

McCook Central School District No 43-7

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

JUNE 30, 2014

McCOOK CENTRAL SCHOOL DISTRICT NO. 43-7
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

School Board

David Eichacker - President

Jeff Anderson – Vice President

Peggy Butzke

Joseph Hoffman

Todd Kirby

Ryan Klinkhammer

Joni Wagner

Business Manager

Janet Karel

Superintendent

Daniel Swartos

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INDEPENDENT AUDITOR'S REPORT

School Board
McCook Central School District No. 43-7
McCook County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of McCook Central School District No. 43-7, McCook County, 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 McCook Central 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.

Basis for Qualified Opinions

Management has elected not to record their long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates

employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net position in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable

Qualified Opinions

In our opinion, except for the effects of not recording their long-term financial obligations and commitments related to OPEB as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of McCook Central School District No. 43-7 as of June 30, 2014, and the respective changes in financial position and, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of McCook Central School District No. 43-7 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2015, on our consideration of the McCook Central School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McCook Central School District's internal control over financial reporting and compliance.



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

January 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of McCook Central School District #43-7 annual financial reports presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District maintains a favorable balance in all major funds. Its net position from governmental and business-type activities increased \$67,793 primarily due to a decrease in long term debt. During the year, the District's revenues generated from taxes and other revenues of the **governmental activities** were \$75,816 more than the \$4,015,518 governmental expenditures. Revenues generated by the **business-type activities** (food service and public enterprise) were \$8,023 less than the \$310,715 in expenditures exclusive of capital contributions and transfers in. A \$28,000 operating transfer from General Fund was used to support the Preschool program in the Enterprise Fund.
- In FY 2013 the per student allocation set by the state (PSA) increased 2.3% to \$4,490.92 plus the small school factor, bringing the per student allocation to the level paid in FY 2006 after the roll back in FY 2012. The PSA increased again in FY 2014 by 3% to \$4,625.65. As planned the General Fund reported a \$136,546 decrease to fund balance because of the addition of 2 FTE teachers to reduce class size at elementary and middle school levels and \$28,000 transfer to the Enterprise Fund to support the Preschool program. Reserves were used to support these expenditures. The General Fund's fund balance decreased about 9.7% from \$1,696,290 to \$1,531,069. Total cost of the District's general fund programs increased \$180,842 or 6.8%. Instructional services increased \$89,688 with the reinstatement of the 3rd-4th Multiage classroom and addition of a lower middle school position. Support service expenditures in general fund increased \$82,663 including a one-time expenditure totaling \$68,000 for repair to the auditorium due to a hail storm. Co-curricular activity expense increased \$5,151.
- Capital Outlay fund expenditures increased \$123,194 due to the replacement of computers throughout the system and the classification of the copy management as a capital lease. Revenue also increased allowing for a \$29,299 increase of fund balance with an ending fund balance of \$454,454.
- The Special Education Fund expenditures decreased for the second consecutive year by \$91,251 or 13.8% and the fiscal year ended with a fund balance of \$53,916 or 9.5% of the \$567,555 in expenditures.
- Business Type activities (food service and public enterprise fund) saw an increase in Net Position of \$19,977. The District contracted Lunchtime Solutions, Inc. to manage its food service beginning in the 2012-2013 school-year. The public enterprise fund accounts for the activity of preschool instruction, driver's education and athletic camps/training. The increase in net position is due to an increase in cash and cash equivalents.
- The district decreased its long term debt by \$214,164. District Debt for Capital Outlay Certificates was decreased by \$135,000 to a balance of \$425,000. The long term lease for HVAC improvements was decreased by \$84,701. Long term debt for Employee Benefits payable decreased \$8,933.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services, e.g., regular and special education, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short-and long-term financial information about the activities that the school operates like a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has one business-type activity - Food Service Program.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

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

Figure A-1

Required Components of McCook Central School's Annual Financial Report

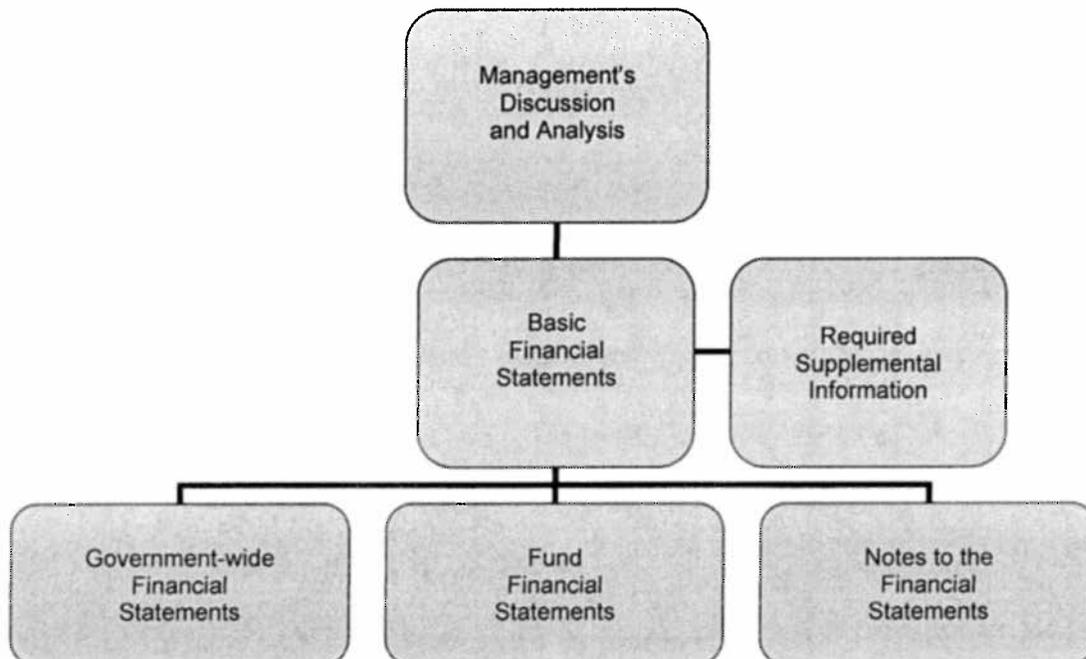


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

FIGURE A-2

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base, student enrollment and changes in the state school aid funding formula also need to be considered.

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

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary, middle and high school educational programs, support services (guidance, executive administration, school board, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing food services to all students. The Food Service Fund is the only business-type activity of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some funds.
- The District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

The School has three generic fund types:

- **Governmental Funds** - Most of the District's basic services are included in the governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine if there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains relationship and reconciles the differences between the fund financial statements and the governmental-wide statements.
- **Proprietary Funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short-and long-term financial information. The District uses an enterprise fund (one type of proprietary fund) to report the activities of its Food Service Program, a business-type activity. The District does not use an internal service fund at this time.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased as follows:

TABLE A-1
McCOOK CENTRAL SCHOOL DISTRICT NO. 43-7
STATEMENT OF NET POSITION

	Governmental Activities		Primary Government Business-Type Activities		Total	
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
Current and Other Assets	\$ 3,691,111.22	\$ 3,674,846.71	\$ 99,023.37	\$ 125,949.24	\$ 3,790,134.59	\$ 3,800,795.95
Capital Assets	4,277,276.92	4,222,216.19	53,878.91	51,242.18	4,331,155.83	4,273,458.37
Total Assets	7,968,388.14	7,897,062.90	152,902.28	177,191.42	8,121,290.42	8,074,254.32
Long-Term Debt Outstanding	1,047,025.52	832,861.12			1,047,025.52	832,861.12
Other Liabilities	1,349,018.72	364,420.96	12,349.69	16,661.49	1,361,368.41	381,082.45
Total Liabilities	2,396,044.24	1,197,282.08	12,349.69	16,661.49	2,408,393.93	1,213,943.57
Taxes Levied for a Future Period		1,079,621.09				1,079,621.09
Net Position:						
Net Investment in Capital Assets,	3,402,263.80	3,552,434.87	53,878.91	51,242.18	3,456,142.71	3,603,677.05
Restricted	551,957.18	616,198.58			551,957.18	616,198.58
Unrestricted	1,618,122.92	1,451,526.28	86,673.68	109,287.75	1,704,796.60	1,560,814.03
Total Net Position	5,572,343.90	5,620,159.73	140,552.59	160,529.93	5,712,896.49	5,780,689.66
Increase (Decrease) in Net Position	\$ 490,461.70	\$ 47,815.83	\$ 28,705.63	\$ 19,977.34	\$ 519,167.33	\$ 67,793.17
Adjusted Beginning Net Position	5,081,882.20	5,572,343.90	111,846.96	140,552.59	5,193,729.16	5,712,896.49
Ending Net Position	<u>\$ 5,572,343.90</u>	<u>\$ 5,620,159.73</u>	<u>\$ 140,552.59</u>	<u>\$ 160,529.93</u>	<u>\$ 5,712,896.49</u>	<u>\$ 5,780,689.66</u>
Percentage of Increase (Decrease) in Net Position	9.65%	0.86%	25.67%	14.21%	10.00%	1.19%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of early retirement, accumulated sick leave payable, capital outlay certificates payable, and lease/purchase agreement payable, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

Changes in Net Position

The District's combined net position increased in Fiscal Year 2014 by \$67,793 or 1.19% as illustrated above, primarily due to a decrease in long term debt. In government activities, current and capital assets decreased \$47,036 while long-term debt decreased \$214,164. Governmental Funds ended with a slight increase of .86%. Business-type activities again show a significant increase in cash assets resulting in an increase of 14.21% in Total Net Position.

GOVERNMENTAL ACTIVITIES

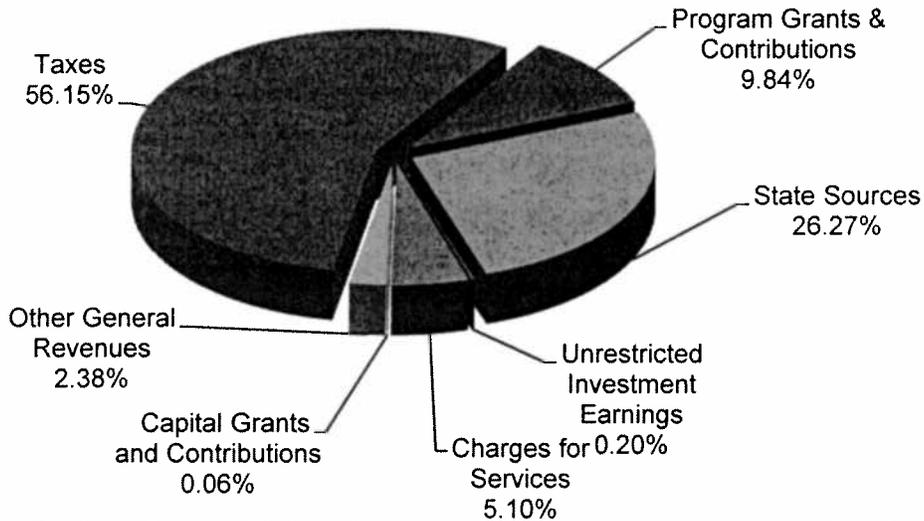
Table A-2 and the narrative that follows consider the operations of the government-wide activities.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
Revenues						
Program Revenues						
Charges for Services	\$ 37,438.50	\$ 22,999.89	\$ 185,660.24	\$ 201,049.31	\$ 223,098.74	\$ 224,049.20
Operating Grants and Contributions	451,659.92	331,024.17	110,172.89	101,336.32	561,832.81	432,360.49
Capital Grants and Contributions	19,782.07	2,739.53				2,739.53
General Revenues						
Taxes	2,409,396.29	2,467,461.66			2,409,396.29	2,467,461.66
Revenue State Sources	1,166,604.57	1,154,130.26			1,166,604.57	1,154,130.26
Other General Revenue	103,486.16	104,668.77	4,874.47	5.33	108,360.63	104,674.10
Unrestricted Investment Earnings	11,441.47	8,309.35	292.04	301.60	11,733.51	8,610.95
Total Revenues	\$ 4,199,808.98	\$ 4,091,333.63	\$ 300,999.64	\$ 302,692.56	\$ 4,481,026.55	\$ 4,394,026.19
Expenses						
Instruction	\$ 2,064,355.63	\$ 2,287,781.91			\$ 2,064,355.63	\$ 2,287,781.91
Support Services	1,298,187.21	1,378,891.37			1,298,187.21	1,378,891.37
Community Services	1,539.84	4,878.57			1,539.84	4,878.57
Nonprogrammed Charges	37,079.57	35,760.47			37,079.57	35,760.47
Debt Services	32,557.07	26,919.58			32,557.07	26,919.58
Cocurricular Activities	269,927.96	281,285.90			269,927.96	281,285.90
Preschool Tuition			37,419.27	69,553.32		69,553.32
Driver's Education Fees			3,967.78	2,656.37		2,656.37
Community Services			11,992.59	14,428.55		14,428.55
Food Service			224,614.34	224,076.98	224,614.34	224,076.98
Total Expenses	\$ 3,703,647.28	\$ 4,015,517.80	\$ 277,993.98	\$ 310,715.22	\$ 3,928,261.62	\$ 4,326,233.02
Transfers In			5,700.00	28,000.00	5,700.00	28,000.00
Transfers Out	(5,700.00)	(28,000.00)			(5,700.00)	(28,000.00)
NET POSITION - ENDING	\$ 5,572,343.90	\$ 5,620,159.73	\$ 140,552.62	\$ 160,529.93	\$ 5,712,896.52	\$ 5,780,689.66

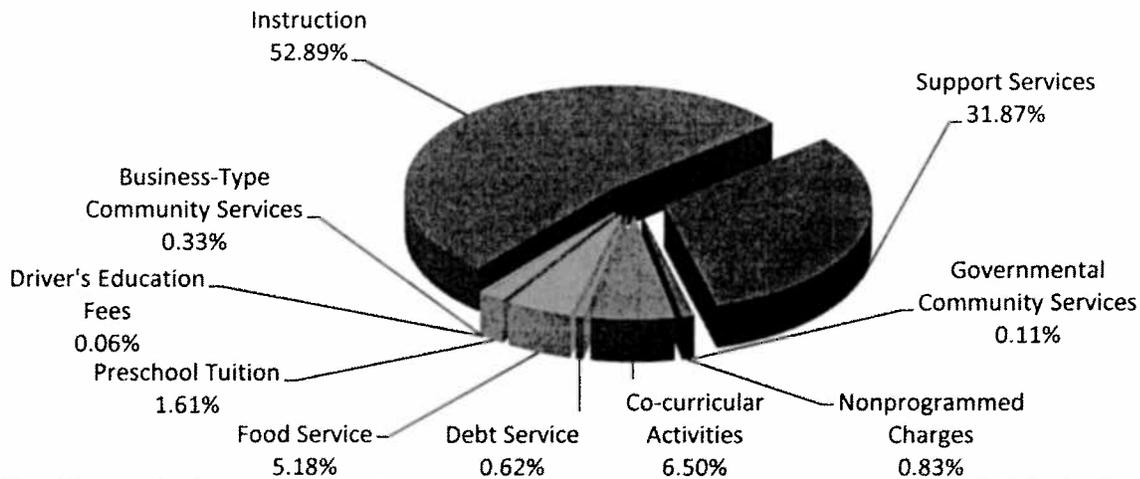
The District's total revenues from all sources equal \$4,394,026 or \$87,000 less than the previous year. (See Table A-2). Local Taxes account for 56.15% of total district revenues, with 26.27% of revenues coming from state sources. (See Figure A-3).

**Figure A-3
McCook Central School District
Sources of Revenues for FY2014**



The District's expenditures totaled \$4,326,233 (See Table A-2) and covered a range of services, including instruction, support services, co-curricular activities, early retirement, debt service and food services. (See Figure A-4).

**Figure A-4
McCook Central School District
Functional Expenses for FY2014**



GOVERNMENTAL ACTIVITIES

The district's governmental funds revenues decreased \$108,475 from FY 2013. Local revenues increased while state revenues decreased slightly. Revenues and expenditures for IDEA Part B 611 and 619 for special education services are administered directly by the Cornbelt Educational Cooperative and are not reflected in these statements. The district experienced a significant increase to instruction expenditures due to the addition of two teaching staff to decrease class size and the replacement of student and staff computers throughout the system; support services expenditures increased as well partially due to repair to the auditorium because of a hail storm. Non-programmed service (early retirement payable) were stable. Debt Service expenditures for interest on outstanding debt continues to decrease as the current debt issues are nearing the end.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities increased slightly in FY 2014. Food Service operating expenses remained primarily the same as FY 2013. Expenditures in the Public Enterprise fund increased significantly, \$32,721, primarily due to reporting of preschool services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The general fund utilized \$160,221 of its \$295,000 opt out tax revenue. The student count in September 2013 was 357.53, the September 2014 student count was lower than projected at 357.68 The capital outlay fund balance increased \$29,299 to \$454,454 while the special education fund balance increased \$29,509 to \$53,916. The Special Education Fund received \$55,717 from the Extraordinary Cost Fund down significantly from prior years. The District has both a Food Service Fund and a Public Enterprise Fund in the Business-type fund.

BUDGETARY HIGHLIGHTS

During the course of the year, the School Board revised the District budget several times. These amendments fall into three categories:

- Supplemental appropriations approved to prevent budget overruns for unanticipated expenses, grants received, and projects approved after the adoption of the budget.
- Insurance recovery revenue recorded to cover cost of repair of auditorium not originally budgeted in general and coding changes approved by state for special education.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

In the General Fund the District utilized all but \$896 of its \$50,000.00 contingency fund to increase expenditure line items throughout the general fund budget as needed due to unbudgeted or under budgeted expenses, with the largest transfer to increase utility expenditure in the amount of \$10,000. The General Fund budget was supplemented because of insurance recovery funds used to repair the damage done by a hail storm in May 2012. Capital Outlay supplements covered grants from the State of SD for Security doors and wireless access solutions and \$18,000 funding for a building feasibility study. The Special Education fund was supplemented to account for the change in coding of cooperative expenses. The Public Enterprise Fund was supplemented to account for increased expenditures in the preschool program covered by a transfer from general fund.

CAPITAL ASSET ADMINISTRATION

The District ended FY 2014 with \$7,840,796 invested in a broad range of capital assets, including land, buildings, improvements other than buildings and equipment for governmental activities. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$117,564 over the previous year. Total assets for business-type activities increased slightly while assets net of depreciation decreased. For more information, see Note 6 of the Notes

Table A-3
McCook Central School District 43-7
Capital Assets

Table A-3
McCOOK CENTRAL SCHOOL DISTRICT 43-7 - Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
Land	\$ 21,592.79	\$ 47,592.79			\$ 21,592.79	\$ 47,592.79
Construction Work in Progress		11,077.00				11,077.00
Buildings	5,993,239.62	5,993,239.62			5,993,239.62	5,993,239.62
Improvements other than Building	547,138.17	552,331.11			547,138.17	552,331.11
Machinery and Equipment	1,074,644.49	1,146,989.46	162,789.48	165,714.16	1,237,433.97	1,312,703.62
Library Books	86,617.46	89,566.20			86,617.46	89,566.20
Total Capital Assets	<u>\$ 7,723,232.53</u>	<u>\$ 7,840,796.18</u>	<u>\$ 162,789.48</u>	<u>\$ 165,714.16</u>	<u>\$ 7,886,022.01</u>	<u>\$ 8,006,510.34</u>

LONG-TERM DEBT

At year-end, the District had \$425,000 in outstanding Capital Outlay Certificates and \$230,312 remaining on a \$729,272 ten year lease/purchase agreement to help finance an energy savings/facility improvements project at a total cost of \$1,154,272 as well as a long-term copier lease. Accumulated sick leave (compensated absences) due to staff was \$92,259 and early retirement benefits payable totaled \$70,821. The net effect from the prior year is a decrease in outstanding debt of 20.45% as shown on Table A-4 below. For more information, see Note 7 of the Notes to Financial Statements

Table A-4
McCOOK CENTRAL SCHOOL DISTRICT 43-7
Outstanding Debt and Obligations

	Governmental Activities		Total % Change
	FY2013	FY2014	
General Obligation Refunding Bonds	\$ 560,000.00	\$ 425,000.00	-24.11%
Compensated Absences	86,350.19	92,259.27	6.84%
Early Retirement	85,662.21	70,820.53	0.00%
Capital Lease	315,013.12	244,781.32	-22.29%
Total Long-Term Liabilities	<u>\$ 1,047,025.52</u>	<u>\$ 832,861.12</u>	

Net Increase (Decrease) -20.45%

The District is liable for the accumulated sick leave payable to certified and administrative staff.

The District also maintains an early retirement plan, which allows certified staff meeting certain qualifications to retire early and receive up to 75% of their last year's salary in equal payments spread over the next three years. This plan allows the district to potentially reduce the overall program cost by hiring lower paid teachers to replace retiring higher paid teachers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position continues to improve due to an increase in current assets and a decrease in long term debt. The District has experienced a decline in enrollment from 397.48 in 2006 to 356.92 in 2014. This decline in enrollment directly affects the amount of state aid the district receives. It should be noted that growth in property valuation does not improve revenues for the General Fund or Special Education Fund because major revenues for these funds are based on an annual per pupil allocation set by the State. The general fund per student allocation (with small school adjustment) is multiplied by the district enrollment on the last Friday in September of the current school year or the average of the previous two years, whichever is greater, to determine local need. This allocation is comprised of a combination of local property tax revenue and state funds. Levies against property valuation determine local effort. The local effort is subtracted from the local need and the difference is provided by the State as state aid. With regard to General Fund revenues - increases in local property valuation can increase the local effort, depending on the levy set annually by the state legislature, in which case the amount of state aid the District receives will decrease proportionately if student enrollment remains unchanged.

The per student allocation for FY 2012 was lowered by the state legislature to \$4,389.12 per pupil down from \$4,804.60 in FY 2011. With the small school factor adjustment this resulted in a loss of \$311.89 per student for McCook Central School District. The per student allocation base was raised by 2.3% for FY 2013 to \$4,490.92, and 3% for FY 2014 to \$4625.65 with the small school factor raising the McCook Central allocation another \$468.25 to \$5093.89. This brings the 2013-14 per student allocation near the same level received in 2008-2009. State aid for 2013-2014 was calculated on the average of the two prior years at 378.01 students. The state aid formula calculated need (local ad valorem tax and formula aid from the state) for FY 2014 was \$1,930,638 plus a small allowance for ELL students. The district expects enrollments which declined in the last few years to stabilize. Without additional funding it is expected the district will continue to deficit spend in General Fund in the next fiscal year. Budget measures will be taken to control the growth of that deficit.

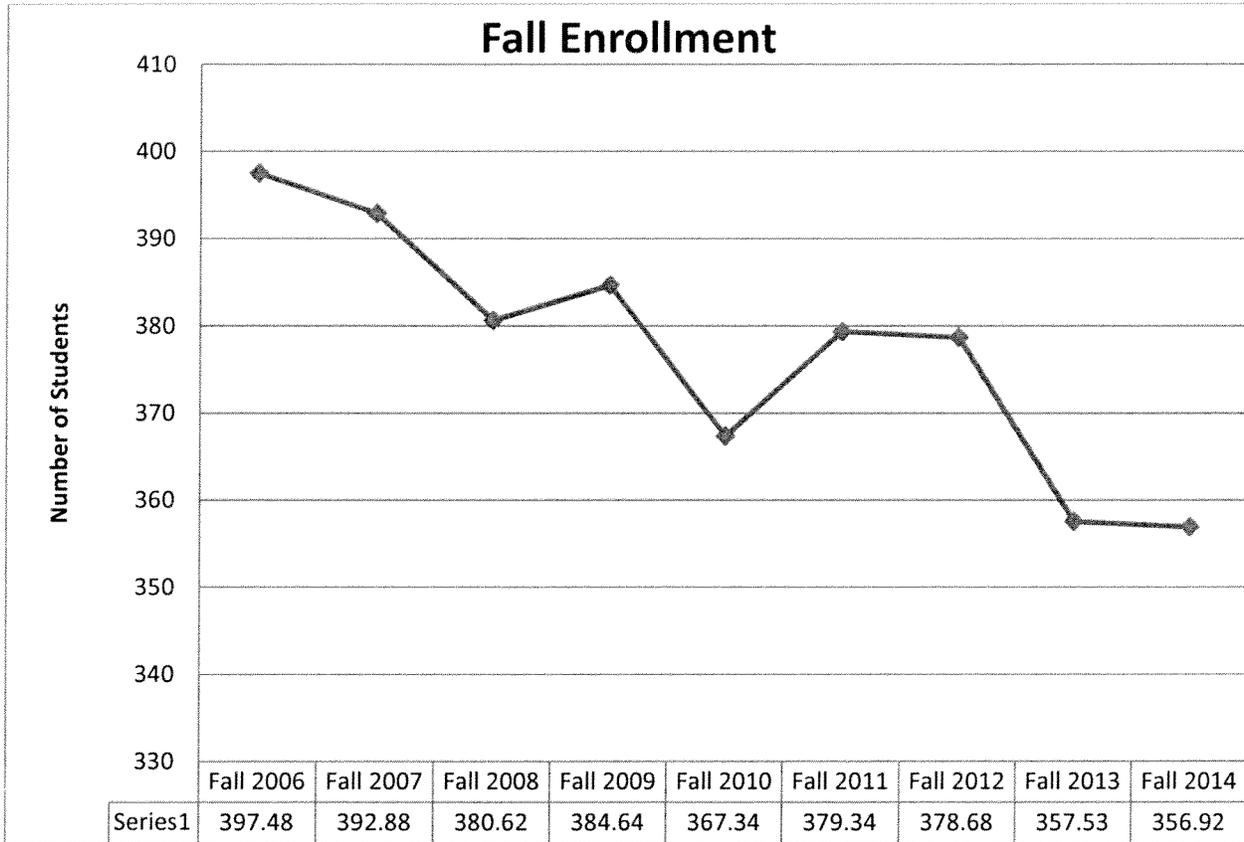
The District passed a \$295,000 general fund tax opt-out in June 2002. In FY 2014 two teachers were added to reduce class size in the upper elementary and middle school. General fund expenses increased \$176,517 or 6.8% as stated in the financial highlights above.

The Board initiated a feasibility study in the fall of 2013 to determine the need to remodel/replace the original 1924 High School Building. A successful bond election held in June 2014 authorizing the issue of \$2,990,000 in general obligation bonds along with a Capital Outlay Certificate issue of \$4,265,000 to finance the new construction and the replacement of the 1924 high school/middle school building, equipment and furnishings with construction beginning in the Spring of 2015 and completion in the fall of 2016.

Special Education costs decreased by \$91,251 or 13.8%. As stated earlier the District's dependence on assistance from the state's Extraordinary Cost Fund declined dramatically to \$55,717, less than half the assistance of the previous year. A change in student assignment and decrease in out of district placement resulted in lowered expenditures and brought the Special Expenditures more in line with the Special Ed Revenues.

The District has experienced a significant drop in enrollment in the past several years. The Fall enrollment count dropped from 397.48 students in September 2006 to 356.92 students in September 2014 for a total loss of 40.56 students.

Figure A-5



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the McCook Central School District 43-7 Business Office, 200 E Essex Ave, PO Box 310, Salem, SD 57058.

McCOOK CENTRAL SCHOOL DISTRICT 43-7
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	\$ 1,783,201.61	\$ 116,581.32	\$ 1,899,782.93
Investments	600,000.00		600,000.00
Taxes Receivable	1,092,458.94		1,092,458.94
Accounts Receivable	2,924.00	4,663.31	7,587.31
Due from Other Governments	170,137.97	1,313.84	171,451.81
Inventories	22,795.63	3,390.77	26,186.40
Prepaid Expenses	3,328.56		3,328.56
Capital Assets:			
Land	58,669.79		58,669.79
Other Capital Assets, Net of Depreciation	<u>4,163,546.40</u>	<u>51,242.18</u>	<u>4,214,788.58</u>
TOTAL ASSETS	<u>7,897,062.90</u>	<u>177,191.42</u>	<u>8,074,254.32</u>
LIABILITIES:			
Accounts Payable	68,710.94	4,569.24	73,280.18
Contracts Payable	218,834.18	6,365.00	225,199.18
Due to Other Governments	3,411.53		3,411.53
Benefits Payable	73,174.31	1,939.25	75,113.56
Deposits Payable	290.00		290.00
Unearned Revenue		3,788.00	3,788.00
Noncurrent Liabilities:			
Due Within One Year	302,079.96		302,079.96
Due in More than One Year	<u>530,781.16</u>		<u>530,781.16</u>
TOTAL LIABILITIES	<u>1,197,282.08</u>	<u>16,661.49</u>	<u>1,213,943.57</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	<u>1,079,621.09</u>		<u>1,079,621.09</u>
NET POSITION:			
Net Investment in Capital Assets	3,552,434.87	51,242.18	3,603,677.05
Restricted for:			
Capital Outlay	457,766.14		457,766.14
Special Education	55,569.97		55,569.97
Pension	102,862.47		102,862.47
Unrestricted	<u>1,451,526.28</u>	<u>109,287.75</u>	<u>1,560,814.03</u>
TOTAL NET POSITION	<u>\$ 5,620,159.73</u>	<u>\$ 160,529.93</u>	<u>\$ 5,780,689.66</u>

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

**McCOOK CENTRAL SCHOOL DISTRICT 43-7
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	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 2,287,781.91	\$	\$ 277,113.49	\$	\$ (2,010,668.42)	\$	\$ (2,010,668.42)
Support Services	1,378,891.37	144.95	53,910.68		(1,324,835.74)		(1,324,835.74)
Nonprogrammed Charges	35,760.47				(35,760.47)		(35,760.47)
Community Services	4,878.57				(4,878.57)		(4,878.57)
*Interest on Long-term Debt	26,919.58				(26,919.58)		(26,919.58)
Cocurricular Activities	281,285.90	22,854.94		2,739.53	(255,691.43)		(255,691.43)
Total Governmental Activities	<u>4,015,517.80</u>	<u>22,999.89</u>	<u>331,024.17</u>	<u>2,739.53</u>	<u>(3,658,754.21)</u>		<u>(3,658,754.21)</u>
Business-type Activities:							
Food Service	224,076.98	138,795.51	101,336.32			16,054.85	16,054.85
Preschool Tuition	69,553.32	41,568.29				(27,985.03)	(27,985.03)
Driver's Education Fees	2,656.37	5,650.00				2,993.63	2,993.63
Community Services	14,428.55	15,035.51				606.96	606.96
Total Primary Government	<u>\$ 4,326,233.02</u>	<u>\$ 224,049.20</u>	<u>\$ 432,360.49</u>	<u>\$ 2,739.53</u>	<u>(3,658,754.21)</u>	<u>(8,329.59)</u>	<u>(3,667,083.80)</u>
*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues and Transfers:							
Taxes:							
					2,328,688.91		2,328,688.91
					138,772.75		138,772.75
Revenue from State Sources:							
					1,154,130.26		1,154,130.26
					8,309.35	301.60	8,610.95
					112,575.02	5.33	112,580.35
					(7,906.25)		(7,906.25)
					(28,000.00)	28,000.00	
Total General Revenues and Transfers					<u>3,706,570.04</u>	<u>28,306.93</u>	<u>3,734,876.97</u>
Change in Net Position					47,815.83	19,977.34	67,793.17
Net Position - Beginning					<u>5,572,343.90</u>	<u>140,552.59</u>	<u>5,712,896.49</u>
NET POSITION - ENDING					<u>\$ 5,620,159.73</u>	<u>\$ 160,529.93</u>	<u>\$ 5,780,689.66</u>

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

**McCOOK CENTRAL SCHOOL DISTRICT 43-7
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	\$ 1,042,015.35	\$ 473,644.52	\$ 93,944.43	\$ 173,597.31	\$ 1,783,201.61
Investments	600,000.00				600,000.00
Taxes Receivable--Current	526,656.27	340,622.23	199,488.01	12,854.58	1,079,621.09
Taxes Receivable--Delinquent	7,716.64	3,312.01	1,654.11	155.09	12,837.85
Accounts Receivable	2,924.00				2,924.00
Due from Other Governments	170,137.97				170,137.97
Inventory of Supplies	22,795.63				22,795.63
Prepaid Expenses	3,273.46		55.10		3,328.56
TOTAL ASSETS	\$ 2,375,519.32	\$ 817,578.76	\$ 295,141.65	\$ 186,606.98	\$ 3,674,846.71
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 33,504.01	\$ 18,253.44	\$ 16,953.49	\$	\$ 68,710.94
Contracts Payable	199,883.09		18,951.09		218,834.18
Due to Other Government	1,919.35	936.95	485.83	69.40	3,411.53
Payroll Deductions and Withholdings and Employer Matching Payable	69,481.05		3,693.26		73,174.31
Deposits Payable	290.00				290.00
Total Liabilities	305,077.50	19,190.39	40,083.67	69.40	364,420.96
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	526,656.27	340,622.23	199,488.01	12,854.58	1,079,621.09
Unavailable Revenue-Property Taxes	7,716.64	3,312.01	1,654.11	155.09	12,837.85
Total Deferred Inflows of Resources	534,372.91	343,934.24	201,142.12	13,009.67	1,092,458.94
Fund Balances:					
Nonspendable	26,069.09		55.10		26,124.19
Restricted		454,454.13	53,860.76	173,527.91	681,842.80
Assigned	461,052.00				461,052.00
Unassigned	1,048,947.82				1,048,947.82
Total Fund Balances	1,536,068.91	454,454.13	53,915.86	173,527.91	2,217,966.81
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,375,519.32	\$ 817,578.76	\$ 295,141.65	\$ 186,606.98	\$ 3,674,846.71

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

**McCOOK CENTRAL SCHOOL DISTRICT 43-7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances - Governmental Funds		\$ 2,217,966.81
<p>Amounts reported for governmental activities in the statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets	\$ 7,840,796.18	
Accumulated Depreciation	<u>(3,618,579.99)</u>	4,222,216.19
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in the governmental funds but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position.</p>		
Capital Outlay Certificates	(425,000.00)	
Compensated Absences	(92,259.27)	
Early Retirement	(70,820.53)	
Capital Acquisition Lease	<u>(244,781.32)</u>	(832,861.12)
<p>Assets such as taxes receivable, delinquent, are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		<u>12,837.85</u>
Net Position- Governmental Funds		<u>\$5,620,159.73</u>

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

McCOOK CENTRAL SCHOOL DISTRICT 43-7
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	\$ 1,135,559.69	\$ 727,832.02	\$ 405,460.34	\$ 38,723.96	\$ 2,307,576.01
Prior Years' Ad Valorem Taxes	8,802.63	4,614.00	2,347.06	276.93	16,040.62
Tax Deed Revenue	220.39	47.28	27.69	1.79	297.15
Utility Taxes	138,772.75				138,772.75
Penalties and Interest on Taxes	3,665.18	1,072.46	525.77	61.71	5,325.12
Earnings on Investments and Deposits	7,268.95	584.08	76.63	379.69	8,309.35
Cocurricular Activities:					
Admissions	21,403.19				21,403.19
Rentals	851.75				851.75
Other Pupil Activity	200.00				200.00
Other Revenue from Local Sources:					
Rentals	400.00				400.00
Contributions and Donations	1,500.12	1,089.41	150.00		2,739.53
Services Provided Other LEAs	144.95				144.95
Charge for Services	23,514.66		30,396.02		53,910.68
Other	88,612.32	1,953.00			90,565.32
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	22,009.70				22,009.70
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	1,154,130.26				1,154,130.26
Restricted Grants-in-Aid	650.00		157,686.00		158,336.00
Other State Revenue	1,721.90	16,206.67			17,928.57
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received from Federal Government Through Intermediate	899.42	761.62	395.04	56.35	2,112.43
Restricted Grants-in-Aid Received from Federal Government Through the State	73,060.49				73,060.49
Other Federal Revenue	20,246.00	5,430.00			25,676.00
Total Revenue	<u>2,703,634.35</u>	<u>759,590.54</u>	<u>597,064.55</u>	<u>39,500.43</u>	<u>4,099,789.87</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	570,883.52	32,993.66		603,877.18
Middle/Junior High	429,876.78	42,653.10		472,529.88
High School	512,937.40	131,134.93		644,072.33

Special Programs:

Programs for Special Education		664.89	366,978.26	367,643.15
Programs for Culturally Different	6,835.19			6,835.19
Programs for Educationally Deprived	71,878.08	3,223.00		75,101.08

Support Services:

Pupils:

Guidance	54,723.41		35,616.22	90,339.63
Health	732.00		3,080.00	3,812.00
Psychological			10,109.51	10,109.51
Speech Pathology			26,892.92	26,892.92
Student Therapy			37,925.96	37,925.96

Support Services - Instructional Staff:

Improvement of Instruction	12,299.44		798.95	13,098.39
Educational Media	95,639.96	4,999.00	584.78	101,223.74

Support Services - General Administration:

Board of Education	28,310.84		2,232.23	30,543.07
Executive Administration	91,750.60	2,734.00		94,484.60

Support Services - School Administration:

Office of the Principal	184,634.64			184,634.64
Other	890.15			890.15

Support Services - Business:

Fiscal Services	105,983.62	1,450.18	6,956.14	114,389.94
Facilities Acquisition and Construction		46,085.55		46,085.55
Operation and Maintenance of Plant	365,051.10			365,051.10
Pupil Transportation	114,413.45	22,928.70		137,342.15
Food Services	7,598.78			7,598.78

McCOOK CENTRAL SCHOOL DISTRICT 43-7
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
Support Services - Special Education:					
Administrative Costs			19,021.84		19,021.84
Other Health			18,427.37		18,427.37
Transportation Costs			33,008.48		33,008.48
Preschool			4,146.02		4,146.02
Community Services:					
Nonpublic School Pupils Services	4,878.57				4,878.57
Nonprogrammed Charges:					
Early Retirement Payments				48,825.71	48,825.71
Other Nonprogrammed Charges			1,776.44		1,776.44
Debt Services		251,443.54			251,443.54
Cocurricular Activities:					
Male Activities	52,938.63				52,938.63
Female Activities	30,907.33				30,907.33
Combined Activities	97,017.01	19,130.33			116,147.34
Capital Outlay		190,142.91			190,142.91
Total Expenditures	<u>2,840,180.50</u>	<u>749,583.79</u>	<u>567,555.12</u>	<u>48,825.71</u>	<u>4,206,145.12</u>
Excess of Revenue Over (Under) Expenditures	(136,546.15)	10,006.75	29,509.43	(9,325.28)	(106,355.25)
Other Financing Sources:					
Transfer (Out)	(28,000.00)				(28,000.00)
Proceeds of General Long-Term Debt Issued		19,292.16			19,292.16
Total Other Financing Sources	<u>(28,000.00)</u>	<u>19,292.16</u>			<u>(8,707.84)</u>
Net Change in Fund Balances	(164,546.15)	29,298.91	29,509.43	(9,325.28)	(115,063.09)
Changes in Inventory	4,325.24				4,325.24
Fund Balance - July 1, 2013	<u>1,696,289.82</u>	<u>425,155.22</u>	<u>24,406.43</u>	<u>182,853.19</u>	<u>2,328,704.66</u>
FUND BALANCE - JUNE 30, 2014	<u>\$ 1,536,068.91</u>	<u>\$ 454,454.13</u>	<u>\$ 53,915.86</u>	<u>\$ 173,527.91</u>	<u>\$ 2,217,966.81</u>

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

McCOOK CENTRAL SCHOOL DISTRICT 43-7
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 \$ (115,063.09)

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

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital Outlays	\$ 190,142.91	
Depreciation Expense	<u>(237,297.39)</u>	(47,154.48)

Governmental funds do not reflect the change in accrued leave and early retirement benefits, but the statement of activities reflects these changes through expenses.

Early Retirement	14,841.68	
Accrued Leave	<u>(5,909.08)</u>	8,932.60

In the Statement of Activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected. (7,906.25)

Long term debt issued is shown as an other financing source in the fund financial statements but increases long-term liabilities in the government-wide financial statements. (19,292.16)

Repayment of bond principal and capital lease payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the Statement of Net Position. 224,523.96

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year. (549.99)

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. 4,325.24

Change in Net Position of Governmental Activities \$ 47,815.83

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

McCOOK CENTRAL SCHOOL DISTRICT 43-7
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 82,727.50	\$ 33,853.82	\$116,581.32
Accounts Receivable	3,728.31	935.00	4,663.31
Due from Government		1,313.84	1,313.84
Inventory of Donated Food	3,390.77		3,390.77
Total Current Assets	89,846.58	36,102.66	125,949.24
Capital Assets:			
Buildings	39,677.97		39,677.97
Machinery and Equipment	126,036.19		126,036.19
Less: Accumulated Depreciation	(114,471.98)		(114,471.98)
Total Noncurrent Assets	51,242.18		51,242.18
TOTAL ASSETS	141,088.76	36,102.66	177,191.42
LIABILITIES:			
Current Liabilities:			
Accounts Payable	207.11	4,362.13	4,569.24
Contracts Payable		6,365.00	6,365.00
Payroll Deductions and Withholdings and Employer Matching Payable		1,939.25	1,939.25
Unearned Revenue	3,788.00		3,788.00
Total Current Liabilities	3,995.11	12,666.38	16,661.49
NET POSITION:			
Net Investment in Capital Assets	51,242.18		51,242.18
Unrestricted Net Position	85,851.47	23,436.28	109,287.75
TOTAL NET POSITION	\$ 137,093.65	\$ 23,436.28	\$ 160,529.93

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

McCOOK CENTRAL SCHOOL DISTRICT 43-7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		Total
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Food Sales:			
To Pupils	\$ 100,229.50	\$	\$ 100,229.50
To Adults	10,376.10		10,376.10
A la Carte	26,357.55		26,357.55
Other Charges	1,832.36		1,832.36
Preschool Tuition		41,568.29	41,568.29
Driver's Education Fees		5,650.00	5,650.00
Community Services Charges		15,035.51	15,035.51
Total Operating Revenue	138,795.51	62,253.80	201,049.31
Operating Expenses:			
Salaries	5,251.58	56,667.25	61,918.83
Employee Benefits	733.39	17,890.09	18,623.48
Purchased Services	192,296.87	504.99	192,801.86
Supplies	769.12	10,779.35	11,548.47
Cost of Sales-Donated Food	19,464.61		19,464.61
Other		796.56	796.56
Depreciation	5,561.41		5,561.41
Total Operating Expenses	224,076.98	86,638.24	310,715.22
Operating Income (Loss)	(85,281.47)	(24,384.44)	(109,665.91)
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	269.70	31.90	301.60
Miscellaneous Revenue	5.33		5.33
State Sources:			
Cash Reimbursements	992.81		992.81
Federal Sources:			
Cash Reimbursements	81,223.43		81,223.43
Donated Food	19,120.08		19,120.08
Total Nonoperating Revenue (Expense)	101,611.35	31.90	101,643.25
Income (Loss) Before Contributions and Transfers	16,329.88	(24,352.54)	(8,022.66)
Transfers In		28,000.00	28,000.00
Change in Net Position	16,329.88	3,647.46	19,977.34
Net Position - Beginning	120,763.77	19,788.82	140,552.59
NET POSITION - ENDING	\$ 137,093.65	\$ 23,436.28	\$ 160,529.93

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

McCOOK CENTRAL SCHOOL DISTRICT 43-7
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Food Service Fund	Other Enterprise Funds	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 137,927.78	\$ 60,004.96	\$ 197,932.74
Payments to Suppliers	(194,084.28)	(10,205.49)	(204,289.77)
Payments to Employees	(5,979.26)	(69,749.10)	(75,728.36)
Other Operating Payments	(796.56)	(796.56)	(796.56)
Net Cash Provided (Used) by Operating Activities	(62,135.76)	(20,746.19)	(82,881.95)
Cash Flows from Noncapital Financing Activities:			
Transfers In		28,000.00	28,000.00
Operating Subsidies	82,221.57		82,221.57
Net Cash Flows from Noncapital Financing Activities	82,221.57	28,000.00	110,221.57
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(2,924.68)		(2,924.68)
Cash Flows from Investing Activities:			
Cash Received for Interest	269.70	31.90	301.60
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 17,430.83	\$ 7,285.71	\$ 24,716.54
Cash and Cash Equivalents at Beginning of Year	\$ 65,296.67	\$ 26,568.11	\$ 91,864.78
Cash and Cash Equivalents at End of Year	82,727.50	33,853.82	116,581.32
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 17,430.83	\$ 7,285.71	\$ 24,716.54
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET			
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (85,281.47)	\$ (24,384.44)	\$ (109,665.91)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	5,561.41		5,561.41
Value of Commodities Used	19,464.61		19,464.61
Change in Assets and Liabilities:			
Accounts Receivable	(310.73)	(2,248.84)	(2,559.57)
Prepaid Expenses	5.71		5.71
Accounts Payable	(1,018.29)	1,078.85	60.56
Contracts Payable		4,808.24	4,808.24
Deferred Revenue	(557.00)		(557.00)
Net Cash Provided (Used) by Operating Activities	\$ (62,135.76)	\$ (20,746.19)	\$ (82,881.95)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 19,120.08		

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

McCOOK CENTRAL SCHOOL DISTRICT 43-7
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	\$ 491.48	\$ 22,483.70
Investments	51,000.00	22,036.00
Accounts Receivable		3,584.69
TOTAL ASSETS	51,491.48	48,104.39
LIABILITIES:		
Amounts Held for Others		\$ 48,104.39
NET POSITION		
Held in Trust for Scholarships	\$ 51,491.48	

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

**McCOOK CENTRAL SCHOOL DISTRICT 43-7
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Earnings from Deposits and Investments	\$ 296.45
Contributions & Donations	27.44
Total Additions	<u>323.89</u>
DEDUCTIONS:	
Scholarships	<u>3,298.17</u>
Total Deductions	<u>3,298.17</u>
Change in Net Position	(2,974.28)
Net Position - Beginning	<u>54,465.76</u>
NET POSITION - ENDING	<u><u>\$ 51,491.48</u></u>

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

MCCOOK CENTRAL SCHOOL DISTRICT NO. 43-7
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of McCook Central School District No. 43-7, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of their relationship with the 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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements:

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

Governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, 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 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.

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*

- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

Other Enterprise Funds - A fund used to record financial transactions related to driver's education fees and other service fees conducted for the benefit of the children. The fund is financed by user fees and charges. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only one private-purpose trust fund for scholarships.

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: student class funds, student club funds and clearing accounts.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2014 are amounts due mainly from other governments for grants, utility taxes and reimbursements.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments

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

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

f. Capital Assets:

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

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

Government-Wide Statements:

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

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

The total June 30, 2014 balance of capital assets for governmental activities includes approximately .93% for which the costs were determined by estimates of the original costs. The total June 30, 2014 balance of capital assets for business-type activities are all valued at the original cost. These estimated original costs were established by replacement costs estimated at the time capital asset records were established.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Improvements	5,000.00	Straight Line	10-50 yrs
Buildings	15,000.00	Straight Line	50 yrs
Machinery and Equipment	2,000.00	Straight Line	2-20 yrs
Food Service Machinery and Equipment	500.00	Straight Line	12 yrs
Vehicles	3,000.00	Straight Line	2-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, 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.

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-wide Statements:

Equity is classified as Net Position and is displayed in three components

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish 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.

m. 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.

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the 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 Nonspendable Fund Balance is comprised of both inventory and prepaid expenses.

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the district would first use *committed, then assigned, and lastly, unassigned* amounts of unrestricted fund balance when expenditures are made.

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

A schedule of fund balances is provided as follows:

**McCOKK CENTRAL SCHOOL DISTRICT NO. 43-7
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
<i>Nonspendable:</i>					
Inventory	\$ 22,795.63	\$	\$	\$	\$ 22,795.63
Prepaid Expenses	3,273.46		55.10		3,328.56
<i>Restricted for:</i>					
Capital Outlay		454,454.13			454,454.13
Special Education			53,860.76		53,860.76
Pension				173,527.91	173,527.91
<i>Assigned to:</i>					
Next Year's Budget	461,052.00				461,052.00
<i>Unassigned</i>	<u>1,048,947.82</u>				<u>1,048,947.82</u>
Total Fund Balances	<u>\$ 1,536,068.91</u>	<u>\$454,454.13</u>	<u>\$53,915.86</u>	<u>\$173,527.91</u>	<u>\$2,217,966.81</u>

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits – The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by

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

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

Credit Risk – State law limits eligible investments for the school district, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2014, the School District had the following investments:

<u>External Investment Pool</u>	<u>Credit Rating</u>	<u>Fair Value</u>
South Dakota Public Funds Investment Trust	Unrated	\$ <u>54,574.94</u>

The South Dakota Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation for municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk – The school district places no limit on the amount that may be invested in any one issuer. All the School District's External Investments are pooled in South Dakota Public Funds Investment Trust (SDFIT).

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

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

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

NOTE 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 the

first in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 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 revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 21,592.79	\$ 26,000.00	\$	\$ 47,592.79
Construction Work in Progress		11,077.00		11,077.00
Totals	<u>21,592.79</u>	<u>37,077.00</u>		<u>58,669.79</u>
Capital Assets, being depreciated:				
Buildings	5,993,239.62			5,993,239.62
Improvements	547,138.17	5,192.94		552,331.11
Machinery and Equipment	1,074,644.49	144,897.21	72,552.24	1,146,989.46
Library Books	86,617.36	2,975.76	26.92	89,566.20
Totals	<u>7,701,639.64</u>	<u>153,065.91</u>	<u>72,579.16</u>	<u>7,782,126.39</u>
Less Accumulated Depreciation:				
Buildings	2,570,174.63	131,575.48		2,701,750.11
Improvements	161,080.79	24,132.05		185,212.84
Machinery and Equipment	666,946.46	77,111.55	64,645.99	679,412.02
Library Books	47,753.63	4,478.31	26.92	52,205.02
Totals	<u>3,445,955.51</u>	<u>237,297.39</u>	<u>64,672.91</u>	<u>3,618,579.99</u>
Capital Assets being depreciated, net	<u>4,255,684.13</u>	<u>(84,231.48)</u>	<u>7,906.25</u>	<u>4,163,546.40</u>
Total Governmental Activities, net	<u>\$ 4,277,276.92</u>	<u>\$ (47,154.48)</u>	<u>\$ 7,906.25</u>	<u>\$ 4,222,216.19</u>

** Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 111,814.02
Support Services	44,190.77
Cocurricular	81,292.60
	<u>\$ 237,297.39</u>

	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014
Business-type Activity:				
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 162,789.48	\$ 2,924.68	\$	\$ 165,714.16
Less Accumulated Depreciation:				
Machinery and Equipment	108,910.57	5,561.41		114,471.98
Total Business-type Activity net	<u>\$ 53,878.91</u>	<u>\$ (2,636.73)</u>	<u>\$</u>	<u>\$ 51,242.18</u>

**Depreciation expense was charged to functions as follows:

Business-type Activity

Food Service	<u>\$ 5,561.41</u>
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Construction Work in Progress at June 30, 2014 is composed of the following:

<u>Project Name</u>	<u>Authorization</u>	<u>06/30/14</u>	<u>Comitted</u>
Storage Shed	\$12,318.30	\$ 11,077.00	\$ 1,241.30

NOTE 7 - LONG-TERM LIABILITIES

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

Primary Government:

Governmental Activities:

	Ending Balance 6/30/2013	Additions	Deletions	Ending Balance 6/30/2014	Due Within One Year
Capital Outlay Certificates	\$ 560,000.00	\$	\$ 135,000.00	\$ 425,000.00	\$ 140,000.00
Financing (Capital Acquisition) Lease	315,013.12		84,700.92	230,312.20	88,841.38
Copier Lease (Capital Acquisition) Lease		19,292.16	4,823.04	14,469.12	4,823.04
Early Retirement Payable	85,662.21	33,984.03	48,825.71	70,820.53	36,124.80
Accrued Compensated Absences	86,350.19	55,944.90	50,035.82	92,259.27	32,290.74
Total Governmental Activities	<u>\$ 1,047,025.52</u>	<u>\$ 109,221.09</u>	<u>\$ 323,385.49</u>	<u>\$ 832,861.12</u>	<u>\$ 302,079.96</u>

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

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

Capital Outlay Certificates:

Series 2010 Refunding Capital Outlay Certificates, interest rates of 1.2% to 3.0%, depending on length of time to maturity, final payment due July 1, 2016. Payable from Capital Outlay Fund. \$ 425,000.00

Compensated Absences:

Vested sick leave, payments to be made by the General Fund and Special 92,259.27

Financing (Capital Acquisition) Leases:

Capital lease financing for the purchase of Facility Improvements, due in 20 installments of \$49,452.75, at interest rate of 4.83%, final payment in December 2016. Payments from Capital Outlay Fund. 230,312.20

Early Retirement Payable:

Obligation to individuals who fall under the early retirement plan of McCook Central School District. Payments are made from the Pension Fund. 70,820.53

Copier (Capital Acquisition) Lease:

Capital lease financing for the purchase of three copiers, due in 4 installments of \$4,823.04, at interest rate of 0.00%, final payment in June 2017. Payments from Capital Outlay Fund. 14,469.12

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

	Facility Improvements	Copier Lease
Principal	\$ 729,272.00	\$ 19,292.16
Interest	210,330.18	
TOTAL	<u>\$ 939,602.18</u>	<u>\$ 19,292.16</u>

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

Year Ending June 30,	Capital Outlay Certificates		Financing (Capital Acquisition) Leases		Copier (Capital Acquisition) Lease	Early Retirement Benefits Payable	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest
2015	\$ 140,000	\$ 9,495	\$ 88,841	\$ 10,064	\$ 4,823	\$ 36,125	\$269,789	\$19,559
2016	140,000	6,170	93,184	5,721	4,823	23,368	261,375	11,891
2017	145,000	2,175	48,287	1,166	4,823	11,328	209,438	3,341
2018								
2019								
Totals	<u>\$ 425,000</u>	<u>\$ 17,840</u>	<u>\$ 230,312</u>	<u>\$ 16,951</u>	<u>\$ 14,469</u>	<u>\$ 70,821</u>	<u>\$740,602</u>	<u>\$34,791</u>

NOTE 8 - RESTRICTED NET POSITION

Restricted Net Position for the fiscal year ended June 30, 2014 was as follows:

<u>Major Purposes</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 457,766.14
Special Education Purposes	Law	55,569.97
Pension Purposes	Law	<u>102,862.47</u>
Total Restricted Net Position		<u>\$ 616,198.58</u>

NOTE 9 – INTERFUND TRANSFERS

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

	Transfer To:
	<u>Other</u>
Transfer From:	<u>Enterprise</u>
General Fund	\$ 28,000.00

The School District transferred funds to reimburse the Other Enterprise Fund, a fund used to account for preschool, driver's education and other services to members of the community.

NOTE 10 - RETIREMENT PLAN

All employees, except for those working less than 20 hours per week, 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 survivor benefits. The right

to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013 and 2012 was \$120,761, \$115,735 and \$116,671, respectively, equal to the required contributions each year.

NOTE 11 - JOINT VENTURES

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

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

Bridgewater/Emery	8.06%
Canistota School District	5.23%
Freeman School District	9.87%
Hanson School District	10.53%
Marion School District	4.55%
McCook Central School	10.67%
Montrose School District	5.59%
Parker School District	8.86%
Tea Area School District	36.64%

The co-op's governing board is composed of one school board member representative from each member school district and one representative from East Dakota Educational Foundation. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the Net Position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Cornbelt Educational Cooperative.

At June 30, 2014, this joint venture had total assets of \$753,835, total liabilities of \$165,554, and Net Position of \$588,281.

NOTE 12 - RISK MANAGEMENT

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2014, the school district managed its risks as follows:

Employee Health Insurance

The school district joined the South Dakota School Districts Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for

the 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 its members. The coverage also includes a \$2,000,000 annual 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.

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2014, no claims were filed for unemployment benefits. At June 30, 2014, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 - EARLY RETIREMENT PLAN

The school district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between the ages of 55 and 60 and have at least fifteen years of continuous service with the district in a certified position. Under the plan, the district will pay up to 75% of the current salary contract. Three employees are currently in contracts for payments during the next three years. During the year ended June 30, 2014, payments were made in the amount of \$48,825.71.

NOTE 14 – SUBSEQUENT EVENTS

On June 3, 2014, voters of the district approved the issuance of \$2,990,000 of General Obligation Bonds. Those bonds, together with a Capital Outlay Certificate Issue of \$4,285,000, will be used for the replacement of the 1924 High School and Middle School Building. The new debt was issued in August of 2014 and construction will begin in the next fiscal year.

NOTE 15 - SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2014, the school district was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION
McCook Central School District 43-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,092,700.00	\$ 1,092,700.00	\$ 1,135,559.69	\$ 42,859.69
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	8,802.63	2,802.63
Tax Deed Revenue			220.39	220.39
Utility Taxes	157,000.00	157,000.00	138,772.75	(18,227.25)
Penalties and Interest on Taxes	2,500.00	2,500.00	3,665.18	1,165.18
Earnings on Investments/Deposits	10,000.00	10,000.00	7,268.95	(2,731.05)
Cocurricular Activities:				
Admissions	25,000.00	25,000.00	21,403.19	(3,596.81)
Rentals			851.75	851.75
Other Pupil Activity Income			200.00	200.00
Other Revenue from Local Sources:				
Rentals			400.00	400.00
Contributions and Donations		1,250.00	1,500.12	250.12
Services Provided Other LEAs			144.95	144.95
Charges for Services	20,000.00	20,000.00	23,514.66	3,514.66
Other	12,000.00	83,465.22	88,612.32	5,147.10
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	28,000.00	28,000.00	22,009.70	(5,990.30)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,181,132.00	1,181,132.00	1,154,130.26	(27,001.74)
Restricted Grants-in-Aid			650.00	650.00
Other State Revenue	1,500.00	1,500.00	1,721.90	221.90
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government through an Intermediate Source	1,000.00	1,000.00	899.42	(100.58)
Restricted Grants-in-Aid Received from Federal Government through the State	68,190.00	73,190.00	73,060.49	(129.51)
Other Federal Revenue	20,246.00	20,246.00	20,246.00	
Total Revenue	<u>2,625,268.00</u>	<u>2,702,983.22</u>	<u>2,703,634.35</u>	<u>651.13</u>

REQUIRED SUPPLEMENTARY INFORMATION
McCOOK CENTRAL SCHOOL DISTRICT 43-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	596,520.00	603,870.00	570,883.52	32,986.48
Middle/Junior High	440,454.00	444,105.00	429,876.78	14,228.22
High School	555,592.00	560,592.00	512,937.40	47,654.60
Special Programs:				
Culturally Different		6,841.96	6,835.19	
Educationally Deprived	70,971.00	73,041.20	71,878.08	1,163.12
Support Services:				
Pupils:				
Attendance and Social Work	800.00	800.00		800.00
Guidance	59,395.00	60,645.00	54,723.41	5,921.59
Health	800.00	800.00	732.00	68.00
Support Services - Instructional Staff:				
Improvement of Instruction	5,667.00	12,267.00	12,299.44	(32.44)
Educational Media	109,529.00	109,529.00	95,639.96	13,889.04
Support Services - General Admin:				
Board of Education	37,268.00	37,952.32	28,310.84	9,641.48
Executive Administration	88,589.00	99,524.00	91,750.60	7,773.40
Support Services - School Administration:				
Office of the Principal	189,510.00	189,510.00	184,634.64	4,875.36
Other	1,400.00	1,400.00	890.15	509.85
Support Services - Business:				
Fiscal Services	115,159.00	115,159.00	105,983.62	9,175.38
Operation/Maintenance of Plant	316,835.00	392,980.00	365,051.10	27,928.90
Pupil Transportation	116,939.00	120,824.03	114,413.45	6,410.58
Food Service	7,787.00	7,787.00	7,598.78	188.22
Community Services:				
Nonpublic School	7,275.00	7,469.37	4,878.57	2,590.80
Cocurricular Activities:				
Male Activities	56,241.00	58,638.92	52,938.63	5,700.29
Female Activities	32,132.00	32,542.85	30,907.33	1,635.52
Combined Activities	115,001.00	115,001.00	97,017.01	17,983.99
Contingencies	50,000.00	896.21		896.21
Total Expenditures	<u>2,973,864.00</u>	<u>3,052,175.86</u>	<u>2,840,180.50</u>	<u>211,988.59</u>
Excess of Revenues Over Expenditures	(348,596.00)	(349,192.64)	(136,546.15)	212,639.72
Other Financing Sources:				
Transfers (Out)	<u>(16,000.00)</u>	<u>(29,014.00)</u>	<u>(28,000.00)</u>	<u>1,014.00</u>
Net Change in Fund Balances	(364,596.00)	(378,206.64)	(164,546.15)	213,653.72
Changes in Inventory			4,325.24	4,325.24
Fund Balance - July 1, 2013	<u>1,696,289.82</u>	<u>1,696,289.82</u>	<u>1,696,289.82</u>	
FUND BALANCE - JUNE 30, 2014	<u>\$ 1,331,693.82</u>	<u>\$ 1,318,083.18</u>	<u>\$ 1,536,068.91</u>	<u>\$ 217,978.96</u>

REQUIRED SUPPLEMENTARY INFORMATION
McCook Central School District 43-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 682,052.00	\$ 682,052.00	\$ 727,832.02	\$45,780.02
Prior Years' Ad Valorem Taxes	2,500.00	2,500.00	4,614.00	2,114.00
Tax Deed Revenue			47.28	47.28
Penalties and Interest on Taxes	600.00	600.00	1,072.46	472.46
Earnings on Investments & Deposits	500.00	500.00	584.08	84.08
Other Revenue from Local Sources:				
Contributions & Donations			1,089.41	1,089.41
Other		1,400.00	1,953.00	553.00
Revenue from State Sources:		16,206.67	16,206.67	
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid	800.00	800.00	761.62	(38.38)
Restricted Grants-in-Aid Received from Federal Government through the State		5,430.00	5,430.00	
Total Revenue	<u>686,452.00</u>	<u>709,488.67</u>	<u>759,590.54</u>	<u>50,101.87</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	37,976.00	46,079.34	49,387.36	(3,308.02)
Middle/Junior High	49,501.00	57,581.33	58,775.07	(1,193.74)
High School	129,265.00	129,265.00	134,522.93	(5,257.93)
Special Programs:				
Programs for Special Education	4,915.00	4,938.00	4,052.89	885.11
Educationally Deprived	3,223.00	3,223.00	3,223.00	
Support Services - Instructional Staff:				
Educational Media	10,784.00	10,796.00	7,974.76	2,821.24
Support Services - General Administration:				
Executive Administration	2,512.00	2,734.00	2,734.00	
Support Services - Business:				
Fiscal Services	1,500.00	1,500.00	1,450.18	49.82
Facilities Acquisition/Construction	128,000.00	189,028.62	172,775.03	16,253.59
Operation and Maintenance of Plant	12,440.00	13,873.00	12,473.00	1,400.00
Pupil Transportation	24,000.00	24,000.00	22,928.70	1,071.30
Food Services	1,500.00	1,500.00	1,500.00	
Debt Services	252,836.00	253,336.00	251,443.54	1,892.46
Cocurricular Activities:				
Combined Activities	28,000.00	28,000.00	27,843.33	156.67
Total Expenditures	<u>686,452.00</u>	<u>765,854.29</u>	<u>749,583.79</u>	<u>16,270.50</u>
Excess of Revenues Over Expenditures		(56,365.62)	10,006.75	66,372.37
Other Financing Sources:				
Proceeds of General Long-Term Liabilities			19,292.16	19,292.16
Net Change in Fund Balance	0.00	(56,365.62)	29,298.91	85,664.53
Fund Balance - July 1, 2013	425,155.22	425,155.22	425,155.22	
FUND BALANCE - JUNE 30, 2014	<u>\$ 425,155.22</u>	<u>\$ 368,789.60</u>	<u>\$ 454,454.13</u>	<u>\$85,664.53</u>

REQUIRED SUPPLEMENTARY INFORMATION
McCOOK CENTRAL SCHOOL DISTRICT 43-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 375,731.00	\$ 375,731.00	\$ 405,460.34	\$ 29,729.34
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	2,347.06	1,347.06
Tax Deed Revenue			27.69	27.69
Penalties and Interest on Taxes	450.00	450.00	525.77	75.77
Earnings on Investments & Deposits	50.00	50.00	76.63	26.63
Other Revenues from Local Sources:				
Charges for Services	32,500.00	32,500.00	30,396.02	(2,103.98)
Contributions & Donations			150.00	150.00
Revenue from State Sources:				
Restricted Grants-in-Aid	277,221.00	277,221.00	157,686.00	(119,535.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from				
Federal through Intermediate Source	400.00	400.00	395.04	(4.96)
Total Revenue	<u>687,352.00</u>	<u>687,352.00</u>	<u>597,064.55</u>	<u>(90,287.45)</u>
Expenditures:				
Special Programs:				
Programs for Special Education	476,358.00	483,129.00	366,978.26	116,150.74
Support Services-Pupils:				
Attendance and Social Work	800.00	800.00		800.00
Guidance	36,736.00	37,928.75	35,616.22	2,312.53
Health	2,000.00	3,500.00	3,080.00	420.00
Psychological	9,193.00	10,109.51	10,109.51	
Speech Pathology	25,989.00	26,589.00	26,892.92	(303.92)
Student Therapy Services	43,000.00	47,280.00	37,925.96	9,354.04
Support Services - Instructional Staff:				
Improvement of Instruction	1,831.00	1,831.00	798.95	1,032.05
Educational Media		584.78	584.78	
Support Services - General Administration:				
Board of Education		2,232.23	2,232.23	
Support Services - Business:				
Fiscal Services		6,956.14	6,956.14	
Support Services - Special Education:				
Administrative Costs	51,971.00	51,971.00	37,449.21	14,521.79
Transportation Costs	37,697.00	39,937.00	37,154.50	2,782.50
Nonprogrammed Charges:				
Other Nonprogrammed	1,777.00	1,777.00	1,776.44	0.56
Total Expenditures	<u>687,352.00</u>	<u>714,625.41</u>	<u>567,555.12</u>	<u>147,070.29</u>
Net Change in Fund Balances		(27,273.41)	29,509.43	56,782.84
Fund Balance - July 1, 2013	24,406.43	24,406.43	24,406.43	
FUND BALANCE - JUNE 30, 2014	<u>\$ 24,406.43</u>	<u>\$ (2,866.98)</u>	<u>\$ 53,915.86</u>	<u>\$ 56,782.84</u>

REQUIRED SUPPLEMENTARY INFORMATION
McCook Central School District 43-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amount:</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 51,337.00	\$ 51,337.00	\$ 38,723.96	\$(12,613.04)
Prior Years' Ad Valorem Taxes			276.93	276.93
Tax Deed Revenue			1.79	1.79
Penalties and Interest on Taxes	6.00	6.00	61.71	55.71
Earnings on Investments & Deposits	500.00	500.00	379.69	(120.31)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal through Intermediate Source			56.35	56.35
Total Revenue	<u>51,843.00</u>	<u>51,843.00</u>	<u>39,500.43</u>	<u>(12,342.57)</u>
Expenditures:				
Nonprogrammed Charges:				
Early Retirement Payments	<u>48,826.00</u>	<u>48,826.00</u>	<u>48,825.71</u>	<u>0.29</u>
Total Expenditures	<u>48,826.00</u>	<u>48,826.00</u>	<u>48,825.71</u>	<u>0.29</u>
Net Change in Fund Balances	3,017.00	3,017.00	(9,325.28)	(12,342.28)
Fund Balance - July 1, 2013	<u>182,853.19</u>	<u>182,853.19</u>	<u>182,853.19</u>	
FUND BALANCE - JUNE 30, 2014	<u>\$ 185,870.19</u>	<u>\$ 185,870.19</u>	<u>\$ 173,527.91</u>	<u>\$(12,342.28)</u>

McCOOK CENTRAL SCHOOL DISTRICT NO. 43-7
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and 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).

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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(605) 356-3374

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
McCook Central School District No. 43-7
McCook County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McCook Central School District No. 43-7, McCook County, 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 January 2, 2015 which was qualified because long-term financial obligations and commitments related to other postemployment benefits was not recorded.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Schedule of 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.



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

January 2, 2015

**MCCOOK CENTRAL SCHOOL DISTRICT NO. 43-7
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR AUDIT FINDINGS:

Prior Finding Number 2013-01:

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated as a significant deficiency under Current Audit Finding 2014-001.

CURRENT AUDIT FINDING:

Internal Control-Related Findings – Significant Deficiency

Audit Finding Number 2014-001:

There is a significant deficiency resulting from a lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that McCook Central School District officials be cognizant of this lack of segregation of duties of revenues and attempt to provide compensating controls, whenever and wherever possible and practical.

Corrective Action Plan:

The Board of Education has prepared a response to the audit finding and that response is found in the Corrective Action Plan on the Table of Contents.



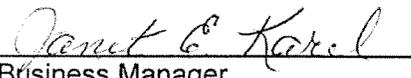
McCook Central School District #43-7

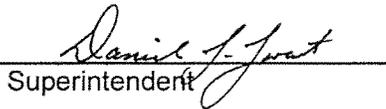
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CORRECTIVE PLAN OF ACTION FOR THE YEAR ENDED JUNE 30, 2014

McCook Central School District No. 43-7 has considered the lack of segregation of duties for revenues. At this time it is not cost effective for McCook Central School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by McCook Central School District to decrease the likelihood that financial data is adversely affected.

The McCook Central School District's Board will continue to monitor the necessity to have segregation of duties for revenues and implement such a segregation as budget dollars and board authority allow.


Business Manager


Superintendent

Home of the Cougars

*School Board President – David Eichacker
Superintendent – Dr. Daniel Swartos
Business Manager – Janet E. Karel*

*5-12 Principal – Brad Seamer
K-4 Principal – Deb Eichacker*

“McCook Central School District pledges to educate today’s youth for tomorrow”