



Financial Statements
June 30, 2015

Aberdeen School District 6-1

Board Members

Term Expiration

Scott Wirth	June 30, 2017
Brian Sharp.....	June 30, 2017
Kevin Burckhard	June 30, 2017
Duane Alm	June 30, 2016
Todd Kolden.....	June 30, 2016
Dr. Linda Burdett.....	June 30, 2015
Brad Olson.....	June 30, 2015

Superintendent

Dr. Becky Guffin.....N/A

Director of Finance

Mr. Tom Janish.....N/A

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Aberdeen School District 6-1 (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 entity'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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District, 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 12 to the financial statements, the School District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, budgetary comparison information, schedule of School District's share of net pension liability/asset, and schedule of School District contributions 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. 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 also not a required part of the financial statements. The schedule of expenditures of federal awards 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 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 15, 2015 on our consideration of the School District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
December 15, 2015

This section of Aberdeen School District 6-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School District's financial statements, which follow this section.

Financial Highlights

- The School District's net position from government and business-type activities increased \$7,147,606. This increase was used to increase the cash position of the School District, reduce outstanding bonds payable and to purchase capital assets.
- During the year, the School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$43,743,048. Governmental and business-type program expenditures were \$36,595,442.
- As of June 30, 2015, the School District's governmental funds reported combined ending fund balances of \$9,794,308, a decrease of \$5,193,781.
- The general fund reported a \$233,260 current year surplus.
- The School District completed construction of an addition to the Buz Potter Support Services Center that houses the District technology support staff and the District warehouse and printing operations. The cost of the project was \$875,023 and was funded from the capital outlay fund budget.
- The School District began construction of a career and technology academy on the Central High School campus. The project completion date is August, 2015. The project cost is \$4.8 million and will be funded from a \$2.0 million grant from the State of South Dakota and the capital outlay fund budget. The School District is planning to construct a 6th elementary school on the east side of Aberdeen. The project completion date is August, 2016. The project cost is \$7.8 million and will be funded from the issuance of \$7.725 million of capital outlay debt certificates and the capital outlay fund budget.

Overview of the Financial Statements

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

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status. The government-wide financial statements also include component unit financial statements.
- The remaining statements are fund financial statements that focus on individual parts of the School District government, reporting the School District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School District operates like a business.
- Fiduciary fund statements provide information about the financial relationships, like scholarship plans for graduating students – in which the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**Figure A-1
Required Components of Aberdeen School District's Annual Financial Report**

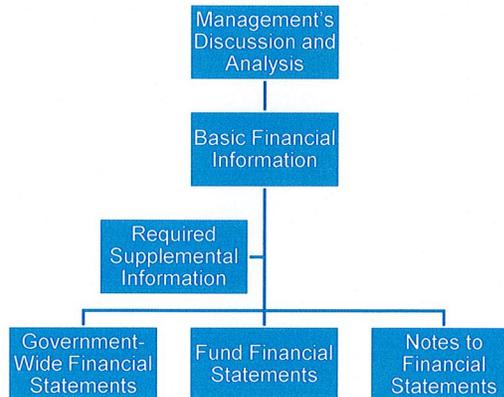


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure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

**Figure A-2
Major Features of Aberdeen School District's Government-Wide and Fund Financial Statements**

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

Government-Wide Statements

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

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and liabilities, is one way to measure the School District's financial health or position.

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

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

- **Governmental Activities** – This category includes the School District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** – The School District charges a fee to students to help cover the costs of providing hot lunch services to all students. The food service fund and other enterprise fund are the business-type activities of the School District.
- **Discretely Presented Component Unit** – Component units are legally separated organizations for which the School District is financially accountable, or the nature and significance of the unit's relationship with the School District is such that exclusion of the unit would cause the School District's financial statements to be misleading, or incomplete. The following entity is included in the component unit column of the School District's government-wide financial statements:

- ✓ Aberdeen Public Schools Foundation, Inc.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's most significant funds – not the School District as a whole. Funds are accounting devices that the School District uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School District has four kinds of funds:

- **Governmental Funds** – Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The food service enterprise fund and other enterprise fund (one type of proprietary fund) are the same fund as the business-type activities reported in the government-wide statement, but provides more detail and additional information such as a statement of cash flows. The self-insurance internal service fund and the unemployment internal service fund (the other type of proprietary fund) used to report activities that provide services to the School District's other programs and activities.
- **Fiduciary Funds** – The School District is the trustee, or fiduciary, for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District's government-wide financial statements because the School District cannot use these assets to finance its operations.

Component Unit – As mentioned above, component units are legally separate organizations for which the School District is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit (a) in a single column on the statement of net position and (b) in a single column on the statement of activities.

Financial Analysis of the School District as a Whole

Net Position

The School District's combined net position increased as follows:

**Table A-1
Aberdeen School District
Statement of Net Position**

	Governmental Activities 6/30/2015	Business-Type Activities 6/30/2015	Total 6/30/2015
Current and Other Assets	\$ 34,378,321	\$ 686,585	\$ 35,064,906
Capital Assets	57,631,111	215,587	57,846,698
Total Assets	<u>\$ 92,009,432</u>	<u>\$ 902,172</u>	<u>\$ 92,911,604</u>
Deferred Outflows of Resources	7,494,550	214,646	7,709,196
Total Assets and Deferred Outflows	<u>\$ 99,503,982</u>	<u>\$ 1,116,818</u>	<u>\$ 100,620,800</u>
Long-Term Debt Outstanding	\$ 28,479,624	\$ -	\$ 28,479,624
Other Liabilities	4,132,900	51,492	4,184,392
Total Liabilities	<u>32,612,524</u>	<u>51,492</u>	<u>32,664,016</u>
Deferred Inflows of Resources	19,848,694	279,510	20,128,204
Net Position			
Net investment in capital assets	35,026,111	215,587	35,241,698
Restricted	7,959,657	176,473	8,136,130
Unrestricted	4,056,996	393,756	4,450,752
Total Net Position	<u>47,042,764</u>	<u>785,816</u>	<u>47,828,580</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 99,503,982</u>	<u>\$ 1,116,818</u>	<u>\$ 100,620,800</u>
Beginning Net Position	\$ 39,881,661	\$ 799,313	\$ 40,680,974
Increase in Net Position	7,161,103	(13,497)	7,147,606
Percentage of Increase in Net Position for 2015	<u>18.0%</u>	<u>-1.7%</u>	<u>17.6%</u>

	Governmental Activities 6/30/2014 *	Business-Type Activities 6/30/2014 *	Total 6/30/2014 *
Current and Other Assets	\$ 31,161,845	\$ 447,955	\$ 31,609,800
Capital Assets	53,329,703	241,735	53,571,438
Total Assets	<u>\$ 84,491,548</u>	<u>\$ 689,690</u>	<u>\$ 85,181,238</u>
Long-Term Debt Outstanding	\$ 34,808,151	\$ 1,615	\$ 34,809,766
Other Liabilities	3,394,777	18,354	3,413,131
Total Liabilities	<u>38,202,928</u>	<u>19,969</u>	<u>38,222,897</u>
Deferred Inflows of Resources			
Taxes levied for future period	10,531,539	-	10,531,539
Net Position			
Net investment in capital assets	24,119,703	241,735	24,361,438
Restricted	4,043,564	-	4,043,564
Unrestricted	7,593,814	427,986	8,021,800
Total Net Position	<u>35,757,081</u>	<u>669,721</u>	<u>36,426,802</u>
Total Liabilities and Net Position	<u>\$ 84,491,548</u>	<u>\$ 689,690</u>	<u>\$ 85,181,238</u>
Beginning Net Position	\$ 32,050,298	\$ 662,314	\$ 32,712,612
Increase in Net Position	3,706,783	7,407	3,714,190
Percentage of Increase in Net Position for 2014	<u>11.6%</u>	<u>1.1%</u>	<u>11.4%</u>

* Due to the implementation of GASB 68 in FY 2015, figures may not be comparable to prior years for some areas of the financial statements.

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 School District, consisting of compensated absences payable, early retirement benefits payable, capital outlay certificates payable and general obligation bonds payable, have been reported in this manner on the statement of net position. The difference between the School District's assets and liabilities is its net position.

Changes in Net Position

The School District's total revenues totaled \$43,743,048 (see Table A-2). Approximately 53% of the School District's revenue comes from property and other taxes, with 24% coming from state aid (see Figure A-3).

The School District's total expenses totaled \$36,595,442. The School District's expenses cover a range of services, encompassing instruction, support services and food services. 53% of expenses were spent on instruction and 34% on support services (see Figure A-4).

Figure A-3, Aberdeen School District, Sources of Revenue for Fiscal Year 2014-15

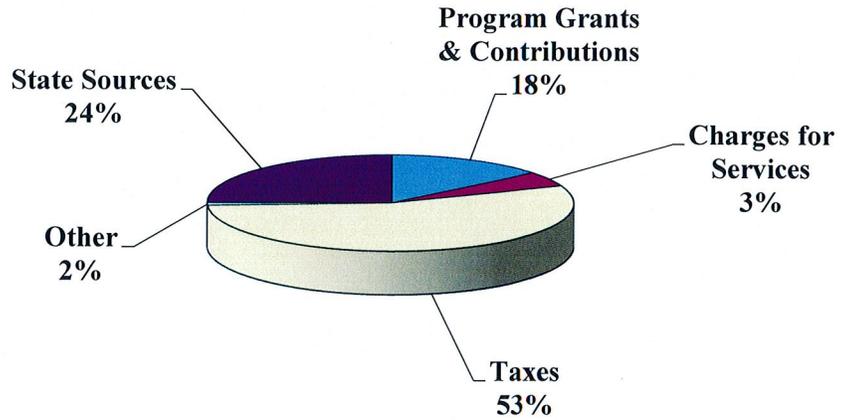
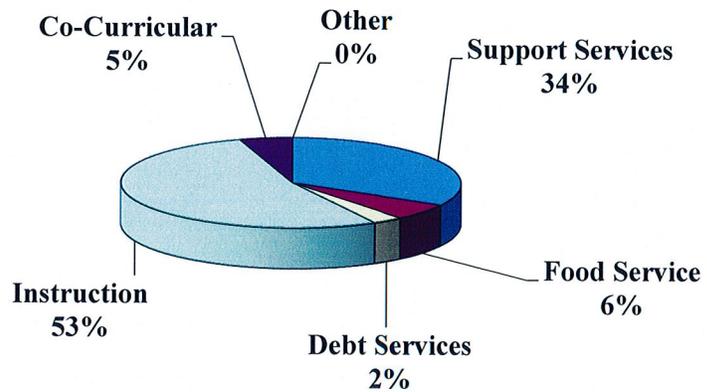


Figure A-4, Aberdeen School District, Functional Expenses for Fiscal Year 2014-15



Governmental Activities

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

	Total Governmental Activities 2014-15	Changes in Net Position Total Business-Type Activities 2014-15	Total 2014-15
Revenues			
Program Revenues:			
Charges for Services	\$ 314,281	\$ 1,170,671	\$ 1,484,952
Operating Grants and Contributions	4,638,275	1,016,456	5,654,731
Capital Grants and Contributions	2,000,000	-	2,000,000
General Revenues:			
Taxes	23,226,191	-	23,226,191
Revenue State Sources	10,569,369	-	10,569,369
Revenue Federal Sources	38,730	-	38,730
Revenue Intermediate Sources	743,726	-	743,726
Unrestricted Investment Earnings	25,349	-	25,349
Total Revenues	41,555,921	2,187,127	43,743,048
Expenses			
Instruction	19,477,263	-	19,477,263
Support Services	12,394,439	-	12,394,439
Community Services	16,916	-	16,916
Debt Service	814,174	-	814,174
Cocurricular Activities	1,692,026	-	1,692,026
Other enterprise fund	-	51,832	51,832
Food Service	-	2,148,792	2,148,792
Total Expenses	34,394,818	2,200,624	36,595,442
Changes in Net Position	7,161,103	(13,497)	7,147,606
Net Position - Beginning	39,881,661	799,313	40,680,974
Net Position, End of Period	\$ 47,042,764	\$ 785,816	\$ 47,828,580

	Total Governmental Activities 2013-14	Changes in Net Position Total Business-Type Activities 2013-14	Total 2013-14
Revenues			
Program Revenues:			
Charges for Services	\$ 490,814	\$ 1,139,029	\$ 1,629,843
Operating Grants and Contributions	4,524,572	1,084,606	5,609,178
General Revenues:			
Taxes	22,119,229	-	22,119,229
Revenue State Sources	10,145,910	-	10,145,910
Revenue Federal Sources	18,318	-	18,318
Revenue Intermediate Sources	418,571	-	418,571
Revenue Local Sources	76,929	-	76,929
Unrestricted Investment Earnings	32,477	-	32,477
Total Revenues	37,826,820	2,223,635	40,050,455
Expenses			
Instruction	19,160,751	-	19,160,751
Support Services	12,167,531	-	12,167,531
Debt Service	1,120,269	-	1,120,269
Cocurricular Activities	1,671,486	-	1,671,486
Other enterprise	-	50,208	50,208
Food Service	-	2,166,020	2,166,020
Total Expenses	34,120,037	2,216,228	36,336,265
Changes in Net Position	3,706,783	7,407	3,714,190
Net Position, Beginning of Period	32,050,298	662,314	32,712,612
Net Position, End of Period	\$ 35,757,081	\$ 669,721	\$ 36,426,802

Revenues of the School District's governmental activities increased by approximately 9.9% to \$41,555,921 and expenses increased by .8% to \$34,394,818. Factors contributing to these results included:

- The increase in revenue was due primarily to increases in taxes and state revenue and a \$2,000,000 capital grant to assist in funding a new career and technical academy on the high school campus.
- The increase in expenditures was from employee costs due to enrollment growth and wage and benefit increases and a decrease in debt service costs of 27% due to bond refundings and lower outstanding debt.

Business-Type Activities

Revenues of the School District's business-type activities decreased by approximately 1.6% to \$2,187,127 and expenses decreased by .7% to \$2,200,624. Factors contributing to these results included:

- The decrease in revenue was due to increases in charges for services and federal reimbursement rates and a significant decrease in donated food (commodities) from the federal government.
- The primary reason for the decrease in expenses was inflationary increases in employee costs and food costs and a significant decrease in donated food costs.

Financial Analysis of the School District's Funds

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$9,794,308, a decrease of \$5,193,781, compared to the prior year. Approximately 99% of this total amount (\$9,716,225) constitutes spendable fund balances, which are available for spending at the School District's discretion. The remainder of the fund balances is nonspendable to indicate that the amounts are not available for new spending because they have already been committed for inventory \$78,083.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,006,372, while total fund balance was \$7,587,151. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29.0% of total general fund expenditures, while total fund balance represents 31.4% of that same amount.

The fund balance of the School District's general fund increased by \$233,260 during the current fiscal year. The School District had budgeted for a decrease in the general fund balance of \$424,167. Key factors in this increase are as follows:

- The actual revenues exceeded budgeted revenues and other financing sources by \$174,559. Budgeted revenues and other financing sources were \$24,259,458 and actual revenues and other financing sources were \$24,434,017.
- The School District expended 98.0% of the 2014-15 general fund budget providing an unexpended budget of \$502,868.

The capital outlay fund had a decrease in fund balance of \$5,535,366. The School District had budgeted for a decrease in the capital outlay fund balance of \$5,813,053. Budgeted revenues exceeded actual revenues by \$34,459 and the School District had an unexpended capital outlay budget of \$312,146. The key factor in the unexpended budget was a lower than expected cost of the annual textbook adoption.

The special education fund had an increase in fund balance of \$33,452. The School District had budgeted for a decrease in the special education fund balance of \$86,000. This is due to budgeted revenues and other financing sources exceeding actual revenue and other financing sources by \$162,520 and the School District expending 95.8% of the special education budget providing an unexpended budget of \$281,972.

The pension fund had an increase in fund balance of \$20,177. The arena fund had an increase in fund balance of \$8,934. The bond redemption fund had an increase in fund balance of \$45,762.

Proprietary Funds

The School District's enterprise fund includes the food service fund and the other enterprise fund. The food service fund showed a decrease in net position of \$17,322. The other enterprise fund showed an increase in net position of \$3,825. The School District's internal service funds saw an increase in net position of \$284,572.

Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Capital Asset Administration

By the end of 2014-15, the School District had invested \$57,846,698 in a broad range of capital assets, including land, buildings, construction in progress and various machinery and equipment (see Table A-3). This amount represents a net increase (including additions and deductions) of \$4,275,260 or 8.0%.

**Table A-3
Aberdeen School District 6-1 Capital Assets**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2014-15	Total % Change 2014-15
	2015	2014	2015	2014		
Land	\$ 531,884	\$ 531,884	\$ -	\$ -	\$ -	N/A
Construction Work in Progress	5,160,957	341,182	-	-	4,819,775	N/A
Buildings	51,171,432	51,589,293	-	-	(417,861)	-0.8%
Machinery and Equipment	766,838	867,344	215,587	241,735	(126,654)	-11.4%
Total Capital Assets	\$ 57,631,111	\$ 53,329,703	\$ 215,587	\$ 241,735	\$ 4,275,260	8.0%

This year's capital asset purchases were primarily the following:

1. The construction of a technology and district warehouse addition to the new maintenance building. The capitalized cost of the addition was \$875,023.
2. The construction of a career and technology academy on the high school campus. Construction work in progress at June 30, 2015 was \$4,703,987.
3. The construction of a 6th elementary school on the east side of Aberdeen. Construction work in progress at June 30, 2015 was \$456,970.

Additional information on the School District's capital assets can be found in Note 3.

Long-Term Debt

At year-end, the School District had \$28,479,624 in long-term debt. This is a decrease of 18.2% as shown on Table A-4 below.

**Table A-4
Aberdeen School District 6-1
Outstanding Debt and Obligations**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2014-15	Total % Change 2014-15
	2015	2014	2015	2014		
General Obligation Bonds	\$ 13,960,000	\$ 15,095,000	\$ -	\$ -	\$ (1,135,000)	-7.5%
Early Retirement	892,515	859,296	-	1,615	31,604	3.7%
Capital Outlay Certificates	12,355,000	17,825,000	-	-	(5,470,000)	-30.7%
OPEB Obligations	1,133,735	905,023	-	-	228,712	25.3%
Compensated Absences	138,374	123,832	-	-	14,542	11.7%
Total Outstanding Debt and Obligations	\$ 28,479,624	\$ 34,808,151	\$ -	\$ 1,615	\$ (6,330,142)	-18.2%

The School District is liable for the accrued vacation leave payable for all full-time twelve (12) month employees.

The School District also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive either 80% or 60% of their last year's salary in equal payments spread over the next six years. This plan allows the School District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

Additional information on the School District's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budgets and Rates

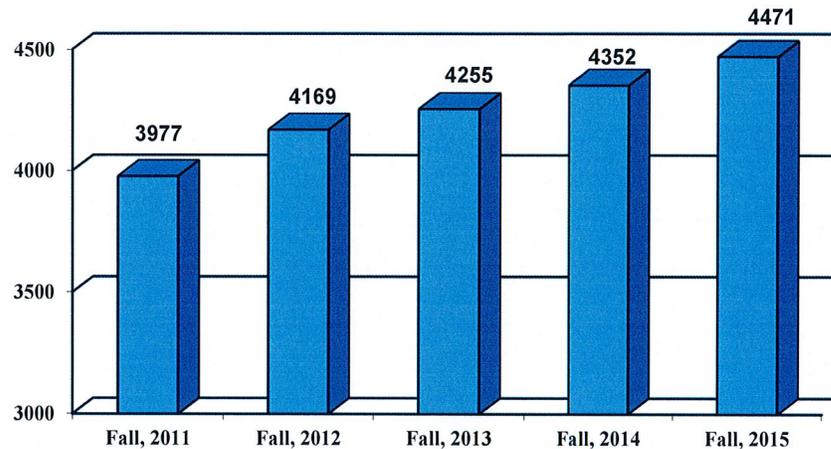
The School District experienced an increase in total property valuation of approximately \$134,775,259 or 7.0% from the prior year.

With the exception of the general fund and special education fund, the increase in property valuation allows the School District the ability to increase the amount of revenue generated from property taxes; however, the total amount which can be levied is limited by the State of South Dakota.

For the general fund, one of the primary sources of revenue to the School District is based on a per-student allocation received from the State of South Dakota. This per-student allocation is based on student average daily membership (ADM) (see Figure A-5) and increases each year by the lesser of the rate of inflation or 3%. The state aid formula for fiscal year 2014-15 ensures that property taxes plus state aid will equal \$4,781.14 per student which is a 3.36% increase from the prior year. The allocation for fiscal year 2015-16 will be \$4,876.76 per student which is a 2.00% increase from the prior year. Since the funding formula was implemented in 1997-98, the annual increases in the allocation have not kept up with the increases in costs of education, primarily salary and benefit increases. The School District has been implementing budget cuts and efficiencies to help cover the gap between State funding and the costs of education. Remaining shortfalls have been paid using cash reserves.

The School District's enrollment for the past four years has been as follows in Figure A-5.

**Figure A-5, Aberdeen School District ADM
For the Last Four Years**



Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Aberdeen School District's Finance Office, 1224 S 3 St, Aberdeen, SD 57401.

The School District's discretely presented component unit issues its own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

Aberdeen School District 6-1
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit Aberdeen Public Schools Foundation, Inc.
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 13,915,291	\$ 340,517	\$ 14,255,808	\$ 279,768
Investments	3,534	-	3,534	652,767
Taxes receivable	11,237,796	-	11,237,796	-
Other receivables	1,462,485	-	1,462,485	-
Inventories	78,083	104,731	182,814	19,392
Net pension asset	7,681,132	241,337	7,922,469	-
Capital assets				
Land, improvements and construction in progress	5,692,841	-	5,692,841	-
Other capital assets, net of depreciation	51,938,270	215,587	52,153,857	-
	<u>92,009,432</u>	<u>902,172</u>	<u>92,911,604</u>	<u>951,927</u>
Deferred Outflows of Resources				
Pension related deferred outflows	6,831,616	214,646	7,046,262	-
Other deferred outflows of resources	662,934	-	662,934	-
	<u>7,494,550</u>	<u>214,646</u>	<u>7,709,196</u>	<u>-</u>
	<u>\$ 99,503,982</u>	<u>\$ 1,116,818</u>	<u>\$ 100,620,800</u>	<u>\$ 951,927</u>
Liabilities				
Accounts payable	\$ 1,021,882	\$ 3,713	\$ 1,025,595	\$ -
Other current liabilities	3,111,018	47,779	3,158,797	40,078
Noncurrent liabilities:				
Due within one year	3,022,437	-	3,022,437	-
Due in more than one year	25,457,187	-	25,457,187	-
Total liabilities	<u>32,612,524</u>	<u>51,492</u>	<u>32,664,016</u>	<u>40,078</u>
Deferred Inflows of Resources				
Pension related deferred inflows	8,896,045	279,510	9,175,555	-
Taxes levied for future period	10,952,649	-	10,952,649	-
	<u>19,848,694</u>	<u>279,510</u>	<u>20,128,204</u>	<u>-</u>
Net Position				
Net investment in capital assets	35,026,111	215,587	35,241,698	-
Restricted for:				
Capital Outlay	627,792	-	627,792	-
Special Education	453,567	-	453,567	-
Pension	185,099	-	185,099	-
Pension Benefit	5,616,703	176,473	5,793,176	-
Arena	46,334	-	46,334	-
Bond Redemption	1,030,162	-	1,030,162	-
Foundation	-	-	-	650,435
Unrestricted	4,056,996	393,756	4,450,752	261,414
Total net position	<u>47,042,764</u>	<u>785,816</u>	<u>47,828,580</u>	<u>911,849</u>
	<u>\$ 99,503,982</u>	<u>\$ 1,116,818</u>	<u>\$ 100,620,800</u>	<u>\$ 951,927</u>

Aberdeen School District 6-1
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Aberdeen Public Schools Foundation, Inc.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 19,477,263	\$ 44,095	\$ 4,422,400	\$ 2,000,000	\$ (13,010,768)	\$ -	\$ (13,010,768)	\$ -
Support services	12,394,439	176,191	-	-	(12,218,248)	-	(12,218,248)	-
Community services	16,916	-	-	-	(16,916)	-	(16,916)	-
*Interest on long-term debt	814,174	-	-	-	(814,174)	-	(814,174)	-
Cocurricular activities	1,692,026	93,995	215,875	-	(1,382,156)	-	(1,382,156)	-
Total governmental activities	34,394,818	314,281	4,638,275	2,000,000	(27,442,262)	-	(27,442,262)	-
Business-type activities:								
Food service	2,148,792	1,115,014	1,016,456	-	-	(17,322)	(17,322)	-
Other enterprise	51,832	55,657	-	-	-	3,825	3,825	-
Total business-type activities	2,200,624	1,170,671	1,016,456	-	-	(13,497)	(13,497)	-
Total primary government	\$ 36,595,442	\$ 1,484,952	\$ 5,654,731	\$ 2,000,000	(27,442,262)	(13,497)	(27,455,759)	-
Component Unit	\$ 205,240	\$ 148,791	\$ 110,298					53,849
General Revenues								
Taxes:								
Property taxes					22,405,499	-	22,405,499	-
Gross receipts tax					820,692	-	820,692	-
Revenue from state sources:								
State aid					10,569,369	-	10,569,369	-
Revenue from federal sources					38,730	-	38,730	-
Unrestricted investment earnings					25,349	-	25,349	1,026
Other general revenues					743,726	-	743,726	-
Total general revenues					34,603,365	-	34,603,365	1,026
Change in Net Position					7,161,103	(13,497)	7,147,606	54,875
Net Position - Beginning, as Previously Stated					35,757,081	669,721	36,426,802	856,974
Adjustments:								
Change in reporting, GASB 68 (see Note 12)					4,124,580	129,592	4,254,172	-
Net Position - Beginning, as Restated					39,881,661	799,313	40,680,974	856,974
Net Position - Ending					\$ 47,042,764	\$ 785,816	\$ 47,828,580	\$ 911,849

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

Aberdeen School District 6-1
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Assets							
101 Cash and cash equivalents	\$ 8,551,532	\$ 1,362,289	\$ 876,948	\$ 177,978	\$ 46,334	\$ 1,008,707	\$ 12,023,788
180 Investments	3,534	-	-	-	-	-	3,534
110 Taxes receivable - current	5,486,539	2,897,743	1,489,441	289,773	-	789,153	10,952,649
112 Taxes receivable - delinquent	149,350	71,211	36,010	7,121	-	21,455	285,147
120 Accounts receivable	14,147	-	-	-	-	-	14,147
124 Due from component units	40,078	-	-	-	-	-	40,078
132 Due from other fund	131,739	-	-	-	-	-	131,739
140 Due from other government	1,036,324	9,000	228,180	-	-	-	1,273,504
162 Interest receivable on investments and deposits	3,017	-	-	-	-	-	3,017
170 Inventory of supplies	78,083	-	-	-	-	-	78,083
	<u>\$ 15,494,343</u>	<u>\$ 4,340,243</u>	<u>\$ 2,630,579</u>	<u>\$ 474,872</u>	<u>\$ 46,334</u>	<u>\$ 1,819,315</u>	<u>\$ 24,805,686</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
402 Accounts payable	\$ 296,955	\$ 602,092	\$ 103,658	\$ -	\$ -	\$ -	\$ 1,002,705
403 Accrued salaries payable	111,749	-	53,893	-	-	-	165,642
404 Contracts payable	1,448,031	-	411,654	-	-	-	1,859,685
406 Retainage payable	14,254	212,616	-	-	-	-	226,870
450 Payroll deductions and withholdings and employer matching payable	400,314	-	118,366	-	-	-	518,680
Total liabilities	<u>2,271,303</u>	<u>814,708</u>	<u>687,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,773,582</u>
Deferred Inflows of Resources							
551 Taxes levied for future period	5,486,539	2,897,743	1,489,441	289,773	-	789,153	10,952,649
551 Unavailable revenue-delinquent property taxes	149,350	71,211	36,010	7,121	-	21,455	285,147
Total deferred inflows of resources	<u>5,635,889</u>	<u>2,968,954</u>	<u>1,525,451</u>	<u>296,894</u>	<u>-</u>	<u>810,608</u>	<u>11,237,796</u>
Fund Balances							
710 Nonspendable for:							
Inventory	78,083	-	-	-	-	-	78,083
720 Restricted for:							
Capital Outlay	-	556,581	-	-	-	-	556,581
Special Education	-	-	417,557	-	-	-	417,557
Pension	-	-	-	177,978	-	-	177,978
Arena	-	-	-	-	46,334	-	46,334
Bond Redemption	-	-	-	-	-	1,008,707	1,008,707
750 Assigned to:							
Next year's budget	502,696	-	-	-	-	-	502,696
760 Unassigned	7,006,372	-	-	-	-	-	7,006,372
Total fund balances	<u>7,587,151</u>	<u>556,581</u>	<u>417,557</u>	<u>177,978</u>	<u>46,334</u>	<u>1,008,707</u>	<u>9,794,308</u>
	<u>\$ 15,494,343</u>	<u>\$ 4,340,243</u>	<u>\$ 2,630,579</u>	<u>\$ 474,872</u>	<u>\$ 46,334</u>	<u>\$ 1,819,315</u>	<u>\$ 24,805,686</u>

Aberdeen School District 6-1
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2015

Total Fund Balances - Governmental Funds	\$ 9,794,308
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 \$77,667,398 and the accumulated depreciation is \$20,036,287.	57,631,111
Long-term liabilities, including bonds payable, OPEB liabilities, and accrued leave payable are not due and payables in the current period and; therefore, are not reported in the funds. The cost of the liabilities is \$28,479,624 less the cost of deferred charges of \$662,934.	(27,816,690)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and; therefore, are deferred in the funds.	285,147
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	1,616,326
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(84,141)
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and; therefore, are not reported in the funds.	<u>5,616,703</u>
Net Position - Governmental Funds	<u><u>\$ 47,042,764</u></u>

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes:							
1110 Ad valorem taxes	\$ 11,060,321	\$ 5,792,330	\$ 3,027,798	\$ 579,234	\$ -	\$ 1,620,894	\$ 22,080,577
1120 Prior year's ad valorem taxes	128,516	52,178	26,155	5,219	-	15,917	227,985
1140 Gross receipts taxes	820,692	-	-	-	-	-	820,692
1190 Penalties and interest on taxes	26,192	14,337	7,230	1,435	-	4,404	53,598
1300 Tuition and fees:							
1310 Regular day school tuition	845	-	43,250	-	-	-	44,095
1500 Earnings on investments and deposits	10,757	14,592	-	-	-	-	25,349
1700 Cocurricular activities:							
1710 Admissions	85,061	-	-	-	8,934	-	93,995
1900 Other revenue from local sources:							
1910 Rentals	8,897	-	-	-	-	-	8,897
1920 Contributions and donations	100,875	155,000	-	-	-	-	255,875
1970 Charges for service	95,687	-	71,607	-	-	-	167,294
1990 Other	50,850	-	-	-	-	-	50,850
2000 Revenue from intermediate sources							
2100 County sources:							
2110 County apportionment	341,185	-	-	-	-	-	341,185
2200 Revenue in lieu of taxes	14,132	-	-	-	-	-	14,132
3000 Revenue from state sources							
3100 Grants-in-aid:							
3110 Unrestricted grants-in-aid	10,569,369	-	-	-	-	-	10,569,369
3120 Restricted grants-in-aid	-	-	2,288,414	-	-	-	2,288,414
3129 Future fund grant	-	2,000,000	-	-	-	-	2,000,000
3300 Tuition:							
3320 Regular	70,573	-	-	-	-	-	70,573
4000 Revenue from federal sources							
4100 Grants-in-aid:							
4140 Restricted grants-in-aid received directly from federal government	68,752	-	-	-	-	-	68,752
4150-4199 Restricted grants-in-aid received from federal government through the state	940,374	-	1,014,287	-	-	-	1,954,661
4400 Johnson O'Malley funds	38,730	-	-	-	-	-	38,730
4900 Other Federal revenue	2,209	10,900	-	-	-	-	13,109
Total revenues	<u>24,434,017</u>	<u>8,039,337</u>	<u>6,478,741</u>	<u>585,888</u>	<u>8,934</u>	<u>1,641,215</u>	<u>41,188,132</u>

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs:							
1110 Elementary schools	6,177,183	5,094	-	122,620	-	-	6,304,897
1120 Middle/junior high schools	3,057,124	15,674	-	54,460	-	-	3,127,258
1130 High school	4,138,588	208,020	-	62,467	-	-	4,409,075
1200 Special programs:							
1220 Programs for special education	-	-	4,132,397	-	-	-	4,132,397
1250 Culturally different	267,099	-	-	4,011	-	-	271,110
1270 Educationally deprived	624,239	-	-	-	-	-	624,239
2000 Support services							
2100 Pupils:							
2120 Guidance	655,103	-	-	12,001	-	-	667,104
2130 Health	173,641	-	154,902	2,067	-	-	330,610
2140 Psychological	-	-	494,899	-	-	-	494,899
2150 Speech pathology	-	-	670,404	-	-	-	670,404
2170 Student therapy services	-	-	405,251	-	-	-	405,251
2200 Support services - instructional staff:							
2210 Improvement of instruction	235,793	323,121	26,182	3,489	-	-	588,585
2220 Educational media	1,405,375	65,135	-	14,994	-	-	1,485,504
2300 Support services - general administration:							
2310 Board of education	121,913	-	-	-	-	-	121,913
2320 Executive administration	223,434	-	-	4,266	-	-	227,700
2400 Support services - school administration:							
2410 Office of the principal	1,666,134	-	-	29,959	-	-	1,696,093
2440 Title I program administration	13,317	-	-	-	-	-	13,317
2500 Support services - business:							
2520 Fiscal services	347,556	21,220	-	6,014	-	-	374,790
2540 Operation and maintenance of plant	3,177,258	1,055,808	-	28,886	-	-	4,261,952
2550 Pupil transportation	156,299	138,612	-	-	-	-	294,911
2560 Food services	-	11,392	-	-	-	-	11,392
2570 Internal services	94,065	22,637	-	1,099	-	-	117,801
2600 Support services - central:							
2640 Staff	225,076	-	-	3,493	-	-	228,569

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
2700 Support services - special education:							
2710 Administrative costs	-	-	174,808	-	-	-	174,808
2730 Transportation costs	-	-	278,069	-	-	-	278,069
2750 Other special education costs	-	-	93,134	-	-	-	93,134
3000 Community services							
3700 Nonpublic School	16,916	-	-	-	-	-	16,916
4000 Nonprogrammed charges							
4500 Early retirement payments	-	-	15,243	199,711	-	-	214,954
5000 Debt services	-	5,890,769	-	-	-	1,595,453	7,486,222
6000 Cocurricular activities							
6100 Male activities	414,066	-	-	4,642	-	-	418,708
6200 Female activities	388,793	-	-	4,288	-	-	393,081
6900 Combined activities	621,785	46,386	-	7,244	-	-	675,415
7500 Capital outlay	-	5,770,835	-	-	-	-	5,770,835
Total expenditures	<u>24,200,757</u>	<u>13,574,703</u>	<u>6,445,289</u>	<u>565,711</u>	<u>-</u>	<u>1,595,453</u>	<u>46,381,913</u>
Net Change in Fund Balances	233,260	(5,535,366)	33,452	20,177	8,934	45,762	(5,193,781)
Fund Balance - Beginning	<u>7,353,891</u>	<u>6,091,947</u>	<u>384,105</u>	<u>157,801</u>	<u>37,400</u>	<u>962,945</u>	<u>14,988,089</u>
Fund Balance - Ending	<u>\$ 7,587,151</u>	<u>\$ 556,581</u>	<u>\$ 417,557</u>	<u>\$ 177,978</u>	<u>\$ 46,334</u>	<u>\$ 1,008,707</u>	<u>\$ 9,794,308</u>

Net Change in Fund Balances - Total Governmental Funds	\$ (5,193,781)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$5,770,835) exceeded depreciation (\$1,469,427) in the current period.	4,301,408
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,135,000
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement earned during the period exceeded the amount paid by \$33,219	(33,219)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statement differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	43,339
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(14,542)
Repayment of capital outlay certificate principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	5,470,000
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	8,533

Aberdeen School District 6-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2015

Deferred charges from refunding bonds are not recorded on the fund statements. The annual amortization of these deferred charges are reported as deferred charges and reported as interest expense in the statement of activities.	(103,618)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expense of the internal service is reported with governmental activities.	284,572
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability from one year to the next.	(228,712)
Revenues and reductions of expenses related to pensions do not provide current financial resources and therefore are not reported in the funds.	<u>1,492,123</u>
Change in Net Position of Governmental Activities	<u><u>\$ 7,161,103</u></u>

Aberdeen School District 6-1
Statement of Net Position – Proprietary Funds
June 30, 2015

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 321,728	\$ 18,789	\$ 340,517	\$ 1,891,503
170 Inventory of supplies	16,341	-	16,341	-
171 Inventory of stores purchased for resale	29,391	-	29,391	-
172 Inventory of donated food	58,999	-	58,999	-
Total current assets	<u>426,459</u>	<u>18,789</u>	<u>445,248</u>	<u>1,891,503</u>
Noncurrent assets				
196 Net pension asset	233,253	8,084	241,337	-
Capital assets				
204 Machinery and equipment - local funds	593,373	-	593,373	-
Less accumulated depreciation	<u>(377,786)</u>	<u>-</u>	<u>(377,786)</u>	<u>-</u>
Total noncurrent assets	<u>448,840</u>	<u>8,084</u>	<u>456,924</u>	<u>-</u>
Deferred outflows of Resources				
252 Pension related deferred outflows	<u>207,456</u>	<u>7,190</u>	<u>214,646</u>	<u>-</u>
	<u>\$ 1,082,755</u>	<u>\$ 34,063</u>	<u>\$ 1,116,818</u>	<u>\$ 1,891,503</u>
Liabilities and Net Position				
Liabilities				
400 Current liabilities:				
402 Accounts payable	\$ 1,906	\$ 1,807	\$ 3,713	\$ 19,177
403 Accrued salaries payable	2,835	6,312	9,147	-
409 Incurred but not reported claims	-	-	-	256,000
410 Due to other funds	<u>38,632</u>	<u>-</u>	<u>38,632</u>	<u>-</u>
Total current liabilities	<u>43,373</u>	<u>8,119</u>	<u>51,492</u>	<u>275,177</u>
Deferred Inflows of Resources				
554 Pension related deferred inflows	<u>270,147</u>	<u>9,363</u>	<u>279,510</u>	<u>-</u>
706 Net investment in capital assets	215,587	-	215,587	-
707.2 Restricted for pension benefits	170,562	5,911	176,473	-
708 Unrestricted net position	<u>383,086</u>	<u>10,670</u>	<u>393,756</u>	<u>1,616,326</u>
Total net position	<u>769,235</u>	<u>16,581</u>	<u>785,816</u>	<u>1,616,326</u>
	<u>\$ 1,082,755</u>	<u>\$ 34,063</u>	<u>\$ 1,116,818</u>	<u>\$ 1,891,503</u>

Aberdeen School District 6-1
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Operating Revenues				
Sales				
1610 To pupils	\$ 840,178	\$ -	\$ 840,178	\$ -
1620 To adults	9,577	-	9,577	-
1660 Other	255,406	-	255,406	-
1970 Self-insurance premiums	-	-	-	3,966,961
1979 Other charges for services	-	55,316	55,316	46,318
2500 Pension revenue	9,853	341	10,194	-
Total operating revenues	<u>1,115,014</u>	<u>55,657</u>	<u>1,170,671</u>	<u>4,013,279</u>
Operating Expenses				
100 Salaries	636,145	42,798	678,943	-
200 Employee benefits	282,024	6,077	288,101	-
300 Purchased services	43,805	688	44,493	-
400 Supplies	24,529	2,269	26,798	-
461 Cost of sales - purchased food	1,014,054	-	1,014,054	-
462 Cost of sales - donated food	121,968	-	121,968	-
690 Miscellaneous	119	-	119	-
910 Depreciation - local funds	26,148	-	26,148	-
4620 Self-insurance costs	-	-	-	3,728,707
Total operating expenses	<u>2,148,792</u>	<u>51,832</u>	<u>2,200,624</u>	<u>3,728,707</u>
Operating Income (Loss)	<u>(1,033,778)</u>	<u>3,825</u>	<u>(1,029,953)</u>	<u>284,572</u>
Nonoperating Revenue (Expense)				
State sources:				
3810 Cash reimbursements	11,910	-	11,910	-
Federal sources:				
4810 Cash reimbursements	862,130	-	862,130	-
4820 Donated food	142,416	-	142,416	-
Total nonoperating revenue	<u>1,016,456</u>	<u>-</u>	<u>1,016,456</u>	<u>-</u>
Change in Net Position	<u>(17,322)</u>	<u>3,825</u>	<u>(13,497)</u>	<u>284,572</u>
Net Position - as Previously Stated	661,306	8,415	669,721	1,331,754
Change in Reporting, GASB 68 (See Note 12)	<u>125,251</u>	<u>4,341</u>	<u>129,592</u>	<u>-</u>
Net Position - Beginning, as restated	<u>786,557</u>	<u>12,756</u>	<u>799,313</u>	<u>1,331,754</u>
Net Position - Ending	<u>\$ 769,235</u>	<u>\$ 16,581</u>	<u>\$ 785,816</u>	<u>\$ 1,616,326</u>

Aberdeen School District 6-1
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Totals	
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 1,105,161	\$ 55,316	\$ 1,160,477	\$ -
Cash receipts from interfund services provided	-	-	-	4,013,279
Payments to employees	(922,220)	(49,987)	(972,207)	-
Payments to suppliers	(1,080,497)	(2,957)	(1,083,454)	-
Claims paid	-	-	-	(3,672,864)
Net Cash from (used for) Operating Activities	<u>(897,556)</u>	<u>2,372</u>	<u>(895,184)</u>	<u>340,415</u>
Cash Flows from Noncapital Financing Activities				
Operating subsidies	874,040	-	874,040	-
Net Cash from Noncapital Financing Activities	<u>874,040</u>	<u>-</u>	<u>874,040</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(23,516)	2,372	(21,144)	340,415
Cash and Cash Equivalents Beginning of Year	345,244	16,417	361,661	1,551,088
Cash and Cash Equivalents End of Year	<u>\$ 321,728</u>	<u>\$ 18,789</u>	<u>\$ 340,517</u>	<u>\$ 1,891,503</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income (loss)	\$ (1,033,778)	\$ 3,825	\$ (1,029,953)	\$ 284,572
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation expense	26,148	-	26,148	-
Value of donated commodities used	121,968	-	121,968	-
Change in assets and liabilities:				
Inventories	2,010	-	2,010	-
Accounts receivables	-	-	-	51,666
Pension asset and deferred outflows	(315,457)	(10,933)	(326,390)	-
Accounts and other payables	35,591	352	35,943	4,177
Accrued wages payable	(2,570)	(235)	(2,805)	-
Accrued Leave Payable	(1,615)	-	(1,615)	-
Pension deferred inflows	270,147	9,363	279,510	-
Net Cash from (used for) Operating Activities	<u>\$ (897,556)</u>	<u>\$ 2,372</u>	<u>\$ (895,184)</u>	<u>\$ 340,415</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 142,416	\$ -	\$ 142,416	\$ -

Aberdeen School District 6-1
Statement of Fiduciary Net Position
June 30, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 470,826
Due from general fund	<u>9,948</u>
	<u>\$ 480,774</u>
 Liabilities and Net Position	
Liabilities	
Amounts held for others	<u>\$ 480,774</u>

Note 1 - Summary of Significant Accounting Policies

The Aberdeen School District 6-1's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The reporting entity of the Aberdeen School District 6-1 (the School District) 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); its discretely presented component unit; and those organizations for which the primary government is financially accountable.

Discretely presented component units are entities that are legally separate from the School District for which the School District is considered to be financially accountable or for which the nature and significance of the relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Aberdeen Public Schools Foundation, Inc. meets this definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize its legal separateness from the School District. Separate financial statements are available for the component unit. The financial statements are available upon request from the School District.

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.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

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

The statement of activities presents a comparison between direct expenses and program revenues for 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 recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the School District 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, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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 are described below within their respective fund types.

Governmental Funds

General Fund: The general fund is the general operating fund of the School District. It is used to account for all financial resources of the general government except those required to be accounted for in another 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. The capital outlay, special education, pension and arena funds are the special revenue funds, maintained by the School District.

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.

Proprietary Funds

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The enterprise fund is used to account for the operations of the food service program for the students and faculty of the School District, financed primarily through meal sales and federal reimbursement. The other enterprise fund is used to account for the operations of the other enterprise functions such as driver's education, child care, and ACT test preparation. It is financed primarily through tuition charges to the families of the children participating in these classes.

Internal Service Funds: Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The self-insurance fund and the unemployment fund are the internal funds maintained by the School District with the primary purpose of the funds to account for self-funded health and unemployment insurance.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund: The student activity fund is used to account for student funds generated within the various schools by the students or other School District organizations. The School District holds the student activity fund’s assets in a custodial capacity. Agency funds are accounted for using the accrual basis of accounting. Because agency funds are custodial in nature, they do not measure results of operations or have a measurement focus.

The School District reports the following major funds:

<u>Funds</u>	<u>Brief Description</u>
General Fund	See above description
Special Revenue Funds:	
Special Education Fund	A fund established by South Dakota Codified Law (SDCL) 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes.
Capital Outlay Fund	A fund established by SDCL 13-16-6 to meet expenditures that result in the acquisition of or additions to real property, plant, or equipment. This fund is financed by property taxes.
Pension Fund	A fund established by SDCL 13-10-6 for the purpose of continuing a fund for the payment of pensions to retired employees of school districts, which have established such systems. This fund is financed by property taxes.
Arena Fund	A fund established by SDCL 6-4-1 to provide funding for improvements at the Central High School arena and theater. This fund is financed by 10% of the admission revenues at events held in these facilities.
Debt Service Fund:	
Bond Redemption Fund	A fund established by SDCL 13-16-13 to account for the payment of principal and interest on all bonded indebtedness. This fund is financed by property taxes.
Enterprise Fund:	
Food Service Fund	A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants.
Other Enterprise Fund	A fund used to record financial transactions related to other enterprise fund operations. This fund is financed by user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources, measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 bills of the current period. The accrual period does not exceed one bill paying cycle, which for the School District is 60 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the School District funds certain grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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" 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 respective funds so that expenses are reported only in the function to which they relate.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The School District follows the practice of aggregating some of 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 deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

Deposits are reported at cost plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the general fund or the fund making the investments. The School District’s policy is to credit income from pooled accounts to the general fund and interest on accounts held solely by one fund to the fund making the investment.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned. The School District’s deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized. All financial institutions which hold the School District’s deposits, pledges securities in the amount over \$250,000 for all public School District funds. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2015 all of the School District's deposits were covered by insurance or collateral in accordance with the deposit policy.

The actual bank balances at June 30, 2015 were as follows:

	Book Balance
Insured (FDIC/NCUA)	\$ 1,000,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	14,309,294
	\$ 15,309,294
 The School District's carrying amount of deposits at June 30, 2015	 \$ 14,726,634
 Reconciliation of deposits to government-wide statement of net assets:	
Cash and cash equivalents	\$ 14,255,808
Add: Agency fund cash (not included in government-wide statement of net assets)	470,826
 Total reconciled deposits	 \$ 14,726,634

Investments: In general, SDCL 4-5-6 permits School District 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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial risk. All of the School District investments are held in book entry form with Investment Centers of America.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The School District has a formal investment policy that limits investment maturities to a maximum of 5 years. The School District invests in mortgage pass-through securities issued by Federal Home Loan Mortgage Corporation. Because prepayments of mortgages underlying these securities affect the principal and interest payments, these securities are considered highly sensitive to interest rate risk.

The investments at June 30, 2015 were as follows:

	Credit Rating	Maturities		Fair Value
		1 to 5 Years	Greater Than 5 Years	
Federal Home Loan Mortgage Corporation	AAA	\$ 3,534	\$ -	\$ 3,534

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. It is the investment policy of the School District to limit the purchase of investments of direct U.S. Government obligations and U.S. Government and Federal Agency issues.

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

Receivables

Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

All accounts and property tax receivables are shown net of an allowance for uncollectibles of zero. No valuation allowance has been established based upon the School District’s estimate that uncollectible receivables, if any, would be immaterial.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. 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. Current year property taxes receivable which is not available as a resource that can be used to finance the current year’s appropriations and; therefore, are not susceptible to accrual have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

Inventory

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute “available spendable resources” even though they are a component of net current assets. Inventories purchased by the food service fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA’s assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

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 where 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.

Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 10% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2015 balance of capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land**	Any Amount	**	**
Buildings	\$ 5,000	Straight-Line	10-50 years
Equipment	5,000	Straight-Line	3-20 years

***Land, an inexhaustible capital asset, 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.

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 consist primarily of compensated absences, early retirement benefits payable, general obligation bonds, and capital outlay certificates payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

Cash Flows

The School District pools some of its cash resources for depositing and investing purposes. The School District has access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

Program Revenues

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

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.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance as follows:

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

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 grant agreements requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Pension Fund	Property taxes
Arena Fund	Cocurricular admissions

Rounding

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension revenue/expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 12 and the additional disclosures required by these standards are included in Note 11.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has three items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability not included in pension expense reported in the government-wide statement of net position, and deferred charges relating to debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset (liability) not included in pension expense reported in the government-wide statement of net position.

Note 2 - Due from Other Governments

As of June 30, 2015, amounts due from other governments are as follows:

General Fund	
Due from state sources	\$ 583,132
Due from county sources	443,404
Due from other schools	9,788
Capital Outlay Fund	
Due from state sources	9,000
Special Education	
Due from federal sources	228,180
Total due from other government	\$ 1,273,504

Note 3 - Changes in Capital Assets

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

Primary Government	Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 531,884	\$ -	\$ -	\$ 531,884
Construction work in process	341,182	5,694,798	875,023	5,160,957
Total not being depreciated	873,066	5,694,798	875,023	5,692,841
Capital assets, being depreciated:				
Buildings	68,685,740	875,023	-	69,560,763
Machinery and equipment	2,342,988	76,037	5,231	2,413,794
Total being depreciated	71,028,728	951,060	5,231	71,974,557
Less accumulated depreciation for:				
Buildings	17,096,447	1,292,884	-	18,389,331
Machinery and equipment	1,475,644	176,543	5,231	1,646,956
Total accumulated depreciation	18,572,091	1,469,427	5,231	20,036,287
Total capital assets being depreciated, net	52,456,637	(518,367)	-	51,938,270
Governmental activity capital assets, net	\$ 53,329,703	\$ 5,176,431	\$ 875,023	\$ 57,631,111
Governmental activities:				
Instruction				\$ 1,083,400
Support services				140,066
Co-curricular activities				245,961
Total depreciation expense - governmental activities				\$ 1,469,427

Construction work in progress at June 30, 2015 is composed of the following:

	Project Authorization	Expended Through June 30, 2015	Committed	Required Future Financing
New School	\$ 7,725,000	\$ 456,970	\$ 7,268,030	\$ -
A TEC Building	4,855,018	4,703,987	151,031	-

<u>Business-Type Activities</u>	<u>Balance 06/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/15</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 593,373	\$ -	\$ -	\$ 593,373
Total being depreciated	593,373	-	-	593,373
Total accumulated depreciation	351,638	26,148	-	377,786
Total capital assets being depreciated, net	241,735	(26,148)	-	215,587
Business-type activity capital assets, net	<u>\$ 241,735</u>	<u>\$ (26,148)</u>	<u>\$ -</u>	<u>\$ 215,587</u>
Business-type activities:				
Food service				\$ 26,148
Total depreciation expense - business-type activities				<u>\$ 26,148</u>

Note 4 - Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Amounts Outstanding 6/30/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Refunded</u>	<u>Amounts Outstanding 6/30/2015</u>	<u>Due in One Year</u>
Governmental activities:						
General obligation bonds	\$ 15,095,000	\$ -	\$ (1,135,000)	\$ -	\$ 13,960,000	\$ 1,345,000
Capital outlay certificates	17,825,000	-	(5,470,000)	-	12,355,000	1,290,000
Early retirement	859,296	248,173	(214,954)	-	892,515	249,063
OPEB obligation	905,023	228,712	-	-	1,133,735	-
Compensated absences	123,832	176,675	(162,133)	-	138,374	138,374
	<u>\$ 34,808,151</u>	<u>\$ 653,560</u>	<u>\$ (6,982,087)</u>	<u>\$ -</u>	<u>\$ 28,479,624</u>	<u>\$ 3,022,437</u>
Business-type activities:						
Early retirement	\$ 1,615	\$ -	\$ (1,615)	\$ -	\$ -	\$ -

No anticipated reduction in compensated absences is foreseen for next year, continued minor growth should be seen for governmental and business-type activities. 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 general fund, special education fund, and the pension fund. See Note 7 for further discussion of the OPEB liability.

A summary of deferred charges on various bond refundings as of June 30, 2015, follows:

	<u>Original Cost</u>	<u>2015 Amortization</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
2006 Refunding Deferred charges	\$ 434,382	\$ 21,719	\$ 195,471	\$ 238,911
2010 Refunding Deferred charges	118,791	7,424	29,696	89,095
2012 Refunding Deferred charges	123,423	12,342	37,026	86,397
2013 Refunding Deferred charges	<u>372,797</u>	<u>62,133</u>	<u>124,266</u>	<u>248,531</u>
	<u>\$ 1,049,393</u>	<u>\$ 103,618</u>	<u>\$ 386,459</u>	<u>\$ 662,934</u>

Debt payable at June 30, 2015 is comprised of the following individual issues:

General Obligation Bonds

General obligation certificates, series 2009A (QSCB), subject to semi-annual sinking fund requirements in June and December beginning June 16, 2010, with final installment due December 16, 2024, interest rate of 2%, paid from the capital outlay fund. \$ 1,865,000

General Obligation Refunding Bonds

General obligation refunding bonds, series 2013, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2015, with final installment due January 1, 2020; interest rates range from .6% to 2.25%, paid from the debt service fund. 5,805,000

General obligation refunding bonds, series 2006, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2006, with final installment due January 1, 2026; interest rates range from 4% to 4.5%, paid from the debt service fund. 8,155,000

Capital Outlay Certificates

Capital outlay certificates, series 2011, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2011, with final installment due January 15, 2018, interest rate ranges from 0.55% to 2.45%, paid from the capital outlay fund. 1,380,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2010, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2011, with final installment due January 15, 2027, interest rate range from 0.75% to 3.45%, paid from the capital outlay fund. 5,220,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2012, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2012, with final installment due January 15, 2023, interest rate range from 0.75% to 2.20%, paid from the capital outlay fund. 3,890,000

Early Retirement

Requires annual payments of not more than \$182,333 from special education fund and pension fund; final payment July 2021. 892,515

\$ 27,207,515

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2015, excluding compensated absences, but including sinking fund installments, are as follows:

Year Ending June 30,	General Obligation Bonds		C.O. Certificates		Early Retirement	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$ 1,345,000	\$ 487,155	\$ 1,290,000	\$ 236,374	\$ 249,063	\$ 2,884,063	\$ 723,529
2017	1,360,000	469,444	1,315,000	216,579	220,080	2,895,080	686,023
2018	1,385,000	447,014	1,335,000	193,074	177,120	2,897,120	640,088
2019	1,410,000	420,306	880,000	165,751	128,723	2,418,723	586,057
2020	1,410,000	389,894	895,000	147,800	76,166	2,381,166	537,694
2021-2025	7,330,000	1,195,000	3,765,000	420,231	41,362	11,136,362	1,615,231
2026-2030	1,585,000	35,663	1,010,000	43,615	-	2,595,000	79,278
	<u>\$ 15,825,000</u>	<u>\$ 3,444,476</u>	<u>\$ 10,490,000</u>	<u>\$ 1,423,424</u>	<u>\$ 892,514</u>	<u>\$ 27,207,514</u>	<u>\$ 4,867,900</u>

Note 5 - Leases

The School District leases several copier machines with varying payments from \$229 to \$890 per month. These leases have varying termination dates ranging from October 2014 to September 2015. All items are paid from the capital outlay fund.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>Amount</u>
2016	<u>\$ 1,214</u>

Note 6 - Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 627,792
Special Education	Law	453,567
Pension	Law	185,099
Pension benefits	Law	5,793,176
Arena	Law	46,334
Bond Redemption	Law	1,030,162
Total restricted net position		<u><u>\$ 8,136,130</u></u>

Note 7 - Early Retirement

Each employee who accepts retirement after the age of 55 and prior to the age of 63 with at least 20 years of service in the School District will receive incentive pay equal to 80% of their current annual salary for employees with 30 or more years of service, and 60% of their current annual salary for employees with 20 to 29 years of service, paid out in 6 equal, annual installments. The liability is recorded based upon the specified annual payments that are due and have not been discounted as the School District has determined the discount to not be material.

As permitted by South Dakota State statutes, the School District allows retirees to continue to participate in the School District's group health plan upon retirement if they have: 1) contributed 15 years of service to the School District, and 2) reached the age of 55. Retirees will not be able to continue on the plan after they have reached the age of 65 with the exception of: 1) if at the time the retiree participant becomes eligible for Medicare (age 65) and he/she had dependent(s) not eligible for Medicare, coverage for those dependent(s) may be continued under the plan until the spouse reaches age 65 and dependent(s) reach the age of 23 or age 25 if a full-time student, 2) retirees over the age of 65 on the plan prior to January 1, 2002, have the option of staying on the plan indefinitely as a supplement to Medicare.

Funding Policy Relating to Retired Employees

The contribution requirement of plan members is established by the School District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the School District contributed approximately \$3,770,921 to the plan for current premiums or approximately 95% of total premiums. Plan members receiving benefits contributed approximately \$182,181 or approximately 5% of the total premiums. Retirees are required to pay 100% of the premiums for both the retiree and the retiree plus spouse coverage. Monthly contribution rates in effect for retirees under age 65 (rates scaled depending on level of deductible chosen) during fiscal year 2015 were as follows:

Retiree premium	\$1,000 / \$2,000
Retiree plus spouse premium	\$2,000 / \$4,000

Annual OPEB Cost and Net OPEB Obligation

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

	2015	2014	2013
Annual required contribution (ARC)	\$ 134,818	\$ 134,818	\$ 139,847
Interest on net OPEB obligation	40,726	35,237	26,223
Adjustment to ARC	53,168	(48,072)	34,234
Annual OPEB cost (expense)	228,712	121,983	200,304
Contributions made	-	-	-
Increase in net OPEB obligation	228,712	121,983	200,304
Net OPEB obligation - beginning of year	905,023	783,040	582,736
Net OPEB obligation - end of year	<u>\$ 1,133,735</u>	<u>\$ 905,023</u>	<u>\$ 783,040</u>
Percentage of annual OPEB cost contributed	<u>0%</u>	<u>0%</u>	<u>0%</u>

Funded Status and Funding Progress

As of June 30, 2014, 2012 and 2009, the only instances actuarial valuations have been performed to date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,300,382, \$1,444,627 and \$2,801,957, respectively. The School District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal years ended June 30, 2014, 2012 and 2009, was \$18,432,440, \$16,223,586 and \$16,256,552, respectively, and the ratio of the UAAL to the covered payroll was 7.1%, 8.9% and 17.2%, respectively.

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, 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014, actuarial valuation, the projected unit credit (PUC) actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate assuming the School District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 50% of eligible retirees will actually participate in the retiree medical benefit and 20% of their spouses will participate. The annual healthcare cost trend rate of 7% initially, decreasing approximately 1% per year until reaching an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

Note 8 - Litigation

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

Note 9 - Joint Ventures

The School District participates in the Hub Area Technical School, a cooperative service unit formed for the purpose of providing educational services to the member school districts.

The members of the Hub Area Technical School and their relative percentage of participation are as follows:

Aberdeen School District No. 6-1	89.89%
Frederick Area School District No. 6-2	4.46%
Northwestern Area School District No. 56-3	5.65%
	100.00%

Hub Area Technical School's Governing Board is composed of one to three representatives from each member school district, who are school board members. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

At June 30, 2015, the Hub Area Technical School had total net position of \$822,254.

Separate financial statements are available from Hub Area Technical School.

Note 10 - Risk Management

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

Employee Health Insurance

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$80,000 per individual and \$3,728,706 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2015, an estimated liability of \$256,000 was accrued for incurred but not reported claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2015, the health insurance internal service fund had a net position balance of \$1,616,326.

The following is a history of the history of claims activity for the fund for the years ended June 30, 2015, 2014, and 2013, respectively.

	2015	2014	2013
Amount of claim liabilities, beginning of year	\$ 271,000	\$ 239,000	\$ 568,000
Incurred claims	3,728,706	3,698,764	3,216,698
Claims paid	(3,743,706)	(3,666,764)	(3,545,698)
Amount of claim liabilities, end of year	\$ 256,000	\$ 271,000	\$ 239,000

Worker's Compensation Insurance

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

Liability Insurance

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

Unemployment Benefit

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, two claims were filed for unemployment benefits, which resulted in the payment of benefits in the amount of \$3,993. At June 30, 2015, no claims had been filed for unemployment benefits and approximately \$2,000 is anticipated in the next fiscal year.

Note 11 - Pension Plan

Plan Information

All employees, working more than 20 hours per week during the 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 survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

- 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% 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 ending June 30, 2015, 2014 and 2013 were \$1,204,362, \$1,151,731 and \$1,098,273, respectively, equal to the required contributions each year.

Pension Assets, Pension 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 SDRS, for the School District as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 116,645,103
Less proportionate share of total pension liability	<u>108,722,634</u>
Proportionate share of net pension asset	<u>\$ 7,922,469</u>

At June 30, 2015, the School District reported an asset of \$7,922,469 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was 1.0996418%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$334,642. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 670,348	\$ -
Changes in assumption	5,171,552	-
Net difference between projected and actual earnings on pension plan investments	-	9,175,555
School District contributions subsequent to the measurement date	<u>1,204,362</u>	<u>-</u>
Total	<u>\$ 7,046,262</u>	<u>\$ 9,175,555</u>

Deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date of \$1,204,362 will be recognized as a increase/reduction of the net pension asset (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 revenue as follows:

Year Ended June 30:	Amount
2016	\$ (629,530)
2017	(629,530)
2018	(629,530)
2019	(1,445,066)
Total	\$ (3,333,656)

Actuarial Assumptions

The total pension 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%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2016 and 7.50% 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 weighting 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.7%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.5%
Cash	2.0%	0.8%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% 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 asset.

Sensitivity of Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2016 and 7.50% thereafter, as well as what the School District's proportionate share of the net pension 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 asset (liability)	\$ (7,828,890)	\$ 7,922,469	\$ 20,769,347

Pension Plan Fiduciary Net Position

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

Note 12 - Restatement of Beginning Net Position

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities	Business-Type Activities	Total
Net position at June 30, 2014, as previously stated	\$ 35,757,081	\$ 669,720	\$ 36,426,801
Net pension asset at June 30, 2014	3,005,944	94,446	3,100,390
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	1,118,636	35,147	1,153,783
Net position at July 1, 2014, as restated	\$ 39,881,661	\$ 799,313	\$ 40,680,974



Required Supplementary Information
June 30, 2015

Aberdeen School District 6-1

Aberdeen School District 6-1
 Schedule of Funding Progress
 Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2014	\$ -	\$ 1,300,382	\$ 1,300,382	0.00%	\$ 18,432,440	7.10%
6/30/2012	-	1,444,627	1,444,627	0.00%	16,223,586	8.90%
6/30/2009	-	2,801,957	2,801,957	0.00%	16,256,552	17.20%

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 10,855,216	\$ 10,855,216	\$ 11,060,321	\$ 205,105
1120 Prior year's ad valorem taxes	113,000	113,000	128,516	15,516
1140 Gross receipts taxes	840,000	840,000	820,692	(19,308)
1190 Penalties and interest on taxes	34,000	34,000	26,192	(7,808)
1300 Tuition and fees:				
1310 Regular day school tuition	1,000	1,000	845	(155)
1500 Earnings on investments and deposits	17,000	17,000	10,757	(6,243)
1700 Cocurricular activities:				
1710 Admissions	69,000	69,000	85,061	16,061
1900 Other revenue from local sources:				
1910 Rentals	5,000	5,000	8,897	3,897
1920 Contributions and donations	40,000	100,000	100,875	875
1970 Charges for services	220,000	220,000	95,687	(124,313)
1990 Other	28,000	28,000	50,850	22,850
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	382,000	382,000	341,185	(40,815)
2200 Revenue in lieu of taxes	10,000	10,000	14,132	4,132
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	10,508,110	10,508,110	10,569,369	61,259
3300 Tuition:				
3320 Regular	47,000	47,000	70,573	23,573
3900 Other state revenue	5,000	5,000	-	(5,000)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	68,411	68,411	68,752	341
4150-4199 Restricted grants-in-aid received from Federal government through the State	930,718	930,718	940,374	9,656
4400 Johnson O'Malley funds	25,003	25,003	38,730	13,727
4900 Other federal revenue	1,000	1,000	2,209	1,209
Total revenues	<u>24,199,458</u>	<u>24,259,458</u>	<u>24,434,017</u>	<u>174,559</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	6,342,623	6,342,623	6,177,183	165,440
1120 Middle/junior high schools	3,135,066	3,135,066	3,057,124	77,942
1130 High school	4,068,012	4,143,012	4,138,588	4,424
1200 Special programs:				
1250 Culturally different	262,291	265,291	267,099	(1,808)
1270 Educationally deprived	617,897	617,897	624,239	(6,342)
2000 Support services				
2100 Pupils:				
2120 Guidance	651,597	654,597	655,103	(506)
2130 Health	171,605	176,605	173,641	2,964
2200 Support services - instructional staff:				
2210 Improvement of instruction	213,184	213,184	235,793	(22,609)
2220 Educational media	1,486,698	1,486,698	1,405,375	81,323
2300 Support services - general administration:				
2310 Board of education	134,266	137,266	121,913	15,353
2320 Executive administration	225,143	225,143	223,434	1,709
2400 Support services - school administration:				
2410 Office of the principal	1,669,971	1,669,971	1,666,134	3,837
2440 Title I program administration	13,317	13,317	13,317	-
2500 Support services - business:				
2520 Fiscal services	353,412	353,412	347,556	5,856
2540 Operation and maintenance of plant	3,147,601	3,159,601	3,177,258	(17,657)
2550 Pupil transportation	175,000	175,000	156,299	18,701
2570 Internal services	103,655	103,655	94,065	9,590
2600 Support services - central:				
2640 Staff	219,472	223,472	225,076	(1,604)
3000 Community services				
3700 Nonpublic school	19,834	19,834	16,916	2,918
6000 Cocurricular activities				
6100 Male activities	414,581	414,581	414,066	515
6200 Female activities	387,245	387,245	388,793	(1,548)
6900 Combined activities	621,155	621,155	621,785	(630)
7000 Contingencies	200,000	200,000	-	200,000
Amount transferred	-	(45,000)	-	(45,000)
Total expenditures	<u>24,633,625</u>	<u>24,693,625</u>	<u>24,200,757</u>	<u>492,868</u>
Excess of Revenue over (under) Expenditures	<u>(434,167)</u>	<u>(434,167)</u>	<u>233,260</u>	<u>667,427</u>
Other Financing Sources (Uses)				
8110 Transfers out	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balances	(424,167)	(424,167)	233,260	657,427
Fund Balance - Beginning	<u>7,353,891</u>	<u>7,353,891</u>	<u>7,353,891</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,929,724</u>	<u>\$ 6,929,724</u>	<u>\$ 7,587,151</u>	<u>\$ 657,427</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 5,830,204	\$ 5,830,204	\$ 5,792,330	\$ (37,874)
1120 Prior year's ad valorem taxes	58,000	58,000	52,178	(5,822)
1190 Penalties and interest on taxes	16,000	16,000	14,337	(1,663)
1500 Earnings on investments and deposits	-	14,592	14,592	-
1900 Other revenue from local sources:				
1920 Contributions and donations	155,000	155,000	155,000	-
3000 Community services				
3129 Future fund grant	2,000,000	2,000,000	2,000,000	-
4000 Revenue from federal sources				
4900 Other Federal revenue	-	-	10,900	10,900
Total revenues	<u>8,059,204</u>	<u>8,073,796</u>	<u>8,039,337</u>	<u>(34,459)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	33,500	33,500	5,094	28,406
1120 Middle/junior high schools	16,600	16,600	15,674	926
1130 High school	220,464	220,464	208,020	12,444
1200 Special programs:				
1220 Programs for special education	3,000	3,000	-	3,000
2000 Support services				
2200 Support services - instructional staff:				
2210 Improvement of instruction	669,800	669,800	323,121	346,679
2220 Educational media	98,000	98,000	65,135	32,865
2500 Support services - business:				
2520 Fiscal services	25,000	25,000	21,220	3,780
2540 Operation and maintenance of plant	5,227,000	6,677,000	6,817,302	(140,302)
2550 Pupil transportation	122,000	132,000	138,612	(6,612)
2560 Food services	35,000	35,000	11,392	23,608
2570 Internal services	24,000	24,000	22,637	1,363
5000 Debt services	2,123,000	5,892,485	5,890,769	1,716
6000 Cocurricular activities				
6900 Combined activities	60,000	60,000	55,727	4,273
Total expenditures	<u>8,657,364</u>	<u>13,886,849</u>	<u>13,574,703</u>	<u>312,146</u>
Excess of Revenue over (under) Expenditures	(598,160)	(5,813,053)	(5,535,366)	277,687
Fund Balance - Beginning	<u>6,091,947</u>	<u>6,091,947</u>	<u>6,091,947</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 5,493,787</u>	<u>\$ 278,894</u>	<u>\$ 556,581</u>	<u>\$ 277,687</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 3,009,208	\$ 3,009,208	\$ 3,027,798	\$ 18,590
1120 Prior year's ad valorem taxes	26,000	26,000	26,155	155
1190 Penalties and interest on taxes	8,000	8,000	7,230	(770)
1300 Tuition and fees:				
1310 Regular day school tuition	44,000	44,000	43,250	(750)
1900 Other revenue from local sources:				
1970 Charges for services	95,000	95,000	71,607	(23,393)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	2,435,516	2,435,516	2,288,414	(147,102)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,023,537	1,023,537	1,014,287	(9,250)
Total revenues	<u>6,641,261</u>	<u>6,641,261</u>	<u>6,478,741</u>	<u>(162,520)</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	4,359,929	4,370,929	4,132,397	238,532
2000 Support services				
2100 Pupils:				
2130 Health	159,439	159,439	154,902	4,537
2140 Psychological	486,826	496,826	494,899	1,927
2150 Speech pathology	677,023	677,023	670,404	6,619
2170 Student therapy services	383,994	403,994	405,251	(1,257)
2200 Support services - instructional staff:				
2210 Improvement of instruction	26,162	26,162	26,182	(20)
2700 Support services - special education:				
2710 Administrative costs	158,645	158,645	174,808	(16,163)
2730 Transportation costs	253,000	298,000	278,069	19,931
2750 Other special education costs	121,000	121,000	93,134	27,866
4500 Early retirement	15,243	15,243	15,243	-
Total expenditures	<u>6,641,261</u>	<u>6,727,261</u>	<u>6,445,289</u>	<u>281,972</u>
Net Change in Fund Balances	-	(86,000)	33,452	119,452
Fund Balance - Beginning	<u>384,105</u>	<u>384,105</u>	<u>384,105</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 384,105</u>	<u>\$ 298,105</u>	<u>\$ 417,557</u>	<u>\$ 119,452</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 579,902	\$ 579,902	\$ 579,234	\$ (668)
1120 Prior year's ad valorem taxes	5,900	5,900	5,219	(681)
1190 Penalties and interest on taxes	1,600	1,600	1,435	(165)
Total revenues	<u>587,402</u>	<u>587,402</u>	<u>585,888</u>	<u>(1,514)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	122,620	122,620	122,620	-
1120 Middle/junior high schools	54,460	54,460	54,460	-
1130 High school	62,467	62,467	62,467	-
1200 Special programs:				
1250 Culturally different	4,011	4,011	4,011	-
2100 Pupils:				
2120 Guidance	12,001	12,001	12,001	-
2130 Health	2,067	2,067	2,067	-
2000 Support services				
2200 Support services - instructional staff:				
2210 Improvement of instruction	3,489	3,489	3,489	-
2220 Educational media	14,994	14,994	14,994	-
2300 Support services - general administration:				
2320 Executive administration	4,266	4,266	4,266	-
2400 Support services - school administration:				
2410 Office of the principal	29,303	29,303	29,959	656
2500 Support services - business:				
2520 Fiscal services	6,014	6,014	6,014	-
2540 Operation and maintenance of plant	28,886	28,886	28,886	-
2570 Internal services	1,755	1,755	1,099	(656)
2600 Support services - central:				
2640 Staff	3,493	3,493	3,493	-
4000 Nonprogrammed charges				
4500 Early retirement payments	199,712	199,712	199,711	1
6000 Cocurricular activities				
6100 Male activities	4,642	4,642	4,642	-
6200 Female activities	4,288	4,288	4,288	-
6900 Combined activities	7,244	7,244	7,244	-
Total expenditures	<u>565,712</u>	<u>565,712</u>	<u>565,711</u>	<u>1</u>
Net Change in Fund Balances	21,690	21,690	20,177	(1,513)
Fund Balance - Beginning	<u>157,801</u>	<u>157,801</u>	<u>157,801</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 179,491</u>	<u>\$ 179,491</u>	<u>\$ 177,978</u>	<u>\$ (1,513)</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Arena Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1700 Cocurricular activities:				
1710 Admissions	\$ 8,000	\$ 8,000	\$ 8,934	\$ 934
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>8,934</u>	<u>934</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,000	8,000	8,934	934
Fund Balance - Beginning	<u>37,400</u>	<u>37,400</u>	<u>37,400</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 45,400</u>	<u>\$ 45,400</u>	<u>\$ 46,334</u>	<u>\$ 934</u>

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

Note 2 - Budget Reconciliation

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

Aberdeen School District 6-1
 Schedule of Net Pension Liability/Asset
 Year Ended June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Asset</u>	<u>Employer's Proportionate Share of the Net Pension Asset (a)</u>	<u>Employer's Covered-Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SDRS	6/30/2014	<u>1.0996%</u>	<u>\$ 7,922,469</u>	<u>\$ 19,229,717</u>	<u>41.2%</u>	<u>107.3%</u>

Aberdeen School District 6-1
 Schedule of Pension Contributions
 Year Ended June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions Percentage of Covered- Employee Payroll (b/d)</u>
SDRS	6/30/2015	<u>\$ 1,204,362</u>	<u>\$ 1,204,362</u>	<u>\$ -</u>	<u>\$ 20,072,700</u>	<u>6.0%</u>

Notes to Required Supplementary Information

There are no factors that affect trends in the amounts reported, such as change of benefit terms and assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



CPAs & BUSINESS ADVISORS

**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***

The School Board
Aberdeen School District 6-1
Aberdeen, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Aberdeen School District 6-1 (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’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 or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’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 to be a material weakness. 2015-A

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
December 15, 2015



CPAs & BUSINESS ADVISORS

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

The School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Aberdeen School District 6-1's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 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 compliance requirement 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 that might be material weaknesses or significant deficiencies and; therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions cost. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
December 15, 2015



Supplementary Information
June 30, 2015

Aberdeen School District 6-1

Aberdeen School District 6-1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass -Through Grantor Program Title	CFDA Number	Amount
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	\$ 121,968
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	142,841
National School Lunch Program (Note 2)	10.555	719,289
Total for Child Nutrition Cluster		984,098
Total U.S. Department of Agriculture		984,098
U.S. Department of the Interior		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 1)	15.130	38,730
Total U.S. Department of the Interior		38,730
U.S. Department of Education		
Direct Federal Funding:		
Indian Education - Grants to Local Educational Agencies	84.060	68,752
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	628,130
Title I Program for Neglected and Delinquent Children	84.013	39,950
Special Education Cluster:		
Special Education - Grants to States (Note 2)	84.027	971,908
Special Education - Preschool Grants	84.173	38,263
Total for Special Education Cluster		1,010,171
Special Education - Grants for Infants and Families	84.181	4,115
Improving Teacher Quality State Grants	84.367	272,294
Total U.S. Department of Education		2,023,412
U.S. Department of Homeland Security		
Other Federal Assistance:		
Homeland Security	97.067	10,900
Total U.S. Department of Health and Human Services		10,900
Grand Total		\$ 3,057,140

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, 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—Significant Accounting Policies

Governmental fund types account for some of the School District's federal grant activity. Therefore, those expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The food service fund account for some of the School District's federal grant activity. Those expenditures in the schedule of expenditures of federal awarded are recognized on the accrual basis of accounting. The School District's summary of significant accounting policies is presented in Note 1 in the School District's basic financial statements.

Note 3—Pass Through Entity

The pass-through entities have not provided identifying numbers; therefore, they are not included in this schedule.

Note 4 — Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the School District had food commodities totaling \$58,999 in inventory.

Section I – Summary of Auditor’s Results

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes

Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Title I Grants to Local Educational Agencies	84.010
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2015-A Material Adjusting Entries

Condition: During the course of our audit field work we proposed material audit adjustments, primarily to the Food Service Fund in relation to required adoption of GASB 68 related to pension accounting and also to reclassify a transfer to the general fund.

Criteria: The School District's internal control structure should be designed to provide for the recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The adoption of GASB 68 for pension reporting required the School District to make additional calculations this year that effected the District's government wide financial statements. A portion of those amounts should have been allocated and recorded in the food service fund. This was a new accounting standard in fiscal year 2015 and that allocation to the food service fund was overlooked. Also, a transfer back to the general fund for June expenses was not made before year-end and needed to be recorded as a due to/from.

Effect: This caused the Food Service assets, deferred inflows, deferred outflows and change in net condition to be understated.

Recommendation: We would recommend a review of entries related to infrequent transactions, such as an accounting principle change, be reviewed to ensure all affected funds are addressed.

Management's Response and Corrective Action Plan

Action Planned in Response to the Finding: The Finance Director will review the impact of accounting principle changes on the year-end financial statements and make any applicable adjusting journal entries. The Finance Director will also review year-end cash transfers to determine if a due to/from should be recorded.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Tom Janish, Finance Director

Planned Completion Date for Corrective Action: June 30, 2016

Plan to Monitor Completion of Corrective Action: The Finance Director will be responsible on an annual basis to review the impact of accounting principle changes on the year-end financial statements and make any applicable adjusting journal entries and also review year-end cash transfers to determine if a due to/from should be recorded.

Section III – Federal Award Findings and Questioned Costs

**Department of Agriculture Passed-through State of South Dakota
Child Nutrition Cluster
School Breakfast Program – CFDA #10.553
National School Lunch Program– CFDA #10.555
Grant Year Ending June 30, 2015**

Significant Deficiency in Internal Control over Compliance

2015-001 Eligibility – Calculation of Verification Sample

Condition: When reviewing the calculation of the sample size to be selected for income verification, it was noted that the calculation was performed incorrectly and was not reviewed for accuracy.

Criteria: The State requires verifications of income to be performed on a sample of applicants to ensure that a certain level of testing of income is performed.

Cause: The calculation was performed incorrectly as the calculated sample size was a number rounded down rather than rounded up as required by the State guidelines.

Effect: Lack of review allowed a smaller number than required to undergo the verification process.

Recommendation: We recommend that the School District take increased care performing and reviewing the calculation of the sample required for verification.

Management’s Response and Corrective Action Plan

Actions Planned in Response to the Finding: The Food Service Director will properly complete the verification sample calculation. The Finance Director or the Assistant Finance Director will review the calculation each year for accuracy prior to submission to the State of South Dakota.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Tom Janish, Finance Director

Planned Completion Date for Corrective Action: June 30, 2016

Plan to Monitor Completion of Corrective Action: The Finance Director or the Assistant Finance Director will assist the Food Service Director in the completion of the verification sample calculation and will review the final calculation each year prior to the submission to the State of South Dakota.

**Department of Agriculture Passed-through State of South Dakota
Child Nutrition Cluster**

School Breakfast Program – CFDA #10.553

National School Lunch Program– CFDA #10.555

Grant Year Ending June 30, 2014

Significant Deficiency in Internal Control over Compliance

Finding 2014-001 – Eligibility – Calculation of Price Lunch Equity

Condition: When reviewing the calculation, it was noted that the calculation was performed incorrectly and was not reviewed for accuracy and correctness. Lack of review of the report could create an improper calculation to become undetected and causing the School District to be out of compliance with PLE requirements.

Status: Program was tested again in FY2015 with no reportable errors noted in the testing. Finding will be considered resolved as of June 30, 2015.