granted by the University. For this reason students of ICC and LBCC are considered students of the University with regards to Tribally Controlled Community College Act (the "Act") funding. The University remits 75% of the funds resulting from the Act, based on student counts, to the respective colleges.

The University remitted the following amounts during the year:

From	To	Purpose	Amount
Sinte Gleska	Ihanktonwan	TCCC Act funding share	\$ 341,549
Sinte Gleska	Lower Brule	TCCC Act funding share	326,232
			<u>\$ 667,781</u>

As a part of the agreement with ICC and LBCC described above, the University charges an affiliation fee of \$30 per credit hour and a one-time only \$74 records management fee.

The University recognized the following revenues during the year:

From	To	Purpose	Amount
ICC & LBCC	Sinte Gleska	Affiliation fees	\$ 82,589
ICC & LBCC	Sinte Gleska	Records management fees	17,809
			<u>\$ 100,398</u>

**Note 12 - Fund Balances**

The University has classified its fund balances with the following hierarchy:

Nonspendable:		
Inventories		\$ 43,849
Prepaid expenses		281,248
Permanent fund principal		<u>2,728,408</u>
Total nonspendable		<u>\$ 3,053,505</u>
Spendable:		
Restricted		
Permanent fund earnings		<u>\$ 139,067</u>
Assigned		
Qualifying expenditures		\$ 4,160
Total assigned		<u>\$ 4,160</u>
Unassigned (deficit)		<u>\$ (686,315)</u>

The University currently has no funds classified as Committed.

**SINTE GLESKA UNIVERSITY**

**Notes to the Financial Statements**

**For The Year Ended September 30, 2015**

**Note 13 - Economic Dependence**

The University receives substantially all of their support from federal agencies and state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the University's activities.

**Note 14 - Risk Management**

The University faces a considerable number of risks of loss, including:

- a) damage to and destruction and loss of property and contents;
- b) environmental damage;
- c) workers' compensation (i.e., employee injuries);
- d) tort actions; and,
- e) errors and omissions.

These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the years.

A variety of methods is used to provide insurance for these risks. Commercial insurance policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, tort actions, and errors and omissions. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Given the lack of coverage available, the University has no coverage for potential losses due to environmental damages. The amounts of any potential future losses are unknown.

**SINTE GLESKA UNIVERSITY**

**Schedule of Expenditures of Federal Awards**

**For The Year Ended September 30, 2015**

<u>Grantor/Program Title</u> <u>Federal Grantor/Pass Through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass Through</u> <u>Grantor</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>			
Direct Programs			
Tribal Colleges Education Equity Grants	10.221		\$ 182,890
Tribal Colleges Endowment Program	10.222		316,279
Cooperative Extension Service	10.500		122,537
Community Facilities Loans and Grants	10.766		<u>157,255</u>
<b>Total U.S. Department of Agriculture</b>			<u>778,961</u>
<b><u>U.S. Department of Energy</u></b>			
Pass-Through American Indian Higher Education Consortium			
American Indian R&E Initiative	81.094	DE-ED0000129	<u>29,530</u>
<b>Total U.S. Department of Energy</b>			<u>29,530</u>
<b><u>U.S. Department of Interior</u></b>			
Direct Programs			
Indian Adult Education	15.026		47,464
Assistance to Tribally Controlled Community Colleges and Universities	15.027		4,638,048
Tribally Controlled Community College Endowments	15.028		1,079,231
ARRA-Indian Employment Assistance	15.108		189,677
Indian Education-Higher Education Grant Program	15.114		535,424
Contract Support	15.024		<u>157,233</u>
<b>Total U.S. Department of Interior</b>			<u>6,647,077</u>
<b><u>National Science Foundation</u></b>			
Pass-through South Dakota State University			
Office of Experimental Program to Stimulate Competitive Research	47.081	3TU564	38,342
Pass-through American Indian Higher Education Consortium			
TCU STEM	47.unk	DUE-1347778	<u>11,819</u>
<b>Total National Science Foundation</b>			<u>50,161</u>
<b><u>U.S. Department of Education</u></b>			
Direct Programs			
Student Financial Aid Cluster			
Federal Work-Study Program	84.033		35,960
Federal Pell Grant Program	84.063		1,491,082
SEOG	84.007		<u>23,864</u>
<b>Total Student Financial Aid Cluster</b>			<u>1,550,906</u>

**SINTE GLESKA UNIVERSITY**

**Schedule of Expenditures of Federal Awards - Continued**

**For The Year Ended September 30, 2015**

Grantor/Program Title Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
<b><u>U.S. Department of Education - Continued</u></b>			
Career and Technical Education-Grants to Native Americans and Alaska Natives	84.101		455,475
Higher Education-Institutional Aid	84.031T		2,033,796
Indian Education-Special Programs for Indian Children	84.299B		<u>345,662</u>
Total Direct Programs			<u>4,385,839</u>
Pass-Through South Dakota Department of Education College Access Challenge Grant Program	84.378	P378A11001	<u>13,590</u>
Total Pass-Through South Dakota Department of Education			<u>13,590</u>
<b>Total U.S. Department of Education</b>			<u>4,399,429</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Direct Programs			
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243		<u>1,091,805</u>
Total Direct Programs			<u>1,091,805</u>
Pass-through University of South Dakota Minority Health and Health Disparities Research	93.307	USD-1032	<u>21,860</u>
Total Pass-Through University of South Dakota			<u>21,860</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,113,665</u>
<b><u>U.S. Department of Labor</u></b>			
Direct Programs			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		<u>420,623</u>
<b>Total U.S. Department of Labor</b>			<u>420,623</u>
<b><u>National Aeronautics and Space Administration</u></b>			
Pass-through South Dakota School of Mines and Technology			
Education (NASA)	43.008	SDSM&T-SGU15-17	<u>16,846</u>
<b>Total National Aeronautics and Space Administration</b>			<u>16,846</u>

SINTE GLESKA UNIVERSITY

Schedule of Expenditures of Federal Awards - Continued

For The Year Ended September 30, 2015

<u>Grantor/Program Title</u> <u>Federal Grantor/Pass Through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass Through</u> <u>Grantor</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<b><u>Corporation for National and Community Service</u></b>			
Direct Programs			
ARRA-AmeriCorps	94.006		<u>147,784</u>
<b>Total Corporation for National and Community Service</b>			<u>147,784</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 13,604,076</u>

# SINTE GLESKA UNIVERSITY

## Notes to Schedule of Expenditures of Federal Awards

For The Year Ended September 30, 2015

### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Sinte Gleska University under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Sinte Gleska University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Sinte Gleska University.

### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### **Note 3 - Subrecipients**

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
15.027	Assistance to Tribally Controlled Universities	\$ <u>667,781</u>

### **Note 4 - Outstanding Federal Loans**

The University has no federal loan obligations as of September 30, 2015.

### **Note 5 - Endowments**

The University has \$1,408,546 of restricted endowment principal that originated from Federal awards as of September 30, 2015. OMB Circular A-133 Section 205(e) states that Federal awards portion are to be considered awards expended in each of the current year, thus this amount is considered expended and is included on the face of the schedule of expenditures of Federal awards. The amounts by award are as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Noncash Award Expended</u>
15.028	Tribally Controlled Community College Endowments	\$ <u>1,079,231</u>
84.031T	Higher Education-Institutional Aid	\$ <u>245,000</u>
10.222	Tribal Colleges Endowment Program	\$ <u>84,315</u>

**SINTE GLESKA UNIVERSITY**

**Notes to Schedule of  
Expenditures of Federal Awards**

**For The Year Ended September 30, 2015**

**Note 6 - Reconciliation of Expenditures**

The following is a reconciliation of the expenditures reported on the University's schedule of expenditures of federal awards to federal grant expenditures reported in the University's statement of revenues, expenditures and changes in fund balance.

Expenditures on schedule of expenditures of federal awards	\$ 13,604,076
Expenditures funded by state and other funding sources	315,924
Noncash endowment awards	(1,408,546)
Expenditures funded by all other sources	<u>2,078,586</u>
Expenditures per financial statements	<u>\$ 14,590,040</u>



**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**

**INDEPENDENT AUDITORS' REPORT**

**Board of Regents  
Sinte Gleska University  
Mission, South Dakota**

We have audited, in accordance with the 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, each major fund and the aggregate remaining fund information of the Sinte Gleska University (the "University"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Sinte Gleska University's basic financial statements, and have issued our report thereon dated June 10, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sinte Gleska University'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses and significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

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 reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

**Sinte Gleska University  
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*  
Page 2**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University'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*.

**University's Response to Finding**

Sinte Gleska University's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit Sinte Gleska University's response and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JOSEPH EVE  
Certified Public Accountants

**Great Falls, Montana  
June 10, 2016**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

**Board of Regents  
Sinte Gleska University  
Mission, South Dakota**

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

We have audited Sinte Gleska University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2015. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University'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 University'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 an opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

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

In our opinion, the University 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 September 30, 2015.

## **Report on Internal Control over Compliance**

Management of the University 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 University's internal control over compliance with the 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University'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, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004.

Sinte Gleska University's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Sinte Gleska University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 purpose.

JOSEPH EVE  
Certified Public Accountants

**Great Falls, Montana**  
**June 10, 2016**

**SINTE GLESKA UNIVERSITY**

**Schedule of Findings and Questioned Costs**

**September 30, 2015**

**1. Summary of Auditors' Results  
Financial Statements**

Type of auditors' report issued:   Unmodified           Governmental activities, each major fund,  
and the aggregate remaining information

Internal control over financial reporting:

- Material weakness(es) identified?                             Yes      No
- Significant deficiency(ies) identified?                      Yes      None Reported
- Noncompliance material to financial statements noted?                                      Yes      No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?                             Yes      No
- Significant deficiency(ies) identified?                      Yes      None Reported

Type of auditors' report issued on compliance  
for major programs:   Unmodified       All major programs

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133?                                      Yes      No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Federal Program or Cluster</u>
15.027	Assistance to Tribally Controlled Community Colleges and Universities
15.028	Tribally Controlled Community College Endowments
15.114	Indian Education-Higher Education Grant Program
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.031T	Higher Education-Institutional Aid
84.101	Career and Technical Education-Grants to Native Americans and Alaska Natives
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance

**SINTE GLESKA UNIVERSITY**

**Schedule of Findings and Questioned Costs**

**September 30, 2015**

**1. Summary of Auditors' Results - Continued**

Dollar threshold used to distinguish between  
Type A and Type B programs: \$408,122

Auditee qualified as low-risk auditee?

Yes  No

# SINTE GLESKA UNIVERSITY

## Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

### 2. Audit Findings in Relation to Financial Statements

#### 2015-001 Cash Management

**Criteria or Specific Requirement:** There should be sufficient cash balances on hand to cover all advances associated with the University's grant programs.

**Condition:** The University's general fund has a negative unassigned fund balance of \$686,314. The University is funding this deficit through a combination of accounts payable/accrued liabilities and advances from grantors. As of September 30, 2015, the University did not have sufficient cash available to cover its advances balance. Unrestricted cash balances at year end totaled \$3,009,045 while advances from grantors totaled \$4,047,558. This difference of \$1,038,513 is a \$298,435 improvement from September 30, 2014.

**Context:** We reviewed the University's overall financial position, its changes in financial position for the year, and its available cash balances at year end.

**Effect:** In previous years, the University did not fund general fund expenses strictly using general fund cash. Because the University maintains centralized cash accounts, it cannot definitively determine how much of the deficiency is funded with monies from other funding sources or accounts payable/accrued liabilities.

**Cause:** Over the past several years, the University's General Fund has accumulated a large negative fund balance. Additionally, the University has accrued \$818,029 of undrawn grant funds as of September 30, 2015.

**Auditors' Recommendations:** As noted previously, the University reduced this deficit by \$298,435 during the fiscal year ended September 30, 2015. We recommend the University continue this trend going forward.

# SINTE GLESKA UNIVERSITY

## Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

### 2. Audit Findings in Relation to Financial Statements - Continued

#### 2015-002 Bookstore Inventory

**Criteria or Specific Requirement:** Costs associated with goods available for sale that are on hand should be reflected in inventory. Purchases of goods for resale increases inventory, while sales of goods and shrinkage reduce inventory. Periodic physical counts of items on hand should be compared to expected numbers, and significant variances be investigated. Old or obsolete items should be removed from inventory. Actual profit margins should be compared to budgeted profit margins to ensure fiscal accountability and to protect the University's assets.

**Condition:** We noted that inventory balances remained unchanged from the prior fiscal year. Purchases of \$407,973 were charged directly to cost of goods sold. A physical inventory conducted by the bookstore staff indicated that there were 1,077 unique items. The physical count sheets contained expected quantity numbers of these items, of which we noted that 195 items had variances of more than five. Additionally, 44 of the expected quantity numbers were negative. We also compared the calculated average weighted cost of the top ten most valuable items to market prices online. We found that three of these were recorded above market prices, four were recorded with approximately 10-20% margins, and three were recorded with approximately 30% margins.

**Context:** We reviewed the physical inventory count sheet, performed walkthroughs of the University's bookstore, analyzed purchases, compared weighted average costs to market prices, and made inquiries with employees.

**Effect:** The University's assets may be subject to higher risk of loss. The bookstore could be holding inventory that is obsolete, overstocking on useless books, or be under stocked on items that students are wanting to purchase.

**Cause:** The bookstore's major financial functions are performed independent of the University's centralized business office. It is not subject to the same oversight as other functions of operations. The University does not have a bookstore-specific policies and procedures to govern its operations, and turnover of bookstore employees makes consistent operations difficult to achieve.

**Auditors' Recommendations:** The University should implement policies and procedures to ensure that its assets are being protected. Inventory control procedures should be implemented to ensure that shrinkage and obsolete items are identified and addressed in a timely manner. This will also aid in setting appropriate pricing and reducing unnecessary purchases. Management should review financial reports and compare those to planned profit margins, levels of inventory, and other metrics as deemed necessary. Management should consider having their auditor observe the year end physical inventory, although not necessarily required by applicable standards, which may aid in the correction of some identified weaknesses.



SINTE GLESKA UNIVERSITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

3. Audit Findings and Questioned Costs in Relation to Federal Awards

2015-003 Cash Management

**Federal program information:**

Funding agency: U.S. Department of the Interior  
Title: Assistance to Tribally Controlled Community Colleges;  
Indian Education\_Higher Education Grant Program  
CFDA number: 15.027, 15.114  
Award year and number: 2015 A14AP00040-0001; 2015 A15AV00260

**Criteria or Specific Requirement:** There should be sufficient cash balances on hand to cover all advances associated with the University's federal programs.

**Condition:** The University's September 30, 2015 unrestricted pooled cash balance of \$3,009,045 was not sufficient to cover the total of the following:

- Advances related to Assistance to Tribally Controlled Community Colleges and Universities in the amount of \$2,965,051.
- Advances related to Indian Education\_Higher Education Grant Program in the amount of \$129,772.

**Context:** We reviewed the trial balance for each program/fund and also reviewed the University's overall centralized cash in bank balances.

**Questioned Costs:** None. We noted no instances of noncompliance and do not consider this to be a misuse of federal funds.

**Effect:** The University is utilizing advanced funds in order to meet short-term cash needs, which may be exaggerated due to the timing of the University's fiscal year end, in order to fund other programs that may be on a reimbursement basis.

**Cause:** As noted above, this problem may be exaggerated due to the timing of the University's fiscal year end. The University's general fund accumulated a large deficit in prior years. This deficit has been reduced in both of the last two fiscal years.

**Auditors' Recommendations:** We recommend that management continue to monitor its cash balances and draw down grantor reimbursements in a timely manner. Also, the University could consider utilizing a short-term loan so as to not borrow advanced funding dollars to pay general fund expenditures.

SINTE GLESKA UNIVERSITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued

2015-004 Subrecipient Monitoring

**Federal program information:**

Funding agency: U.S. Department of the Interior  
Title: Assistance to Tribally Controlled Community Colleges  
CFDA number: 15.027  
Award year and number: 2015 A14AP00040-0001

**Criteria or Specific Requirement:** OMB Circular A-133, Subpart D, § 400 (d). Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

**Condition:** We noted that the University passed through \$341,549 to Ihanktonwan Community College and \$326,232 to Lower Brule Community College under this Federal award during the fiscal year. Contracts between the University and each of the respective colleges do not identify the CFDA award title and number, award name, advise the subrecipient of requirements imposed on them by Federal laws and regulations. Additionally, we noted that the University does not monitor its subrecipients to ensure that Federal awards are used for authorized purposes or that, if required, they have met the audit requirements of OMB Circular A-133 (or 2 CFR Part 200, Subpart F, as applicable).

**Context:** We reviewed the contracts between the University and each subrecipient. We also made inquiries with the University's program director and management. We did not review any expenditures of the subrecipients.

**Questioned Costs:** None.

**Effect:** The University is out of compliance with OMB Circular A-133.

**SINTE GLESKA UNIVERSITY**

**Schedule of Findings and Questioned Costs**

**Year Ended September 30, 2015**

**3. Audit Findings and Questioned Costs in Relation to Federal Awards - Continued**

**2015-004 Subrecipient Monitoring - Continued**

**Cause:** This award is the only one that the University passes through. Although the University appears to diligently monitor these subrecipients in terms of instruction for accreditation purposes, the monitoring of expenditures has been overlooked.

**Auditors' Recommendations:** The University should examine the existing and future contracts with subrecipients to ensure that the required information is communicated appropriately. In addition, the University should develop policies and procedures to monitor their subrecipients and adhere to those policies as well as UG 200.331 d-h..

**Corrective Action Plan**

**2015-001 Cash Management**

Auditee Response:

Sinte Gleska University acknowledges this finding and have implemented the proper cash management procedures to remedy this finding in the future. We continue to strive to strengthen our financial management procedures and see this as an opportunity to improve our processes. We are located in an area that presents limited human resources available for key finance positions and continue to look for a qualified Chief Financial Officer to lead our finance staff. With more timely drawdowns we believe this finding will be resolved.

**2015-002 Bookstore Inventory**

Auditee Response:

Sinte Gleska University acknowledges this finding and have implemented the proper procedures to resolve this finding. We continue to strive to strengthen our financial management procedures and see this as an opportunity to improve our processes. We continue to experience high turnover in this department and have hired a new manager recently and hope this helps create stability within the bookstore. We will also work on creating a set of policies and procedures for this department.

**2015-003 Cash Management**

Auditee Response:

Sinte Gleska University acknowledges this finding and have implemented the proper cash management procedures to remedy this finding in the future. We continue to strive to strengthen our financial management procedures and see this as an opportunity to improve our processes. We are located in an area that presents limited human resources available for key finance positions and continue to look for a qualified Chief Financial Officer to lead our finance staff. With more timely drawdowns we believe this finding will be resolved.

**2015-004 Sub-recipient Monitoring**

Auditee Response:

Sinte Gleska University acknowledges this finding and have implemented the proper monitoring policies for our pass-thru recipients. Included in this new policy is an addendum to the 2016 contracts with information detailing the CFDA #, award name, and explaining OMB Circular A-133, Subpart D, 400 (d). We also have asked for an application, budget, and financial statements as they relate to funds provided. We believe this will eliminate this finding in the future.

  
\_\_\_\_\_  
**Board Member**

6-10-16  
\_\_\_\_\_  
**Date**

**SINTE GLESKA UNIVERSITY**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended September 30, 2015**

The following summarizes the prior audit findings and the corrective action taken:

- |                         |  |
|-------------------------|--|
| <b>Finding 2014-001</b> | Reconciliation and Account Analysis Functions - <b>Implemented</b>                         |
| <b>Finding 2014-002</b> | Cash Management - <b>Not Implemented</b><br>See page 44 for corrective action planned.     |
| <b>Finding 2014-003</b> | Accounts Receivable-Subsidiary Ledgers and Collectibility - <b>Implemented</b>             |
| <b>Finding 2014-004</b> | Travel Advances - <b>Implemented</b>   |
| <b>Finding 2014-005</b> | Payroll Advances - <b>Implemented</b>  |
| <b>Finding 2014-006</b> | Bookstore Inventory - <b>Not Implemented</b><br>See page 44 for corrective action planned. |
| <b>Finding 2014-007</b> | Reconciliation and Account Analysis Functions (All Major Programs) - <b>Implemented</b>    |
| <b>Finding 2014-008</b> | Cash Management - <b>Not Implemented</b><br>See page 44 for corrective action planned.     |