

MCINTOSH SCHOOL DISTRICT NO. 15-1

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHOOL OFFICIALS
JUNE 30, 2014

Board Members:

Robert Schuh, Chairman
Marcia Schell, Vice Chairman
Chris Bailey
John Powell Jr.
William Chase

Superintendent:

Richard Schaffan

Business Manager:

Kathy Sieck-Chase

MCINTOSH SCHOOL DISTRICT NO. 15-1

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WITH OFFICE IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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
McIntosh School District No. 15-1
McIntosh, 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 McIntosh School District No. 15-1, South Dakota (School District), as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2014-001 through 2014-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Kohlman, Biermeier & Anderson, LLP

January 28, 2015

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
McIntosh School District No. 15-1
McIntosh, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the McIntosh School District No. 15-1, South Dakota (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2014. The School District's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on the Major Federal Program

In our opinion, the McIntosh School District No. 15-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2014-001 to be a material weakness.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

January 28, 2015

Kahlman, Seerabhab & Anderson, LLP

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

PRIOR FEDERAL AUDIT FINDINGS:

2013-001

A material weakness was reported for a lack of segregation of duties in the School District's federal award programs. This finding has not been corrected and is restated as current federal audit finding 2014-001.

PRIOR OTHER AUDIT FINDINGS:

2013-002

The School District has a lack of segregation of duties in certain areas due to limited staff. This finding has not been corrected and is restated as current other audit finding 2014-002.

2013-003

The School District does not have an internal control system designed to provide for the preparation of the financial statements being audited. This comment has not been corrected and is restated as current other audit finding 2014-003.

2013-004

Misstatements were identified in the School District's financial statements causing the auditor to propose significant audit adjustments. This comment has not been corrected and is restated as current other audit finding 2014-004.

2013-005

We noted that compensation in the form of bonuses had not been documented as approved by the Board or published for disclosure to the public. This finding has been corrected.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2014-001 through 2014-004.
- c. Our audit did not disclose any noncompliance which was material to the financial statements

Federal Awards:

- d. A material weakness was disclosed for internal control over the major federal program for a lack of segregation of duties over federal revenue. This finding is described in finding 2014-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to the major program.
- f. Our audit disclosed an audit finding that needs to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a). See finding 2014-001.
- g. The federal award tested as a major program was:
 - a. Impact Aid #84.041
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. McIntosh School District No. 15-1 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2014-001

The major federal program affected is Impact Aid, CFDA #84.041, federal award year 2014, Department of Education.

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties in the School District's federal award programs. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Effect

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements or noncompliance in amounts that would be material in relation to federal programs in a timely manner by employees in the normal course of performing their assigned duties.

Recommendation

We recommend the School Board take a more active role in their oversight of the School District's federal award programs.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014
(Continued)

Corrective Action Plan

The School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for its federal award programs and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Board Chairman, Robert Schuh, is responsible for the corrective action plan for this finding.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2014-002

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity, which could result in errors not being found in a timely manner.

Effect

The McIntosh School District No. 15-1 has a limited number of employees who prepare all records for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the School Board take a more active role in their oversight of cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity.

Corrective Action Plan

The McIntosh School District No. 15-1 has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Board Chairman, Robert Schuh, is responsible for the corrective action plan for this finding.

2014-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014
(Continued)

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both management and the School Board have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Business Manager, Kathy Sieck-Chase, is responsible for the corrective action plan for this finding.

2014-004

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014
(Continued)

Corrective Action Plan

Both management and the School Board accept the risks associated with this deficiency. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The contact person for this finding is Robert Schuh, Board Chairman.

Closing Conference

The contents of this report were discussed with Kathy Sieck-Chase, Business Manager, and Robert Schuh, Board Member, on October 28, 2014.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH OFFICE IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
McIntosh School District No. 15-1
McIntosh, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McIntosh School District No. 15-1, South Dakota (School District), as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McIntosh School District No. 15-1, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 41 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kahlman, Dennis & Associates, LLP

January 28, 2015

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF NET POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,209,320	\$ 400	\$ 2,209,720
Investments	1,956,664	-	1,956,664
Taxes receivable	250,264	-	250,264
Inventories	1,026	-	1,026
Other assets	173,013	-	173,013
Capital Assets:			
Land, improvements and construction in progress	19,350	-	19,350
Other capital assets, net of depreciation	2,142,090	-	2,142,090
TOTAL ASSETS	<u>6,751,727</u>	<u>400</u>	<u>6,752,127</u>
LIABILITIES:			
Accounts payable	2,519	-	2,519
Other current liabilities	211,096	-	211,096
Noncurrent Liabilities:			
Due within one year	4,274	-	4,274
Due in more than one year	48,671	-	48,671
TOTAL LIABILITIES	<u>266,560</u>	<u>-</u>	<u>266,560</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	245,977	-	245,977
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>245,977</u>	<u>-</u>	<u>245,977</u>
NET POSITION:			
Net investment in capital assets	2,161,440	-	2,161,440
Restricted for:			
Capital outlay purposes	199,570	-	199,570
Special education purposes	44,300	-	44,300
Pension purposes	83,339	-	83,339
Food service purposes	26	-	26
Unrestricted	3,750,515	400	3,750,915
TOTAL NET POSITION	<u>\$ 6,239,190</u>	<u>\$ 400</u>	<u>\$ 6,239,590</u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 1,588,775	\$ 59,411	\$ 441,634	\$ -	\$ (1,087,730)		\$ (1,087,730)
Support services	1,364,424	8,594	101,145	16,150	(1,238,535)		(1,238,535)
Community services	114,962	-	-	-	(114,962)		(114,962)
Cocurricular activities	<u>124,438</u>	<u>29,013</u>	<u>-</u>	<u>6,345</u>	<u>(89,080)</u>		<u>(89,080)</u>
Total Governmental Activities	<u>3,192,599</u>	<u>97,018</u>	<u>542,779</u>	<u>22,495</u>	<u>(2,530,307)</u>		<u>(2,530,307)</u>
Business-Type Activities:							
Driver's education	<u>6,251</u>	<u>1,651</u>	<u>-</u>	<u>-</u>		\$ (4,600)	<u>(4,600)</u>
Total Primary Government	<u>\$ 3,198,850</u>	<u>\$ 98,669</u>	<u>\$ 542,779</u>	<u>\$ 22,495</u>	<u>(2,530,307)</u>	<u>(4,600)</u>	<u>(2,534,907)</u>
General Revenues:							
Taxes:							
Property taxes					474,145	-	474,145
Utility taxes					24,793	-	24,793
Revenue from State Sources:							
State aid					880,315	-	880,315
Other					19,802	-	19,802
Revenue from Federal Sources					777,760	-	777,760
Unrestricted Investment Earnings					16,442	-	16,442
Other General Revenues					49,124	-	49,124
Transfers					<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
Total General Revenues and Transfers					<u>2,237,381</u>	<u>5,000</u>	<u>2,242,381</u>
Change In Net Position					(292,926)	400	(292,526)
Net Position - Beginning					<u>6,532,116</u>	<u>-</u>	<u>6,532,116</u>
Net Position - Ending					<u>\$ 6,239,190</u>	<u>\$ 400</u>	<u>\$ 6,239,590</u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Education Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$1,983,439	\$ 57,222	\$ 78,457	\$ 90,202	\$ 2,209,320
Investments	1,835,552	-	121,112	-	1,956,664
Taxes receivable - current	117,313	61,903	55,519	11,241	245,976
Taxes receivable - delinquent	3,671	508	-	109	4,288
Accounts receivable, net	19,052	11,501	1	222	30,776
Due from other funds	-	-	-	447	447
Due from federal government	133,030	-	-	-	133,030
Due from county government	9,207	-	-	-	9,207
Inventory of supplies	-	-	-	317	317
Inventory of stores purchased for resale	-	-	-	709	709
TOTAL ASSETS	<u>\$4,101,264</u>	<u>\$ 131,134</u>	<u>\$ 255,089</u>	<u>\$ 103,247</u>	<u>\$ 4,590,734</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 2,520	\$ -	\$ -	\$ -	\$ 2,520
Contracts payable	162,562	17,043	-	7,604	187,209
Due to other funds	447	-	-	-	447
Payroll deductions and withholdings and employer matching payable	20,682	2,169	-	1,036	23,887
TOTAL LIABILITIES	<u>186,211</u>	<u>19,212</u>	<u>-</u>	<u>8,640</u>	<u>214,063</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	3,671	508	-	109	4,288
Taxes levied for future period	117,313	61,903	55,519	11,241	245,976
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>120,984</u>	<u>62,411</u>	<u>55,519</u>	<u>11,350</u>	<u>250,264</u>
FUND BALANCES:					
Nonspendable:					
Inventory	-	-	-	1,026	1,026
Restricted for:					
Capital outlay	-	-	199,570	-	199,570
Special education	-	49,511	-	-	49,511
Pension	-	-	-	83,231	83,231
Unassigned	3,794,069	-	-	(1,000)	3,793,069
TOTAL FUND BALANCES	<u>3,794,069</u>	<u>49,511</u>	<u>199,570</u>	<u>83,257</u>	<u>4,126,407</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$4,101,264</u>	<u>\$ 131,134</u>	<u>\$ 255,089</u>	<u>\$ 103,247</u>	<u>\$ 4,590,734</u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds		\$ 4,126,407
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		2,161,440
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued leave	<u>\$ 52,945</u>	(52,945)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes receivable	<u>\$ 4,288</u>	<u>4,288</u>
Net Position - Governmental Activities		<u><u>\$ 6,239,190</u></u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Special Education Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 286,626	\$ 107,193	\$ 54,384	\$ 20,992	\$ 469,195
Prior years' ad valorem taxes	751	228	-	49	1,028
Tax deed revenue	373	37	-	8	418
Utility taxes	24,793	-	-	-	24,793
Penalties and interest on taxes	1,450	488	5	104	2,047
Tuition and fees:					
Student tuition	59,411	-	-	-	59,411
Earnings on investments and deposits	16,277	-	36	129	16,442
Food service	-	-	-	8,594	8,594
Cocurricular activities:					
Admissions	5,017	-	-	-	5,017
Other pupil activity income	23,996	-	-	-	23,996
Other revenue from local sources:					
Rentals	280	-	-	-	280
Contributions and donations	6,345	-	16,150	-	22,495
Refund of prior years' expenditures	14,524	11,500	-	-	26,024
Other	12,693	5	-	-	12,698
Revenue from Intermediate Sources:					
County sources:					
County apportionment	4,230	-	-	-	4,230
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	900,117	-	-	-	900,117
Restricted grants-in-aid	5,625	45,405	-	-	51,030
State cash reimbursements	-	-	-	515	515
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	762,549	13,563	110	-	776,222
Restricted grants-in-aid received directly from federal government	9,375	-	-	-	9,375
Restricted grants-in-aid received from federal government through the state	381,229	-	-	-	381,229
Johnson O'Malley funds	1,538	-	-	-	1,538
Other federal revenue	999	-	-	-	999
Federal cash reimbursements	-	-	-	91,810	91,810
Federal donated food	-	-	-	7,821	7,821
TOTAL REVENUE	<u>2,518,198</u>	<u>178,419</u>	<u>70,685</u>	<u>130,022</u>	<u>2,897,324</u>

(Continued on next page)

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(Continued)

	General Fund	Special Education Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	422,976	-	-	-	422,976
Middle/Junior high	121,132	-	987	-	122,119
High school	574,785	-	1,472	-	576,257
Preschool services	28,026	-	-	-	28,026
Special programs:					
Programs for special education	-	121,160	-	-	121,160
Culturally different	14,095	-	-	-	14,095
Educationally deprived	191,988	-	-	-	191,988
Support Services:					
Pupils:					
Guidance	64,658	-	-	-	64,658
Health	17,893	-	-	-	17,893
Student therapy services	-	20,721	-	-	20,721
Instructional staff:					
Improvement of instruction	18,942	-	-	-	18,942
Educational media	89,776	-	-	-	89,776
General administration:					
Board of education	69,707	-	6,590	-	76,297
Executive administration	156,718	-	-	-	156,718
School administration:					
Office of the principal	36,790	-	-	-	36,790
Title I program administration	3,458	-	-	-	3,458
Business:					
Fiscal services	74,948	-	-	-	74,948
Operation and maintenance of plant	213,348	-	12,179	-	225,527
Pupil transportation	275,177	-	-	-	275,177
Food services	6,158	-	-	163,994	170,152
Central:					
Staff	346	-	-	-	346
Special education:					
Administrative costs	-	56,190	-	-	56,190
Community Services:					
Custody and care of children	113,962	-	-	-	113,962
Other	-	-	1,000	-	1,000
Nonprogrammed Charges:					
Early retirement payments	-	-	-	25,889	25,889

(Continued on next page)

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(Continued)

	General Fund	Special Education Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Cocurricular Activities:					
Male activities	15,809	-	-	-	15,809
Female activities	25,491	-	-	-	25,491
Transportation	9,691	-	-	-	9,691
Combined activities	49,316	-	-	-	49,316
Capital Outlay	4,305	-	37,715	-	42,020
TOTAL EXPENDITURES	<u>2,599,495</u>	<u>198,071</u>	<u>59,943</u>	<u>189,883</u>	<u>3,047,392</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(81,297)</u>	<u>(19,652)</u>	<u>10,742</u>	<u>(59,861)</u>	<u>(150,068)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	7,477	80,000	-	45,078	132,555
Transfers out	(130,078)	-	-	(7,477)	(137,555)
Sale of surplus property	-	-	10,091	-	10,091
TOTAL OTHER FINANCING SOURCES (USES)	<u>(122,601)</u>	<u>80,000</u>	<u>10,091</u>	<u>37,601</u>	<u>5,091</u>
NET CHANGE IN FUND BALANCES	(203,898)	60,348	20,833	(22,260)	(144,977)
FUND BALANCE - BEGINNING	<u>3,997,967</u>	<u>(10,837)</u>	<u>178,737</u>	<u>105,517</u>	<u>4,271,384</u>
FUND BALANCE - ENDING	<u>\$ 3,794,069</u>	<u>\$ 49,511</u>	<u>\$ 199,570</u>	<u>\$ 83,257</u>	<u>\$ 4,126,407</u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (144,977)

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

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide
statements. 42,020

In the statement of activities gains of \$5,892 on the disposal of capital assets are reported,
whereas, in the governmental funds the proceeds of \$10,091 from the disposal of capital
assets is reflected, regardless of whether a gain or loss is realized. (4,199)

This amount represents the current year depreciation expense reported in the statement
of activities which is not reported on the fund financial statements because it does not
require the use of current financial resources. (165,296)

In both the government-wide and fund financial statements, revenues from property tax
levies are applied to finance the budget of a particular period. Accounting for revenues
from property tax accruals in the funds' statements differs from the accounting in the
government-wide statements in that the fund financial statements require the amounts to
be "available". This amount reflects the application of both the application period and
"availability criteria". 1,457

Governmental funds recognize expenditures for amounts of compensated absences and early
retirement benefits actually paid to employees with current financial resources during the
fiscal year. Amounts of compensated absences earned by employees are not recognized
in the funds. In the statement of activities, expenses for these benefits are recognized
when the employees earn leave credits or elect to retire early.

Early retirement payable	\$	25,889	
Accrued leave		(47,820)	(21,931)

Change in Net Position of Governmental Activities \$ (292,926)

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Enterprise Funds</u> <u>Driver's Education</u> <u>Fund</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 400
Total Current Assets	<u> 400</u>
TOTAL ASSETS	<u> 400</u>
NET POSITION:	
Unrestricted net position	<u> 400</u>
TOTAL NET POSITION	<u><u> 400</u></u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Funds Driver's Education Fund
OPERATING REVENUE:	
Other charges for goods and services	\$ 1,651
TOTAL OPERATING REVENUE	1,651
OPERATING EXPENSES:	
Salaries	5,500
Employee benefits	751
TOTAL OPERATING EXPENSES	6,251
LOSS BEFORE TRANSFERS	(4,600)
TRANSFERS IN	5,000
CHANGE IN NET POSITION	400
NET POSITION - BEGINNING	-
NET POSITION - ENDING	\$ 400

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Funds Driver's Education Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	\$ 1,651
Cash payments to employees for services	<u>(6,251)</u>
Net cash used by operating activities	<u>(4,600)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	<u>5,000</u>
Net cash provided by noncapital financing activities	<u>5,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	400
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 400</u></u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>	
OPERATING LOSS	\$ (4,600)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	<u>-</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (4,600)</u></u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
The School District did not participate in any noncash investing, capital or financing activities.

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 36,547</u>
TOTAL ASSETS	<u>36,547</u>
LIABILITIES:	
Amounts held for others	<u>36,547</u>
TOTAL LIABILITIES	<u>\$ 36,547</u>

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of McIntosh School District No. 15-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets 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 recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the 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:

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is not a major fund.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund is the only capital projects fund maintained by the School District. This is not 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 charged of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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).

The Driver's Education Fund - A fund established to record the revenues and expenses for the Driver's Education Program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs and so on.

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

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

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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 operation and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

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

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

The total June 30, 2014 balance of capital assets for governmental activities are all valued at original cost. The total June 30, 2014 balance of capital assets for business-type activities are all valued at original cost.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements	\$ 5,000	Straight-line	20 years
Buildings	\$ -	Straight-line	50 years
Machinery and Equipment	\$ 5,000	Straight-line	10 years

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.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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.

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 School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

k. Equity Classifications:

Government-Wide Financial Statements:

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

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on 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 does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

l. 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.

m. 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 School District's fund balance amounts in nonspendable form are for inventory.

The School Board has not committed any portion of the School District's fund balance.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Education Fund	Grants and Property Taxes
Capital Outlay Fund	Property Taxes

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>June 30, 2014</u>
Capital Projects Fund	\$ 7,477
Food Service Fund	\$ 3,730

The Governing Board plans to examine the budget to actual statements more closely and make the necessary supplements or contingency transfers as needed.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - (Continued)

administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

As of June 30, 2014, the School District had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
SDFIT	Unrated	Less than 6 months	<u>\$121,112</u>

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

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. Of the School District's investments, 93.8% are invested in certificates of deposit. The remaining 6.2% are invested in 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 4 - 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".

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 7/1/2013	Increase	Decrease	Balance 6/30/2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 19,350	\$ -	\$ -	\$ 19,350
Total, not being depreciated	19,350	-	-	19,350
Capital assets, being depreciated:				
Improvements	1,380,170	-	-	1,380,170
Buildings	1,504,780	-	-	1,504,780
Machinery and equipment	1,080,447	42,018	90,193	1,032,272
Total, being depreciated	3,965,397	42,018	90,193	3,917,222
Less accumulated depreciation for:				
Improvements	101,825	69,009	-	170,834
Buildings	886,453	18,813	-	905,266
Machinery and equipment	707,555	77,474	85,997	699,032
Total accumulated depreciation	1,695,833	165,296	85,997	1,775,132
Total capital assets, being depreciated, net	2,269,564	(123,278)	4,196	2,142,090
Total governmental activity capital assets, net	<u>\$2,288,914</u>	<u>\$ (123,278)</u>	<u>\$ 4,196</u>	<u>\$2,161,440</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 70,470
Support Services	70,695
Cocurricular	<u>24,131</u>
	<u>\$ 165,296</u>

Business-Type Activities:

Since there were no capital assets associated with the Driver's Education Fund, there are no changes in capital assets and no depreciation expense.

NOTE 6 - 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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 5,124	\$ 50,188	\$ 2,368	\$ 52,944	\$ 4,273
Early Retirement Benefits Payable	<u>25,889</u>	<u>-</u>	<u>25,889</u>	<u>-</u>	<u>-</u>
	<u>\$ 31,013</u>	<u>\$ 50,188</u>	<u>\$ 28,257</u>	<u>\$ 52,944</u>	<u>\$ 4,273</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund. Early retirement benefits payable for government activities typically have been liquidated from the Pension Fund.

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

PRIMARY GOVERNMENT

Governmental Activities:

Compensated Absences	
Payable from the General Fund	<u>\$ 52,944</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2014, were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 447
Food Service Fund	447	-
	<u>\$ 447</u>	<u>\$ 447</u>

NOTE 8 - INTERFUND TRANSFERS

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

Transfers from:	Transfers to:				Totals
	Governmental Activities		Business-Type Activities		
	General Fund	Special Education Fund	Food Service Fund	Driver's Education Fund	
General Fund	\$ -	\$ 80,000	\$ 45,078	\$ 5,000	\$ 130,078
Capital Projects Fund	7,477	-	-	-	7,477
Totals	<u>\$ 7,477</u>	<u>\$ 80,000</u>	<u>\$ 45,078</u>	<u>\$ 5,000</u>	<u>\$ 137,555</u>

The purpose of the interfund transfers was to transfer federal monies from the General Fund to the Special Education Fund, Food Service Fund, and Driver's Education Fund.

NOTE 9 - INVENTORY

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

In the government-wide financial statements 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 consumed. 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.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - 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 allowances for estimated uncollectibles have been determined to be necessary.

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2014, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Special Education Purposes	Law	\$ 44,300
Capital Outlay Purposes	Law	199,570
Nonmajor Funds:		
Pension Purposes	Law	83,339
Food Service Purposes	Federal Regulations	<u>26</u>
Total Restricted Net Position		<u>\$327,235</u>

NOTE 12 - RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and 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, P.O. Box 1098, Pierre, South Dakota 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 District's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013 and 2012, were \$86,375, \$83,924, and \$86,831 respectively, equal to the required contributions each year.

NOTE 13 - JOINT VENTURES

The School District participates in two joint ventures known as Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative. These are cooperative service units formed for the purpose of providing education services in the area of special education, adult education, in-service training and other educational services to the member school districts.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 - (Continued)

Northwest Area Schools Multi-District

The members of the Northwest Area Schools Multi-District and their relative percentage participation are as follows:

Harding County School District No. 31-1	15.48%
Faith School District No. 46-2	15.48%
Dupree School District No. 64-2	15.48%
Timber Lake School District No. 20-3	15.48%
McLaughlin School District No. 15-2	15.48%
McIntosh School District No. 15-1	15.48%
Smee School District No. 15-3	7.12%

Northwest Area Schools Multi-District's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net position and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-District.

At June 30, 2014, this joint venture had total assets of \$647,013, total liabilities of \$110,721 and net position of \$536,292.

Northwest Area Schools Educational Cooperative

The members of the Northwest Area Schools Educational Cooperative and their relative percentage participation are as follows:

Bison School District No. 52-1	16.67%
Harding County School District No. 31-1	16.67%
Faith School District No. 46-2	16.67%
Dupree School District No. 64-2	16.67%
Timber Lake School District No. 20-3	16.67%
McIntosh School District No. 15-1	16.67%
McLaughlin School District No. 52-2	0.00%

Northwest Area Schools Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net position and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Educational Cooperative.

At June 30, 2014, this joint venture had total assets of \$512,108, total liabilities of \$204,589 and net position of \$307,519.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 - RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: package coverage for property, general liability, crime and automobile; umbrella liability; boiler and machinery; and school leaders' errors and omissions.

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 deductible for property, general liability, automobile, boiler and machinery and crime and a \$10,000 deductible for the school leaders' professional insurance.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 - (Continued)

responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

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

NOTE 15 - LITIGATION

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

NOTE 16 - SPECIAL TERMINATION BENEFITS

The School District maintains an early retirement program. Eligible employees with 25 years of service to the School District may elect early retirement benefits. No more than one employee per school year may use the early leave benefits unless an exception is approved by the School Board. The employee shall receive a cash payment of \$30,000. The payment may either be a lump sum distribution or installments based on the needs of the retiree. As of June 30, 2014, no employees of the School District elected early retirement benefits.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 28, 2015, the date on which the financial statements were available to be issued. Management has determined there are none.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 269,074	\$ 269,074	\$ 286,626	\$ 17,552
Prior years' ad valorem taxes	-	-	751	751
Tax deed revenue	76,945	76,945	373	(76,572)
Utility taxes	25,000	25,000	24,793	(207)
Penalties and interest on taxes	2,000	2,000	1,450	(550)
Tuition and fees:				
Student tuition	66,200	66,200	59,411	(6,789)
Earnings on investments and deposits	500	500	372	(128)
Cocurricular activities:				
Admissions	4,600	4,600	5,017	417
Other pupil activity income	25,600	25,600	23,996	(1,604)
Other revenue from local sources:				
Rentals	-	-	280	280
Contributions and donations	-	-	6,345	6,345
Refund of prior years' expenditures	-	-	14,524	14,524
Other	7,000	7,000	12,693	5,693
Revenue from Intermediate Sources:				
County sources:				
County apportionment	3,000	3,000	4,230	1,230
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	720,942	720,942	900,117	179,175
Restricted grants-in-aid	-	-	5,625	5,625
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	9,375	9,375	9,375	-
Restricted grants-in-aid received from federal government through the state	402,473	437,373	381,229	(56,144)
Johnson O'Malley funds	2,000	2,000	1,538	(462)
Other federal revenue	2,000	2,000	999	(1,001)
TOTAL REVENUE	<u>1,616,709</u>	<u>1,651,609</u>	<u>1,739,744</u>	<u>88,135</u>

(Continued on next page)

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	542,716	546,616	422,976	123,640
Middle/Junior high	109,400	109,400	121,132	(11,732)
High school	586,163	592,363	574,785	17,578
Preschool services	30,597	30,597	28,026	2,571
Special programs:				
Culturally different	13,980	13,980	14,095	(115)
Educationally deprived	212,664	216,664	196,293	20,371
Support Services:				
Pupils:				
Guidance	78,323	78,323	64,658	13,665
Health	17,185	17,185	17,893	(708)
Instructional staff:				
Improvement of instruction	12,000	16,800	18,942	(2,142)
Educational media	97,929	97,929	89,776	8,153
General administration:				
Board of education	80,509	80,509	69,707	10,802
Executive administration	146,931	146,931	156,718	(9,787)
School administration:				
Office of the principal	35,337	35,337	36,790	(1,453)
Title I program administration	-	-	3,458	(3,458)
Business:				
Fiscal services	70,675	70,675	74,948	(4,273)
Operation and maintenance of plant	209,282	209,282	213,348	(4,066)
Pupil transportation	281,628	281,628	275,177	6,451
Food services	7,450	7,450	6,158	1,292
Central:				
Staff	300	300	346	(46)
Community Services:				
Custody and care of children	-	16,000	113,962	(97,962)
Cocurricular Activities:				
Male activities	27,633	27,633	15,809	11,824
Female activities	37,045	37,045	25,491	11,554
Transportation	-	-	9,691	(9,691)
Combined activities	34,674	34,674	49,316	(14,642)
Contingencies	50,000	50,000		
Amount transferred				50,000
TOTAL EXPENDITURES	<u>2,682,421</u>	<u>2,717,321</u>	<u>2,599,495</u>	<u>117,826</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	<u>(1,065,712)</u>	<u>(1,065,712)</u>	<u>(859,751)</u>	<u>205,961</u>

(Continued on next page)

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES:				
Transfers in	1,065,712	1,065,712	807,477	(258,235)
TOTAL OTHER FINANCING SOURCES	1,065,712	1,065,712	807,477	(258,235)
NET CHANGE IN FUND BALANCES	-	-	(52,274)	(52,274)
FUND BALANCE - BEGINNING	76,227	76,227	76,227	-
FUND BALANCE - ENDING	<u>\$ 76,227</u>	<u>\$ 76,227</u>	<u>\$ 23,953</u>	<u>\$ (52,274)</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ -	\$ -	\$ 54,384	\$ 54,384
Penalties and interest on taxes	-	-	5	5
Earnings on Investments and Deposits	-	-	36	36
Other revenue from local sources:				
Contributions and donations	-	-	16,150	16,150
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	1,000	1,000	110	(890)
TOTAL REVENUE	<u>1,000</u>	<u>1,000</u>	<u>70,685</u>	<u>69,685</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	3,000	3,000	-	3,000
Middle/Junior high	1,500	1,500	987	513
High school	6,000	6,000	1,472	4,528
Support Services:				
Instructional staff:				
Educational media	3,000	3,000	-	3,000
General administration:				
Board of education	5,000	5,000	6,590	(1,590)
Business:				
Operation and maintenance of plant	7,000	7,000	12,179	(5,179)
Pupil transportation	50,000	50,000	37,715	12,285
Community Services:				
Other	-	-	1,000	(1,000)
TOTAL EXPENDITURES	<u>75,500</u>	<u>75,500</u>	<u>59,943</u>	<u>15,557</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(74,500)</u>	<u>(74,500)</u>	<u>10,742</u>	<u>85,242</u>
OTHER FINANCING SOURCES:				
Transfers in	74,500	74,500	-	(74,500)
Sale of surplus property	-	-	10,091	10,091
TOTAL OTHER FINANCING SOURCES	<u>74,500</u>	<u>74,500</u>	<u>10,091</u>	<u>(64,409)</u>
NET CHANGE IN FUND BALANCES	-	-	20,833	20,833
FUND BALANCE - BEGINNING	<u>178,737</u>	<u>178,737</u>	<u>178,737</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 178,737</u>	<u>\$ 178,737</u>	<u>\$ 199,570</u>	<u>\$ 20,833</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 86,000	\$ 86,000	\$ 107,193	\$ 21,193
Prior years' ad valorem taxes	-	-	228	228
Tax deed revenue	7,664	7,664	37	(7,627)
Penalties and interest on taxes	500	500	488	(12)
Other revenue from local sources:				
Refund of prior years' expenditures	-	-	11,500	11,500
Other	-	-	5	5
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	44,748	44,748	45,405	657
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	8,000	8,000	13,563	5,563
TOTAL REVENUE	<u>146,912</u>	<u>146,912</u>	<u>178,419</u>	<u>31,507</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	128,616	128,616	121,160	7,456
Support Services:				
Pupils:				
Student therapy services	17,077	17,077	20,721	(3,644)
Special education:				
Administrative costs	63,337	63,337	56,190	7,147
Transportation costs	1,300	1,300	-	1,300
TOTAL EXPENDITURES	<u>210,330</u>	<u>210,330</u>	<u>198,071</u>	<u>12,259</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(63,418)</u>	<u>(63,418)</u>	<u>(19,652)</u>	<u>43,766</u>
OTHER FINANCING SOURCES:				
Transfers in	63,418	63,418	80,000	16,582
TOTAL OTHER FINANCING SOURCES	<u>63,418</u>	<u>63,418</u>	<u>80,000</u>	<u>16,582</u>
NET CHANGE IN FUND BALANCES	-	-	60,348	60,348
FUND BALANCE - BEGINNING	<u>(10,837)</u>	<u>(10,837)</u>	<u>(10,837)</u>	-
FUND BALANCE - ENDING	<u>\$ (10,837)</u>	<u>\$ (10,837)</u>	<u>\$ 49,511</u>	<u>\$ 60,348</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2014

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

1. 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.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2014
(Continued)

NOTE 2 - Continued

2. The financial statements prepared in conformity with USGAAP do not recognize the Impact Aid Fund as a special revenue fund. The fund has specific revenue, but does not require it be spent on a special purpose. According to SDCL 13-16-31, the school should maintain a separate Impact Aid Fund. So to comply with USGAAP and state law, the Impact Aid Fund is blended with the General Fund in the Basic Financial Statements, however, the Budgetary RSI Schedule shows the General Fund separate from the Impact Aid Fund.

SUPPLEMENTARY INFORMATION

MCINTOSH SCHOOL DISTRICT NO. 15-1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Pension Fund</u>	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 83,201	\$ 7,001	\$ 90,202
Taxes receivable - current	11,241	-	11,241
Taxes receivable - delinquent	109	-	109
Accounts receivable, net	30	192	222
Due from other funds	-	447	447
Inventory of supplies	-	317	317
Inventory of stores purchased for resale	-	709	709
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 94,581</u>	<u>\$ 8,666</u>	<u>\$ 103,247</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Contracts payable	\$ -	\$ 7,604	\$ 7,604
Payroll deductions and withholdings and employer matching payable	-	1,036	1,036
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>8,640</u>	<u>8,640</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues - property taxes	109	-	109
Taxes levied for future period	11,241	-	11,241
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,350</u>	<u>-</u>	<u>11,350</u>
FUND BALANCES:			
Nonspendable:			
Inventory	-	1,026	1,026
Restricted:			
Pension	83,231	-	83,231
Unassigned	-	(1,000)	(1,000)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>83,231</u>	<u>26</u>	<u>83,257</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 94,581</u>	<u>\$ 8,666</u>	<u>\$ 103,247</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Capital Projects Fund	Pension Fund	Food Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ -	\$ 20,992	\$ -	\$ 20,992
Prior years' ad valorem taxes	-	49	-	49
Tax deed revenue	-	8	-	8
Penalties and interest on taxes	-	104	-	104
Earnings on investments and deposits	-	113	16	129
Food service	-	-	8,594	8,594
Revenue from State Sources:				
State cash reimbursements	-	-	515	515
Revenue from Federal Sources:				
Federal cash reimbursements	-	-	91,810	91,810
Federal donated food	-	-	7,821	7,821
TOTAL REVENUE	-	21,266	108,756	130,022
EXPENDITURES:				
Support Services:				
Business:				
Food services	-	-	163,994	163,994
Nonprogrammed Charges:				
Early retirement payments	-	25,889	-	25,889
TOTAL EXPENDITURES	-	25,889	163,994	189,883
EXCESS OF REVENUE UNDER EXPENDITURES	-	(4,623)	(55,238)	(59,861)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	45,078	45,078
Transfers out	(7,477)	-	-	(7,477)
TOTAL OTHER FINANCING SOURCES (USES)	(7,477)	-	45,078	37,601
NET CHANGE IN FUND BALANCES	(7,477)	(4,623)	(10,160)	(22,260)
FUND BALANCE - BEGINNING	7,477	87,854	10,186	105,517
FUND BALANCE - ENDING	\$ -	\$ 83,231	\$ 26	\$ 83,257

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2014
U.S. DEPARTMENT OF AGRICULTURE:		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 7,821
Cash Assistance:		
National School Lunch Program (Note 2)	10.555	62,460
		70,281
School Breakfast Program (Note 2)	10.553	29,350
Fresh Fruits and Vegetable Program	10.582	6,057
		<u>105,688</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		
U.S. DEPARTMENT OF THE INTERIOR:		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 2)	15.130	1,538
		<u>1,538</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR		
U.S. DEPARTMENT OF EDUCATION:		
Direct Federal Funding:		
Impact Aid (Note 3)	84.041	927,736
Indian Education - Grants to Local Educational Agencies	84.060	9,375
Pass-through the S.D. Department of Education:		
Title I Grants to Local Educational Agencies	84.010	220,296
Twenty-First Century Community Learning Centers	84.287	115,962
Improving Teacher Quality State Grants	84.367	38,685
College Access Challenge Grant Program	84.378	768
		<u>1,312,822</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		
GRAND TOTAL		<u>\$ 1,420,048</u>

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

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

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