

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2015**

**NORTHWEST AREA SCHOOLS
 MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
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CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Directors
Northwest Area Schools
Multi-District/Educational Cooperative

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Area Schools Multi-District/Educational Cooperative, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Area Schools Multi-District/Educational Cooperative'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 Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below and in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting 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 control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis.

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We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2015-01, 2015-02 and 2015-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Area Schools Multi-District/Educational Cooperative'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 that are required to be reported under *Government Auditing Standards*.

Cooperative's Responses to Findings

Northwest Area Schools Multi-District/Educational Cooperative's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

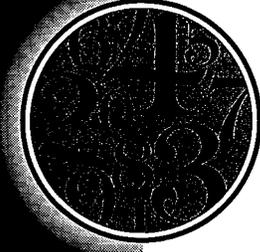
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed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

Cahill Bauer & Associates, LLC

Cahill Bauer

Mobridge, South Dakota

October 1, 2015



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

School Board
Northwest Area Schools
Multi-District/Educational Cooperative

Report on Compliance for Each Major Federal Program

We have audited the Northwest Area Schools Multi-District/Educational Cooperative, South Dakota (Cooperative) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2015. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northwest Area Schools Multi-District/Cooperative, South Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

Management of the Cooperative 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 Cooperative's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

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

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.

Purpose of this Report

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

Calvin Bauer

Mobridge, South Dakota
October 1, 2015

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2015 AND FOR THE YEAR THEN ENDED**

PRIOR FEDERAL AUDIT FINDINGS

No prior year federal audit findings were reported.

PRIOR OTHER AUDIT FINDINGS

Finding Number 2014-01

Internal control over financial reporting and compliance is not adequate.

Corrective Action Plan:

See current audit finding number 2015-01.

Finding Number 2014-02

The Cooperative does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles.

Corrective Action Plan:

See current audit finding number 2015-02.

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2015 AND FOR THE YEAR THEN ENDED**

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties as discussed in finding number 2015-01, 2015-02, and 2015-03.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a) except for the reportable condition resulting from the lack of segregation of duties for revenue.
- f. The federal awards tested as major programs were:
 - 1. **Special Education - Preschool Grants - CFDA No. 84.173**
 - 2. **Special Education - Grants to States - CFDA No. 84.027**
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Northwest Area Schools did not qualify as a low-risk auditee.

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2015 AND FOR THE YEAR THEN ENDED**

CURRENT FEDERAL AUDIT FINDINGS

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS

Internal Control-Related Findings: Material Weaknesses:

Finding 2015-01

Criteria

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of the cash transaction. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

Statement of Condition

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. The business manager processed all revenue transactions from beginning to end. The business manager received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, reconciled bank statements and prepared financial statements. As a result, an inadequate segregation of duties existed for the revenue function of the Cooperative.

Cause and Effect

Inaccurate financial statement and/or misappropriations of funds could result from a lack of segregation of duties.

Recommendation

We recommend that Cooperative's officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2015 AND FOR THE YEAR THEN ENDED**

Corrective Action Plan

The Director, is the contact at this entity responsible for the corrective action plan for this comment. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

Finding 2015-02

Criteria

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

Statement of Condition

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

Cause and Effect

This condition may affect the Cooperative'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 this 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

The Director, is the contact at this entity responsible for the corrective action plan for this comment. Both the Board of Directors and management are aware of this process and have expressed their confidence in that the information is accurate and they are willing to accept this risk.

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2015 AND FOR THE YEAR THEN ENDED**

Finding 2015-03

Statement of Condition

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

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.

Cause and Effect

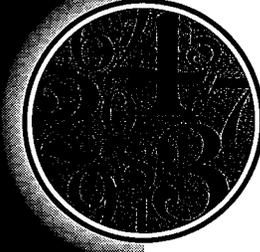
This condition may affect the Cooperative's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

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 and other considerations.

Corrective Action Plan

The Cooperative is continuing its work in correcting this deficiency.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northwest Area Schools
Multi-District/Educational Cooperative

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northwest Area Schools Multi-District/Educational Cooperative, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative'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 Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Northwest Area Schools Multi-District/Educational Cooperative as of June 30, 2015, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transitions for Contributions Made Subsequent to the Measurement Date. As discussed in Note 8 to the financial statements, the School District has retroactively restated the previously report Net Position in accordance with the statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of School District Contributions and Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 34 through 40 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 the financial reporting for placing the basic financial statements in 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Cooperative has omitted the Management's Discussion and Analysis 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 Cooperative'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 listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 basic 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 October 1, 2015 on our consideration of the Cooperative'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 Cooperative's internal control over financial reporting and compliance.

Cahill Bauer

Mobridge, South Dakota
October 1, 2015

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 506,552
Investments	307,000
Accounts Receivable	204,143
Due from Government	400,294
Incidental Imprest	3,500
Net Pension Asset	405,876
Capital Assets:	
Other Capital Assets, Net of Depreciation	886,427
TOTAL ASSETS:	\$ 2,713,792
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferred Outflows	\$ 362,695
TOTAL DEFERRED OUTFLOWS OF RESOURCES:	\$ 362,695
LIABILITIES:	
Accounts Payable	\$ 60,005
Contracts Payable	142,145
Payroll Deductions and Withholdings Payable and Employer Matching Payable	19,247
Noncurrent Liabilities:	
Due in More Than One Year	6,706
TOTAL LIABILITIES:	\$ 228,103
DEFERRED INFLOWS OF RESOURCES:	
Pension Related Deferred Inflows	\$ 470,073
TOTAL DEFERRED INFLOWS OF RESOURCES:	\$ 470,073
NET POSITION:	
Net Invested in Capital Assets	\$ 886,427
Restricted for SDRS Pension Purposes	298,498
Unrestricted	1,193,386
TOTAL NET POSITION:	\$ 2,378,311

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Total Governmental Activities
Primary Government:					
Governmental Activities					
Instruction	\$ 713,706	\$ 594,990	\$ 679,627	\$ 560,911	\$ 560,911
Support Services	1,169,065	396,660	75,514	(696,891)	(696,891)
Total Governmental Activities	1,882,771	991,650	755,141	(135,980)	(135,980)
Total Primary Government	\$ 1,882,771	\$ 991,650	\$ 755,141	(135,980)	(135,980)
General Revenues:					
				693,648	693,648
				3,404	3,404
				144,516	144,516
				841,568	841,568
				705,588	705,588
				1,454,777	1,454,777
				217,946	217,946
				\$ 2,378,311	\$ 2,378,311

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

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Education Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 471,713	\$ 22,839	\$ 494,552
Investments	100,000	200,000	300,000
Accounts Receivable	16,397	187,746	204,143
Due from Government	234,994	165,300	400,294
Incidental Imprest	3,500	-	3,500
Restricted Assets:			
Cash and Cash Equivalents	6,000	6,000	12,000
Investments	3,500	3,500	7,000
Total Assets	\$ 836,104	\$ 585,385	\$ 1,421,489
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 42,261	\$ 17,744	\$ 60,005
Contracts Payable	66,319	75,826	142,145
Payroll Deductions and Withholdings Payable and Employer Matching Payable	8,987	10,260	19,247
Total Liabilities	\$ 117,567	\$ 103,830	\$ 221,397
Fund Balances:			
Assigned			
Unemployment	6,000	6,000	12,000
Unassigned	712,537	475,555	1,188,092
Total Fund Balances	718,537	481,555	1,200,092
Total Liabilities and Fund Balances	\$ 836,104	\$ 585,385	\$ 1,421,489

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balances - government funds	\$ 1,200,092
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The capitalized cost of the assets is \$1,307,542 and the accumulated depreciation is (\$421,115) for a net amount of \$886,427.	886,427
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	405,876
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	362,695
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(470,073)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Accrued Leave (\$6,706)	(6,706)
Total Net Position - Governmental Activities	\$ 2,378,311

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Education Fund	Total Governmental Funds
REVENUES:			
Earnings on Investments and Deposits	\$ 2,266	\$ 1,138	\$ 3,404
Other Revenue from Local Sources:			
Service Provided Other LEAs	673,802	317,848	991,650
Other	115,442	4,197	119,639
Total Revenue from Local Sources	<u>791,510</u>	<u>323,183</u>	<u>1,114,693</u>
Revenue from State Sources			
Grants-in-Aid			
Restricted Grants-in-Aid	693,648	-	693,648
Total Revenue from State Sources	<u>693,648</u>	<u>-</u>	<u>693,648</u>
Revenue from Federal Sources			
Grants-in-Aid			
Restricted Grants-in-Aid from Federal	115,750	639,391	755,141
Total Revenue from Federal Sources	<u>115,750</u>	<u>639,391</u>	<u>755,141</u>
TOTAL REVENUES	<u>\$ 1,600,908</u>	<u>\$ 962,574</u>	<u>\$ 2,563,482</u>

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Education Fund	Total Governmental Funds
EXPENDITURES:			
Instruction:			
Regular Programs:			
High School	\$ 521,238	\$ -	\$ 521,238
Special Programs:			
Gifted & Talented	10,524	-	10,524
Programs for special education	-	170,327	170,327
Total Instruction	531,762	170,327	702,089
Support Services:			
Pupils:			
Psychological	-	75,079	75,079
Speech Pathology	-	445,634	445,634
Student Therapy Services	-	1,661	1,661
Instructional Staff:			
Improvement of Instruction	117,482	133,873	251,355
Educational Media	932	-	932
General Administration			
Board of Education	48,812	38,232	87,044
Executive Administration	74,796	79,722	154,518
School Administration			
Other	-	166	166
Business			
Fiscal Services	48,792	48,432	97,224
Facilities Acquisition & Construction	1,976	-	1,976
Operation and Maintenance of Plant	79,187	-	79,187
Total Support Services	371,977	822,799	1,194,776
Capital Outlay:	636,659	-	636,659
Total Expenditures	1,540,398	993,126	2,533,524
Excess of Revenue Over (Under) Expenditures	60,510	(30,552)	29,958
Other Financing Sources:			
Sale of surplus items	6,300	-	6,300
Compensation or Loss of General Capital Asset	4,713	-	4,713
Total Other Financing Sources	11,013	-	11,013
Net Change in Fund Balances	\$ 71,523	\$ (30,552)	\$ 40,971
Fund Balance - Beginning	647,014	512,107	1,159,121
Fund Balance - Ending	\$ 718,537	\$ 481,555	\$ 1,200,092

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

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Total net change in fund balances - government funds	\$ 40,971
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense.	587,458
In the statement of activities loss on disposal of capital assets are reported, whereas in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether or not gain or loss is realized.	(3,280)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., pension revenue)	17,144
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	63,408
Accrued Leave. There was an increase in debt during the audit period. This increase is reflected on the government wide statement of activities as an expense adjustment.	(113)
Total Change in Net Position - Governmental Activities	<u>\$ 705,588</u>

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
STATEMENT OF POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 4,075</u>
TOTAL ASSETS	<u><u>\$ 4,075</u></u>
LIABILITIES	
Amount Held for Others	<u>\$ 4,075</u>
TOTAL LIABILITIES	<u><u>\$ 4,075</u></u>

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America.

a. Reporting Entity

The reporting entity of the Northwest Area Schools Multi-District/Educational Cooperative, 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.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities, equal net position). Net Positions are displayed in three components, as applicable, net invested 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 Cooperative and for each function of the Cooperative's governmental activities. Direct expenses and those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

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. A fund is considered major if its primary operating fund of the Cooperative or it meets the following criteria:

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

The funds of the Cooperative 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 Cooperative, excluding capital outlay fund and special education fund expenditures. The General Fund is always 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 Cooperative. This fund is financed by grants and programs. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds

Agency Fund Types - agency funds are used to account for resources held by the Cooperative in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operation. The Cooperative maintains agency funds to hold assets as an agent in trustee capacity for pass-through activities.

NOTES TO FINANCIAL STATEMENTS - Page 3
(See Independent Auditors' Report)

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, the governmental 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 government funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Northwest Area Schools Multi-District/Educational Cooperative, the length of that cycle is 60 days.

NOTES TO FINANCIAL STATEMENTS - Page 4
(See Independent Auditors' Report)

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 the general long-term debt which are recognized when they are incurred.

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. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" including all demand and savings accounts and certificates of deposit of 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.

e. Capital Assets:

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

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

Government-Wide Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use.

For governmental activities, Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

Essentially none of the total June 30, 2015 balance of capital assets for governmental activities were determined by estimates of the original costs.

Depreciation of all exhaustible fixed 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 assets acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Improvements	\$ 5,000	Straight-line	15-25 years
Buildings	\$ 5,000	Straight-line	50-100 years
Machinery and Equipment	\$ 5,000	Straight-line	5-20 years

The Cooperative does not own any land, if they did it would be considered an inexhaustible capital asset and would not be 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 government-wide statements are accounted for on the accrual basis.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether they are reported in the governmental-wide or fund financial statements.

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities 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.

g. Program Revenues:

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

a: Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from goods, services, or privileges provided, or otherwise directly affected by the services.

b: 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.

c: Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Equity Classifications:

Government-wide Statements:

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

a: Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation 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.

b: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c: Unrestricted Net Position - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

i. Application of Net Position:

It is the Cooperative'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.

j. 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 Cooperative 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 Cooperative 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 Cooperative uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or 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.

k. Pensions:

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits - The Cooperative'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. Deposits are reported at cost, plus interest, if the account is of the add-on type. State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Cooperative's policy is to generally credit all income from investments to the fund making the investment.

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

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

Concentration of Credit Risk - The Cooperative places no limit on the amount that may be invested in any one issuer. All of the Cooperative's investments are in certificates of deposit.

Interest Rate Risk - The Cooperative 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.

NOTES TO FINANCIAL STATEMENTS - Page 9
(See Independent Auditors' Report)

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 Cooperative's policy is to credit all income from investments to the fund making the investment.

NOTE 3 - RECEIVABLES AND PAYABLES

The Cooperative does not aggregate receivables and payables in the financial statements. Detail of the significant components is as follows:

Receivables at June 30, 2015, were as follows:

	Accounts	Due from other Governments	Total Receivables
Governmental Activities:			
General Fund	\$ 16,397	\$ 234,994	\$ 251,391
Special Education Fund	187,746	165,300	353,046
Total - Gov't Activities	<u>\$ 204,143</u>	<u>\$ 400,294</u>	<u>\$ 604,437</u>
The portion of above amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payables at June 30, 2015, were as follows:

	Accounts	Accrued Wages	Payroll Deductions	Total Payables
Governmental Activities:				
General Fund	\$ 42,261	\$ 66,319	\$ 8,987	\$ 117,567
Special Education Fund	17,744	75,826	10,260	103,830
Total - Gov't Activities	<u>\$ 60,005</u>	<u>\$ 142,145</u>	<u>\$ 19,247</u>	<u>\$ 221,397</u>

NOTE 4 - UNAVAILABLE REVENUE

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 unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

NOTES TO FINANCIAL STATEMENTS - Page 10
(See Independent Auditors' Report)

NOTE 5 - CHANGES IN CAPITAL ASSETS

	Balance 07/01/2014	Increases	Decreases	Balance 06/30/15
Governmental activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ -	\$ 333,535	\$ -	\$ 333,535
Total, not being depreciated	<u>\$ -</u>	<u>\$ 333,535</u>	<u>\$ -</u>	<u>\$ 333,535</u>
Capital assets, being depreciated:				
Buildings	\$ 453,330	\$ 260,825	\$ -	\$ 714,155
Machinery and Equipment	302,721	42,299	(8,200)	336,820
Total, being depreciated	<u>\$ 756,051</u>	<u>\$ 303,124</u>	<u>\$ (8,200)</u>	<u>\$ 1,050,975</u>
Less accumulated depreciation for:				
Buildings	293,810	20,734	-	314,544
Machinery and Equipment	159,992	28,467	(4,920)	183,539
Total accumulated depreciation	<u>\$ 453,802</u>	<u>\$ 49,201</u>	<u>\$ (4,920)</u>	<u>\$ 498,083</u>
Governmental activity capital assets, net	<u>\$ 302,249</u>			<u>\$ 886,427</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	38,433
Support Services	10,768
Total depreciation expense - governmental activities	<u>\$ 49,201</u>

NOTE 6 - LONG-TERM DEBT

A summary of changes in long-term debt follows:

Primary Government

 Governmental Activities:

	Compensated Absences 7/1/2014	Additions	Deletions	Compensated Absences 6/30/15
Debt Payable	\$ 6,593	\$ 113	\$ -	\$ 6,706

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

Liabilities payable at June 30, 2015 are comprised of the following:

Primary Government

 Governmental Activities:

Compensated absences payable from General Fund	\$ 6,706
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NOTE 7 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2015 were \$0.

NOTE 8 - PRIOR PERIOD ADJUSTMENTS

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

Net Position July 1, 2014, as previously reported	\$ 1,454,777
Restatement for pension accounting:	
Net Pension Asset	158,836
Pension related Deferred Outflows of Resources	<u>59,110</u>
Net Position July 1, 2014, as restated	<u><u>\$ 1,672,723</u></u>

NOTE 9 - PENSION PLAN

Plan Information:

All permanent employees working twenty or more hours per week participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 109, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

NOTES TO FINANCIAL STATEMENTS - Page 12
(See Independent Auditors' Report)

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

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with
 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum
 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judiciary 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. The Cooperative's share of contributions to the SDRS for the years ended June 30, 2015, 2014 and 2013 were \$63,408, \$58,871 and, \$62,780, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107.28% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 5,975,850
Less proportionate share of total pension liability	5,569,974
Proportionate share of net pension asset	<u><u>\$ 405,876</u></u>

At June 30 2015, the Cooperative reported an asset of \$405,876 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the Cooperative's proportion was .0563358%.

NOTES TO FINANCIAL STATEMENTS - Page 13
(See Independent Auditors' Report)

For the year ended June 30, 2015, the Cooperative recognized pension revenue of \$17,144. At June 30, 2015 the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 34,343	
Changes in assumption	\$ 264,944	
Net difference between projected and actual earnings on pension plan investments		\$ 470,073
Cooperative contributions subsequent to the measurement date	\$ 63,408	
Total	<u>\$ 362,695</u>	<u>\$ 470,073</u>

\$63,408 reported as deferred outflow of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2015	(32,251)
2016	(32,251)
2017	(32,251)
2018	(74,033)
TOTAL	<u>\$ (170,786)</u>

Actuarial Assumptions:

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

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

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

NOTES TO FINANCIAL STATEMENTS - Page 14
(See Independent Auditors' Report)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	64.00%	4.70%
Fixed Income	26.00%	1.80%
Real Estate	8.00%	5.50%
Cash	2.00%	0.80%
Total	100.00%	

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

NOTES TO FINANCIAL STATEMENTS - Page 15
(See Independent Auditors' Report)

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

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

	1% Decrease	Current Discount Rate	1% Increase
Cooperative's proportionate share of the net pension asset	\$ 401,082	\$ (405,876)	\$ (1,064,035)

Pension Plan Fiduciary Net Position

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

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN

The Cooperative is a member of the Associated School Boards of South Dakota. The ASBSD has set up, for its members, a retiree pool, to house the health plans of the Cooperatives retiree participants. This method excludes retirees experience from being included in the rating process for the current employees. Rating in this manner, creates no impact on the insurance rates of the current employees. There is no future liability as the Cooperative is not paying higher rates with regards to it's participating retirees.

NOTE 11 - RISK MANAGEMENT

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

Employee Health Insurance

The Cooperative joined the South Dakota School District 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 Cooperative 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 Cooperative does not carry additional health insurance coverage to pay claims in the excess of the upper limit provided for with this coverage. Settled claims resulting from these risks have never exceeded the liability coverage.

Liability Insurance

The Multi-District/Educational Cooperative joined the Associated School Boards of South Dakota Property Liability Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The Multi-District/Educational Cooperative pays an annual premium to the pool to provide coverage for various types of liability insurance coverages. The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that coverages will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$50,000 to the upper limit. The Multi-District/Educational Cooperative has various deductibles for differing types of insurance coverage. The Multi-District/ Educational Cooperative does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Workmen's Compensation

The Cooperative participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool, which provides worker's compensation insurance coverage for participating members of the Pool. The Cooperative is responsible for payment of a premium to the insurance Pool along with other pool participants. The Cooperative may also be responsible for additional assessments in the event the Pool is determined by its Trust Board 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 member's percentage of contribution in relation to the total contributions to the Pool 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. For the year ended June 30, 2015, the Pool's retained risk was \$250,000 per occurrence with additional insurance purchased by the Pool from a private insurance company for an additional \$750,000 for a total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to Pool members for the year ended June 30, 2015.

Unemployment Benefits

The Cooperative has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. As of June 30, 2015 the Cooperative had assigned fund balance designations in the General Fund in the amount of \$6,000 and, in the Special Education Fund (reported as a special revenue fund) in the amount of \$6,000 for the payment of future unemployment benefits. During the year ended June 30, 2015, no claims were paid relating to unemployment benefits. As of June 30, 2015, there were no substantive additional claims pending.

NOTE 12 - LITIGATION

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

NOTE 13 - CONTINGENCIES

The Associated School Boards Health Benefits Fund has a deficit Net Position. As a member of Associated School Districts Health Benefits Fund, the Cooperative has a potential liability. As of June 30, 2014 the Cooperative's estimated share of the liability was \$61,000. This information was not available for the year ended June 30, 2015 at the time the financial statements were issued.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Earnings on Investments and Deposits	\$ 1,800	\$ 1,800	\$ 2,266	\$ 466
Other Revenue from Local Sources:				
Services Provided Other LEAs	746,316	747,558	673,802	(73,756)
Other	-	-	115,442	115,442
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	914,800	846,800	693,648	(153,152)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
Received Directly from Federal Government Through the State	159,844	187,744	115,750	(71,994)
Total Revenue	\$ 1,822,760	\$ 1,783,902	\$ 1,600,908	\$ (182,994)

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Instruction:				
Regular Programs:				
High School	\$ 565,682	\$ 559,815	\$ 521,238	\$ 38,577
Gifted and Talented	18,000	18,000	10,524	7,476
Support Services:				
Support Services-Instructional Staff:				
Improvement of Instruction	129,627	204,196	117,482	86,714
Education Media	4,000	4,000	932	3,068
Support Services-General Administration:				
Board of Education	68,887	65,063	48,812	16,251
Executive Administration	80,439	80,439	74,796	5,643
Support Services-Business				
Fiscal Services	47,686	47,686	48,792	(1,106)
Facilities Acquisition & Construction	1,154	1,154	1,976	(822)
Operation & Maintenance of Plant	133,269	133,269	715,846	(582,577)
Contingencies	8,000	8,000	-	8,000
Total Expenditures	\$ 1,056,744	\$ 1,121,622	\$ 1,540,398	\$ (418,776)
Excess Revenue Over/Under Expenditures	\$ (126,532)	\$ (105,108)	\$ 60,510	\$ 165,618
Other Financing Sources				
Sale of Surplused Items	-	-	6,300	(6,300)
Compensation for Loss on General Assets	-	-	4,713	4,713
Net Change in Fund Balances	(126,532)	(105,108)	71,523	170,331
Fund Balance - Beginning	647,014	647,014	647,014	-
FUND BALANCE - ENDING	\$ 520,482	\$ 541,906	\$ 718,537	\$ 170,331

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Earnings on Investments and Deposits	\$ 1,500	\$ 1,500	\$ 1,138	\$ (362)
Other Revenue from Local Sources:				
Services Provided Other LEAs	440,427	440,427	317,848	(122,579)
Other	-	-	4,197	4,197
Revenue from Federal Sources:				
Grants-in-Aid:				
Through the State	640,746	640,746	639,391	(1,355)
Total Revenue	\$ 1,082,673	\$ 1,082,673	\$ 962,574	\$ (120,099)
EXPENDITURES:				
Instruction:				
Special Programs:				
Programs for special education	\$ 177,948	\$ 177,948	\$ 170,327	\$ 7,621
Support Services:				
Pupils:				
Psychological	84,803	84,803	75,079	9,724
Speech Pathology	455,239	455,239	445,634	9,605
Student Therapy Services	1,661	1,661	1,661	-
Support Services-Instructional Staff:				
Improvement of Instruction	146,301	146,301	133,873	12,428
Support Services-General Administration:				
Board of Education	39,033	39,033	38,232	801
Executive Administration	82,351	82,351	79,722	2,629
Support Services-School Administration:				
Other Special Education Costs	-	-	166	(166)
Support Services-Business				
Fiscal Services	93,337	93,337	48,432	44,905
Operation & Maintenance of Plant	2,000	2,000	-	2,000
Total Expenditures	\$ 1,082,673	\$ 1,082,673	\$ 993,126	\$ 89,547
Excess Revenue Over (Under)				
Expenditures	\$ -	\$ -	\$ (30,552)	\$ (30,552)
Net Change in Fund Balances	-	-	(30,552)	(30,552)
Fund Balance - Beginning	512,107	512,107	512,107	-
Fund Balance - Ending	\$ 512,107	\$ 512,107	\$ 481,555	\$ (30,552)

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the Board meeting in June of each year, the Cooperative causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the Board at the first regular meeting held in the month of June of each year. The proposed budget is published for public review no later than July 15 each year. Before October 1 of each year, the Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
2. After adoption by the Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total Cooperative budget and may be transferred by resolution of the Board to any other budget category, except for capital outlay.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the Board. No encumbrances were outstanding at June 30, 2015.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Education Fund.
7. Budgets for the General Fund and the Special Education Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new car 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 car would be reported as an expenditure of the Support Services-Operating & Maintenance of Plant function of government, along with all other current Operations & Maintenance project related expenditures.

**NORTHWEST AREA SCHOOLS
 MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
 SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF COOPERATIVE'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY (ASSET)
 SOUTH DAKOTA RETIREMENT SYSTEM**

	<u>2015</u>
Cooperative's proportion of the net pension liability (asset)	0.0563358%
Cooperative's proportionate share of net pension liability (asset)	\$ (405,876)
Cooperative's covered-employee payroll	\$ 1,056,800
Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-38%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.286863%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

**NORTHWEST AREA SCHOOLS
 MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
 SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF COOPERATIVES CONTRIBUTIONS
 SOUTH DAKOTA RETIREMENT SYSTEM**

	<u>2015</u>
Contractually required contribution	\$ 63,408
Contributions in relation to the contractually required contribution	<u>\$ 63,408</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Cooperative's covered-employee payroll	\$ 1,056,800
Contributions as a percentage of covered-employee payroll	6.00%

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

**Schedule of Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Contributions**

Changes of benefit terms:

No changes were made.

Changes of assumptions:

No changes were made.

SUPPLEMENTARY INFORMATION

**NORTHWEST AREA SCHOOLS
MULTI-DISTRICT/EDUCATIONAL COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures 2015</u>
US Department of Education:			
Pass-Through the SD Department of Education:			
Special Education Cluster			
Special Education - Grants to States (Note 2)	84.027	N/A	\$564,944
Special Education - Preschool Grants	84.173	N/A	<u>25,876</u>
Total for Special Education Cluster			\$590,820
Special Education - Grants for Infants & Families	84.181	N/A	48,571
Career and Technical Education - Basic Grants to States	84.048	N/A	\$55,487
Education Technology State Grants	84.366	N/A	<u>\$44,699</u>
Total US Department of Education:			\$739,577
US Department of Health & Human Service:			
Community-Based Child Abuse Prevention Grants	93.590	N/A	<u>\$13,164</u>
Total US Department of Education:			\$13,164
Other Federal Assistance			\$2,400
Grand Total			<u>\$755,141</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Cooperative 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.