

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
SCHOOL DISTRICT OFFICIALS AND OFFICIAL NEWSPAPER
June 30, 2014

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Hamlin County Republican

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
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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
Castlewood School District No. 28-1
Hamlin 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 Castlewood School District No. 28-1, South Dakota (School District), as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 8, 2014. The report on the governmental activities, the business-type activities, and the major proprietary funds was qualified because the School District did not record the other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets) in the financial statements.

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, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 deficiency described in the accompanying Schedule of Current Audit Findings as item 2014-01 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*.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. 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.

William Neale & Co., P.C.

Watertown, South Dakota
December 8, 2014

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014

PRIOR AUDIT FINDINGS

2013-01

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function.
The finding has not been corrected and has been restated as current audit finding number 2014-01.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
SCHEDULE OF CURRENT AUDIT FINDINGS
June 30, 2014

CURRENT AUDIT FINDINGS

2014-01

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function resulting in decreased reliability of reported financial data and increased potential of loss of public assets.

Analysis: The business manager initiated, authorized, recorded, processed, and reported the majority of the revenue transactions during the fiscal year. As a result, an inadequate segregation of duties over the revenue function existed.

Recommendation: We recommend that the school board be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response: The school board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical.



WILLIAM NEALE & CO., P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

School Board
Castlewood School District No. 28-1
Hamlin 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 Castlewood School District No. 28-1, South Dakota (School District), as of June 30, 2014, and for the year then ended, and the related notes to the financial statements. These financial statements 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Capital Outlay Fund	Unmodified
Special Education Fund	Unmodified
Pension Fund	Unmodified
Food Service Fund	Qualified
Preschool/Driver's Education Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Proprietary Funds

The School District did not record the other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets) in the financial statements, which is required by accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, and expense/expenditures in the financial statements is not reasonably determinable.

Qualified Opinions

In our opinion, except for the matters described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Proprietary Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, Food Service Fund, and Preschool/Driver's Education Fund of Castlewood School District No. 28-1, South Dakota, as of June 30, 2014, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Capital Outlay Fund, Special Education Fund, Pension Fund, and the aggregate remaining fund information of Castlewood School District No. 28-1, South Dakota, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 37 through 45 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

William Neale & Co., P.C.

Watertown, South Dakota
December 8, 2014

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF NET POSITION
June 30, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 1,144,168.61	\$ 33,590.08	\$ 1,177,758.69
Savings Certificates	165,000.00	-	165,000.00
Taxes Receivable	751,453.98	-	751,453.98
Other Assets	114,478.52	135.00	114,613.52
Inventories	-	4,830.77	4,830.77
Capital Assets:			
Land, Improvements and Construction in Progress	24,820.00	-	24,820.00
Other Capital Assets, Net of Depreciation	<u>2,685,548.15</u>	<u>12,347.81</u>	<u>2,697,895.96</u>
TOTAL ASSETS	<u>4,885,469.26</u>	<u>50,903.66</u>	<u>4,936,372.92</u>
LIABILITIES :			
Accounts Payable	34,798.46	1,351.39	36,149.85
Other Current Liabilities	180,223.65	12,247.46	192,471.11
Noncurrent Liabilities:			
Due Within One Year	95,001.42	242.38	95,243.80
Due in More than One Year	<u>79,045.93</u>	<u>2,242.16</u>	<u>81,288.09</u>
TOTAL LIABILITIES	<u>389,069.46</u>	<u>16,083.39</u>	<u>405,152.85</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	<u>720,286.64</u>	<u>-</u>	<u>720,286.64</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>720,286.64</u>	<u>-</u>	<u>720,286.64</u>
NET POSITION:			
Net Investment in Capital Assets	2,710,368.15	12,347.81	2,722,715.96
Restricted for:			
Capital Outlay	309,838.91	-	309,838.91
Special Education	75,264.81	-	75,264.81
Pension	41,018.17	-	41,018.17
Unrestricted	<u>639,623.12</u>	<u>22,472.46</u>	<u>662,095.58</u>
TOTAL NET POSITION	<u>\$ 3,776,113.16</u>	<u>\$ 34,820.27</u>	<u>\$ 3,810,933.43</u>

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 1,596,273.60	\$ 31,208.27	\$ 184,739.24	\$ 6,789.00	\$ (1,373,537.09)	\$ -	\$ (1,373,537.09)
Support Services	949,839.57	-	23,336.00	29,982.62	(896,520.95)	-	(896,520.95)
Nonprogrammed Charges	66.65	-	-	-	(66.65)	-	(66.65)
*Interest on Long-term Debt	4,037.02	-	-	-	(4,037.02)	-	(4,037.02)
Cocurricular Activities	191,173.29	77,151.83	281.00	-	(113,740.46)	-	(113,740.46)
Total Governmental Activities	2,741,390.13	108,360.10	208,356.24	36,771.62	(2,387,902.17)	-	(2,387,902.17)
Business-Type Activities:							
Food Service	151,506.73	92,635.91	61,318.25	2,255.80	-	4,703.23	4,703.23
Driver's Education	4,793.30	1,620.00	-	-	-	(3,173.30)	(3,173.30)
Preschool	22,389.39	2,205.00	-	-	-	(20,184.39)	(20,184.39)
Total Business-Type Activities	178,689.42	96,460.91	61,318.25	2,255.80	-	(18,654.46)	(18,654.46)
Total Primary Government	\$ 2,920,079.55	\$ 204,821.01	\$ 269,674.49	\$ 39,027.42	(2,387,902.17)	(18,654.46)	(2,406,556.63)
* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
Property Taxes					1,232,669.97	-	1,232,669.97
Utility Taxes					73,429.84	-	73,429.84
Revenue from State Sources:							
State Aid					950,943.00	-	950,943.00
Other					24,982.08	-	24,982.08
Unrestricted Investment Earnings					2,857.39	52.65	2,910.04
Other General Revenues					23,176.60	-	23,176.60
Transfers					(23,500.00)	23,500.00	-
Total General Revenues and Transfers					2,284,558.88	23,552.65	2,308,111.53
Change in Net Position					(103,343.29)	4,898.19	(98,445.10)
Net Position - Beginning					3,879,456.45	29,922.08	3,909,378.53
Net Position - Ending					\$ 3,776,113.16	\$ 34,820.27	\$ 3,810,933.43

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 621,596.31	\$ 422,504.50	\$ 89,409.67	\$ 10,658.13	\$ 1,144,168.61
Savings Certificates	107,000.00	-	-	58,000.00	165,000.00
Taxes Receivable - Current	436,141.49	163,186.58	116,103.38	24,216.47	739,647.92
Taxes Receivable - Delinquent	6,663.86	2,840.43	1,865.58	436.19	11,806.06
Accounts Receivable	3,430.98	-	-	-	3,430.98
Judgments Receivable	1,583.13	-	-	-	1,583.13
Due from Other Governments	109,277.84	-	-	-	109,277.84
Interest Receivable	121.92	-	-	64.65	186.57
TOTAL ASSETS	<u>\$ 1,285,815.53</u>	<u>\$ 588,531.51</u>	<u>\$ 207,378.63</u>	<u>\$ 93,375.44</u>	<u>\$ 2,175,101.11</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 19,604.64	\$ 7,190.44	\$ 8,003.38	\$ -	\$ 34,798.46
Contracts Payable	129,022.23	-	8,408.43	-	137,430.66
Payroll Deductions and Withholdings and Employer Matching Payable	<u>36,332.58</u>	<u>-</u>	<u>2,667.95</u>	<u>-</u>	<u>39,000.53</u>
Total Liabilities	<u>184,959.45</u>	<u>7,190.44</u>	<u>19,079.76</u>	<u>-</u>	<u>211,229.65</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	<u>430,563.11</u>	<u>161,419.92</u>	<u>114,705.38</u>	<u>23,967.27</u>	<u>730,655.68</u>
Fund Balances:					
Restricted					
Capital Outlay	-	419,921.15	-	-	419,921.15
Special Education	-	-	73,593.49	-	73,593.49
Pension	-	-	-	69,408.17	69,408.17
Assigned					
Subsequent Year's Budget	78,031.00	-	-	-	78,031.00
Unassigned	<u>592,261.97</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>592,261.97</u>
Total Fund Balances	<u>670,292.97</u>	<u>419,921.15</u>	<u>73,593.49</u>	<u>69,408.17</u>	<u>1,233,215.78</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,285,815.53</u>	<u>\$ 588,531.51</u>	<u>\$ 207,378.63</u>	<u>\$ 93,375.44</u>	<u>\$ 2,175,101.11</u>

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total Fund Balances - Governmental Funds \$ 1,233,215.78

Amounts reported for governmental activities in the statement
 of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	Capital Assets Accumulated Depreciation Net	5,049,960.18 <u>(2,339,592.03)</u>	2,710,368.15
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	Accrued Leave Payable Early Retirement Benefits Payable Financing (Capital Acquisition) Leases Accrued Interest Payable	(36,430.34) (28,780.76) (108,836.25) <u>(3,792.46)</u>	(177,839.81)
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Assets, such as taxes receivable that are not available to pay for the current period expenditures, are deferred in governmental funds.	<u>10,369.04</u>
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Net Position - Governmental Funds \$ 3,776,113.16

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 674,159.98	\$ 292,257.93	\$ 197,741.29	\$ 44,567.93	\$ 1,208,727.13
Prior Years' Ad Valorem Taxes	10,633.72	3,793.87	2,429.27	594.71	17,451.57
Utility Taxes	73,429.84	-	-	-	73,429.84
Penalties and Interest on Taxes	2,155.38	1,104.12	703.72	173.48	4,136.70
Tuition and Fees:					
Student Tuition	10,615.84	-	-	-	10,615.84
Earnings on Investments and Deposits	1,620.41	692.34	223.78	320.86	2,857.39
Cocurricular Activities:					
Admissions	26,868.82	-	-	-	26,868.82
Rentals	750.00	-	-	-	750.00
Other Pupil Activity Income	33,643.78	-	-	-	33,643.78
Other Revenue from Local Sources:					
Rentals	5,714.60	-	-	-	5,714.60
Contributions and Donations	3,802.45	9,829.32	-	-	13,631.77
Services Provided Other LEAs	15,889.23	-	-	-	15,889.23
Charges for Services	13,828.13	-	6,764.30	-	20,592.43
Other	6,306.78	-	-	-	6,306.78
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	10,471.83	-	-	-	10,471.83
Revenue in Lieu of Taxes	277.19	227.01	143.35	35.84	683.39
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	975,925.08	-	-	-	975,925.08
Restricted Grants-in-Aid	1,612.00	-	72,554.00	-	74,166.00
Other State Revenue	511.84	-	-	-	511.84
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received from Federal Government Through the State	135,606.00	-	-	-	135,606.00
Other Federal Revenue	-	21,212.25	-	-	21,212.25
Total Revenues	<u>2,003,822.90</u>	<u>329,116.84</u>	<u>280,559.71</u>	<u>45,692.82</u>	<u>2,659,192.27</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Expenditures:					
Current:					
Instruction:					
Regular Programs:					
Elementary	567,684.87	35,959.53	-	25,500.00	629,144.40
Middle /Junior High	103,576.49	-	-	4,500.00	108,076.49
High School	249,221.27	192,354.15	-	8,000.00	449,575.42
Special Programs:					
Programs for Special Education	-	-	267,289.24	-	267,289.24
Educationally Deprived	93,653.92	-	-	-	93,653.92
Support Services:					
Pupils:					
Attendance and Social Work	967.77	-	-	-	967.77
Guidance	45,422.08	-	8,173.11	-	53,595.19
Health	32,279.62	-	-	-	32,279.62
Psychological	-	-	6,145.92	-	6,145.92
Speech Pathology	-	-	12,399.36	-	12,399.36
Student Therapy	-	-	9,796.92	-	9,796.92
Instructional Staff:					
Improvement of Instruction	11,612.62	-	90.50	-	11,703.12
Educational Media	120,081.02	4,332.18	-	-	124,413.20
General Administration:					
Board of Education	20,570.84	-	710.49	-	21,281.33
Executive Administration	51,398.49	-	-	-	51,398.49
School Administration:					
Office of Principal	171,047.45	2,247.70	-	2,000.00	175,295.15
Other	525.56	-	-	-	525.56
Business:					
Fiscal Services	69,583.72	5,212.65	-	-	74,796.37
Facilities Acquisition & Construction	11,938.94	4,429.03	-	-	16,367.97
Operation and Maintenance of Plant	206,935.18	13,096.68	-	-	220,031.86
Pupil Transportation	77,088.09	-	-	-	77,088.09
Food Services	-	3,854.80	-	-	3,854.80
Special Education:					
Administrative Costs	-	-	4,387.50	-	4,387.50
Transportation Costs	-	-	3,552.00	-	3,552.00
Other Special Education Costs	-	-	1,136.70	-	1,136.70
Nonprogrammed Charges:					
Early Retirement Payments	-	-	-	28,780.76	28,780.76
Insurance Costs	66.66	-	-	-	66.66
Debt Services	-	88,365.00	-	-	88,365.00

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Cocurricular Activities:					
Male Activities	37,853.36	4,720.00	-	-	42,573.36
Female Activities	39,094.93	252.00	-	-	39,346.93
Transportation	15,481.13	-	-	-	15,481.13
Combined Activities	50,683.82	-	-	-	50,683.82
Capital Outlay	<u>6,789.00</u>	<u>109,840.36</u>	<u>-</u>	<u>-</u>	<u>116,629.36</u>
Total Expenditures	<u>1,983,556.83</u>	<u>464,664.08</u>	<u>313,681.74</u>	<u>68,780.76</u>	<u>2,830,683.41</u>
Excess of Revenues Over (Under) Expenditures	<u>20,266.07</u>	<u>(135,547.24)</u>	<u>(33,122.03)</u>	<u>(23,087.94)</u>	<u>(171,491.14)</u>
Other Financing Sources (Uses):					
Transfers Out	(23,500.00)	-	-	-	(23,500.00)
General Long-Term Debt Issued	-	166,201.25	-	-	166,201.25
Sale of Surplus Property	-	2,700.25	-	-	2,700.25
Total Other Financing Sources (Uses)	<u>(23,500.00)</u>	<u>168,901.50</u>	<u>-</u>	<u>-</u>	<u>145,401.50</u>
Net Change in Fund Balances	(3,233.93)	33,354.26	(33,122.03)	(23,087.94)	(26,089.64)
Fund Balance - Beginning	<u>673,526.90</u>	<u>386,566.89</u>	<u>106,715.52</u>	<u>92,496.11</u>	<u>1,259,305.42</u>
FUND BALANCE - ENDING	<u>\$ 670,292.97</u>	<u>\$ 419,921.15</u>	<u>\$ 73,593.49</u>	<u>\$ 69,408.17</u>	<u>\$ 1,233,215.78</u>

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
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, 2014

Net Change in Fund Balances - Total Governmental Funds			\$ (26,089.64)
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.			116,629.36
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.			(132,936.88)
In the statement of activities, losses (\$4,628.80) on the disposal of capital assets are reported, whereas, in the governmental funds, the proceeds (\$2,700.25) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.			(7,329.05)
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	Capital Leases	87,291.33	87,291.33
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	Capital Leases	(166,201.25)	(166,201.25)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".			2,354.57
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	Accrued Leave Payable	(2,879.15)	
	Early Retirement Benefits Payable	28,780.77	25,901.62
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 the governmental funds. (e.g., accrued interest expense)			(2,963.35)
Change in Net Position of Governmental Activities			\$ (103,343.29)

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 24,550.00	\$ 9,040.08	\$ 33,590.08
Accounts Receivable	-	135.00	135.00
Inventory of Supplies	1,072.55	-	1,072.55
Inventory of Stores Purchased for Resale	2,908.14	-	2,908.14
Inventory of Donated Food	850.08	-	850.08
Total Current Assets	29,380.77	9,175.08	38,555.85
Capital Assets:			
Machinery and Equipment - Local Funds	73,185.88	-	73,185.88
Machinery and Equipment - Federal Funds	3,406.00	-	3,406.00
Less: Accumulated Depreciation	(64,244.07)	-	(64,244.07)
Total Noncurrent Assets	12,347.81	-	12,347.81
Total Assets	41,728.58	9,175.08	50,903.66
LIABILITIES:			
Current Liabilities:			
Accounts Payable	53.00	1,298.39	1,351.39
Contracts Payable	278.66	5,789.92	6,068.58
Payroll Deductions and Withholdings and Employer Matching Payable	1,072.81	1,267.37	2,340.18
Deposits Payable	3,838.70	-	3,838.70
Total Current Liabilities	5,243.17	8,355.68	13,598.85
Noncurrent Liabilities:			
Accrued Leave Payable	2,244.34	240.20	2,484.54
NET POSITION:			
Net Investment in Capital Assets	12,347.81	-	12,347.81
Unrestricted	21,893.26	579.20	22,472.46
Total Net Position	\$ 34,241.07	\$ 579.20	\$ 34,820.27

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
Operating Revenue:			
Food Sales:			
Student	\$ 85,677.82	\$ -	\$ 85,677.82
Adult	6,471.40	-	6,471.40
Ala Carte	150.45	-	150.45
Other	336.24	-	336.24
Other Charges for Goods and Services	-	3,825.00	3,825.00
Total Operating Revenue	92,635.91	3,825.00	96,460.91
Operating Expenses:			
Salaries	47,429.43	20,093.05	67,522.48
Employee Benefits	21,961.02	5,587.47	27,548.49
Purchased Services	3,348.97	942.99	4,291.96
Supplies	3,602.29	526.18	4,128.47
Cost of Sales - Purchased Food	61,225.13	-	61,225.13
Cost of Sales - Donated Food	12,367.85	-	12,367.85
Insurance	-	33.00	33.00
Miscellaneous	200.00	-	200.00
Depreciation - Local Funds	1,372.04	-	1,372.04
Total Operating Expenses	151,506.73	27,182.69	178,689.42
Operating Income (Loss)	(58,870.82)	(23,357.69)	(82,228.51)
Nonoperating Revenue (Expense):			
Investment Earnings	51.74	0.91	52.65
State Sources:			
Cash Reimbursements	656.51	-	656.51
Federal Sources:			
Cash Reimbursements	48,644.75	-	48,644.75
Donated Food	12,016.99	-	12,016.99
Total Nonoperating Revenue (Expense)	61,369.99	0.91	61,370.90
Income (Loss) Before Contributions and Transfers	2,499.17	(23,356.78)	(20,857.61)
Capital Contributions	2,255.80	-	2,255.80
Transfers In	-	23,500.00	23,500.00
Change in Net Position	4,754.97	143.22	4,898.19
Net Position - Beginning	29,486.10	435.98	29,922.08
NET POSITION - ENDING	\$ 34,241.07	\$ 579.20	\$ 34,820.27

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 93,181.33	\$ 3,690.00	\$ 96,871.33
Payments to Suppliers	(69,869.14)	(1,346.62)	(71,215.76)
Payments to Employees	(68,939.66)	(25,175.60)	(94,115.26)
Other Cash Payments	(200.00)	-	(200.00)
Net Cash Provided (Used) by Operating Activities	<u>(45,827.47)</u>	<u>(22,832.22)</u>	<u>(68,659.69)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements - State	656.51	-	656.51
Cash Reimbursements - Federal	48,644.75	-	48,644.75
Transfers In	-	23,500.00	23,500.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>49,301.26</u>	<u>23,500.00</u>	<u>72,801.26</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	2,255.80	-	2,255.80
Purchase of Capital Assets	(2,255.80)	-	(2,255.80)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:			
Investment Earnings	51.74	0.91	52.65
Net Cash Provided (Used) by Investing Activities	<u>51.74</u>	<u>0.91</u>	<u>52.65</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 3,525.53</u>	<u>\$ 668.69</u>	<u>\$ 4,194.22</u>
Cash and Cash Equivalents at Beginning of Year	<u>\$ 21,024.47</u>	<u>\$ 8,371.39</u>	<u>\$ 29,395.86</u>
Cash and Cash Equivalents at End of Year	<u>24,550.00</u>	<u>9,040.08</u>	<u>33,590.08</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 3,525.53</u>	<u>\$ 668.69</u>	<u>\$ 4,194.22</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (58,870.82)	\$ (23,357.69)	\$ (82,228.51)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,372.04	-	1,372.04
Value of Commodities Used	12,367.85	-	12,367.85
Change in Assets and Liabilities:			
Receivables	110.66	(135.00)	(24.34)
Inventories	(1,252.77)	-	(1,252.77)
Accounts and Other Payables	(439.98)	155.55	(284.43)
Accrued Wages Payable	299.26	264.72	563.98
Deposits Payable	434.76	-	434.76
Accrued Leave Payable	151.53	240.20	391.73
Net Cash Provided (Used) by Operating Activities	\$ (45,827.47)	\$ (22,832.22)	\$ (68,659.69)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 12,016.99	\$ -	\$ 12,016.99
Equipment Purchased by Capital Outlay Fund	\$ 2,255.80	\$ -	\$ 2,255.80

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ <u>23,002.65</u>
Total Assets	<u>23,002.65</u>
LIABILITIES:	
Amounts Held for Others	<u>23,002.65</u>
Total Liabilities	<u>23,002.65</u>
NET POSITION	<u>\$ -</u>

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 Castlewood School District No. 28-1 (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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District does not have any component units.

The School District participates in the Northeast Educational Services Cooperative with twenty-three other school districts and the Northeast Technical High School with eight 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 minus liabilities equal net position). Net position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for 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.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

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.*

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

The Preschool/Driver's Education Fund – A fund used to record financial transactions related to the preschool and driver's education programs. This fund is financed by student tuition and transfers from the General Fund. This is a major fund.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and are never considered to be major funds:

Agency Funds – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the School District. The agency funds are used to account for the revenues and expenditures that are incidental to each class and club.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2014 are utility taxes received through the counties and State and restricted grants-in-aid received from Federal government through the State. 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 fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified in order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

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.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Government-wide Financial Statements:

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements Other than Buildings	\$ 10,000	Straight-line	10-15 yrs.
Buildings	\$ 25,000	Straight-line	15-50 yrs.
Machinery and Equipment	\$ 300/5,000	Straight-line	5-15 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

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 or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, and capital lease payable.

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and 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 are available.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

I. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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, which is the School Board, and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board.

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.

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

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

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

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

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. As of June 30, 2014, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Custodial Credit Risk - Investments

The risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2014, the School District did not have any investments.

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. 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. All receivables are considered collectible; therefore, no allowances for estimated uncollectibles have been established.

4. INVENTORY

Inventory held for consumption 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 (FIFO). 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 for governmental activities and business-type activities are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental funds financial statements, inventory items are recorded as expenditures at the time of purchase. In the proprietary funds financial statements, inventory items are initially recorded as assets and charged to expense as they are consumed.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

5. PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources 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."

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance 7/1/13	Increases	Decreases	Balance 6/30/14
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 24,820.00	\$ -	\$ -	\$ 24,820.00
Capital assets, being depreciated:				
Buildings	4,337,513.00	-	-	4,337,513.00
Improvements Other than Buildings	202,729.00	-	-	202,729.00
Machinery and Equipment – Local	452,294.88	109,840.36	(89,051.06)	473,084.18
Machinery and Equipment – Federal	5,025.00	6,789.00	-	11,814.00
Total	4,997,561.88	116,629.36	(89,051.06)	5,025,140.18
Less: accumulated depreciation for:				
Buildings	1,886,327.76	88,232.74	-	1,974,560.50
Improvements Other than Buildings	118,732.30	12,548.10	-	131,280.40
Machinery and Equipment – Local	278,292.10	30,798.24	(81,722.01)	227,368.33
Machinery and Equipment – Federal	5,025.00	1,357.80	-	6,382.80
Total accumulated depreciation	2,288,377.16	132,936.88	(81,722.01)	2,339,592.03
Total capital assets, being depreciated, net	2,709,184.72	(16,307.52)	7,329.05	2,685,548.15
Governmental activity capital assets, net	\$ 2,734,004.72	\$ (16,307.52)	\$ 7,329.05	\$ 2,710,368.15

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 49,264.07
Support Services	40,584.76
Cocurricular Activities	<u>43,088.05</u>
Total depreciation expense – governmental activities	<u>\$132,936.88</u>

	Balance 7/1/13	Increases	Decreases	Balance 6/30/14
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and Equipment - Local	\$ 70,930.08	\$ 2,255.80	\$ -	\$ 73,185.88
Machinery and Equipment - Federal	3,406.00	-	-	3,406.00
	<u>74,336.08</u>	<u>2,255.80</u>	<u>-</u>	<u>76,591.88</u>
Less: accumulated depreciation for:				
Machinery and Equipment – Local	59,466.03	1,372.04	-	60,838.07
Machinery and Equipment - Federal	3,406.00	-	-	3,406.00
	<u>62,872.03</u>	<u>1,372.04</u>	<u>-</u>	<u>64,244.07</u>
	<u>11,464.05</u>	<u>883.76</u>	<u>-</u>	<u>12,347.81</u>
	<u>\$ 11,464.05</u>	<u>\$ 883.76</u>	<u>\$ -</u>	<u>\$ 12,347.81</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$1,372.04</u>
Total depreciation expense – business-type activities	<u>\$1,372.04</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14	Due Within One Year
Governmental Activities:					
Financing (Capital Acquisition) Leases	\$ 29,926.33	\$ 166,201.25	\$ 87,291.33	\$ 108,836.25	\$ 52,914.04
Compensated Absences	33,551.19	17,982.18	15,103.03	36,430.34	13,306.62
Early Retirement Payable	57,561.53	-	28,780.77	28,780.76	28,780.76
	<u>121,039.05</u>	<u>184,183.43</u>	<u>131,175.13</u>	<u>174,047.35</u>	<u>95,001.42</u>
Business-Type Activities:					
Compensated Absences	2,092.81	634.11	242.38	2,484.54	242.38
	<u>\$ 123,131.86</u>	<u>\$ 184,817.54</u>	<u>\$ 131,417.51</u>	<u>\$ 176,531.89</u>	<u>\$ 95,243.80</u>

Governmental Activities

Liabilities payable at June 30, 2014 are comprised of the following:

Compensated Absences	
Vested vacation and sick leave liability, payable by the General Fund and Special Education Fund	\$ 36,430.34
Early Retirement Benefits Payable:	
Payable by the Pension Fund	28,780.76
Financing (Capital Acquisition) Leases:	
Computers; original amount of \$166,201.25; maturing August 23, 2015; interest rate of 4.09%; payable by the Capital Outlay Fund	<u>108,836.25</u>
	<u>\$ 174,047.35</u>

The purchase price at the commencement of the financing (capital acquisition) leases were:

Principal	\$166,201.25
Interest	<u>5,893.75</u>
Total	<u>\$172,095.00</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Governmental Activities

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2014 are as follows:

Year Ending June 30,	Financing (Capital Acquisition) Leases		Early Retirement
	Principal	Interest	
2015	\$ 52,914.04	\$ 4,450.96	\$ 28,780.76
2016	<u>55,922.21</u>	<u>1,442.79</u>	<u>-</u>
	<u>\$108,836.25</u>	<u>\$ 5,893.75</u>	<u>\$ 28,780.76</u>

Business-Type Activities

Liabilities payable at June 30, 2014 are comprised of the following:

Compensated Absences:

Vested vacation and sick leave liability, payable by the
 Food Service Fund and Preschool/Driver's Education Fund \$ 2,484.54

8. EARLY RETIREMENT BENEFITS

Only certified, full-time employees employed prior to the 2008-2009 school year who are covered under the bargaining unit and administrative team with at least fifteen (15) years of full-time service with the School District, who have attained the minimum age of fifty-five (55) as of the June 30 of the application year, and will not be older than age sixty-two (62) on June 30 of their final year of employment, and who have complied with the terms and conditions of the School District's policy are eligible to receive the early retirement benefits. The early retirement benefits for those employees who are eligible for retirement benefits during the 2008-2009 school year are equal to 70 percent of the employee's last contract salary, exclusive of extra duty and cocurricular salary. The early retirement benefits for those employees who become eligible for retirement benefits during the 2009-2010 school year and any year thereafter are equal to 50 percent of the employee's last contract salary, exclusive of extra duty and cocurricular salary. The retiree has the option of receiving the benefits in monthly installments until they reach the age of 62 or in two (2) to six (6) equal annual installments until paid in full. At June 30, 2014, two retirees are receiving early retirement benefits, and the early retirement benefits payable is \$28,780.76. The early retirement benefits payable is recorded at the actual amount that will be paid to the retirees.

9. OPERATING LEASES

On June 18, 2009, the School District entered into a 60 month lease for a Kyocera 5050 copier. The monthly lease payment is \$148.05. The School District is also charged a monthly maintenance fee of \$162.50 plus \$.005 per copy in excess of 300,000 copies annually. During the year ended June 30, 2014, the total payments paid by the Capital Outlay Fund were \$3,992.07.

On July 20, 2011, the School District entered into a 60 month lease for a Kyocera 3050 copier. The monthly lease payment is \$60.00. The School District is also charged a monthly maintenance fee of \$.005 per copy. During the year ended June 30, 2014, the total payments paid by the Capital Outlay Fund were \$1,220.58.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

On June 24, 2014, the School District entered into a 60 month lease for a Kyocera 5501i copier. The monthly lease payment is \$127.77. The School District is also charged a monthly maintenance fee of \$137.50 plus \$.0055 per copy in excess of 300,000 copies annually. During the year ended June 30, 2014, the total payments paid by the Capital Outlay Fund were \$0.00.

The following are the minimum payments required for existing operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 3,903.24
2016	3,843.24
2017	3,183.24
2018	3,183.24
2019	3,183.24

10. RESTRICTED NET POSITION

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 309,838.91
Special Education	Law	75,264.81
Pension	Law	<u>41,018.17</u>
Total Restricted Net Position		<u>\$ 426,121.89</u>

11. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>
	<u>Preschool/Driver's Education</u>
General Fund	<u>\$ 23,500.00</u>

The School District transferred the funds for the payment of expenses relating to the preschool and driver's education programs.

12. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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, 2014, 2013, and 2012 were \$77,621.33, \$76,128.78, and \$75,158.37, respectively, equal to the required contributions each year.

13. JOINT VENTURES

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

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

Arlington School District No. 38-1	3.96%
Britton-Hecla School District No. 45-4	6.76%
Castlewood School District No. 28-1	3.67%
Clark School District No. 12-2	5.00%
De Smet School District No. 38-2	4.38%
Deubrook School District No. 5-6	5.20%
Deuel School District No. 19-4	7.43%
Elkton School District No. 5-3	4.48%
Enemy Swim Day School	1.98%
Estelline School District No. 28-2	3.67%
Florence School District No. 14-1	2.80%
Grant-Deuel School District No. 25-3	1.77%
Hamlin School District No. 28-3	9.40%
Henry School District No. 14-2	2.36%
Iroquois School District No. 02-3	3.17%
Lake Preston School District No. 38-3	2.51%
Rosholt School District No. 54-4	3.13%
Sioux Valley School District No. 5-5	7.79%
Summit School District No. 54-6	2.12%
Waubay School District No. 18-3	2.25%
Waverly School District No. 14-5	2.65%
Webster School District No. 18-4	7.47%
Willow Lake School District No. 12-3	3.12%
Wilmot School District No. 54-7	2.92%

The Co-op's governing board is composed of one representative from each member school district, who is a school board member of the member school district. 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 assets 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 the Northeast Educational Services Cooperative.

At June 30, 2014, this joint venture had total assets of \$1,682,340.95, total liabilities of \$484,401.55, and net position of \$1,197,939.40.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The School District participates in the Northeast Technical High School for the purpose of providing vocational education to youth. Member districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

The members of the Northeast Technical High School and their relative percentage participation in the Northeast Technical High School are as follows:

Castlewood School District No. 28-1	4.17%
Florence School District No. 14-1	3.55%
Grant-Deuel School District No. 25-3	3.38%
Great Plains Lutheran School	5.69%
Hamlin School District No. 28-3	8.68%
Henry School District No. 14-2	3.21%
Summit School District No. 54-6	2.65%
Watertown School District No. 14-4	64.38%
Waverly School District No. 14-5	4.29%

The Northeast Technical High School's governing board is composed of three Watertown school board members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School's director, the superintendent of the Watertown School District, and one other superintendent of a member school district that is appointed by the governing board.

The School District retains no equity in the net assets 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 Northeast Technical High School.

At June 30, 2014, this joint venture had total assets of \$924,536.44, total liabilities of \$98,591.64, and net position of \$825,944.80.

14. 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, 2014, the School District managed its risks as follows:

Employee Health Insurance:

The School District participated, with several other educational units and related organizations in South Dakota, in the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a 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. There is no lifetime maximum payment per person.

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 past three years.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Liability Insurance:

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

Worker's Compensation:

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

The School District annually budgets an amount in the General Fund for the payment of future unemployment benefits.

During the year ended June 30, 2014, one claim was filed for unemployment benefits. The claim resulted in the payment of benefits in the amount of \$66.66. At June 30, 2014, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

15. LITIGATION

At June 30, 2014, the School District was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 668,664.00	\$ 668,664.00	\$ 674,159.98	\$ 5,495.98
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	10,633.72	5,633.72
Utility Taxes	40,000.00	40,000.00	73,429.84	33,429.84
Penalties and Interest on Taxes	2,000.00	2,000.00	2,155.38	155.38
Tuition and Fees:				
Student Tuition	10,615.00	10,615.00	10,615.84	0.84
Earnings on Investments and Deposits	2,000.00	2,000.00	1,620.41	(379.59)
Cocurricular Activities:				
Admissions	22,000.00	22,000.00	26,868.82	4,868.82
Rentals	600.00	600.00	750.00	150.00
Other Pupil Activity Income	26,500.00	26,500.00	33,643.78	7,143.78
Other Revenue from Local Sources:				
Rentals	6,000.00	6,000.00	5,714.60	(285.40)
Contributions and Donations	1,000.00	1,000.00	3,802.45	2,802.45
Services Provided Other LEAs	15,540.00	15,540.00	15,889.23	349.23
Charges for Services	8,000.00	8,000.00	13,828.13	5,828.13
Other	2,500.00	2,500.00	6,306.78	3,806.78
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	6,000.00	6,000.00	10,471.83	4,471.83
Revenue in Lieu of Taxes	200.00	200.00	277.19	77.19
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	964,611.00	964,611.00	975,925.08	11,314.08
Restricted Grants-in-Aid	-	-	1,612.00	1,612.00
Other State Revenue	-	-	511.84	511.84
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in Aid Received from Federal Government through the State	110,052.00	110,061.77	135,606.00	25,544.23
Total Revenues	1,891,282.00	1,891,291.77	2,003,822.90	112,531.13

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	578,749.00	578,749.00	571,340.49	7,408.51
Middle/Junior High	103,420.00	103,420.00	104,620.95	(1,200.95)
High School	259,097.00	259,097.00	251,310.19	7,786.81
Special Programs:				
Educationally Deprived	83,278.00	83,278.00	93,653.92	(10,375.92)
Support Services:				
Pupils:				
Attendance and Social Work	958.00	967.77	967.77	-
Guidance	44,264.00	44,264.00	45,422.08	(1,158.08)
Health	31,810.00	31,810.00	32,279.62	(469.62)
Instructional Staff:				
Improvement of Instruction	17,249.00	17,249.00	11,612.62	5,636.38
Educational Media	129,146.00	129,146.00	120,081.02	9,064.98
General Administration:				
Board of Education	25,045.00	25,045.00	20,570.84	4,474.16
Executive Administration	55,768.00	55,768.00	51,398.49	4,369.51
School Administration:				
Office of Principal	189,775.00	189,775.00	171,047.45	18,727.55
Other	800.00	800.00	525.56	274.44
Business:				
Fiscal Services	77,010.00	77,010.00	69,583.72	7,426.28
Facilities Acquisition and Construction	5,000.00	13,500.00	11,938.94	1,561.06
Operation and Maintenance of Plant	224,202.00	224,202.00	206,935.18	17,266.82
Pupil Transportation	89,770.00	89,770.00	77,088.09	12,681.91
Nonprogrammed Charges:				
Self-Insurance Costs	3,000.00	3,000.00	66.66	2,933.34
Cocurricular Activities:				
Male Activities	43,715.00	43,715.00	37,853.36	5,861.64
Female Activities	41,710.00	41,710.00	39,094.93	2,615.07
Transportation	16,990.00	16,990.00	15,481.13	1,508.87
Combined Activities	56,280.00	57,865.26	50,683.82	7,181.44
Contingencies	20,000.00	20,000.00	-	20,000.00
Amount Transferred	-	(10,085.26)	-	(10,085.26)
Total Expenditures	2,097,036.00	2,097,045.77	1,983,556.83	113,488.94
Excess of Revenues Over (Under) Expenditures	(205,754.00)	(205,754.00)	20,266.07	226,020.07

REQUIRED SUPPLEMENTARY INFORMATION
CASTLEWOOD SCHOOL DISTRICT NO. 28-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Transfers Out	<u>(25,194.00)</u>	<u>(25,194.00)</u>	<u>(23,500.00)</u>	<u>1,694.00</u>
Total Other Financing Sources (Uses)	<u>(25,194.00)</u>	<u>(25,194.00)</u>	<u>(23,500.00)</u>	<u>1,694.00</u>
 Net Change in Fund Balances	 (230,948.00)	 (230,948.00)	 (3,233.93)	 227,714.07
Fund Balance - Beginning	<u>673,526.90</u>	<u>673,526.90</u>	<u>673,526.90</u>	<u>-</u>
 FUND BALANCE - ENDING	 <u>\$ 442,578.90</u>	 <u>\$ 442,578.90</u>	 <u>\$ 670,292.97</u>	 <u>\$ 227,714.07</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 293,565.00	\$ 293,565.00	\$ 292,257.93	\$ (1,307.07)
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	3,793.87	2,793.87
Penalties and Interest on Taxes	900.00	900.00	1,104.12	204.12
Earnings on Investments and Deposits	500.00	500.00	692.34	192.34
Other Revenue from Local Sources:				
Contributions and Donations	-	-	9,829.32	9,829.32
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	100.00	100.00	227.01	127.01
Revenue from Federal Sources:				
Other Federal Revenue	21,500.00	21,500.00	21,212.25	(287.75)
Total Revenues	317,565.00	317,565.00	329,116.84	11,551.84
Expenditures:				
Current:				
Instruction:				
Regular Programs:				
Elementary	37,500.00	37,500.00	35,959.53	1,540.47
High School	66,100.00	238,195.00	192,354.15	45,840.85
Support Services:				
Instructional Staff:				
Educational Media	7,550.00	7,550.00	9,426.25	(1,876.25)
School Administration:				
Office of Principal	2,300.00	2,300.00	2,247.70	52.30
Business				
Fiscal Services	6,000.00	6,000.00	5,212.65	787.35
Facilities Acquisition and Construction	58,500.00	58,500.00	4,429.03	54,070.97
Operation and Maintenance of Plant	27,750.00	27,750.00	32,993.97	(5,243.97)
Pupil Transportation	85,000.00	85,000.00	84,849.00	151.00
Food Services	6,000.00	6,000.00	3,854.80	2,145.20
Debt Services	92,400.00	92,400.00	88,365.00	4,035.00

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Cocurricular Activities:				
Male Activities	4,500.00	4,752.00	4,720.00	32.00
Female Activities	-	252.00	252.00	-
Total Expenditures	393,600.00	566,199.00	464,664.08	101,534.92
Excess of Revenues Over (Under) Expenditures	(76,035.00)	(248,634.00)	(135,547.24)	113,086.76
Other Financing Sources (Uses):				
Proceeds of General Long-Term Debt Issued	-	172,095.00	166,201.25	(5,893.75)
Sale of Surplus Property	300.00	300.00	2,700.25	2,400.25
Total Other Financing Sources (Uses)	300.00	172,395.00	168,901.50	(3,493.50)
Net Change in Fund Balances	(75,735.00)	(76,239.00)	33,354.26	109,593.26
Fund Balance - Beginning	386,566.89	386,566.89	386,566.89	-
FUND BALANCE - ENDING	\$ 310,831.89	\$ 310,327.89	\$ 419,921.15	\$ 109,593.26

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 SPECIAL EDUCATION FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 197,969.00	\$ 197,969.00	\$ 197,741.29	\$ (227.71)
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	2,429.27	929.27
Penalties and Interest on Taxes	500.00	500.00	703.72	203.72
Earnings on Investments and Deposits	250.00	250.00	223.78	(26.22)
Other Revenue from Local Sources:				
Charges for Services	4,000.00	4,000.00	6,764.30	2,764.30
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	50.00	50.00	143.35	93.35
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	<u>72,412.00</u>	<u>72,412.00</u>	<u>72,554.00</u>	<u>142.00</u>
Total Revenues	<u>276,681.00</u>	<u>276,681.00</u>	<u>280,559.71</u>	<u>3,878.71</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	288,220.00	309,220.00	267,289.24	41,930.76
Support Services:				
Pupils:				
Guidance	7,807.00	7,807.00	8,173.11	(366.11)
Psychological	7,820.00	7,820.00	6,145.92	1,674.08
Speech Pathology	15,865.00	15,865.00	12,399.36	3,465.64
Student Therapy	13,015.00	13,015.00	9,796.92	3,218.08
Instructional Staff:				
Improvement of Instruction	1,000.00	1,000.00	90.50	909.50
General Administration:				
Board of Education	1,061.00	1,061.00	710.49	350.51
Special Education:				
Administrative Costs	22,001.00	22,001.00	4,387.50	17,613.50
Transportation Costs	500.00	3,600.00	3,552.00	48.00
Other Special Ed Costs	<u>-</u>	<u>1,260.00</u>	<u>1,136.70</u>	<u>123.30</u>
Total Expenditures	<u>357,289.00</u>	<u>382,649.00</u>	<u>313,681.74</u>	<u>68,967.26</u>

REQUIRED SUPPLEMENTARY INFORMATION
CASTLEWOOD SCHOOL DISTRICT NO. 28-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2014

	<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 Revenues Over (Under) Expenditures	<u>(80,608.00)</u>	<u>(105,968.00)</u>	<u>(33,122.03)</u>	<u>72,845.97</u>
Net Change in Fund Balances	(80,608.00)	(105,968.00)	(33,122.03)	72,845.97
Fund Balance - Beginning	<u>106,715.52</u>	<u>106,715.52</u>	<u>106,715.52</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 26,107.52</u>	<u>\$ 747.52</u>	<u>\$ 73,593.49</u>	<u>\$ 72,845.97</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 PENSION FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 46,353.00	\$ 46,353.00	\$ 44,567.93	\$ (1,785.07)
Prior Years' Ad Valorem Taxes	100.00	100.00	594.71	494.71
Penalties and Interest on Taxes	100.00	100.00	173.48	73.48
Earnings on Investments and Deposits	750.00	750.00	320.86	(429.14)
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	<u>10.00</u>	<u>10.00</u>	<u>35.84</u>	<u>25.84</u>
Total Revenues	<u>47,313.00</u>	<u>47,313.00</u>	<u>45,692.82</u>	<u>(1,620.18)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	26,000.00	26,000.00	25,500.00	500.00
Middle/Junior High	4,000.00	4,000.00	4,500.00	(500.00)
High School	8,000.00	8,000.00	8,000.00	-
Support Services:				
School Administration:				
Office of Principal	2,000.00	2,000.00	2,000.00	-
Nonprogrammed Charges:				
Early Retirement Payments	<u>28,782.00</u>	<u>28,782.00</u>	<u>28,780.76</u>	<u>1.24</u>
Total Expenditures	<u>68,782.00</u>	<u>68,782.00</u>	<u>68,780.76</u>	<u>1.24</u>
Excess of Revenues Over (Under) Expenditures	<u>(21,469.00)</u>	<u>(21,469.00)</u>	<u>(23,087.94)</u>	<u>(1,618.94)</u>
Net Change in Fund Balances	<u>(21,469.00)</u>	<u>(21,469.00)</u>	<u>(23,087.94)</u>	<u>(1,618.94)</u>
Fund Balance - Beginning	<u>92,496.11</u>	<u>92,496.11</u>	<u>92,496.11</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 71,027.11</u>	<u>\$ 71,027.11</u>	<u>\$ 69,408.17</u>	<u>\$ (1,618.94)</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the budgetary basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the financial statements prepared in conformity with USGAAP present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows 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 each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).