

**ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
OF CHARLES MIX COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2014, TO JUNE 30, 2015

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

BOARD MEMBERS:

Debbra Houseman – President
Terry Svatos – Vice-President
William Bennett
Kristin Dvorak
Nicole Gray
Julie Stirling
Tammy Swanson

SUPERINTENDENT:

Debera Lucas

BUSINESS MANAGER:

Susan Johnson

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

School Board
Andes Central School District No. 11-1
Charles Mix County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Andes Central School District No. 11-1, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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 Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

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

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
March 11, 2016

Schoenfish & Co., Inc.

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

School Board
Andes Central School District No. 11-1
Charles Mix County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Andes Central School District No. 11-1, South Dakota (School District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of 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 Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Andes Central School District No. 11-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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



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 Certified Public Accountants
 March 11, 2016

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ANDES CENTRAL SCHOOL DISTRICT NO. 11-1SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTSPRIOR FEDERAL AUDIT FINDINGS:

The prior audit report contained no federal audit findings.

PRIOR OTHER AUDIT FINDINGS:Finding Number 2014-001:

A material weakness was reported for a lack of segregation of duties for non-governmental revenue sources. This prior audit comment has not been corrected and is restated under current audit finding number 2015-001.

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ANDES CENTRAL SCHOOL DISTRICT NO. 11-1SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed during the audit of the financial statements and are reported in the Report on Internal Control Over Financial Statements and on Compliance and Other Matters Performed in Accordance with Government Auditing Standards as finding number 2015-001.
- c. Our audit did not disclose noncompliance which was material to the financial statements.

Federal Awards

- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:

1. Impact Aid – Maintenance and Operation	CFDA NO. 84.041
2. Title I Programs – Local Educational Agencies	CFDA NO. 84.010
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Andes Central School District No. 11-1 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal audit findings to disclose.

CURRENT OTHER AUDIT FINDINGS:Internal Control-Related Findings – Material Weaknesses:Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the eighteenth consecutive audit in which similar deficiencies have occurred.

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ANDES CENTRAL SCHOOL DISTRICT NO. 11-1SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS(Continued)Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

A limited number of people process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Andes Central School District officials be cognizant of this lack of segregation of duties for non-governmental revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Corrective Action Plan:

The Andes Central School District Board President, Debra Houseman, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Andes Central School District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CLOSING CONFERENCE

The audit was discussed the board president, the superintendent, and the business manager of Andes Central School District No. 11-1 on December 21, 2015.

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INDEPENDENT AUDITOR'S REPORT

School Board
Andes Central School District No. 11-1
Charles Mix County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Andes Central School District No. 11-1, South Dakota, (School District) as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified 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, each major fund, and the aggregate remaining fund information of Andes Central School District No. 11-1 as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard.

As described in Note 13 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 13 to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District's Contributions on pages 52 through 57, 60, and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates

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directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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March 11, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Andes Central School District 11-1's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the year, the Andes Central School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$7,702,368 which was approximately \$2,930,982 more than the \$4,771,386 governmental and business-type program expenses.

- The total amount of Impact Aid funds transferred during the fiscal year was \$1,750,000; transferred to the General Fund was \$825,000; to the Capital Outlay Fund \$850,000; and to the Pension Fund \$75,000.
- The total cost of the Andes Central School District's governmental programs decreased by two percent from the previous fiscal year.
 - General Fund expenditures increased slightly by one percent.
 - Capital Outlay Fund expenditures increased forty-two percent.
 - Special Education Fund decreased one percent
 - Pension Fund decreased eighteen percent.
- The total cost to operate the Food Service Fund (an enterprise fund) decreased by approximately nine percent.

Federal grants revenue, which include, but is not limited to TITLE I, TITLE II, JOM, TITLE VII, Federal Food Service Program, Fresh Fruits and Vegetable Program, Impact Aid grants totaled \$4,553,532. Of this total, Impact Aid revenue was \$3,829,091 of which \$32,112 went directly to the Capital Outlay Fund and \$25,627 went directly to the Special Education Fund.

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 Andes Central School District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Andes Central School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Andes Central School District's government, reporting the 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 district operates like businesses. The only proprietary fund operated by the district is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships - like student organization accounts - in which the Andes Central 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 the required parts of this annual report and their relationship to one another.

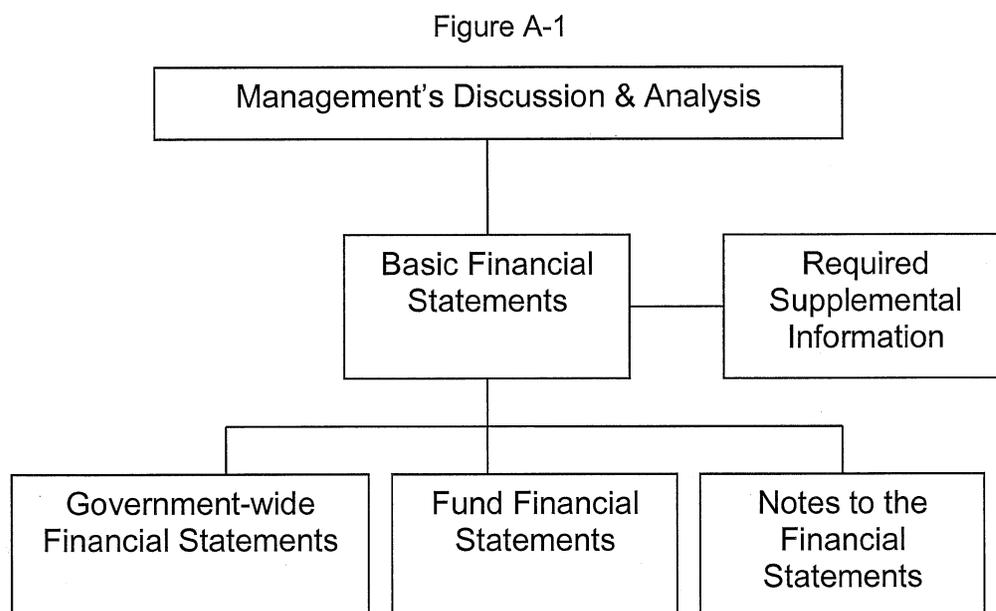


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each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

Figure A-2

Major Features of Andes Central School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the District operates similar to private businesses, the food service operation.	Instances in which the 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	*Statement of Net Position *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 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 Andes Central School District No. 11-1 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 Andes Central School District's net position and how they have changed. Net Position – is one way to measure the Andes Central School District financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the Andes Central 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 Andes Central School District are reported in two categories:

- **Governmental Activities** - This category includes the 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, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The Food Service Fund is the only business-type activity of the District. The District charges a fee to students and adults to help cover the costs of providing hot lunch services to all students.

Fund Financial Statements

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

- State Law requires some of these funds.
- The School Board establishes other funds to control and manage money for particular purposes. Andes Central has established a Scholarship Fund used to record transactions pertaining to the School Board Scholarship, one Staff Scholarship and the Mary Rae Carda Scholarship. Mary Rae Carda was a former teacher whose children provided the funds for this scholarship.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily convert 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 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 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 is the only proprietary fund maintained by the District.

- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Andes Central excludes these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position as follows:

Table A-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
Current & Other Assets	10,231,182	13,888,150	46,240	27,800	10,277,422	13,915,950
Capital Assets, Net of Depr.	8,332,652	8,732,143	108,504	110,489	8,441,156	8,842,632
Total Assets	18,563,834	22,620,293	154,744	138,289	18,718,578	22,758,582
Deferred Outflows of Resources	-	938,453	-	-	-	938,453
Long-Term Debt Outstanding	146,000	146,000			146,000	146,000
Other Liabilities	480,238	694,298	6,245	3,295	486,483	697,593
Total Liabilities	626,238	840,298	6,245	3,295	632,483	843,593
Deferred Inflows of Resources	532,721	1,797,542	-	-	532,721	1,797,542
Net Investment in Capital Assets	8,186,652	8,586,143	108,504	110,489	8,295,156	8,696,632
Restricted	344,793	1,316,642			344,793	1,316,642
Unrestricted	8,873,430	11,018,121	39,995	24,506	8,913,425	11,042,627
Total Net Position	17,404,875	20,920,906	148,499	134,995	17,553,374	21,055,901
Beginning Net Position	16,872,341	17,404,875	182,548	148,499	17,054,889	17,553,374
Adjustment to Beg. Net Assets	-	571,545	-	-	-	571,545
Adjusted Beginning Net Assets	16,872,341	17,976,420	182,548	148,499	17,054,889	18,124,919
Change in Net Position	532,534	2,944,486	(34,049)	(13,504)	498,485	2,930,982
Percentage of Change in Net Position	3.2%	16.4%	-18.7%	-9.1%	2.9%	16.2%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the district, consists of qualified zone academy bonds payable have been reported in this manner on the Statement of Net Position.

Changes in Net Position

This section will show condensed financial comparison of revenues and expenses and provide explanations for significant differences.

Total revenue received from Governmental and Business-Type funds during 2015 was \$7,702,368. Throughout the year \$1,750,000 was transferred from the Impact Aid fund: Funds transferred to the General Fund were \$825,000; to the Capital Outlay fund \$850,000 and to the Pension fund \$75,000. Approximately sixteen percent of the district's revenue came from property and other taxes, seventeen percent coming from state aid, and fifty percent federal Impact Aid grant which is revenue in lieu of property taxes because of the presence of non-taxable federal property within the school district boundaries. A considerable amount of Impact Aid received during 2015 were payments due to the district from fiscal years 2007-2014. At the close of fiscal year 2015, the U.S. Department of Education's Impact Aid division made final payments through fiscal year 2012.

The District's expenses cover a range of services, encompassing instruction, support services, operations/maintenance, transportation, co-curricular, debt service and food services.

GOVERNMENTAL ACTIVITIES

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

Table A-2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Revenues:						
Program Revenues:						
Charges for Services	89,624	149,712	32,438	11,045	122,062	160,757
Operating Grants & Contr.	896,531	809,791	204,942	213,431	1,101,473	1,023,222
Capital Grants & Contr.		2,038			0	2,038
General Revenues:						
Taxes	1,199,769	1,254,060			1,199,769	1,254,060
State Sources	1,331,165	1,317,674			1,331,165	1,317,674
Federal Sources	1,567,402	3,841,666			1,567,402	3,841,666
Unrestricted Grants & Contributions	1,163	1,345			1,163	1,345
Unrestricted Investments	24,219	36,860	41	11	24,260	36,871
Other General	33,165	64,735			33,165	64,735
Total Revenue	<u>5,143,038</u>	<u>7,477,881</u>	<u>237,421</u>	<u>224,487</u>	<u>5,380,459</u>	<u>7,702,368</u>
Expenses:						
Instruction	2,704,778	2,512,716			2,704,778	2,512,716
Support Services	1,597,814	1,741,629			1,597,814	1,741,629
Community Services	78,971	81,408			78,971	81,408
Nonprogrammed Charges	39,853	4,680			39,853	4,680
Interest on LT Debt	2,175	300			2,175	300
Cocurricular Activities	185,859	179,633			185,859	179,633
Food Service			272,524	251,020	272,524	251,020
Total Expenses	<u>4,609,450</u>	<u>4,520,366</u>	<u>272,524</u>	<u>251,020</u>	<u>4,881,974</u>	<u>4,771,386</u>
Excess (Deficiency) Before Transfers	533,588	2,957,515	(35,103)	(26,533)	498,485	2,930,982
Transfers	<u>(1,054)</u>	<u>(13,029)</u>	<u>1,054</u>	<u>13,029</u>	<u>0</u>	<u>0</u>
Change in Net Position	<u>532,534</u>	<u>2,944,486</u>	<u>(34,049)</u>	<u>(13,504)</u>	<u>498,485</u>	<u>2,930,982</u>
Net Position - Ending	<u>17,404,875</u>	<u>20,920,906</u>	<u>148,499</u>	<u>134,995</u>	<u>17,553,374</u>	<u>21,055,901</u>

GOVERNMENTAL ACTIVITIES

Revenues of the District's governmental activities increased from the previous year by approximately 2.2 million dollars or forty-five percent. While this is a significant increase, much of the increase was due to several years' worth of Impact Aid payments due to the district. By the end of fiscal year 2015 the U.S. Department of Education had paid all impact aid payments due through the fiscal year 2012.

- It is expected that the district will maintain funding for Title I, Special Education and School Improvement grant allocations. Allocations from these federal programs are based on student census data. While the total enrollment fluctuates, these funds are generally based on census data. Special education funds are based on student count as well as the level or type of disability.
- Returns on investments continue to decrease due to unfavorable investment rates.

Expenses of the District's governmental activities decreased from the previous year by two percent. The school board continues to monitor all funding sources and how best to offer stellar education programs in a safe and environmentally sound facilities.

Throughout the year \$1,750,000 was transferred from the Impact Aid fund to other Governmental Funds to subsidize the operating expenditures. The transfer of such funds was planned in the budget when it was adopted. At the close of fiscal year 2015, a total of \$10,720,062 Impact Aid funds remained unassigned.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities decreased by \$12,934. Transitional dramatic changes in the national meal programs continue to affect the average daily participation. The cost of food continues to increase at rates much greater than the cost of living. The reduction in calories, starchy veggies and fats continues to cause significant changes in meal preparation and choice. Student participation fluctuated throughout the year and food waste continues to be a concern. While meal prices are increased each year to help offset operating costs, the increase may not keep up with the losses in revenue, inflated food costs and pure wasted food. Participation in the national school breakfast and lunch programs continues to provide subsidized revenue for free/reduced eligible households. The cost of operations decreased by nearly eight percent. It is believed this decrease may be related to adjustments in the decrease in enrollment and lack of student interest. The district will monitor the cost of operations and will continue to encourage students to participate in both breakfast and lunch.

- The food service program revenues depend heavily on the federal reimbursements. The rates were increased slightly as they do each year.
- The District continues to participate in the National School Breakfast program at the junior high and senior high school which reflects respectable participation. However the participation in grades 9-12 continues to fall.
- Utilization of the federal commodity program, the AVERA PACE purchasing program and budget monitoring helps control deficit spending throughout the year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balances throughout the fiscal year indicate healthy balances. Much of the spending remained within parameter of the adopted budget. At the close of the FY2015 the General, Capital Outlay, Special Education, Pension and Food Service funds had positive fund balances. Enrollment trends show a reduction in student enrollment each year. As the enrollment decreases so too will the state aid. Impact Aid is dependent on the number of federally connected students which is also showing a decline. The District's eligibility in receiving heavily impacted Impact Aid funds continues to be a concern.

BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the District budget. There were no significant budget changes or budget variances for the year that were unexpected.

	Original	Final
Revenues	\$2,788,250	\$2,844,806
Expenditures	\$4,016,190	\$4,131,182
Variance	\$1,227,940	\$1,286,376

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the District had invested \$8,842,632 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.)

Table A-3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total Change	% Change
	FY2014	FY2014	FY2014	FY2014	FY14-FY15	FY14-FY15
Land & Construction in Progress	63,677	637,496			573,819	901.1%
Buildings	717,773	696,589			(21,184)	-3.0%
Improvements Other than Buildings	5,936,444	5,817,513			(118,931)	-2.0%
Machinery & Equipment	1,614,758	1,580,545	108,504	110,489	(32,228)	-1.9%
Total Capital Assets (Net)	8,332,652	8,732,143	108,504	110,489	401,476	4.8%

This year's capital asset purchases included instructional equipment which included laser printers, additional security cameras, laptops, district-wide telephone system, maintenance equipment, automatic shades, wrestling mat, a drum trap set, remote speak system, and computer equipment. Additional capital improvements included the cast iron sewer replacement at the high school as well as other minor building repairs. Water line repair, restroom renovations, metal retro-fit roof, and other minor building repairs at the elementary school. Improvements to the grounds included minor concrete repairs.

LONG-TERM DEBT

The district paid approximately \$5,527 into an escrow account towards the future maturity of Qualified Zone Academy Bonds. The amount remaining on the bonds of \$146,000 is reflected as a liability on the statement of net position. The total that has been paid into the escrow

accounts, \$106,790 is reflected as an asset on the statement of net position. According to the long-term debt schedule of payments, the district made the final escrow payment on the 2002 Series QZAB, with the bond to mature in November 2017. Escrow payments will continue to be made for the 2005 Series QZAB until 2021.

Other long-term obligations include:

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown some change. The District experienced an increase in total property valuation from the prior year. The increase in property valuation allows the 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. As stated earlier, the state aid per pupil had increased slightly. However, the increase was insignificant to the increase in the cost to educate students. The state aid formula is dependent on local effort. Generally speaking, any increase in local revenue will cause the state aid to decrease.

One of the primary sources of revenue to the District is based on a per student allocation received from the State of South Dakota. While the allocation may indicate an increase per pupil, the district continues to experience fluctuation in enrollment which may create a reduction in student average daily membership (ADM) each year. A reduction in ADM will result in the District receiving less overall revenue from the State of South Dakota even with the increase in the allocation. Student enrollment factors also affect the allocation of Impact Aid revenue the District receives each year. The District continues to review the current operating budget and revises its long-range financial plans.

The District relies greatly on Impact Aid funds to supplement the shortfalls in tax revenue due to the inability to collect taxes from federally owned property within the District. Each year the District submits an application for Section 8002 and Section 8003. While the district qualifies for Basic Support Impact Aid payments and Section 8002 Impact Aid foundation payments, eligibility for Heavily Impacted funds relies on several key factors and continues to at jeopardy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Susan M. Johnson, Business Manager, Andes Central District 11-1, 400 School Street, Lake Andes, South Dakota 57356.

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF NET POSITION
As of June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	3,617,251.52	16,019.81	3,633,271.33
Investments	8,145,247.80		8,145,247.80
Taxes Receivable	564,812.28		564,812.28
Other Assets	389,669.34	8,525.66	398,195.00
Inventories		3,254.94	3,254.94
Restricted:			
Cash and Cash Equivalents	106,790.43		106,790.43
Net Pension Asset	1,064,378.18		1,064,378.18
Capital Assets:			
Land	637,496.29		637,496.29
Other Capital Assets, Net of Depreciation	8,094,646.59	110,489.42	8,205,136.01
TOTAL ASSETS	22,620,292.43	138,289.83	22,758,582.26
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	938,453.03		938,453.03
TOTAL DEFERRED OUTFLOWS OF RESOURCES	938,453.03	0.00	938,453.03
LIABILITIES:			
Accounts Payable	294,199.32	636.60	294,835.92
Other Current Liabilities	400,098.18	2,658.28	402,756.46
Noncurrent Liabilities:			
Due in More than One Year	146,000.00		146,000.00
TOTAL LIABILITIES	840,297.50	3,294.88	843,592.38
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Future Period	564,812.28		564,812.28
Pension Related Deferred Inflows	1,232,729.37		1,232,729.37
TOTAL DEFERRED INFLOWS OF RESOURCES	1,797,541.65	0.00	1,797,541.65
NET POSITION:			
Net Investment in Capital Assets	8,586,142.88	110,489.42	8,696,632.30
Restricted for:			
Capital Outlay Purposes	243,097.43		243,097.43
Special Education Purposes	183,701.44		183,701.44
Pension Purposes	12,950.88		12,950.88
SDRS Pension Purposes	770,101.84		770,101.84
Debt Service Purposes	106,790.43		106,790.43
Unrestricted (Deficit)	11,018,121.41	24,505.53	11,042,626.94
TOTAL NET POSITION	20,920,906.31	134,994.95	21,055,901.26

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2002 Debt Service Fund	QZAB Bond Series 2005 Debt Service Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	2,981,202.76	399,272.33	203,361.64	27,414.79			3,611,251.52
Advanced Payments	6,000.00						6,000.00
Investments	8,145,247.80						8,145,247.80
Taxes Receivable--Current	409,411.42		111,343.25	22,600.13			543,354.80
Taxes Receivable--Delinquent	17,729.38	101.18	3,013.66	613.26			21,457.48
Due from Other Government	287,808.34	101,861.00					389,669.34
Restricted Cash and Cash Equivalents					48,003.54	58,786.89	106,790.43
TOTAL ASSETS	11,847,399.70	501,234.51	317,718.55	50,628.18	48,003.54	58,786.89	12,823,771.37
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	35,841.66	258,035.90	321.76				294,199.32
Contracts Payable	293,017.92		14,285.00				307,302.92
Payroll Deductions and Withholdings and Employer Matching Payable	73,277.91		5,053.44	14,463.91			92,795.26
Total Liabilities	402,137.49	258,035.90	19,660.20	14,463.91	0.00	0.00	694,297.50
Deferred Inflows of Resources							
Unavailable Revenue - Property Taxes	17,729.38	101.18	3,013.66	613.26			21,457.48
Property Taxes Levied for Future Period	409,411.42		111,343.25	22,600.13			543,354.80
Total Liabilities	427,140.80	101.18	114,356.91	23,213.39	0.00	0.00	564,812.28
Fund Balances:							
Restricted:							
Capital Outlay		243,097.43					243,097.43
Special Education			183,701.44				183,701.44
Pension Fund				12,950.88			12,950.88
Debt Service					48,003.54	58,786.89	106,790.43
Unassigned	11,018,121.41						11,018,121.41
Total Fund Balances	11,018,121.41	243,097.43	183,701.44	12,950.88	48,003.54	58,786.89	11,564,661.59
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	11,847,399.70	501,234.51	317,718.55	50,628.18	48,003.54	58,786.89	12,823,771.37

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	<u>11,564,661.59</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>1,064,378.18</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>8,732,142.88</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>938,453.03</u>
Long-term liabilities, including QZAB bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(146,000.00)</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(1,232,729.37)</u>
Net Position - Governmental Activities	<u><u>20,920,906.31</u></u>

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2002 Debt Service Fund	QZAB Bond Series 2005 Debt Service Fund	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	880,109.08		235,128.61	46,737.73			1,161,975.42
Prior Years' Ad Valorem Taxes	13,195.24	385.01	3,117.33	646.32			17,343.90
Tax Deed Revenue	1,535.00						1,535.00
Gross Receipts Taxes	68,496.53						68,496.53
Penalties and Interest on Taxes	3,943.97	133.79	525.01	106.71			4,709.48
Tuition and Fees:							
Student Tuition	42,310.96						42,310.96
Revenue from Local Governmental Units Other than LEAs:							
Earnings on Investments and Deposits	32,490.96	105.38	103.27	11.46	636.54	3,512.79	36,860.40
Cocurricular Activities:							
Admissions	14,190.71						14,190.71
Other Pupil Activity Income	350.50						350.50
Other Revenue from Local Sources:							
Rentals	850.00						850.00
Contributions and Donations	1,344.70						1,344.70
Services Provided Other LEAs	22,709.10		20,430.90				43,140.00
Charges for Services	12,924.19		2,052.00				14,976.19
Other	5,530.61						5,530.61
Revenue from Intermediate Sources:							
County Sources:							
Lease of County Owned Land	23,871.39						23,871.39
Revenue in Lieu of Taxes	7,778.62		1,513.78	300.48			9,592.88
Other	13,917.88		634.52	122.65			14,675.05
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	1,317,673.89						1,317,673.89
Restricted Grants-in-Aid	7,750.00		90,175.00				97,925.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid Received							
Directly from Federal Government	3,771,352.54	32,112.00	25,626.53				3,829,091.07
Restricted Grants-in-Aid Received							
Directly from Federal Government	28,051.00						28,051.00
Restricted Grants-in-Aid Received from							
Federal Government Through the State	571,350.08	112,464.81					683,814.89
Johnson O'Malley Funds	12,575.00						12,575.00
Total Revenue	6,854,301.95	145,200.99	379,306.95	47,925.35	636.54	3,512.79	7,430,884.57

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2002 Debt Service Fund	QZAB Bond Series 2005 Debt Service Fund	Total Governmental Funds
Expenditures:							
Instruction:							
Regular Programs:							
Elementary	854,369.44	39,867.56		37,997.17			932,234.17
Middle/Junior High	247,790.74	7,805.56		12,075.42			267,671.72
High School	392,150.84	12,632.68		15,974.74			420,758.26
Preschool Services	103,055.90			3,511.05			106,566.95
Special Programs:							
Programs for Special Education Educationally Deprived	427,257.96		225,541.72				225,541.72 427,257.96
Support Services:							
Pupils:							
Attendance and Social Work	90,494.36						90,494.36
Guidance	117,937.83			5,454.43			123,392.26
Health	24,630.79						24,630.79
Psychological			12,071.34				12,071.34
Speech Pathology			23,472.05				23,472.05
Student Therapy Services			9,388.82				9,388.82
Instructional Staff:							
Improvement of Instruction	67,605.78			2,224.80			69,830.58
Educational Media	176,813.79			7,791.55			184,605.34
General Administration:							
Board of Education	76,945.68						76,945.68
Executive Administration	139,256.01			6,091.35			145,347.36
School Administration:							
Office of the Principal	253,618.00			11,441.26			265,059.26
Other	342.38						342.38
Business:							
Fiscal Services	108,852.24			4,499.69			113,351.93
Facilities Acquisition and Construction		11,512.20					11,512.20
Operation and Maintenance of Plant	403,281.93	12,924.57		7,867.17			424,073.67
Pupil Transportation	64,353.57	418.42		329.92			65,101.91
Food Services	11,513.63	13,029.01					24,542.64
Special Education:							
Administrative Costs			17,706.77				17,706.77
Transportation Costs			1,953.60				1,953.60
Community Services:							
Public Library	5,372.77						5,372.77
Custody and Care of Children	76,035.21						76,035.21
Nonprogrammed Charges:							
Payments to State - Unemployment	4,680.00						4,680.00

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2002 Debt Service Fund	QZAB Bond Series 2005 Debt Service Fund	Total Governmental Funds
Expenditures (Cont.):							
Debt Services					300.00		300.00
Cocurricular Activities:							
Male Activities	42,488.45	5,124.82		1,271.88			48,885.15
Female Activities	31,000.72	553.39		653.22			32,207.33
Transportation	14,184.34						14,184.34
Combined Activities	46,707.24			1,306.80			48,014.04
Capital Outlay	3,920.51	787,706.73					791,627.24
Total Expenditures	3,784,660.11	891,574.94	290,134.30	118,490.45	300.00	0.00	5,085,159.80
Excess of Revenue Over (Under) Expenditures	3,069,641.84	(746,373.95)	89,172.65	(70,565.10)	336.54	3,512.79	2,345,724.77
Other Financing Sources (Uses):							
Transfers In		850,000.00		75,000.00	300.00	5,527.41	930,827.41
Transfers Out	(925,000.00)	(5,827.41)					(930,827.41)
Sale of Surplus Property	50.00	664.75					714.75
Total Other Financing Sources (Uses)	(924,950.00)	844,837.34	0.00	75,000.00	300.00	5,527.41	714.75
Net Change in Fund Balances	2,144,691.84	98,463.39	89,172.65	4,434.90	636.54	9,040.20	2,346,439.52
Fund Balance - Beginning	8,873,429.57	144,634.04	94,528.79	8,515.98	47,367.00	49,746.69	9,218,222.07
FUND BALANCE - ENDING	11,018,121.41	243,097.43	183,701.44	12,950.88	48,003.54	58,786.89	11,564,661.59

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	<u>2,346,439.52</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	<u>791,627.24</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(390,854.63)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(3,319.72)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.	<u>2,037.95</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>44,958.94</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>153,597.87</u>
Change in Net Position of Governmental Activities	<u><u>2,944,487.17</u></u>

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2015

	Enterprise Funds
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	16,019.81
Due from State Government	3,254.94
Inventory of Supplies	526.21
Inventory of Stores Purchased for Resale	4,493.16
Inventory of Donated Supplies	3,506.29
Total Current Assets	27,800.41
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment--Local Funds	183,669.39
Machinery and Equipment--Federal Assistance	16,008.37
Less: Accumulated Depreciation	(89,188.34)
Total Noncurrent Assets	110,489.42
TOTAL ASSETS	138,289.83
LIABILITIES:	
Current Liabilities:	
Accounts Payable	636.60
Contracts Payable	1,419.95
Payroll Deductions and Withholdings and Employer Matching Payable	1,238.33
TOTAL LIABILITIES	3,294.88
NET POSITION:	
Net Investment in Capital Assets	110,489.42
Unrestricted Net Position	24,505.53
TOTAL NET POSITION	134,994.95

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds
	Food Service
	Fund
Operating Revenue:	
Food Sales:	
Adults	7,616.82
Other Charges for Goods and Services	3,428.60
Total Operating Revenue	11,045.42
Operating Expenses:	
Salaries	86,620.26
Employee Benefits	45,931.82
Purchased Services	2,508.94
Supplies	6,886.35
Cost of Sales - Purchased Food	76,476.74
Cost of Sales - Donated Food	21,552.58
Depreciation	8,783.80
Total Operating Expenses	248,760.49
Operating Income (Loss)	(237,715.07)
Nonoperating Revenue (Expense):	
Investment Earnings	10.53
State Grants	1,079.29
Federal Grants	194,675.50
Donated Food	17,676.11
Loss on Sale of Capital Assets	(2,259.64)
Total Nonoperating Revenue (Expense)	211,181.79
Income (Loss) Before Contributions	(26,533.28)
Capital Contributions	13,029.01
Change in Net Position	(13,504.27)
Net Position - Beginning	148,499.22
NET POSITION - ENDING	134,994.95

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds
	Food Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Customers	11,144.72
Cash Payments to Employees for Services	(134,354.86)
Cash Payments to Suppliers for Goods or Services	(87,373.11)
Net Cash Provided (Used) by Operating Activities	(210,583.25)
Cash Flows from Noncapital Financing Activities:	
Operating Grants	196,371.03
Net Cash Provided (Used) from Noncapital Financing Activities	196,371.03
Cash Flows from Investing Activities:	
Cash Received for Interest	10.53
Net Cash Provided (Used) from Investing Activities:	10.53
Net Increase (Decrease) in Cash and Cash Equivalents	(14,201.69)
Cash and Cash Equivalents at Beginning of Year	30,221.50
CASH AND CASH EQUIVALENTS AT END OF YEAR	16,019.81
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(237,715.07)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	8,783.80
Value of Donated Commodities Used	21,552.58
Change in Assets and Liabilities:	
Receivables	99.30
Inventories	(354.37)
Accounts and Other Payables	(1,146.71)
Accrued Wages Payable	(1,802.78)
Net Cash Provided (Used) by Operating Activities	(210,583.25)
Noncash Investing, Capital and Financing Activities:	
Loss on Disposal of Capital Assets Not Affecting Operating Income	2,259.64
Value of Commodities Received	17,676.11
Equipment Purchased by Capital Outlay Fund	13,029.01

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	<u>11,964.04</u>	<u>28,139.23</u>
TOTAL ASSETS	<u>11,964.04</u>	<u>28,139.23</u>
LIABILITIES:		
Amounts Held for Others	<u>0.00</u>	<u>28,139.23</u>
TOTAL LIABILITIES	<u>0.00</u>	<u>28,139.23</u>
NET POSITION		
Held in Trust for Scholarships	<u>11,964.04</u>	

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

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Private Purpose Trust Funds
ADDITIONS:	
Contributions and Donations	5,097.00
Total Additions	5,097.00
 DEDUCTIONS:	
Trust Deductions for Scholarships	2,000.00
Total Deductions	2,000.00
Change in Net Position	3,097.00
NET POSITION - BEGINNING	8,867.04
NET POSITION - ENDING	11,964.04

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Andes Central School District No. 11-1 (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); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Special Revenue Fund Types – special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

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

The QZAB Bond Series 2002 Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the payment of principal on Qualified Zone Academy Bonds. This is a major fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The QZAB Bond Series 2005 Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the payment of principal on Qualified Zone Academy Bonds. This is a major fund.

Proprietary Funds:

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

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

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

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Fund Types – private purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust funds:

Scholarship funds for the benefit of students.

Agency Fund Types – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

Custodial funds for clubs and classes of the school.

c. Measurement Focus and Basis of Accounting:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Andes Central School District No. 11-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2015, are grants and gross receipts taxes.

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

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

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

e. Capital Assets:

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

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

Government-Wide Statements:

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	-----N/A-----	-----N/A-----
Improvements	\$ 500.00	Straight-line	40-50 yrs.
Buildings	\$ 500.00	Straight-line	20-75 yrs.
Machinery & Equipment	\$ 500.00	Straight-line	15-25 yrs.
Food Service - Machinery & Equipment	\$ 500.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

f. 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 statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of QZAB Bonds.

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

g. 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, applications, 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.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 its 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 does 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.

k. 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 is available.

l. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the 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 a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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	Real Estate Taxes and Federal Grants
Special Education Fund	Real Estate Taxes, State Aid, and Federal Grants
Pension Fund	Real Estate Taxes

m. Pensions:

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

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits – The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

As of June 30, 2015, the School District had the following investments. The investment in FIT is included in cash and cash equivalents on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools: SDFIT	Unrated	\$ 83,850.99

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts, and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

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

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

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

3. RESTRICTED CASH AND INVESTMENTS

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

<u>Amount</u>	<u>Purpose</u>
\$ 106,790.43	For Debt Service, by debt covenants

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed in the general, special revenue, and proprietary funds. No material supplies inventories were on hand at June 30, 2015 in the general and special revenue funds.

6. PROPERTY TAXES

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

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

7. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	24,224.00			24,224.00
Construction in Progress	39,453.07	573,819.22		613,272.29
Total, not being depreciated	<u>63,677.07</u>	<u>573,819.22</u>	<u>0.00</u>	<u>637,496.29</u>
Capital Assets, being depreciated:				
Improvements	934,249.24	6,358.25		940,607.49
Buildings	8,298,452.66	43,252.56		8,341,705.22
Machinery & Equipment	2,523,070.71	170,235.16	(30,862.87)	2,662,443.00
Total, being depreciated	<u>11,755,772.61</u>	<u>219,845.97</u>	<u>(30,862.87)</u>	<u>11,944,755.71</u>
Less Accumulated Depreciation for:				
Improvements	(216,476.50)	(27,541.52)		(244,018.02)
Buildings	(2,362,008.89)	(162,183.79)		(2,524,192.68)
Machinery & Equipment	(908,312.25)	(201,129.32)	27,543.15	(1,081,898.42)
Total Accumulated Depreciation	<u>(3,486,797.64)</u>	<u>(390,854.63)</u>	<u>27,543.15</u>	<u>(3,850,109.12)</u>
Total Capital Assets, being depreciated, net	<u>8,268,974.97</u>	<u>(171,008.66)</u>	<u>(3,319.72)</u>	<u>8,094,646.59</u>
Governmental Activity Capital Assets, Net	<u>8,332,652.04</u>	<u>402,810.56</u>	<u>(3,319.72)</u>	<u>8,732,142.88</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	223,307.76
Support Services	126,596.62
Co-curricular Activities	<u>40,950.25</u>
Total Depreciation Expense - Governmental Activities	<u><u>390,854.63</u></u>

	<u>Balance</u> <u>07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/15</u>
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	<u>189,876.81</u>	<u>13,029.01</u>	<u>(3,228.06)</u>	<u>199,677.76</u>
Total, being depreciated	<u>189,876.81</u>	<u>13,029.01</u>	<u>(3,228.06)</u>	<u>199,677.76</u>
Less Accumulated Depreciation for:				
Machinery & Equipment	<u>(81,372.96)</u>	<u>(8,783.80)</u>	<u>968.42</u>	<u>(89,188.34)</u>
Total Accumulated Depreciation	<u>(81,372.96)</u>	<u>(8,783.80)</u>	<u>968.42</u>	<u>(89,188.34)</u>
Business-Type Activity Capital Assets, Net	<u><u>108,503.85</u></u>	<u><u>4,245.21</u></u>	<u><u>(2,259.64)</u></u>	<u><u>110,489.42</u></u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Services	<u>8,783.80</u>
Total Depreciation Expense - Business-Type Activities	<u><u>8,783.80</u></u>

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

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Thru 6/30/14</u>	<u>Committed</u>
Elementary Roof Retrofit	<u>\$ 789,952.53</u>	<u>\$ 613,272.29</u>	<u>\$ 176,680.24</u>

8. LONG-TERM LIABILITIES

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
Qualified Zone Academy Bonds (QZAB) Issued 2002	46,000.00			46,000.00	0.00
Qualified Zone Academy Bonds (QZAB) Issued 2005	<u>100,000.00</u>			<u>100,000.00</u>	<u>0.00</u>
Total Governmental Activities	<u><u>146,000.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>146,000.00</u></u>	<u><u>0.00</u></u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Liabilities Payable at June 30, 2015, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Qualified Zone Academy Bonds (2002):
 QZAB Bonds for School Renovation, \$ 46,000.00
 Maturity Date November 12, 2017;
 0% Interest Debt;
 Payable from the QZAB Bond Series 2002 Debt Service Fund

Qualified Zone Academy Bonds (2005):
 QZAB Bonds for School Renovation, \$100,000.00
 Maturity Date June 29, 2021;
 0% Interest Debt;
 Payable from the QZAB Bond Series 2005 Debt Service Fund

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

Annual Requirements to Maturity for Long-Term Debt June 30, 2015						
Year Ending June 30,	Qualified Zone Academy Bonds (QZAB) Issued 2002		Qualified Zone Academy Bonds (QZAB) Issued 2005		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016					0.00	0.00
2017					0.00	0.00
2018	46,000.00				46,000.00	0.00
2019					0.00	0.00
2020					0.00	0.00
2021			100,000.00		100,000.00	0.00
Totals	46,000.00	0.00	100,000.00	0.00	146,000.00	0.00

9. OPERATING LEASE

The School District entered into a lease for postage meters. This lease is paid by the General Fund.

The following are the minimum payments on existing operating leases:

Year	Postage Meters General Fund
2016	1,020.00
2017	1,020.00
2018	1,020.00
2019	510.00

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES:

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

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

11. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2015, was as follows:

<u>FUND</u>	<u>Restricted By:</u>	<u>Amount</u>
Capital Outlay	Law	\$243,097.43
Special Education	Law	183,701.44
Pension	Law	12,950.88
Debt Service	Debt Covenants	106,790.43
SDRS Pension	Governmental Accounting Standards	770,101.84
Total Restricted Net Position		<u>\$1,316,642.02</u>

12. INDIVIDUAL FUND INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>				<u>Totals</u>
	<u>Capital Outlay Fund</u>	<u>Pension Fund</u>	<u>QZAB Bond Series 2002 Debt Service Fund</u>	<u>QZAB Bond Series 2005 Debt Service Fund</u>	
Capital Outlay Fund			300.00	5,527.41	5,827.41
General Fund	850,000.00	75,000.00			925,000.00
Totals	<u>850,000.00</u>	<u>75,000.00</u>	<u>300.00</u>	<u>5,527.41</u>	<u>930,827.41</u>

The School District typically uses transfers to transfer future debt service payments from the Capital Outlay Fund to the Debt Service Funds for future debt service payments and to transfer federal moneys from the General Fund to other funds to conduct the indispensable functions of the School District.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. PRIOR PERIOD ADJUSTMENTS

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

Net Position July 1, 2014, as previously reported	\$17,404,874.11
Restatement for pension accounting:	
Net Pension Asset	416,535.11
Pension related Deferred Outflows of Resources	<u>155,009.92</u>
Net Position July 1, 2014, as restated	<u>\$17,976,419.14</u>

14. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

The annual increase in the amount of the SDRS benefits payable 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$153,597.90, \$155,009.92, and \$159,822.65, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 15,671,187.31
Less proportionate share of total pension liability	<u>\$ 14,606,809.13</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,064,378.18)</u></u>

At June 30 2015, the School District reported a liability (asset) of \$(1,064,378.18) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was 0.1477361%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(44,958.94). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience.	\$ 90,060.79	
Changes in assumption.	\$ 694,794.34	
Net Difference between projected and actual earnings on pension plan investments.		\$ 1,232,729.37
Changes in proportion and difference between District contributions and proportionate share of contributions.		
District contributions subsequent to the measurement date.	\$ 153,597.90	
TOTAL	\$ 938,453.03	\$ 1,232,729.37

\$153,597.90 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2016	\$	(84,576.89)
2017	\$	(84,576.89)
2018	\$	(84,576.89)
2019	\$	(194,143.56)
TOTAL	\$	(447,874.23)

Actuarial Assumptions:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	2.0%	0.8%
Total	<u>100%</u>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,051,805.84	\$(1,064,378.18)	\$(2,790,347.13)

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position:

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

15. JOINT VENTURES

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

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

Andes Central School District No. 11-1	11.89%
Avon School District No. 4-1	10.00%
Bon Homme School District No. 4-2	17.80%
Menno School District No. 33-2	10.31%
Scotland School District No. 4-3	9.95%
South Central School District No. 26-5	6.17%
Tripp/Delmont School District No. 33-5	7.80%
Wagner School District No. 11-4	26.08%

The co-op's governing board is composed of two representatives from each member school district, who are the Superintendent of the school, who serves on an advisory board and one School Board Member who serves on the governing board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from South Central Cooperative.

At June 30, 2015, this joint venture had total assets and deferred outflows of resources of \$1,535,349.64, total liabilities and deferred outflows of resources of \$718,064.62 and net position of \$817,285.02.

16. RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the last 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.

Workmen's Compensation:

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

Unemployment Benefits:

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, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$4,680.00. At June 30, 2015 no claims had been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

17. SIGNIFICANT LITIGATION – LITIGATION

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

18. POTENTIAL SIGNIFICANT CONTINGENCIES

The School District is a member of the South Dakota School District Benefits Fund which has been operating at deficit for several years. If the School District would leave the Fund, they would be liable for their share of the deficit which is potentially a significant amount.

REQUIRED SUPPLEMENTARY INFORMATION
ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	815,904.00	815,904.00	880,109.08	64,205.08
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	13,195.24	11,695.24
Tax Deed Revenue	100.00	100.00	1,535.00	1,435.00
Gross Receipts Taxes	0.00	0.00	68,496.53	68,496.53
Penalties and Interest on Taxes	1,000.00	1,000.00	3,943.97	2,943.97
Tuition and Fees:				
Student Tuition	47,500.00	47,500.00	42,310.96	(5,189.04)
Earnings on Investments and Deposits	1,200.00	1,200.00	128.29	(1,071.71)
Cocurricular Activities:				
Admissions	7,750.00	7,750.00	14,190.71	6,440.71
Other Pupil Activity Income	150.00	150.00	350.50	200.50
Other Revenue from Local Sources:				
Rentals	500.00	500.00	850.00	350.00
Contributions and Donations	0.00	0.00	1,344.70	1,344.70
Services Provided Other LEAs	0.00	0.00	22,709.10	22,709.10
Charges for Services	22,000.00	22,000.00	12,924.19	(9,075.81)
Other	1,500.00	1,500.00	5,530.61	4,030.61
Revenue from Intermediate Sources:				
County Sources:				
Lease of County Owned Land	10,000.00	10,000.00	23,871.39	13,871.39
Revenue in Lieu of Taxes	0.00	0.00	7,778.62	7,778.62
Other	0.00	0.00	13,917.88	13,917.88
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,230,800.00	1,230,800.00	1,317,673.89	86,873.89
Restricted Grants-in-Aid	0.00	0.00	7,750.00	7,750.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Directly from Federal Government	28,051.00	28,051.00	28,051.00	0.00
Restricted Grants-in-Aid Received from Federal Government Through the State	610,295.00	666,851.00	571,350.08	(95,500.92)
Johnson O'Malley Funds	10,000.00	10,000.00	12,575.00	2,575.00
Total Revenue	2,788,250.00	2,844,806.00	3,050,586.74	205,780.74
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	855,573.00	855,573.00	854,369.44	1,203.56
Middle/Junior High	282,013.00	282,013.00	247,790.74	34,222.26
High School	404,312.00	408,312.00	392,150.84	16,161.16
Preschool Services	212,576.00	212,576.00	103,055.90	109,520.10
Special Programs:				
Educationally Deprived	398,897.00	449,151.00	427,257.96	21,893.04

REQUIRED SUPPLEMENTARY INFORMATION
ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Support Services:				
Pupils:				
Attendance and Social Work	56,576.00	91,012.00	90,494.36	517.64
Guidance	124,442.00	124,446.00	117,937.83	6,508.17
Health	24,239.00	26,161.00	24,630.79	1,530.21
Instructional Staff:				
Improvement of Instruction	93,070.00	93,446.00	67,605.78	25,840.22
Educational Media	213,584.00	213,584.00	176,813.79	36,770.21
General Administration:				
Board of Education	111,875.00	111,875.00	76,945.68	34,929.32
Executive Administration	139,259.00	139,259.00	139,256.01	2.99
School Administration:				
Office of the Principal	253,618.00	253,618.00	253,618.00	0.00
Other	2,500.00	2,500.00	342.38	2,157.62
Business:				
Fiscal Services	108,963.00	108,963.00	108,852.24	110.76
Operation and Maintenance of Plant	380,811.00	404,811.00	404,703.93	107.07
Pupil Transportation	76,146.00	76,146.00	64,353.57	11,792.43
Food Service	12,002.00	12,002.00	11,513.63	488.37
Community Services:				
Public Library	9,200.00	9,200.00	5,372.77	3,827.23
Custody and Care of Children	94,897.00	94,897.00	78,533.72	16,363.28
Nonprogrammed Charges:				
Payments to State - Unemployment	15,000.00	15,000.00	4,680.00	10,320.00
Cocurricular Activities:				
Male Activities	44,246.00	44,246.00	42,488.45	1,757.55
Female Activities	32,234.00	32,234.00	31,000.72	1,233.28
Transportation	15,115.00	15,115.00	14,184.34	930.66
Combined Activities	55,042.00	55,042.00	46,707.24	8,334.76
Total Expenditures	4,016,190.00	4,131,182.00	3,784,660.11	346,521.89
Excess of Revenue Over (Under)				
Expenditures	(1,227,940.00)	(1,286,376.00)	(734,073.37)	552,302.63
Other Financing Sources (Uses):				
Transfers In	1,227,940.00	1,227,940.00	825,000.00	(402,940.00)
Sale of Surplus Property	0.00	0.00	50.00	50.00
Total Other Financing Sources (Uses)	1,227,940.00	1,227,940.00	825,050.00	(402,890.00)
Net Change in Fund Balances	0.00	(58,436.00)	90,976.63	149,412.63
Fund Balance - Beginning	207,082.32	207,082.32	207,082.32	0.00
FUND BALANCE - ENDING	207,082.32	148,646.32	298,058.95	149,412.63

REQUIRED SUPPLEMENTARY INFORMATION
ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	0.00	0.00	385.01	385.01
Penalties and Interest on Taxes	0.00	0.00	133.79	133.79
Earnings on Investments and Deposits	150.00	150.00	105.38	(44.62)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	0.00	0.00	32,112.00	32,112.00
Restricted Grants-in-Aid Received from Federal Government Through the State	75,957.00	185,837.00	112,464.81	(73,372.19)
Total Revenue	76,107.00	185,987.00	145,200.99	(40,786.01)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	81,329.00	118,971.00	87,269.93	31,701.07
Middle/Junior High	28,164.00	28,164.00	8,398.55	19,765.45
High School	34,164.00	34,164.00	14,919.55	19,244.45
Support Services:				
Special Programs:				
Educationally Deprived	49,000.00	121,238.00	64,238.00	57,000.00
Instructional Staff:				
Educational Media	32,430.00	32,430.00	30,467.82	1,962.18
Business:				
Facilities Acquisition and Construction	919,200.00	919,200.00	632,973.57	286,226.43
Operation and Maintenance of Plant	46,585.00	46,585.00	17,656.47	28,928.53
Pupil Transportation	20,000.00	20,000.00	418.42	19,581.58
Food Services	0.00	13,030.00	13,029.01	0.99
Cocurricular Activities:				
Male Activities	17,920.00	17,920.00	13,586.07	4,333.93
Female Activities	8,750.00	8,750.00	553.39	8,196.61
Combined Activities	8,900.00	8,900.00	8,064.16	835.84
Total Expenditures	1,246,442.00	1,369,352.00	891,574.94	477,777.06
Excess of Revenue Over (Under) Expenditures	(1,170,335.00)	(1,183,365.00)	(746,373.95)	436,991.05
Other Financing Sources (Uses):				
Transfers In	1,176,165.00	1,176,165.00	850,000.00	(326,165.00)
Transfers Out	(5,830.00)	(5,830.00)	(5,827.41)	2.59
Sale of Surplus Property	0.00	0.00	664.75	664.75
Total Other Financing Sources (Uses)	1,170,335.00	1,170,335.00	844,837.34	(325,497.66)
Net Change in Fund Balances	0.00	(13,030.00)	98,463.39	111,493.39
Fund Balance - Beginning	144,634.04	144,634.04	144,634.04	0.00
FUND BALANCE - ENDING	144,634.04	131,604.04	243,097.43	111,493.39

REQUIRED SUPPLEMENTARY INFORMATION
ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	192,000.00	192,000.00	235,128.61	43,128.61
Prior Years' Ad Valorem Taxes	0.00	0.00	3,117.33	3,117.33
Penalties and Interest on Taxes	0.00	0.00	525.01	525.01
Earnings on Investments and Deposits	0.00	0.00	103.27	103.27
Other Revenue from Local Sources:				
Services Provided other LEAs	0.00	0.00	20,430.90	20,430.90
Charges for Services	3,500.00	3,500.00	2,052.00	(1,448.00)
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	0.00	0.00	1,513.78	1,513.78
Other	0.00	0.00	634.52	634.52
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	200,021.00	200,021.00	90,175.00	(109,846.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	18,000.00	18,000.00	25,626.53	7,626.53
Total Revenue	413,521.00	413,521.00	379,306.95	(34,214.05)
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	346,815.00	366,815.00	225,541.72	141,273.28
Support Services:				
Pupils:				
Psychological	12,072.00	12,072.00	12,071.34	0.66
Speech Pathology	23,473.00	23,473.00	23,472.05	0.95
Student Therapy Services	9,390.00	9,390.00	9,388.82	1.18
Special Education:				
Administrative Costs	17,722.00	17,722.00	17,706.77	15.23
Transportation Costs	4,049.00	4,049.00	1,953.60	2,095.40
Total Expenditures	413,521.00	433,521.00	290,134.30	143,386.70
Net Change in Fund Balances	0.00	(20,000.00)	89,172.65	109,172.65
Fund Balance - Beginning	94,528.79	94,528.79	94,528.79	0.00
FUND BALANCE - ENDING	94,528.79	74,528.79	183,701.44	109,172.65

REQUIRED SUPPLEMENTARY INFORMATION
ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	39,316.00	39,316.00	46,737.73	7,421.73
Prior Years' Ad Valorem Taxes	0.00	0.00	646.32	646.32
Penalties and Interest on Taxes	0.00	0.00	106.71	106.71
Earnings on Investments and Deposits	100.00	100.00	11.46	(88.54)
Revenue from Intermediate Sources				
County Sources:				
Revenue in Lieu of Taxes	0.00	0.00	300.48	300.48
Other	0.00	0.00	122.65	122.65
Total Revenue	39,416.00	39,416.00	47,925.35	8,509.35
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	38,000.00	38,000.00	37,997.17	2.83
Middle/Junior High	13,400.00	13,400.00	12,075.42	1,324.58
High School	17,750.00	17,750.00	15,974.74	1,775.26
Preschool Services	7,800.00	7,800.00	3,511.05	4,288.95
Support Services:				
Pupils:				
Guidance	6,000.00	6,000.00	5,454.43	545.57
Instructional Staff:				
Improvement of Instruction	3,000.00	3,000.00	2,224.80	775.20
Educational Media	9,000.00	9,000.00	7,791.55	1,208.45
General Administration:				
Executive Administration	6,500.00	6,500.00	6,091.35	408.65
School Administration:				
Office of the Principal	12,000.00	12,000.00	11,441.26	558.74
Business:				
Fiscal Services	4,500.00	4,500.00	4,499.69	0.31
Operation and Maintenance of Plant	8,000.00	8,000.00	7,867.17	132.83
Pupil Transportation	500.00	500.00	329.92	170.08
Nonprogrammed Charges:				
Early Retirement Payments	75,590.00	75,590.00	0.00	75,590.00
Pension Payments	0.00	0.00	0.00	0.00
Cocurricular Activities:				
Male Activities	2,350.00	2,350.00	1,271.88	1,078.12
Female Activities	1,700.00	1,700.00	653.22	1,046.78
Transportation	200.00	200.00	0.00	200.00
Combined Activities	2,135.00	2,135.00	1,306.80	828.20
Total Expenditures	208,425.00	208,425.00	118,490.45	89,934.55

REQUIRED SUPPLEMENTARY INFORMATION
ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenue Over (Under) Expenditures	(169,009.00)	(169,009.00)	(70,565.10)	98,443.90
Other Financing Sources (Uses):				
Transfers In	169,009.00	169,009.00	75,000.00	(94,009.00)
Total Other Financing Sources (Uses)	169,009.00	169,009.00	75,000.00	(94,009.00)
Net Change in Fund Balances	0.00	0.00	4,434.90	4,434.90
Fund Balance - Beginning	8,515.98	8,515.98	8,515.98	0.00
FUND BALANCE - ENDING	<u>8,515.98</u>	<u>8,515.98</u>	<u>12,950.88</u>	<u>4,434.90</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

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

1. Prior to the first regular 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 by number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the 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 moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and 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).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	<u>Year Ended</u> <u>6/30/2015</u>
General Fund:	
USGAAP Basis Fund Balance	<u>\$ 11,018,121.41</u>
(Deduct) Impact Aid Revenue	\$ (3,803,715.21)
Impact Aid Beginning Balance	(8,666,347.25)
Impact Aid Transfer Out	<u>1,750,000.00</u>
Net Adjustment to GAAP Basis Fund Balance	<u>\$ (10,720,062.46)</u>
Budgetary Basis Fund Balance	<u><u>\$ 298,058.95</u></u>

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 154
Contributions in relation to the contractually required contribution	<u>\$ 154</u>
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 2,560
Contributions as a percentage of covered-employee payroll	6.0%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
District's proportion of the net pension asset	0.1477361%
District's proportionate share of net pension asset	\$ (1,064)
District's covered-employee payroll	\$ 2,583
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.19%
Plan fiduciary net position as a percentage of the total pension asset	107%

The amounts presented were determined as of 06/30/2014.

ANDES CENTRAL SCHOOL DISTRICT NO. 11-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures FY 2015</u>
US Department of Agriculture:		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	21,552.58
<i>Non-Cash Assistance Subtotal</i>		<u>21,552.58</u>
Cash Assistance:		
School Breakfast Program (Note4)	10.553	60,921.88
National School Lunch Program (Note 4)	10.555	133,753.62
<i>Cash Assistance Subtotal</i>		<u>194,675.50</u>
<i>Total for Child Nutrition Cluster</i>		<u>216,228.08</u>
Fresh Fruit and Vegetable Program	10.582	11,030.08
Total US Department of Agriculture		<u>227,258.16</u>
US Department of the Interior:		
Direct Federal Funding:		
Indian Education - Assistance to Schools		
Johnson O'Malley (Note 2)	15.130	12,575.00
Total US Department of the Interior		<u>12,575.00</u>
US Department of Education:		
Direct Federal Funding:		
Impact Aid - (Note 3)	84.041	1,807,738.53
Indian Education - Grants to Local Educational Agencies	84.060	28,051.00
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies (Note 3)	84.010	508,358.00
Twenty-First Century Community Learning Centers	84.287	85,635.00
Improving Teacher Quality State Grants	84.367	68,188.00
Total US Department of Education		<u>2,497,970.53</u>
Department of Homeland Security		
Homeland Security Cluster:		
Homeland Security Grant Program	97.067	10,603.81
Total Department of Homeland Security		<u>10,603.81</u>
GRAND TOTAL		<u>\$2,748,407.50</u>

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

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

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

NOTE 4: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.