

NEW ISSUE / BANK QUALIFIED

**RATING: Standard & Poor's "AA-" (stable)
See "RATING" herein**

In the opinion of Meierhenry Sargent LLP, Bond Counsel, according to federal laws, regulations, rulings and decisions in effect on the date of issuance of the Series 2017 Certificates, the interest to be paid on the Series 2017 Certificates is not includable in gross income for federal income tax purposes except under certain conditions, discussed under the caption "TAX EXEMPTION" herein. For purposes of acquisition by banks and other financial institutions, the District has designated the Series 2017 Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. Interest on the Series 2017 Certificates is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

OFFICIAL STATEMENT

\$4,125,000

ABERDEEN SCHOOL DISTRICT 6-1, SOUTH DAKOTA LIMITED TAX GENERAL OBLIGATION REFUNDING CERTIFICATES, SERIES 2017

Dated: Date of Issuance

Due: July 15, as shown on inside cover

The Limited Tax General Obligation Refunding Certificates, Series 2017 (the "Series 2017 Certificates") are issued by the Aberdeen School District 6-1, South Dakota (the "District") pursuant to South Dakota Codified Laws, Chapters 6-8B and 13-16-6.2, for the purpose of providing funds to (i) refund the Limited Tax General Obligation Refunding Certificates, Series 2010 (the "Refunded Certificates") and (ii) pay the costs of issuing the Series 2017 Certificates. The Series 2017 Certificates are limited tax general obligations of the District, for which the District has pledged its power to levy direct general ad valorem property taxes, subject to the limitation that the ad valorem property tax levy in any year for the payment of the Series 2017 Certificates and other Capital Outlay Fund purposes may not exceed the Levy Limit (see definition in "ADDITIONAL CERTIFICATES" herein).

The Series 2017 Certificates are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2017 Certificates. Purchases of beneficial ownership interests in the Series 2017 Certificates will be made in book-entry form only, in principal amounts of \$5,000 or whole multiples thereof. Beneficial owners of the Series 2017 Certificates will not receive Series 2017 Certificates evidencing their ownership interests in the Series 2017 Certificates. So long as DTC or its nominee is the registered owner of the Series 2017 Certificates, payments of principal, redemption price and interest will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants. Interest on the Series 2017 Certificates is payable on July 15, 2018 and semiannually thereafter on each January 15 and July 15, and the Series 2017 Certificates will mature on July 15, in the years and amounts as shown on the inside cover.

Series 2017 Certificates maturing July 15, 2023 and in later years will be subject to redemption and prepayment at the option of the District on July 15, 2022 or on any date thereafter, at par plus accrued interest to the redemption date. See "OPTIONAL REDEMPTION" herein.

The Series 2017 Certificates are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to validity and exclusion of interest from gross income by Meierhenry Sargent LLP, in Sioux Falls, South Dakota, as Bond Counsel, and certain other conditions. It is expected that delivery of the Series 2017 Certificates in definitive form will be made on or about December 12, 2017, against payment therefor. The Underwriter expects, but is not required, to engage in secondary market trading in the Series 2017 Certificates, subject to applicable securities laws. For information with respect to the Underwriter see "UNDERWRITING", herein.

DOUGHERTY & COMPANY LLC

MATURITY SCHEDULE

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
07/15/2018	\$ 255,000	1.10%	1.10%	003268 FY0
07/15/2019*	555,000	1.30	1.30	003268 FZ7
07/15/2020*	560,000	1.35	1.35	003268 GA1
07/15/2021*	570,000	1.45	1.45	003268 GB9
07/15/2022*	580,000	1.55	1.55	003268 GC7
07/15/2023*	590,000	1.70	1.70	003268 GD5
07/15/2024*	600,000	1.85	1.85	003268 GE3
07/15/2025*	415,000	1.95	1.95	003268 GF0

*Term Certificates, see “MANDATORY REDEMPTION” herein.

** CUSIP ® is a registered trademark of the American Bankers Association. The CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP Numbers.

NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2017 CERTIFICATES BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT, DTC AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT SINCE THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2017 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, the Underwriter's responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

\$ 4,125,000

ABERDEEN SCHOOL DISTRICT 6-1, SOUTH DAKOTA LIMITED TAX GENERAL OBLIGATION REFUNDING CERTIFICATES, SERIES 2017

INTRODUCTION

The purpose of this Official Statement (including all appendices) is to set forth certain information relating to the sale of \$4,125,000 Limited Tax General Obligation Refunding Certificates, Series 2017 (the "Series 2017 Certificates") of Aberdeen School District 6-1, South Dakota (the "District"). All references to and summaries of certain provisions of the laws of the State of South Dakota and any other documents referred to herein do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof.

SECURITY AND PURPOSE

The Series 2017 Certificates are being issued by the District pursuant to a Resolution adopted by the School Board (the "Resolution") on June 12, 2017, in accordance with the provisions of SDCL 13-16-6.2 and other appropriate statutes, the proceeds of which will be used for the purpose of providing funds to (i) refund the Limited Tax General Obligation Refunding Certificates, Series 2010 (the "Refunded Certificates") and (ii) pay the costs of issuing the Series 2017 Certificates. In the Resolution, the District covenants to levy an annual tax in the amount required to pay the principal of and interest on the Series 2017 Certificates when due, and irrevocably appropriates the collections of such tax to the payment of the principal of and interest on the Series 2017 Certificates. Monies collected pursuant to such levy shall be applied first towards the payment of the principal of and interest on the Series 2017 Certificates (and other capital outlay certificates heretofore or hereafter issued) and thereafter toward other expenditures which lawfully may be made from the District's Capital Outlay Fund. The ad valorem property tax levy in any year for the payment of the Series 2017 Certificates and other Capital Outlay Fund purposes may not exceed \$3 per \$1,000 of taxable valuation under South Dakota law. The District estimates that a maximum levy of approximately \$0.97 per \$1,000 (based on the District's current taxable valuation) will be required to pay the principal of and interest on the Series 2017 Certificates and other capital outlay certificates now outstanding.

Starting with taxes payable in 2021, a school district is limited to an annual tax levy not to exceed three dollars per thousand dollars of taxable valuation of the school district for the current year or two thousand eight hundred dollars for each enrolled student as determined in the fall enrollment count, whichever is less. For 2022 and subsequent years, the maximum amount for each enrolled student shall increase by the lesser of three percent or the index factor, as defined in SDCL 10-13-38. Based on current valuations and current enrollment, the District's capital outlay levy starting in 2021 would be based on \$3 per \$1000 and not student enrollment. For additional information concerning the District and its budgeting and tax levy process, see "**BUDGETING AND TAX LEVY INFORMATION**" in this Official Statement.

THE REFUNDING PLAN

The proceeds of the Series 2017 Certificates will be applied to pay issuance costs and to refund the January 15, 2019 through January 15, 2027 maturities aggregating \$4,070,000 of the District's outstanding Limited Tax General Obligation Refunding Certificates, Series 2010, dated November 1, 2010 (the "Refunded Certificates"). The Refunded Certificates will be redeemed on January 15, 2018 (the "Redemption Date") at a redemption price equal to the principal amount thereof plus accrued interest.

The following maturities of the Refunded Certificates are to be refunded:

<u>Maturity</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>CUSIP</u>
January 15, 2019	\$ 400,000	2.550%	003268 DE6
January 15, 2020	410,000	2.750	003268 DG1
January 15, 2021	425,000	2.900	003268 DJ5
January 15, 2022	435,000	3.000	003268 DL0
January 15, 2023	450,000	3.100	003268 DN6
January 15, 2024	465,000	3.125	003268 DQ9
January 15, 2025	475,000	3.300	003268 DS5
January 15, 2026	495,000	3.350	003268 DU0
January 15, 2027	515,000	3.450	003268 DW6
	\$ 4,070,000		

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2017 Certificates are estimated to be approximately as follows:

SOURCES:

Par Amount of Series 2017 Certificates	<u>\$4,125,000.00</u>
TOTAL SOURCES	<u>\$4,125,000.00</u>

USES:

Refunding Fund	\$4,070,000.00
Costs of Issuance and Underwriter's Discount	54,093.75
Rounding Amount.....	<u>906.25</u>
TOTAL USES.....	<u>\$4,125,000.00</u>

DEBT SERVICE COVERAGE

Ending <u>Year</u>	Existing Capital Outlay Certificates	2017 Capital Outlay Certificates	Total <u>Debt Service</u>	<u>Coverage⁽¹⁾</u>
2018	\$ 2,132,942.51		\$ 2,132,942.51	3.10x
2019	1,317,745.00	\$ 598,526.94	1,916,271.94	3.45
2020	1,312,545.00	615,857.50	1,928,402.50	3.42
2021	1,319,792.50	613,367.50	1,933,160.00	3.42
2022	1,314,542.50	615,278.75	1,929,821.25	3.42
2023	1,317,062.50	616,470.00	1,933,532.50	3.42
2024	788,112.50	616,700.00	1,404,812.50	4.70
2025	784,552.50	615,867.50	1,400,420.00	4.72
2026	571,402.50	111,072.50	682,475.00	9.68
2027	570,537.50		570,537.50	11.58
2028	573,987.50		573,987.50	11.51
2029	574,850.00		574,850.00	11.49
2030	571,350.00		571,350.00	11.56
2031	572,550.00		572,550.00	11.53
2032	573,550.00		573,550.00	11.51
2033	573,750.00		573,750.00	11.51
2034	573,150.00		573,150.00	11.52
2035	574,424.00		574,424.00	11.50

⁽¹⁾ Maximum proceeds of \$3.00/\$1,000 capital outlay levy based on current taxable valuation for the District while the debt service on the Series 2017 Certificates is based on an average interest rate of 1.68%.

ADDITIONAL CERTIFICATES

The Resolution authorizing the issuance of the Series 2017 Certificates permits the issuance of additional capital outlay certificates payable from the Capital Outlay Fund of the District, provided that the School Board first determines that a Capital Outlay Fund tax levy of not more than \$3 per \$1,000 of assessed valuation, or for taxes payable in 2021 and thereafter, not more than the lesser of \$3 per \$1,000 of assessed valuation or the Maximum Enrolled Student Amount as defined hereafter, (collectively the “Levy Limit”), will afford debt service coverage for all outstanding capital outlay certificates, plus the additional capital outlay certificates proposed to be issued, of at least 1.25 times. The “Maximum Enrolled Student Amount” is \$2,800 for 2021 and for 2022 and subsequent years, the maximum amount for each enrolled student shall increase by the lesser of three percent or the index factor, as defined in SDCL 10-13-38. The property tax levy for any such additional certificates, together with the levy for then all outstanding capital outlay certificates described herein and any other Capital Outlay Fund purposes, would be limited to the Levy Limit. Such additional certificates would have a parity claim with all the then outstanding capital outlay certificates, including the Series 2017 Certificates, against property tax revenues received into the Capital Outlay Fund of the District.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE SERIES 2017 CERTIFICATES DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE SERIES 2017 CERTIFICATES WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE SERIES 2017 CERTIFICATES. PROSPECTIVE PURCHASERS OF THE SERIES

2017 CERTIFICATES SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE DISTRICT OR THE UNDERWRITER. PROSPECTIVE INVESTORS ARE ENCOURAGED TO REVIEW CURRENT EMMA FILINGS FOR THE DISTRICT AT [HTTP://WWW.EMMA.MSRB.ORG/](http://WWW.EMMA.MSRB.ORG/).

Debt Service Source

The Series 2017 Certificates shall be limited general obligations of the District payable as to both principal and interest from a pledge of ad valorem taxes received by the District from a tax levy of not to exceed three dollars per thousand (the Capital Outlay Levy). While the future ability of the District to meet its obligations under the Bond Resolution is based upon assumptions and business judgments which the District believes are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that presently cannot be determined. Thus, no assurance can be given that tax payers will pay their taxes when due, nor that the taxable value of real property will be sufficient to produce tax revenues in amounts sufficient to pay the principal of and interest on the Series 2017 Certificates as they become due.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Series 2017 Certificates. There is no assurance that there will not be any change in, interpretation of, or addition to laws, provisions and regulations which would have a material effect, either directly or indirectly, on the District or the taxing authority of the District.

Limitations on Remedies Available to Owners of Series 2017 Certificates

The enforceability of the rights and remedies of the owners of Series 2017 Certificates, and the obligations incurred by the District in issuing the Series 2017 Certificates, could be subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of South Dakota and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Series 2017 Certificates to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Taxation of Interest on the Series 2017 Certificates

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2017 Certificates is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series 2017 Certificates includable in gross income for federal income tax purposes.

The District has covenanted in the Bond Resolution and in other documents and Series 2017 Certificates to be delivered in connection with the issuance of the Series 2017 Certificates to comply with the

provisions of the Code, including those which require the District to take or omit to take certain actions after the issuance of the Series 2017 Certificates. Because the existence and continuation of the excludability of the interest on the Series 2017 Certificates depends upon events occurring after the date of issuance of the Series 2017 Certificates, the opinion of Bond Counsel described under “TAX EXEMPTION” assumes the compliance by the District with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Series 2017 Certificates in the event of noncompliance with such provisions. The failure of the District to comply with the provisions described above may cause the interest on the Series 2017 Certificates to become includable in gross income as of the date of issuance.

Future Legislation

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause the interest on the Series 2017 Certificates to be subject, directly or indirectly, to federal income taxation or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of the such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal tax exemption or the market value of the Series 2017 Certificates. Prospective purchasers of the Series 2017 Certificates should consult their tax advisors regarding any future, pending or proposed federal tax legislation, regulations, rulings or ligation as to which Bond Counsel expresses no opinion.

Suitability of Investment

The tax exempt feature of the Series 2017 Certificates is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Series 2017 Certificates are an appropriate investment.

Market for the Series 2017 Certificates

Bond Rating. The Series 2017 Certificates have been assigned the financial rating set forth in the section hereof entitled “RATING.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2017 Certificates.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Series 2017 Certificates. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Series 2017 Certificates as a result of financial condition or market position of broker dealers, prevailing market conditions, lack of adequate current financial information about the District, or a material adverse change in the financial condition of the District, whether or not the Series 2017 Certificates are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

OPTIONAL REDEMPTION

Series 2017 Certificates maturing in July 15, 2023 and later years shall be subject to redemption and prepayment at the option of the District on July 15, 2022 or on any date thereafter, at par, plus accrued interest to the date of redemption. Such Series 2017 Certificates are redeemable in whole or in part, in such order of maturity dates as shall be determined by the District and by lot within each maturity.

MANDATORY REDEMPTION

Series 2017 Certificates maturing on July 15 in the years 2019, 2020, 2021, 2022, 2023, 2024 and 2025 (the “Term Certificates”) are subject to mandatory redemption and will be redeemed pursuant to mandatory sinking fund redemption at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on January 15 in each of the following years, the following stated principal amounts of Term Certificates:

Term Certificates Maturing in 2019

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2019	\$275,000
July 15, 2019 (maturity)	280,000

Term Certificates Maturing in 2020

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2020	\$280,000
July 15, 2020 (maturity)	280,000

Term Certificates Maturing in 2021

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2021	\$285,000
July 15, 2021 (maturity)	285,000

Term Certificates Maturing in 2022

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2022	\$290,000
July 15, 2022 (maturity)	290,000

Term Certificates Maturing in 2023

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2023	\$295,000
July 15, 2023 (maturity)	295,000

Term Certificates Maturing in 2024

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2024	\$300,000
July 15, 2024 (maturity)	300,000

Term Certificates Maturing in 2025

<u>Maturity</u>	<u>Principal Amount</u>
January 15, 2025	\$305,000
July 15, 2025 (maturity)	110,000

NOTICE OF REDEMPTION

Notice of redemption shall be given by first class mail not less than 30 days prior to the redemption date, to the Owner of each Bond to be redeemed, at the Owner's address as it appears on the certificate registration books of the District kept by the Bond Registrar. Each notice of redemption shall state the redemption date, the place of redemption and the distinctive numbers, CUSIP numbers and interest rates of the Series 2017 Certificates to be redeemed. Interest on the Series 2017 Certificates or portions thereof in such notice designated for redemption shall cease to accrue from and after such redemption date and on said date there will become due and payable on each of such Series 2017 Certificates the redemption price thereof and interest accrued thereon to the redemption date. As provided in the Resolution, the Bond Registrar shall give further notice of redemption to certain registered national securities depositories and national information services, provided, however, that no defect in such further notice or failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

REGISTRAR

The First National Bank in Sioux Falls, Sioux Falls, South Dakota (the "Registrar"), will serve as the Registrar and Paying Agent. Principal and interest will be payable on each payment date by check or draft of the Registrar mailed to the registered owners of the Series 2017 Certificates at their addresses as they appear in the registration books maintained by the Registrar as of the close of business on the first day of the month in which the interest payment date occurs. The District will pay the charges for the services of the Registrar and has reserved the right to remove the Registrar and to appoint a successor Registrar.

BOOK ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2017 Certificates. The Series 2017 Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate per maturity will be issued in the principal amount of the Series 2017 Certificates maturing in such year, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities Series 2017 Certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2017 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Series 2017 Certificates representing their ownership interest in Series 2017 Certificates, except in the event that use of the book-entry system for the Series 2017 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2017 Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2017 Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2017 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2017 Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017 Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Certificates at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017 Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2017 Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

BUDGETING AND TAX LEVY INFORMATION

The District receives approximately 40 percent of its funding from ad valorem property tax revenues. Under South Dakota law, school districts are permitted to make up to four separate property tax levies, including:

(1) General Fund Levy for taxes payable in 2017 and thereafter is \$7.63 per \$1,000 taxable valuation subject to the following specific limitations for the following classes of property: (1) \$1.568 per \$1,000 taxable valuation for agricultural property, and (2) \$3.687 for owner-occupied single-family dwellings.

Section 10-12-43 of South Dakota Codified Laws provides that the above general fund levies can be exceeded only by an excess levy imposed by an affirmative two-thirds vote of the governing body of the school district. The vote by the governing body must occur on or before July fifteenth of the year prior to the year the taxes are payable. The decision to exceed the levies is subject to a referendum by resolution of the governing body of the school district or by the electors of the school district, if petitioned by at least five percent of the registered voters in the school district.

(2) Capital Outlay Fund Levy not to exceed the lesser of \$3 per \$1,000 taxable valuation. For limitations for 2021 and thereafter see "Levy Limit" and "Maximum Enrolled Student Amount" as defined in "SECURITY AND PURPOSE" in this Official Statement.

(3) Special Education Fund Levy not to exceed \$1.409 per \$1,000 taxable valuation.

(4) General Obligation Bond Levy which is not subject to levy limitation.

The property tax levy process begins with the adoption of the District's annual budget. South Dakota law specifies a procedure which school districts must follow for establishing their annual budgets and submitting their property tax levies to the County Auditor. The School Board shall prepare a proposed budget for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting in the month of May (all South Dakota school districts operate on a July 1 - June 30 fiscal year). The proposed budget must be published no later than July 15 together with a notice of hearing on the budget. The budget hearing must be held prior to July 15. Before October 1, every school board shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year. The budget may include an amount to provide cash flow funding according to guidelines prescribed by the auditor general. By resolution, the school board shall adopt a levy in dollars sufficient to meet the school budget. Any changes in the proposed budget incorporated into the final budget shall be published in the minutes within 30 days after the final adoption of the budget. Once adopted, the budget is reported to the County Auditor before October 1. The County Auditor must spread a levy in dollars over the school district's taxable property sufficient to raise the money required by the budget, subject only to legal limits on the amount of taxes which a school district may levy.

In South Dakota, the collection of all property tax revenues is handled by the County governments. Each County is required to conduct an annual assessment of all real property located in the County. State law requires that all property be assessed at its full and true value as of the November 1 immediately preceding the assessment year. Property owners must be notified of the assessed value of their properties, and a property owner who desires to challenge the assessment may appeal to the appropriate Board of Equalization. South

Dakota law creates local Boards of Equalization, the purpose of which are to equalize the assessed value of all properties and to see that all taxable property has been properly placed on the assessment roles and has been properly valued. The County Commission, sitting as a Board of Equalization, is the final local authority for hearing property owner appeals and equalizing the assessments of property, subject to a property owner's right to appeal the assessment to the Office of Hearing Examiners or to the Circuit Court. Each County's equalization proceedings for its annual assessment must be completed by the third week of May. South Dakota Codified Laws, Section 10-14-51.1, provides that, for levy years commencing in 1996, the county director of equalization, when applying the levies for school purposes, shall adjust the level of assessment for each district so that the level of assessment is equal to eighty-five percent of market value, using an adjustment factor provided by the State Department of Revenue. The adjusted value so determined is referred to in this Official Statement as the "taxable value."

Real property taxes become due on January 1 of the year following the year in which the tax levy is made. Real property taxes become delinquent if not paid 50% by May 1 and the remaining 50% by November 1. Once levied, taxes become a perpetual lien upon the subject real property until paid. All property tax payments, after being collected by the County Treasurer, are turned over to the County Auditor. The Auditor in turn must distribute on a monthly basis the portion of all property tax payments to each local unit of government for which a levy was made.

TAX INCREMENT DISTRICTS AND DISCRETIONARY PROPERTY TAX REDUCTION

State law allows for a tax break for new and/or improved commercial and/or industrial businesses. A discretionary property tax reduction formula is applied to construction completed by the first day of November preceding the assessment. Counties and cities have the option of implementing this formula to promote new businesses; the tax break is for up to five years. South Dakota Codified Laws, Section 10-12-44(2) provides when a city or county grants a property tax reduction, the amount of tax revenue lost to the District, for its general and special education funds by reason of such property tax reduction, shall be levied by the County against the taxable property in the District.

In addition to the discretionary property tax reduction formula described above, municipalities may also create tax increment districts. At the time an increment district is certified, there is an assessed value within its boundary. This valuation is the base value and the District can collect taxes only on the amount of the base value. The additional valuation has the same levy applied but the dollars collected are segregated to pay costs of public improvements within the increment district, including the retirement of tax incremental revenue bonds. South Dakota Codified Laws, Section 10-12-44(1) provides for tax increment districts formed after December 31, 1994, the amount of tax revenue lost to the District, for its general and special education funds by reason of such tax increment district, shall be levied by the County against all taxable property in the District.

LITIGATION AND DEFAULT

The District knows of no threatened or pending litigation affecting the validity of the Series 2017 Certificates or the ability of the District to meet its financial obligations. The District has never defaulted in the payment of principal or interest on any debt obligation.

TAX EXEMPTION

In the opinion of Meierhenry Sargent LLP, Bond Counsel, under federal and State of South Dakota laws, regulations, rulings and decisions in effect on the date of the issuance of the Series 2017 Certificates interest on the Series 2017 Certificates is not includable in gross income for federal income tax purposes. Interest on the Series 2017 Certificates is includable in gross income for South Dakota income tax purposes

when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

The Internal Revenue Code of 1986, as amended (the "Code") imposes continuing requirements that must be met after the issuance of the Series 2017 Certificates in order for interest thereon to be and remain not includable in gross income for purposes of federal income taxation. Noncompliance with such requirements may cause the interest on the Series 2017 Certificates to be includable in gross income for purposes of federal income taxation, either prospectively or retroactive to the date of issuance of the Series 2017 Certificates. These requirements include, but are not limited to, provisions requiring that certain investment earnings must be rebated on a periodic basis to the Treasury Department of the United States.

Interest on the Series 2017 Certificates is not an item of tax preference which is included in "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to all taxpayers, including individuals, under Section 55 of the Code, but such interest is includable in adjusted current earnings for purposes of determining the "alternative minimum taxable income" of corporations. Interest on the Series 2017 Certificates may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. Interest on the Series 2017 Certificates may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits.

The Series 2017 Certificates have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Series 2017 Certificates for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the Series 2017 Certificates to lose their status as "qualified tax-exempt obligations" retroactive to their date of issuance.

For individuals who are or may become recipients of social security benefits (including railroad retirement benefits), interest on the Series 2017 Certificates is includable in computing "modified adjusted gross income" for purposes of determining the amount of social security benefits, if any, that is required to be included in gross income under Section 86 of the Code.

In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) of the Code is reduced by an amount equal to fifteen percent of the interest on the Series 2017 Certificates that is received or accrued during the taxable year.

The foregoing discussion of the collateral federal tax consequences which may arise from the receipt of interest on the Series 2017 Certificates is not intended to be comprehensive. All prospective purchasers of the Series 2017 Certificates should consult their tax advisors as to the tax consequences of, purchasing or holding the Series 2017 Certificates.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance, and sale by the District of the Series 2017 Certificates and with regard to the tax-exempt status of interest thereon under existing laws are subject to the approving legal opinion of Meierhenry Sargent LLP, Sioux Falls, South Dakota, as Bond Counsel.

RATING

It is a condition to the issuance of the Series 2017 Certificates that Standard & Poor's Ratings Services will have assigned the Series 2017 Certificates the rating of "AA-" (stable).

The rating reflects only the view of Standard & Poor's Ratings Services. Further information may be obtained from Standard & Poor's Ratings Services, 55 Water Street, New York, NY 10041, telephone (212) 438-7280. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A security's rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2017 Certificates.

UNDERWRITING

The Underwriter will purchase the aggregate principal amount of the Series 2017 Certificates upon their original issuance and delivery at a purchase price equal to \$4,092,000.00 (reflecting the Underwriter's Discount). The Underwriter will purchase all of the Series 2017 Certificates offered hereby if any of the Series 2017 Certificates are purchased.

The Series 2017 Certificates are being offered for sale at the prices set forth on the cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The Series 2017 Certificates may be offered and sold to dealers acquiring Series 2017 Certificates for their own account or an account managed by them at prices lower than public offering prices.

CONTINUING DISCLOSURE

Participating underwriters in the primary offering of the Series 2017 Certificates are required to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2017 Certificates, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

In the last 5 years, the District has been providing their audited financials and additionally required operating data earlier than the one year requirement in their currently outstanding bond issues. The Series 2005 and Series 2006 bonds issues, which have been previously refunded, required disclosures not later than December 31st of each year (six months). The District unintentionally failed to comply with the December 31 filing date in prior years.

The District continues to use their Dissemination Agent and procedures have been set in place to provide timely disclosure. The District's remaining issues require the District, not later than 1 year or 12 months after the end of the Fiscal Year (June 30th) provide the certain financial information and operating data relating to the District.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Series 2017 Certificates or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Series 2017 Certificates in the secondary market. Thus, a failure on the part of the District to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Series 2017 Certificates and their market price.

All instances, if any, where the District has failed to comply with any previous written undertakings

may be found on the Municipal Securities Rulemaking Board's internet web site <http://emma.msrb.org> and are included herein by specific reference as if stated in full. **All prospective purchasers should review <http://emma.msrb.org> for past District compliance.**

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the Series 2017 Certificates to the Underwriter thereof, Meierhenry Sargent LLP, Sioux Falls, South Dakota, Bond Counsel, will deliver their opinion dated the date of such delivery that the Series 2017 Certificates are valid and binding general obligations of the District, enforceable in accordance with their terms except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix A, involving matters of opinion or estimates, whether or not expressly so states, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Resolution and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

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APPENDIX A- INFORMATION CONCERNING THE DISTRICT

General Information

Aberdeen School District 06-1 is located primarily in Brown County, South Dakota and includes the City of Aberdeen, South Dakota. The District has a total area of 420 square miles (268,800 acres) and estimates its current population to be approximately 30,759.

The District is governed by a seven member School Board, the members of which are elected to an overlapping three-year term. Present members and the term of office of each are listed below.

<u>Name</u>	<u>Expiration of Term (June)</u>
Brian Sharp, President	2020
Brad Olson, Vice President	2018
Dr. Linda Burdette	2018
Duane Alm	2019
Andrew Miller	2019
Kevin Burckhard	2020
Aaron Schultz	2020

The administration of School Board policies is the responsibility of the District's Superintendent, Dr. Becky Guffin, who has served the District as Superintendent for 2 years. The business affairs of the District are managed by its Business Manager, Tom Janish, who has served as Business Manager for 21 years.

Financial Statements

The audited general-purpose financial statements of the District for the fiscal year ended June 30, 2016 are included as Appendix C to the Official Statement. Audited financial statements for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013, are available from:

Tom Janish, Business Manager
Aberdeen School District 06-1
1224 S 3rd St
Aberdeen, SD 57401-6920
Telephone: (605) 725-7102

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Financial Position and Operations

The information provided immediately below summarizes the year-end fund balances, and General Fund revenues, expenditures and fund balances for the District for the three most recent fiscal years.

Year-End Fund Balances¹

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
REVENUES			
Local sources	\$ 11,884,933	\$ 12,388,693	\$ 12,472,431
Intermediate sources	303,478	355,317	385,841
State sources	10,195,743	10,639,942	11,621,844
Federal sources	984,535	1,050,065	1,076,570
Total Revenues	<u>\$ 23,368,689</u>	<u>\$ 24,434,017</u>	<u>\$ 25,556,686</u>
EXPENDITURES			
Instruction	\$ 13,755,095	\$ 14,264,233	\$ 15,085,102
Supporting services	7,688,175	8,494,964	8,423,917
Co-curricular services	1,365,552	1,424,644	1,474,950
Community Services	--	16,916	19,109
Nonprogrammed Charges	--	--	--
Debt Service	--	--	--
Other	--	--	--
Total Expenditures	<u>\$ 22,808,822</u>	<u>\$ 24,200,757</u>	<u>\$ 25,003,078</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ 559,867</u>	<u>\$ 233,260</u>	<u>\$ 553,608</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out) to other funds	--	--	--
Sale of surplus property	--	--	--
Revenues over (under) expenditures	--	--	--
Change in Fund Balance Reserves	\$ 559,867	\$ 233,260	\$ 553,608
FUND BALANCE Beginning July 1:	<u>\$ 6,794,024</u>	<u>\$ 7,353,891</u>	<u>\$ 7,587,151</u>
FUND BALANCE Ending June 30:	<u>\$ 7,353,891</u>	<u>\$ 7,587,151</u>	<u>\$ 8,140,759</u>

¹Fiscal years 2014, 2015 and 2016 information was collected from the Audited Financial Statements of the District.

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The tables below provide information concerning the District's historical property values, tax levies and tax collections:

District Property Values

Levy Year	Owner		Non-Agricultural		
	Agricultural Value	Occupied Single Family Value	Non-Ag Z	Other Value	Total Value
2016	\$ 378,431,702	\$ 1,193,035,357	\$ 0	\$ 629,936,910	\$ 2,201,403,969
2015	329,261,473	1,156,598,180	0	612,432,785	2,098,292,438
2014	275,019,650	1,107,464,182	0	614,753,898	1,997,237,730
2013	225,631,295	1,070,830,178	0	596,299,683	1,892,761,156
2012	183,300,552	1,033,740,890	0	564,598,575	1,781,640,017
2011	168,011,060	1,025,813,355	0	547,144,087	1,740,968,502
2010	154,666,039	997,610,330	0	514,570,171	1,666,846,540

Source: State Department of Revenue and the Department of Education in South Dakota

Historical Property Tax Collections

Levy Year	General Fund Taxes Levied ⁽¹⁾	Total General Fund Taxes Collected	
		Collected	Percent Collected
2016	\$ 10,145,263.93	— In process —	
2015	10,870,310.53	\$ 10,779,901.98	99.20%
2014	11,314,470.16	11,256,183.90	99.50
2013	10,849,002.49	10,817,390.62	99.70
2012	9,721,493.57	9,707,749.64	99.80
2011	9,344,917.56	9,337,651.04	99.90
2010	8,897,138.30	8,894,246.35	99.97

Source: Brown County Auditor

⁽¹⁾ One-half payable by May 1 and one-half payable by November 1.

Debt Limitations

Under the South Dakota Constitution the total indebtedness of a school district may not exceed 10% of the assessed value of the property within the District.

The District's net debt margin after giving effect to the issuance of the Series 2016 Bonds is as follows:

2016 Assessed Value	\$ 2,518,557,910
Constitutional Debt Limit (10% of Assessed Value)	\$ 251,855,791
Less Outstanding General Obligation Bonds	11,590,000
Less Outstanding Capital Outlay Certificates (including this issue)	<u>16,610,000</u>
Net Debt Margin after this issue	<u>\$ 223,655,791</u>

Direct Debt

<u>Issue and Series</u>	<u>Amount Outstanding</u>
<i>General Obligation Bonds</i>	
General Obligation Refunding Bonds, Series 2013	\$ 3,525,000
General Obligation Refunding Bonds, Series 2016	<u>8,065,000</u>
	\$ 11,590,000
<i>Capital Outlay Certificates</i>	
General Obligation Bonds, Series 2009A (QSCB)	\$ 1,500,000
Limited Tax General Obligation Refunding Certs, Series 2010	0 ⁽²⁾
Limited Tax General Obligation Certificates, Series 2011	470,000
Limited Tax General Obligation Refunding Certs, Series 2012	2,955,000
Limited Tax Capital Outlay Certificates, Series 2015	7,560,000
Limited Tax General Obligation Refunding Certs, Series 2017 (this issue)	<u>4,125,000</u>
	\$ 16,610,000
Total:	<u><u>\$ 28,200,000</u></u>

⁽¹⁾ As of 06/30/2017, including this issue.

⁽²⁾ The 2019-2027 maturities are being refunded by the Series 2017 Certificates (this issue)

Net Direct Debt

The net direct debt is the direct (all issues) minus any self-supporting debt such as revenue issues and note issues. In general, the net direct debt is only the debt supported by ad valorem taxes.

Net Direct Debt	\$28,200,000.00
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Overlapping Debt

The overlapping debt of the District payable from property taxes is as follows:

<u>Issuer</u>	<u>Ad Valorem Debt as of December 31, 2016</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
City of Aberdeen	\$ 0.00	100.00%	\$ 0.00
Brown County	0.00	15.09	0.00

Net Overall Debt

The net overall debt is net direct debt plus overlapping debt.

Net Overall Debt	\$28,200,000.00
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Debt Ratios

Net Direct Debt per Capita (30,759 est.)	\$916.80
Overlapping Debt per Capita (30,759 est.)	\$0.00
Net Overall Debt per Capita (30,759 est.)	\$916.80
Net Overall Debt per Acre (268,800)	\$104.91
Net Overall Debt to Assessed Value (\$2,518,557,910)	1.12%

Student Enrollment

The information below shows Average Daily Membership as computed by State officials for the District for each of the past ten years.

<u>Year</u>	<u>Membership</u>
2016 - 2017*	4,554.000
2015 - 2016	4,443.226
2014 - 2015	4,353.747
2013 - 2014	4,262.391
2012 - 2013	4,203.462
2011 - 2012	3,995.555
2010 - 2011	3,967.147
2009 - 2010	3,951.812
2008 - 2009	3,743.661
2007 - 2008	3,763.813

Source: South Dakota Department of Education

* 2016 Fall Enrollment

Physical Facilities

The information set forth in the table below describes all of the classroom buildings presently operated by the District. In addition to the classroom buildings, the District operates administration, maintenance, and athletic field facilities.

<u>School</u>	<u>Date Constructed</u>	<u>Date Renovated/ Addition Added</u>
Central High School	2004	2010
ATEC Academy	2015	
Holgate Middle School	1971	2004/2006/2010
Simmons Middle School	1959/1965/2009	2004/2006/2009
C.C. Lee Elementary	1973	2003/2007
Lincoln Elementary	1956/1977	2003/2013
May Overby Elementary	1958	2003/2009
O.M. Tiffany	1941	2003/2004/2010
Simmons Elementary	1955	2003/2012
Mike Miller Elementary	2016	

Source: Aberdeen School District Business Manager

Employment and Pension Plans

At present, the District employs 584 persons, as follows:

Administrative staff	24
Teachers/Counselors/Librarians	330
Secretaries	17
Instructional / Librarian Aides	110
Custodians / Maintenance	42
Food Service	35
Nurse	7
Other	19

For a description of the Pension and Early Retirement Plans in which employees of the District participate, see Note 12 to the District's audited financial statements for 2016.

Source: Aberdeen School District Business Manager

Largest Employers in the District

<u>Employer</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
Avera St. Lukes	Medical	1,500
3M of Aberdeen	Manufacturing	650
Aberdeen Public Schools	Education	584
Sanford Health	Medical	450
Northern State University	Education	360
Wal-Mart	Retail	340
Midstates, Inc	Commercial Printing	300
Hub City/Regal Beloit	Manufacturing	300
Molded Fiber Glass	Manufacturing	270
City of Aberdeen	Government	260
Kessler's Inc.	Grocery	250

Source: Aberdeen Development Corporation, Each Individual Employer listed

Largest Taxpayers in the District

<u>Taxpayer</u>	<u>2016 Taxable Value</u>	<u>Percent of Total</u>
Avera St. Lukes	\$ 81,398,291	3.70%
New Angus Limited Liability Comp.	40,454,402	1.84
Dakota Upreit Limited Partnership	18,077,993	0.82
South Dakota Wheat Growers	18,050,589	0.82
Molded Fiber Glass Company	17,843,082	0.81
Blackstone Developers LLC	12,626,599	0.57
3M Corporate Taxes	11,632,280	0.53
Advanced Bio Energy LLC	11,309,932	0.51
Wal-Mart Stores, Inc	10,204,680	0.46
Joseph A Berbos	9,883,887	0.45

Source: Brown County Auditor

Population of Cities in the District

<u>Cities</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u> (estimate)
Aberdeen	25,851	24,927	24,658	26,091	28,415

Source: State Data Center / U.S. Census

Labor Statistics

<u>Year</u>	<u>Brown County Average Annual Civilian Labor Force</u>	<u>Average Annual Unemployment Rate</u>	
	<u>Brown County</u>	<u>State of South Dakota</u>	
2016	21,102	2.5%	2.8%
2015	21,066	2.6	3.1
2014	21,067	2.9	3.4
2013	20,987	3.2	3.8
2012	20,878	3.6	4.3
2011	20,762	3.9	4.7
2010	20,885	3.8	5.0

Source: South Dakota State Department of Labor

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**APPENDIX B -
FORM OF BOND COUNSEL OPINION**

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_____, 2017

Aberdeen School District 06-1
Brown County, South Dakota
\$4,125,000 Limited Tax General Obligation Refunding Certificates, Series 2017

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Brown County, Brown County, South Dakota (the "Issuer") of \$4,125,000 Limited Tax General Obligation Refunding Certificates, Series 2017, dated _____ 2017, (the "Certificates"). We have examined such certified proceedings and other papers as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer is duly created and validly existing as a body corporate and politic and public instrumentality of the State of South Dakota with the corporate power to adopt and perform the Resolution and issue the Certificates.
2. The Resolution has been duly adopted by the Issuer on _____, 2017 and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. The Resolution levies ad valorem taxes not in excess of three dollars per thousand annually upon all of the taxable property in the District, for the capital outlay fund of the District, from which fund, the Certificates and interest thereon are payable.
4. The Certificates have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefore in the Resolution.
5. The interest on the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations as defined for federal income tax purposes, such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 as amended, that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.
6. Under existing law, the interest on the Certificates is includable in "taxable income" for the State of _____.

South Dakota income tax purposes when the recipient is a "financial institution" as defined by Chapter 10-43, South Dakota Codified Laws, according to present state laws, regulations and decisions. We express no further opinions regarding other South Dakota tax consequences arising with regard to the Certificates.

7. The Certificates are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Certificates and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and subject to regulatory requirements under the laws of the United States and of the State of South Dakota.

Meierhenry Sargent LLP

**APPENDIX C -
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2016**

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Financial Statements
June 30, 2016

Aberdeen School District 6-1

Aberdeen School District 6-1
School District Officials (Unaudited)
June 30, 2016

Board Members	Term Expiration
Scott Wirth	June 30, 2017
Brian Sharp.....	June 30, 2017
Kevin Burckhard	June 30, 2017
Duane Alm	June 30, 2016
Todd Kolden.....	June 30, 2016
Dr. Linda Burdett	June 30, 2018
Brad Olson.....	June 30, 2018

Superintendent

Dr. Becky Guffin.....N/A

Director of Finance

Mr. Tom JanishN/A

Aberdeen School District 6-1

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Independent Auditor's Report

The School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund information of the Aberdeen School District 6-1 (the School District), as of and for the year ended June 30, 2016, 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

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 from 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 entity'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 entity'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, the discretely presented component unit, and each major fund information of the School District, as of June 30, 2016, 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 management's discussion and analysis, schedule of funding progress, budgetary comparison information, schedule of net pension asset, and schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards 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 financial statements as a whole.

The School District Officials section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the School District's internal control over financial reporting and on 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 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.

A handwritten signature in black ink that reads "Eric Bailely CPA". The signature is cursive and fluid, with "Eric" and "Bailely" connected at the top, and "CPA" written below it in a smaller, more formal script.

Aberdeen, South Dakota
December 19, 2016

This section of Aberdeen School District 6-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the School District's financial statements, which follow this section.

Financial Highlights

- The School District's net position from government and business-type activities increased \$4,652,306. This increase was used to increase the cash position of the School District, reduce outstanding bonds payable and to purchase capital assets.
- During the year, the School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$44,270,474. Governmental and business-type program expenditures were \$39,618,168.
- As of June 30, 2016, the School District's governmental funds reported combined ending fund balances of \$12,950,879, an increase of \$3,156,571.
- The general fund reported a \$553,608 current year surplus.
- The School District completed construction of a career and technology academy on the Central High School campus. The project cost was \$4,838,641 and was funded from a \$2.0 million grant from the State of South Dakota and the capital outlay fund budget.
- The School District began construction of the Mike Miller Elementary school. The project completion date is July, 2016. The project cost is \$8.3 million and will be funded from the issuance of \$7.725 million of capital outlay debt certificates and the capital outlay fund budget.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status. The government-wide financial statements also include component unit financial statements.
- The remaining statements are fund financial statements that focus on individual parts of the School District government, reporting the School District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School District operates like a business.
- Fiduciary fund statements provide information about the financial relationships, like scholarship plans for graduating students – in which the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-1
Required Components of Aberdeen School District's Annual Financial Report

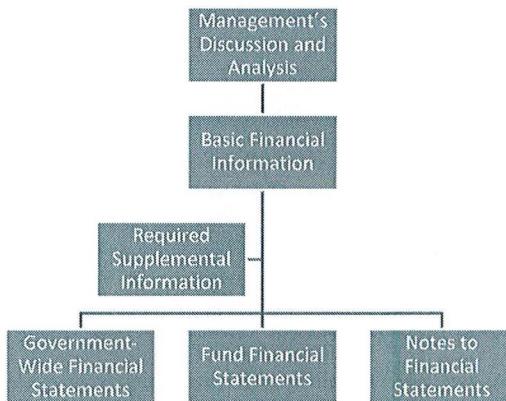


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure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

Figure A-2
Major Features of Aberdeen School District's Government-Wide and Fund Financial Statements

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

Government-Wide Statements

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

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

- Increases or decreases in the School District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School District, additional non-financial factors should be considered; such as, changes in the School District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

- Governmental Activities – This category includes the School District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- Business-Type Activities – The School District charges a fee to students to help cover the costs of providing hot lunch services to all students. The food service fund and other enterprise fund are the business-type activities of the School District.
- Discretely Presented Component Unit – Component units are legally separated organizations for which the School District is financially accountable, or the nature and significance of the unit's relationship with the School District is such that exclusion of the unit would cause the School District's financial statements to be misleading, or incomplete. The following entity is included in the component unit column of the School District's government-wide financial statements:

- ✓ Aberdeen Public Schools Foundation, Inc.

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School District has four kinds of funds:

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

Component Unit – As mentioned above, component units are legally separate organizations for which the School District is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit (a) in a single column on the statement of net position and (b) in a single column on the statement of activities.

Financial Analysis of the School District as a Whole

Net Position

The School District's combined net position increased as follows:

Table A-1
Aberdeen School District
Statement of Net Position

	Governmental Activities 6/30/2016	Business-Type Activities 6/30/2016	Total 6/30/2016
Current and Other Assets	\$ 35,359,637	\$ 597,958	\$ 35,957,595
Capital Assets	<u>63,996,652</u>	<u>189,639</u>	<u>64,186,291</u>
 Total Assets	 <u>\$ 99,356,289</u>	 <u>\$ 787,597</u>	 <u>\$ 100,143,886</u>
Deferred Outflows of Resources	9,050,673	268,572	9,319,245
 Total Assets and Deferred Outflows	 <u>\$ 108,406,962</u>	 <u>\$ 1,056,169</u>	 <u>\$ 109,463,131</u>
Long-Term Debt Outstanding	\$ 34,139,838	\$ -	\$ 34,139,838
Other Liabilities	<u>4,860,550</u>	<u>70,234</u>	<u>4,930,784</u>
 Total Liabilities	 <u>39,000,388</u>	 <u>70,234</u>	 <u>39,070,622</u>
Deferred Inflows of Resources	17,701,593	210,030	17,911,623
 Net Position			
Net investment in capital assets	32,651,652	189,639	32,841,291
Restricted	10,907,779	201,156	11,108,935
Unrestricted	<u>8,145,550</u>	<u>385,110</u>	<u>8,530,660</u>
 Total Net Position	 <u>51,704,981</u>	 <u>775,905</u>	 <u>52,480,886</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 108,406,962</u>	 <u>\$ 1,056,169</u>	 <u>\$ 109,463,131</u>
Beginning Net Position	\$ 47,042,764	\$ 785,816	\$ 47,828,580
Increase (Decrease) in Net Position	<u>4,662,217</u>	<u>(9,911)</u>	<u>4,652,306</u>
 Percentage of Increase (Decrease) in Net Position for 2016	 <u>9.9%</u>	 <u>-1.3%</u>	 <u>9.7%</u>

	Governmental Activities 6/30/2015	Business-Type Activities 6/30/2015	Total 6/30/2015
Current and Other Assets			
Capital Assets	<u>\$ 34,378,321</u>	<u>\$ 686,585</u>	<u>\$ 35,064,906</u>
	<u>57,631,111</u>	<u>215,587</u>	<u>57,846,698</u>
Total Assets	<u>\$ 92,009,432</u>	<u>\$ 902,172</u>	<u>\$ 92,911,604</u>
Deferred outflows of Resources			
	<u>7,494,550</u>	<u>214,646</u>	<u>7,709,196</u>
Total Assets and Deferred Outflows	<u>\$ 99,503,982</u>	<u>\$ 1,116,818</u>	<u>\$ 100,620,800</u>
Long-Term Debt Outstanding			
Other Liabilities	<u>\$ 28,479,624</u>	<u>\$ -</u>	<u>\$ 28,479,624</u>
	<u>4,132,900</u>	<u>51,492</u>	<u>4,184,392</u>
Total Liabilities	<u>32,612,524</u>	<u>51,492</u>	<u>32,664,016</u>
Deferred Inflows of Resources			
	<u>19,848,694</u>	<u>279,510</u>	<u>20,128,204</u>
Net Position			
Net investment in capital assets	<u>35,026,111</u>	<u>215,587</u>	<u>35,241,698</u>
Restricted	<u>7,959,657</u>	<u>176,473</u>	<u>8,136,130</u>
Unrestricted	<u>4,056,996</u>	<u>393,756</u>	<u>4,450,752</u>
Total Net Position	<u>47,042,764</u>	<u>785,816</u>	<u>47,828,580</u>
Total Liabilities and Net Position	<u>\$ 99,503,982</u>	<u>\$ 1,116,818</u>	<u>\$ 100,620,800</u>
Beginning Net Position			
Increase (Decrease) in Net Position	<u>\$ 39,881,661</u>	<u>\$ 799,313</u>	<u>\$ 40,680,974</u>
	<u>7,161,103</u>	<u>(13,497)</u>	<u>7,147,606</u>
Percentage of Increase (Decrease) in Net Position for 2015	<u>18.0%</u>	<u>-1.7%</u>	<u>17.6%</u>

The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School District, consisting of compensated absences payable, early retirement benefits payable, capital outlay certificates payable, general obligation bonds payable, financing (capital acquisition) leases payable, unamortized premium payable, and OPEB obligations payable have been reported in this manner on the statement of net position. The difference between the School District's assets and liabilities is its net position.

Changes in Net Position

The School District's total revenues totaled \$44,270,474 (see Table A-2). Approximately 53% of the School District's revenue comes from property and other taxes, with 26% coming from state aid (see Figure A-3).

The School District's total expenses totaled \$39,618,168. The School District's expenses cover a range of services, encompassing instruction, support services and food services. 54% of expenses were spent on instruction and 33% on support services (see Figure A-4).

Figure A-3, Aberdeen School District, Sources of Revenue for Fiscal Year 2015-16

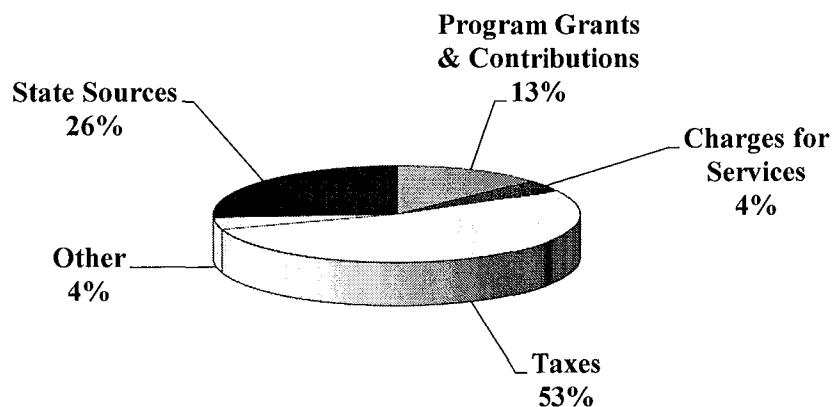
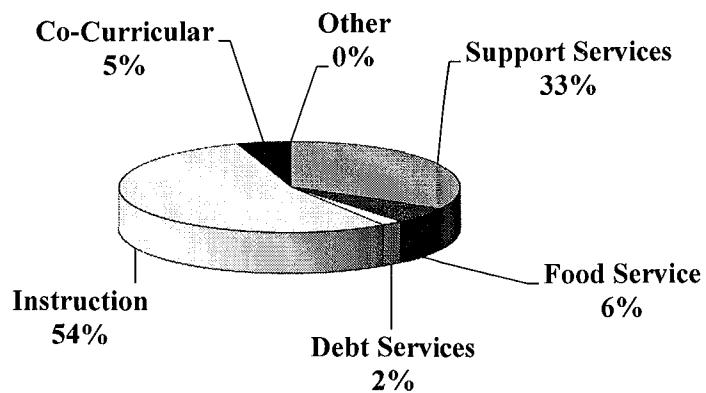


Figure A-4, Aberdeen School District, Functional Expenses for Fiscal Year 2015-16



Governmental Activities

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

	Total Governmental Activities 2015-16	Changes in Net Position	Total Business-Type Activities 2015-16	Total 2015-16
Revenues				
Program Revenues:				
Charges for Services	\$ 382,267	\$ 1,239,785	\$ 1,622,052	
Operating Grants and Contributions	4,563,008	1,084,598	5,647,606	
General Revenues:				
Taxes	23,567,343	-	23,567,343	
Revenue State Sources	11,545,820	-	11,545,820	
Revenue Federal Sources	16,845	-	16,845	
Revenue Intermediate Sources	1,836,160	-	1,836,160	
Unrestricted Investment Earnings	34,648	-	34,648	
Total Revenues	41,946,091	2,324,383	44,270,474	
Expenses				
Instruction	21,409,293	-	21,409,293	
Support Services	13,243,037	-	13,243,037	
Community Services	19,109	-	19,109	
Debt Service	816,913	-	816,913	
Cocurricular Activities	1,795,522	-	1,795,522	
Other enterprise fund	-	52,023	52,023	
Food Service	-	2,282,271	2,282,271	
Total Expenses	37,283,874	2,334,294	39,618,168	
Changes in Net Position	4,662,217	(9,911)	4,652,306	
Net Position - Beginning	47,042,764	785,816	47,828,580	
Net Position, End of Period	\$ 51,704,981	\$ 775,905	\$ 52,480,886	

Aberdeen School District 6-1
Management's Discussion and Analysis
June 30, 2016

	Total Governmental Activities 2014-15	Changes in Net Position Total Business-Type Activities 2014-15	Total 2014-15
Revenues			
Program Revenues:			
Charges for Services	\$ 314,281	\$ 1,170,671	\$ 1,484,952
Operating Grants and Contributions	4,638,275	1,016,456	5,654,731
Capital Grants and Contributions	2,000,000	-	2,000,000
General Revenues:			
Taxes	23,226,191	-	23,226,191
Revenue State Sources	10,569,369	-	10,569,369
Revenue Federal Sources	38,730	-	38,730
Revenue Intermediate Sources	743,726	-	743,726
Unrestricted Investment Earnings	25,349	-	25,349
Total Revenues	41,555,921	2,187,127	43,743,048
Expenses			
Instruction	19,477,263	-	19,477,263
Support Services	12,394,439	-	12,394,439
Community Services	16,916	-	16,916
Debt Service	814,174	-	814,174
Cocurricular Activities	1,692,026	-	1,692,026
Other enterprise	-	51,832	51,832
Food Service	-	2,148,792	2,148,792
Total Expenses	34,394,818	2,200,624	36,595,442
Changes in Net Position	7,161,103	(13,497)	7,147,606
Net Position, Beginning of Period	39,881,661	799,313	40,680,974
Net Position, End of Period	\$ 47,042,764	\$ 785,816	\$ 47,828,580

Revenues of the School District's governmental activities increased by approximately 0.9% to \$41,946,091 and expenses increased by 8.4% to \$37,283,874. Factors contributing to these results included:

- The increase in revenue was due primarily to increases in taxes and state revenue and a decrease in capital grants of \$2,000,000. The School District received a \$2,000,000 capital grant in fiscal year 2014-15 from the State of South Dakota to assist in funding the new career and technical academy.
- The increase in expenditures was from employee costs due to enrollment growth and wage and benefit increases.

Business-Type Activities

Revenues of the School District's business-type activities increased by approximately 6.3% to \$2,324,383 and expenses increased by 6.1% to \$2,334,294. Factors contributing to these results included:

- The increase in revenue was due to increases in charges for services and federal reimbursement rates and an increase in meals sold due to an increase in student enrollment.
- The primary reason for the increase in expenses was inflationary increases in employee costs and food costs and an increase in the number of meals served due to an increase in student enrollment.

Financial Analysis of the School District's Funds

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$12,950,879, an increase of \$3,156,571, compared to the prior year. Approximately 99% of this total amount (\$12,863,404) constitutes spendable fund balances, which are available for spending at the School District's discretion. The remainder of the fund balances is nonspendable to indicate that the amounts are not available for new spending because they have already been committed for inventory of \$87,475.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,541,566, while total fund balance was \$8,140,759. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.2% of total general fund expenditures, while total fund balance represents 32.6% of that same amount.

The fund balance of the School District's general fund increased by \$553,608 during the current fiscal year. The School District had budgeted for a decrease in the general fund balance of \$276,490. Key factors in this increase are as follows:

- The actual revenues exceeded budgeted revenues and other financing sources by \$293,866. Budgeted revenues and other financing sources were \$25,262,820 and actual revenues and other financing sources were \$25,556,686.
- The School District expended 97.9% of the 2015-16 general fund budget providing an unexpended budget of \$536,232.

The capital outlay fund had an increase in fund balance of \$2,151,378. The School District had budgeted for an increase in the capital outlay fund balance of \$1,183,609. Budgeted revenues and other financing sources exceeded actual revenues and other financing sources by \$70,025 and the School District had an unexpended capital outlay budget of \$893,833. The key factor in the unexpended budget was certain major construction projects were not completed at June 30, 2016 and the unexpended funds were carried into the 2016-17 budget year.

The special education fund had a decrease in fund balance of \$57,809. The School District had budgeted for a decrease in the special education fund balance of \$157,847. This is due to budgeted revenues and other financing sources exceeding actual revenue and other financing sources by \$120,697 and the School District expending 96.8% of the special education budget providing an unexpended budget of \$220,735.

The pension fund had an increase in fund balance of \$10,636. The arena fund had an increase in fund balance of \$6,433. The bond redemption fund had an increase in fund balance of \$115,151. The capital projects fund was re-established in the current year to track the funds of the new Mike Miller elementary school, and had an increase in fund balance of \$377,174.

Proprietary Funds

The School District's enterprise fund includes the food service fund and the other enterprise fund. The food service fund showed a decrease in net position of \$11,574. The other enterprise fund showed an increase in net position of \$1,663. The School District's internal service funds saw an increase in net position of \$277,592.

Budgetary Highlights

Over the course of the year, the School Board revised the School District's budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Capital Asset Administration

By the end of 2015-16, the School District had invested \$64,186,291 in a broad range of capital assets, including land, buildings, construction in progress and various machinery and equipment (see Table A-3). This amount represents a net increase (including additions and deductions) of \$6,339,593 or 11.0%.

Table A-3
Aberdeen School District 6-1 Capital Assets

	Governmental Activities		Business-Type Activities		Total Dollar Change 2015-16	Total % Change 2015-16
	2016	2015	2016	2015		
Land	\$ 531,884	\$ 531,884	\$ -	\$ -	\$ -	N/A
Construction Work in Progress	7,886,022	5,160,957	-	-	2,725,065	N/A
Buildings	54,571,509	51,171,432	-	-	3,400,077	6.6%
Machinery and Equipment	1,007,237	766,838	189,639	215,587	214,451	21.8%
Total Capital Assets	<u>\$ 63,996,652</u>	<u>\$ 57,631,111</u>	<u>\$ 189,639</u>	<u>\$ 215,587</u>	<u>\$ 6,339,593</u>	11.0%

This year's capital asset purchases were primarily the following:

1. The construction of a career and technology academy on the high school campus. The capitalized cost of the building was \$4,838,641.
2. The construction of the Mike Miller elementary school. Construction work in progress at June 30, 2016 was \$7,886,022.

Additional information on the School District's capital assets can be found in Note 3.

Long-Term Debt

At year-end, the School District had \$34,139,838 in long-term debt. This is an increase of 19.9% as shown on Table A-4 below.

Table A-4
Aberdeen School District 6-1
Outstanding Debt and Obligations

	Governmental Activities	Business-Type Activities		Total Dollar Change 2015-16	Total % Change 2015-16
	2016	2015		2015	
General Obligation Bonds	\$ 12,735,000	\$ 13,960,000	\$ -	\$ (1,225,000)	-8.8%
Early Retirement	1,194,571	892,515	-	302,056	33.8%
Capital Outlay Certificates	18,610,000	12,355,000	-	6,255,000	50.6%
OPEB Obligations	1,179,233	1,133,735	-	45,498	4.0%
Compensated Absences	138,058	138,374	-	(316)	-0.2%
Financing (Capital Acquisition)					
Leases	53,920	-	-	53,920	N/A
Unamortized Premium	229,056	-	-	229,056	N/A
Total Outstanding Debt and Obligations	<u>\$ 34,139,838</u>	<u>\$ 28,479,624</u>	<u>\$ -</u>	<u>\$ 5,660,214</u>	<u>19.9%</u>

The School District is liable for the accrued vacation leave payable for all full-time twelve (12) month employees.

The School District also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive either 80% or 60% of their last year's salary in equal payments spread over the next six years. This plan allows the School District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

Additional information on the School District's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budgets and Rates

The School District experienced an increase in total property valuation of approximately \$60,882,772, or 2.9%, from the prior year.

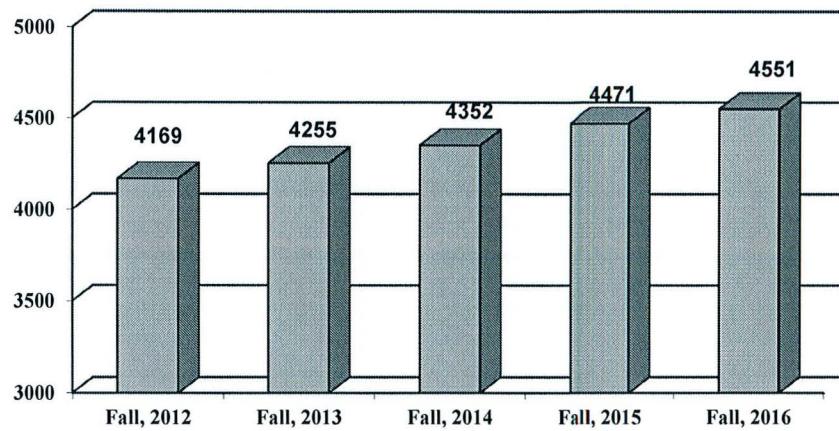
With the exception of the general fund and special education fund, the increase in property valuation allows the School District the ability to increase the amount of revenue generated from property taxes; however, the total amount which can be levied is limited by the State of South Dakota.

For the general fund, one of the primary sources of revenue to the School District is based on a per-student allocation received from the State of South Dakota. This per-student allocation is based on student average daily membership (ADM) (see Figure A-5) and increases each year by the lesser of the rate of inflation or 3%. The state aid formula for fiscal year 2015-16 ensures that property taxes plus state aid will equal \$4,876.76 per student, which is a 2.10% increase from the prior year.

The State of South Dakota implemented a new funding formula for the 2016-17 fiscal year. The new formula increased the per-student allocation to approximately \$5,464.01, which is a 12.04% increase from the prior year.

The School District's enrollment for the past five years has been as follows in Figure A-5.

**Figure A-5, Aberdeen School District ADM
For the Last Five Years**



Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Aberdeen School District's Finance Office, 1224 S 3 St, Aberdeen, SD 57401.

The School District's discretely presented component unit issues its own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

Aberdeen School District 6-1
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Aberdeen Public Schools Foundation, Inc.
Assets				
Cash and cash equivalents	\$ 18,425,166	\$ 344,225	\$ 18,769,391	\$ 375,396
Investments	1,724	-	1,724	697,708
Taxes receivable	11,036,944	-	11,036,944	-
Other receivables	1,286,670	-	1,286,670	-
Inventories	87,475	111,119	198,594	15,756
Net pension asset	4,521,658	142,614	4,664,272	-
Capital assets				
Land, improvements and construction in progress	8,417,906	-	8,417,906	-
Other capital assets, net of depreciation	<u>55,578,746</u>	<u>189,639</u>	<u>55,768,385</u>	<u>-</u>
	<u>99,356,289</u>	<u>787,597</u>	<u>100,143,886</u>	<u>1,088,860</u>
Deferred Outflows of Resources				
Pension related deferred outflows	8,491,360	268,572	8,759,932	-
Other deferred outflows of resources	<u>559,313</u>	<u>-</u>	<u>559,313</u>	<u>-</u>
	<u>9,050,673</u>	<u>268,572</u>	<u>9,319,245</u>	<u>-</u>
	<u>\$ 108,406,962</u>	<u>\$ 1,056,169</u>	<u>\$ 109,463,131</u>	<u>\$ 1,088,860</u>
Liabilities				
Accounts payable	\$ 1,486,448	\$ 1,741	\$ 1,488,189	\$ -
Other current liabilities	3,374,102	68,493	3,442,595	42,621
Noncurrent liabilities:				
Due within one year	3,557,828	-	3,557,828	-
Due in more than one year	<u>30,582,010</u>	<u>-</u>	<u>30,582,010</u>	<u>-</u>
	<u>39,000,388</u>	<u>70,234</u>	<u>39,070,622</u>	<u>42,621</u>
Deferred Inflows of Resources				
Pension related deferred inflows	6,672,482	210,030	6,882,512	-
Taxes levied for future period	<u>11,029,111</u>	<u>-</u>	<u>11,029,111</u>	<u>-</u>
	<u>17,701,593</u>	<u>210,030</u>	<u>17,911,623</u>	<u>-</u>
Net Position				
Net investment in capital assets	32,651,652	189,639	32,841,291	-
Restricted for:				
Capital Outlay	2,778,784	-	2,778,784	-
Special Education	395,915	-	395,915	-
Pension	195,696	-	195,696	-
Pension Benefit	6,340,536	201,156	6,541,692	-
Arena	52,767	-	52,767	-
Bond Redemption	1,144,081	-	1,144,081	-
Foundation	-	-	-	695,005
Unrestricted	<u>8,145,550</u>	<u>385,110</u>	<u>8,530,660</u>	<u>351,234</u>
	<u>51,704,981</u>	<u>775,905</u>	<u>52,480,886</u>	<u>1,046,239</u>
	<u>\$ 108,406,962</u>	<u>\$ 1,056,169</u>	<u>\$ 109,463,131</u>	<u>\$ 1,088,860</u>

Aberdeen School District 6-1
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Aberdeen Public Schools Foundation, Inc.	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental activities:									
Instruction	\$ 21,409,293	\$ 43,650	\$ 4,522,216	\$ -	\$ (16,843,427)	\$ -	\$ (16,843,427)	\$ -	
Support services	13,243,037	243,525	-	-	(12,999,512)	-	(12,999,512)	-	
Community services	19,109	-	-	-	(19,109)	-	(19,109)	-	
*Interest on long-term debt	816,913	-	-	-	(816,913)	-	(816,913)	-	
Cocurricular activities	1,795,522	95,092	40,792	-	(1,659,638)	-	(1,659,638)	-	
Total governmental activities	<u>37,283,874</u>	<u>382,267</u>	<u>4,563,008</u>	<u>-</u>	<u>(32,338,599)</u>	<u>-</u>	<u>(32,338,599)</u>	<u>-</u>	
Business-type activities:									
Food service	2,282,271	1,186,099	1,084,598	-	-	(11,574)	(11,574)	-	
Other enterprise	52,023	53,686	-	-	-	1,663	1,663	-	
Total business-type activities	<u>2,334,294</u>	<u>1,239,785</u>	<u>1,084,598</u>	<u>-</u>	<u>-</u>	<u>(9,911)</u>	<u>(9,911)</u>	<u>-</u>	
Total primary government	<u><u>\$ 39,618,168</u></u>	<u><u>\$ 1,622,052</u></u>	<u><u>\$ 5,647,606</u></u>	<u><u>\$ -</u></u>	<u><u>(32,338,599)</u></u>	<u><u>(9,911)</u></u>	<u><u>(32,348,510)</u></u>	<u><u>-</u></u>	
Component Unit	<u><u>\$ 210,951</u></u>	<u><u>\$ 153,931</u></u>	<u><u>\$ 190,666</u></u>					<u><u>133,646</u></u>	
General Revenues									
Taxes:									
Property taxes					22,791,738	-	22,791,738	-	
Gross receipts tax					775,605	-	775,605	-	
Revenue from state sources:									
State aid					11,545,820	-	11,545,820	-	
Revenue from federal sources					16,845	-	16,845	-	
Unrestricted investment earnings					34,648	-	34,648	744	
Other general revenues					1,836,160	-	1,836,160	-	
Total general revenues					<u>37,000,816</u>	<u>-</u>	<u>37,000,816</u>	<u>744</u>	
Change in Net Position					<u>4,662,217</u>	<u>(9,911)</u>	<u>4,652,306</u>	<u>134,390</u>	
Net Position - Beginning					<u>47,042,764</u>	<u>785,816</u>	<u>47,828,580</u>	<u>911,849</u>	
Net Position - Ending					<u><u>\$ 51,704,981</u></u>	<u><u>\$ 775,905</u></u>	<u><u>\$ 52,480,886</u></u>	<u><u>\$ 1,046,239</u></u>	

* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

Aberdeen School District 6-1
Balance Sheet – Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Arena Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets								
101 Cash and cash equivalents	\$ 9,432,052	\$ 3,401,430	\$ 801,818	\$ 197,371	\$ 52,767	\$ 1,146,538	1,075,513	\$ 16,107,489
180 Investments	1,724	-	-	-	-	-	-	1,724
110 Taxes receivable - current	5,230,711	3,003,160	1,441,517	300,316	-	777,819	-	10,753,523
112 Taxes receivable - delinquent	149,124	70,825	36,167	7,082	-	20,223	-	283,421
120 Accounts receivable	8,106	-	-	-	-	-	-	8,106
124 Due from component units	42,621	-	-	-	-	-	-	42,621
132 Due from other fund	55,271	-	-	-	-	-	-	55,271
140 Due from other government	942,129	14,784	220,673	-	-	-	-	1,177,586
162 Interest receivable on investments and deposits	3,086	-	-	-	-	-	-	3,086
170 Inventory of supplies	87,475	-	-	-	-	-	-	87,475
	<u>\$ 15,952,299</u>	<u>\$ 6,490,199</u>	<u>\$ 2,500,175</u>	<u>\$ 504,769</u>	<u>\$ 52,767</u>	<u>\$ 1,944,580</u>	<u>\$ 1,075,513</u>	<u>\$ 28,520,302</u>
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
402 Accounts payable	\$ 178,920	\$ 620,686	\$ 81,542	\$ -	\$ -	\$ -	\$ 495,541	\$ 1,376,689
403 Accrued salaries payable	144,305	-	54,817	-	-	-	202,798	401,920
404 Contracts payable	1,570,136	-	379,712	-	-	-	-	1,949,848
450 Payroll deductions and withholdings and employer matching payable	423,794	-	104,640	-	-	-	-	528,434
Total liabilities	<u>2,317,155</u>	<u>620,686</u>	<u>620,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>698,339</u>	<u>4,256,891</u>
Deferred Inflows of Resources								
551 Taxes levied for future period	5,345,261	3,090,729	1,483,549	309,073	-	800,499	-	11,029,111
551 Unavailable revenue - delinquent property taxes	149,124	70,825	36,167	7,082	-	20,223	-	283,421
Total deferred inflows of resources	<u>5,494,385</u>	<u>3,161,554</u>	<u>1,519,716</u>	<u>316,155</u>	<u>-</u>	<u>820,722</u>	<u>-</u>	<u>11,312,532</u>
Fund Balances								
710 Nonspendable for:								
Inventory	87,475	-	-	-	-	-	-	87,475
720 Restricted for:								
Capital Outlay	-	2,707,959	-	-	-	-	-	2,707,959
Special Education	-	-	359,748	-	-	-	-	359,748
Pension	-	-	-	188,614	-	-	-	188,614
Arena	-	-	-	-	52,767	-	-	52,767
Bond Redemption	-	-	-	-	-	1,123,858	-	1,123,858
740 Committed to:								
Capital Projects	-	-	-	-	-	-	377,174	377,174
750 Assigned to:								
Next year's budget	511,718	-	-	-	-	-	-	511,718
760 Unassigned	7,541,566	-	-	-	-	-	-	7,541,566
Total fund balances	<u>8,140,759</u>	<u>2,707,959</u>	<u>359,748</u>	<u>188,614</u>	<u>52,767</u>	<u>1,123,858</u>	<u>377,174</u>	<u>12,950,879</u>
	<u>\$ 15,952,299</u>	<u>\$ 6,490,199</u>	<u>\$ 2,500,175</u>	<u>\$ 504,769</u>	<u>\$ 52,767</u>	<u>\$ 1,944,580</u>	<u>\$ 1,075,513</u>	<u>\$ 28,520,302</u>

Aberdeen School District 6-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2016

Total Fund Balances - Governmental Funds	\$ 12,950,879
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds. The cost of the assets is \$85,444,104 and the accumulated depreciation is \$21,447,452.	63,996,652
Long-term liabilities, including bonds payable, OPEB liabilities, and accrued leave payable are not due and payables in the current period and; therefore, are not reported in the funds. The cost of the liabilities is \$33,910,782 less the cost of deferred charges of \$559,313.	(33,351,469)
Unamortized balance of premiums and discounts are not due and payable in the current period and therefore, are not reported in the funds	(229,056)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and; therefore, are deferred in the funds.	283,421
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	1,893,918
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(179,900)
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and; therefore, are not reported in the funds.	<u>6,340,536</u>
Net Position - Governmental Funds	<u>\$ 51,704,981</u>

Aberdeen School District 6-1
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2016

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenues								
1000 Revenue from local sources								
1100 Taxes:								
1110 Ad valorem taxes	\$ 11,141,180	\$ 6,058,114	\$ 3,003,809	\$ 605,810	\$ -	\$ 1,606,665	\$ -	\$ 22,415,578
1120 Prior year's ad valorem taxes	113,319	53,447	27,139	5,345	-	15,602	-	214,852
1130 Tax deed revenue	44,985	30,293	15,571	3,029	-	8,250	-	102,128
1140 Gross receipts taxes	775,605	-	-	-	-	-	-	775,605
1190 Penalties and interest on taxes	30,491	16,068	8,065	1,607	-	4,675	-	60,906
1300 Tuition and fees:								
1310 Regular day school tuition	28,650	-	15,000	-	-	-	-	43,650
1500 Earnings on investments and deposits	34,648	-	-	-	-	-	-	34,648
1700 Cocurricular activities:								
1710 Admissions	86,206	-	-	-	8,886	-	-	95,092
1900 Other revenue from local sources:								
1910 Rentals	14,619	-	-	-	-	-	-	14,619
1920 Contributions and donations	80,792	-	-	-	-	-	-	80,792
1970 Charges for service	79,605	-	149,301	-	-	-	-	228,906
1990 Other	42,331	422,908	-	-	-	-	-	465,239
2000 Revenue from intermediate sources								
2100 County sources:								
2110 County apportionment	369,632	-	-	-	-	-	-	369,632
2200 Revenue in lieu of taxes	16,209	-	-	-	-	-	-	16,209
3000 Revenue from state sources								
3100 Grants-in-aid:								
3110 Unrestricted grants-in-aid	11,545,820	-	-	-	-	-	-	11,545,820
3120 Restricted grants-in-aid	-	-	2,268,171	-	-	-	-	2,268,171
3300 Tuition:								
3320 Regular	76,024	-	-	-	-	-	-	76,024
4000 Revenue from federal sources								
4100 Grants-in-aid:								
4140 Restricted grants-in-aid received directly from federal government	73,845	-	-	-	-	-	-	73,845
4150-4199 Restricted grants-in-aid received from federal government through the state	985,880	46,481	1,031,815	-	-	-	-	2,064,176
4400 Johnson O'Malley funds	16,845	-	-	-	-	-	-	16,845
4900 Other Federal revenue	-	7,140	-	-	-	-	-	7,140
Total revenues	25,556,686	6,634,451	6,518,871	615,791	8,886	1,635,192	-	40,969,877

Aberdeen School District 6-1
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2016

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Capital Projects Funds	Total Governmental Funds
Expenditures								
1000 Instruction								
1100 Regular programs:								
1110 Elementary schools	6,557,935	35,544	-	124,495	-	-	-	6,717,974
1120 Middle/junior high schools	3,414,203	15,873	-	56,484	-	-	-	3,486,560
1130 High school	4,108,169	60,349	-	65,355	-	-	-	4,233,873
1200 Special programs:								
1220 Programs for special education	-	1,995	4,179,283	-	-	-	-	4,181,278
1250 Culturally different	321,946	-	-	4,099	-	-	-	326,045
1270 Educationally deprived	682,849	-	-	-	-	-	-	682,849
2000 Support services								
2100 Pupils:								
2120 Guidance	678,127	-	-	12,384	-	-	-	690,511
2130 Health	176,536	-	165,417	3,089	-	-	-	345,042
2140 Psychological	-	-	549,949	-	-	-	-	549,949
2150 Speech pathology	-	-	668,396	-	-	-	-	668,396
2170 Student therapy services	-	-	431,424	-	-	-	-	431,424
2200 Support services - instructional staff:								
2210 Improvement of instruction	219,349	622,422	14,126	2,716	-	-	-	858,613
2220 Educational media	876,269	633,681	-	14,816	-	-	-	1,524,766
2300 Support services - general administration:								
2310 Board of education	130,140	-	-	-	-	-	-	130,140
2320 Executive administration	242,001	-	-	4,136	-	-	-	246,137
2400 Support services - school administration:								
2410 Office of the principal	1,781,681	-	-	29,992	-	-	-	1,811,673
2440 Title I program administration	11,447	-	-	-	-	-	-	11,447
2500 Support services - business:								
2520 Fiscal services	363,640	24,952	-	6,230	-	-	-	394,822
2540 Operation and maintenance of plant	3,456,325	847,841	-	29,916	2,453	-	-	4,336,535
2550 Pupil transportation	153,432	138,639	-	-	-	-	-	292,071
2560 Food services	-	9,013	-	-	-	-	-	9,013
2570 Internal services	107,451	24,945	-	1,818	-	-	-	134,214
2600 Support services - central:								
2640 Staff	227,519	-	-	3,609	-	-	-	231,128

Aberdeen School District 6-1
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2016

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
2700 Support services - special education:								
2710 Administrative costs	-	-	165,587	-	-	-	-	165,587
2730 Transportation costs	-	-	318,976	-	-	-	-	318,976
2750 Other special education costs	-	-	63,612	-	-	-	-	63,612
3000 Community services								
3700 Nonpublic School	19,109	-	-	-	-	-	-	19,109
4000 Nonprogrammed charges								
4500 Early retirement payments	-	-	19,910	229,154	-	-	-	249,064
5000 Debt services	-	1,826,216	-	-	-	9,744,317	-	11,570,533
6000 Cocurricular activities								
6100 Male activities	448,548	-	-	4,927	-	-	-	453,475
6200 Female activities	393,061	-	-	4,358	-	-	-	397,419
6900 Combined activities	633,341	56,229	-	7,577	-	-	-	697,147
7500 Capital outlay	-	329,335	-	-	-	-	7,429,052	7,758,387
Total expenditures	25,003,078	4,627,034	6,576,680	605,155	2,453	9,744,317	7,429,052	53,987,769
Excess of Revenue over (under) Expenditures	553,608	2,007,417	(57,809)	10,636	6,433	(8,109,125)	(7,429,052)	(13,017,892)
Other Financing Sources (Uses)								
5130 Sale of Surplus	-	79,945	-	-	-	-	-	79,945
5120 Proceeds from long-term debt	-	64,016	-	-	-	8,065,000	7,725,000	15,854,016
8150 Premiums on bonds	-	-	-	-	-	159,276	81,226	240,502
Total other financing sources (uses)	-	143,961	-	-	-	8,224,276	7,806,226	16,174,463
Net Change in Fund Balances	553,608	2,151,378	(57,809)	10,636	6,433	115,151	377,174	3,156,571
Fund Balance - Beginning	7,587,151	556,581	417,557	177,978	46,334	1,008,707	-	9,794,308
Fund Balance - Ending	\$ 8,140,759	\$ 2,707,959	\$ 359,748	\$ 188,614	\$ 52,767	\$ 1,123,858	\$ 377,174	\$ 12,950,879

Aberdeen School District 6-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 3,156,571
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$7,758,387) exceeded depreciation (\$1,615,834) in the current period.	6,142,553
In the statement of activities, losses on disposed capital assets are reported, whereas, in the governmental funds, the proceeds \$79,945 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized	(43,916)
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	266,903
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position	10,770,096
Bond \$ 9,290,000	
CO Certificate 1,470,000	
Capital Lease 10,096	
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements	(15,854,016)
Bond \$ (8,065,000)	
CO Certificate (7,725,000)	
Capital Lease (64,016)	
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement earned during the period exceeded the amount paid.	(302,056)
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' statement 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".	(1,726)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	316
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	(95,759)

Aberdeen School District 6-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2016

Deferred charges from refunding bonds are not recorded on the fund statements. The annual amortization of these deferred charges are reported as deferred charges and reported as interest expense in the statement of activities.	(103,618)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expense of the internal service is reported with governmental activities.	277,592
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability from one year to the next.	(45,498)
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This is the amount of premiums added in the current period	(240,502)
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period	11,444
Revenues and reductions of expenses related to pensions do not provide current financial resources and therefore are not reported in the funds.	<u>723,833</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,662,217</u></u>

Aberdeen School District 6-1
Statement of Net Position – Proprietary Funds
June 30, 2016

	Enterprise Funds			
	Food Service Fund	Other Enterprise Fund	Total	Internal Service Funds
Assets				
Current assets				
170 Cash and cash equivalents	\$ 324,739	\$ 19,486	\$ 344,225	\$ 2,317,677
171 Inventory of supplies	12,385	-	12,385	-
172 Inventory of stores purchased for resale	47,686	-	47,686	-
173 Inventory of donated food	51,048	-	51,048	-
Total current assets	435,858	19,486	455,344	2,317,677
Noncurrent assets				
196 Net pension asset	140,069	2,545	142,614	-
200 Capital assets				
204 Machinery and equipment - local funds	583,609	-	583,609	-
Less accumulated depreciation	(393,970)	-	(393,970)	-
Total noncurrent assets	329,708	2,545	332,253	-
Deferred outflows of resources				
252 Pension related deferred outflows	258,218	10,354	268,572	-
	\$ 1,023,784	\$ 32,385	\$ 1,056,169	\$ 2,317,677
Liabilities and Net Position				
Liabilities				
400 Current liabilities:				
402 Accounts payable	\$ 923	\$ 818	\$ 1,741	\$ 109,759
403 Accrued salaries payable	10,006	7,859	17,865	-
409 Incurred but not reported claims	-	-	-	314,000
410 Due to other funds	50,628	-	50,628	-
Total current liabilities	61,557	8,677	70,234	423,759
Deferred inflows of resources				
554 Pension related deferred inflows	204,566	5,464	210,030	-
706 Net investment in capital assets	189,639	-	189,639	-
707.2 Restricted for pension benefits	193,721	7,435	201,156	-
708 Unrestricted net position	374,301	10,809	385,110	1,893,918
Total net position	757,661	18,244	775,905	1,893,918
	\$ 1,023,784	\$ 32,385	\$ 1,056,169	\$ 2,317,677

Aberdeen School District 6-1
 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
 Year Ended June 30, 2016

	Enterprise Funds			
	Food Service Fund	Other Enterprise Fund	Total	Internal Service Funds
Operating Revenues				
Sales				
1610 To pupils	\$ 911,032	\$ -	\$ 911,032	\$ -
1620 To adults	8,319	-	8,319	-
1660 Other	266,748	-	266,748	-
1970 Self-insurance premiums	-	-	-	4,139,445
1979 Other charges for services	-	53,686	53,686	241,603
Total operating revenues	<u>1,186,099</u>	<u>53,686</u>	<u>1,239,785</u>	<u>4,381,048</u>
Operating Expenses				
100 Salaries	676,233	42,426	718,659	-
200 Employee benefits	330,521	8,420	338,941	-
300 Purchased services	37,143	439	37,582	-
400 Supplies	30,279	738	31,017	-
461 Cost of sales - purchased food	1,020,713	-	1,020,713	-
462 Cost of sales - donated food	160,993	-	160,993	-
690 Miscellaneous	441	-	441	-
910 Depreciation - local funds	25,948	-	25,948	-
4620 Self-insurance costs	-	-	-	4,103,456
Total operating expenses	<u>2,282,271</u>	<u>52,023</u>	<u>2,334,294</u>	<u>4,103,456</u>
Operating Income (Loss)	<u>(1,096,172)</u>	<u>1,663</u>	<u>(1,094,509)</u>	<u>277,592</u>
Nonoperating Revenue (Expense)				
State sources:				
3810 Cash reimbursements	12,291	-	12,291	-
Federal sources:				
4810 Cash reimbursements	919,265	-	919,265	-
4820 Donated food	153,042	-	153,042	-
Total nonoperating revenue	<u>1,084,598</u>	<u>-</u>	<u>1,084,598</u>	<u>-</u>
Change in Net Position	<u>(11,574)</u>	<u>1,663</u>	<u>(9,911)</u>	<u>277,592</u>
Net Position - Beginning	<u>769,235</u>	<u>16,581</u>	<u>785,816</u>	<u>1,616,326</u>
Net Position - Ending	<u>\$ 757,661</u>	<u>\$ 18,244</u>	<u>\$ 775,905</u>	<u>\$ 1,893,918</u>

Aberdeen School District 6-1
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2016

	Enterprise Funds			
	Food Service Fund	Other Enterprise Fund	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 1,186,099	\$ 53,686	\$ 1,239,785	\$ -
Cash receipts from interfund services provided	-	-	-	4,381,048
Payments to employees	(1,011,729)	(51,812)	(1,063,541)	-
Payments to suppliers	(1,102,915)	(1,177)	(1,104,092)	-
Claims paid	-	-	-	(3,954,874)
Net Cash from (used for) Operating Activities	<u>(928,545)</u>	<u>697</u>	<u>(927,848)</u>	<u>426,174</u>
Cash Flows from Noncapital Financing Activities				
Operating subsidies	<u>931,556</u>	<u>-</u>	<u>931,556</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	<u>931,556</u>	<u>-</u>	<u>931,556</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	3,011	697	3,708	426,174
Cash and Cash Equivalents Beginning of Year	<u>321,728</u>	<u>18,789</u>	<u>340,517</u>	<u>1,891,503</u>
Cash and Cash Equivalents End of Year	<u>\$ 324,739</u>	<u>\$ 19,486</u>	<u>\$ 344,225</u>	<u>\$ 2,317,677</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income (loss)	\$ (1,096,172)	\$ 1,663	\$ (1,094,509)	\$ 277,592
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation expense	25,948	-	25,948	-
Value of donated commodities used	160,993	-	160,993	-
Change in assets and liabilities:				
Inventories	(14,339)	-	(14,339)	-
Accounts receivables	-	-	-	-
Pension asset and deferred outflows	42,422	2,375	44,797	
Accounts and other payables	11,013	(989)	10,024	148,582
Accrued wages payable	7,171	1,547	8,718	-
Pension deferred inflows	<u>(65,581)</u>	<u>(3,899)</u>	<u>(69,480)</u>	<u>-</u>
Net Cash from (used for) Operating Activities	<u>\$ (928,545)</u>	<u>\$ 697</u>	<u>\$ (927,848)</u>	<u>\$ 426,174</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 153,042	\$ -	\$ 153,042	\$ -

Aberdeen School District 6-1
Statement of Fiduciary Net Position
June 30, 2016

	Agency Fund
Assets	
Cash and cash equivalents	<u>\$ 534,748</u>
	<u>\$ 534,748</u>
Liabilities and Net Position	
Accounts Payable	\$ 12,403
Liabilities	
Amounts held for others	<u>\$ 522,345</u>
	<u>\$ 534,748</u>

Note 1 - Summary of Significant Accounting Policies

The Aberdeen School District 6-1's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The reporting entity of the Aberdeen School District 6-1 (the 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); its discretely presented component unit; and those organizations for which the primary government is financially accountable.

Discretely presented component units are entities that are legally separate from the School District for which the School District is considered to be financially accountable or for which the nature and significance of the relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Aberdeen Public Schools Foundation, Inc. meets this definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize its legal separateness from the School District. Separate financial statements are available for the component unit. The financial statements are available upon request from the School District.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

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

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

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

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

Governmental Funds

General Fund: The general fund is the general operating fund of the School District. It is used to account for all financial resources of the general government except those required to be accounted for in another 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. The capital outlay, special education, pension and arena funds are the special revenue funds, maintained by the School District.

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

Capital Project Fund: Capital project funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Mike Miller Elementary School Project was the only capital project fund maintained by the School District for the year ended June 30, 2016.

Proprietary Funds

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The enterprise fund is used to account for the operations of the food service program for the students and faculty of the School District, financed primarily through meal sales and federal reimbursement. The other enterprise fund is used to account for the operations of the other enterprise functions such as driver's education, child care, and ACT test preparation. It is financed primarily through tuition charges to the families of the children participating in these classes.

Internal Service Funds: Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The self-insurance fund and the unemployment fund are the internal funds maintained by the School District with the primary purpose of the funds to account for self-funded health and unemployment insurance.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund: The student activity fund is used to account for student funds generated within the various schools by the students or other School District organizations. The School District holds the student activity fund's assets in a custodial capacity. Agency funds are accounted for using the accrual basis of accounting. Because agency funds are custodial in nature, they do not measure results of operations or have a measurement focus.

The School District reports the following major funds:

Funds	Brief Description
General Fund	See above description
Special Revenue Funds: Special Education Fund	A fund established by South Dakota Codified Law (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.
Capital Outlay Fund	A fund established by SDCL 13-16-6 to meet expenditures that result in the acquisition of or additions to real property, plant, or equipment. This fund is financed by property taxes.
Pension Fund	A fund established by SDCL 13-10-6 for the purpose of continuing a fund for the payment of pensions to retired employees of school districts, which have established such systems. This fund is financed by property taxes.
Arena Fund	A fund established by SDCL 6-4-1 to provide funding for improvements at the Central High School arena and theater. This fund is financed by 10% of the admission revenues at events held in these facilities.

<u>Funds</u>	<u>Brief Description</u>
Debt Service Fund: Bond Redemption Fund	A fund established by SDCL 13-16-13 to account for the payment of principal and interest on all bonded indebtedness. This fund is financed by property taxes.
Capital Projects Fund: Mike Miller Elementary School Project Fund	A fund established to account for transactions of the Mike Miller Elementary School construction project.
Enterprise 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.
Other Enterprise Fund	A fund used to record financial transactions related to other enterprise fund operations. This fund is financed by user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources, measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 bills of the current period. The accrual period does not exceed one bill paying cycle, which for the School District is 60 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the School District funds certain grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Eliminations and Reclassifications

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

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

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

Deposits and Investments

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit. Investments include asset backed securities.

Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The School District follows the practice of aggregating some of 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 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% 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 investments. The School District’s policy is to credit income from pooled accounts to the general fund and interest on accounts held solely by one fund to the fund making the investment.

Aberdeen School District 6-1
 Notes to Financial Statements
 June 30, 2016

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized. All financial institutions which hold the School District's deposits, pledges securities in the amount over \$250,000 for all public School District funds. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2016 all of the School District's deposits were covered by insurance or collateral in accordance with the deposit policy.

The actual bank balances at June 30, 2016 were as follows:

	<u>Book Balance</u>
Insured (FDIC/NCUA)	\$ 3,085,718
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	<u>16,803,203</u>
	<u>\$ 19,888,921</u>
The School District's carrying amount of deposits at June 30, 2016	<u>\$ 19,304,139</u>

Reconciliation of deposits to government-wide statement of net assets:

Cash and cash equivalents	\$ 18,769,391
Add: Agency fund cash (not included in government-wide statement of net assets)	<u>534,748</u>
Total reconciled deposits	<u>\$ 19,304,139</u>

Investments: In general, SDCL 4-5-6 permits School District funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial risk. All of the School District investments are held in book entry form with Investment Centers of America.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The School District has a formal investment policy that limits investment maturities to a maximum of 5 years. The School District invests in mortgage pass-through securities issued by Federal Home Loan Mortgage Corporation. Because prepayments of mortgages underlying these securities affect the principal and interest payments, these securities are considered highly sensitive to interest rate risk.

Aberdeen School District 6-1
Notes to Financial Statements
June 30, 2016

The investments at June 30, 2016 were as follows:

Credit Rating	Maturities			Fair Value
	1 to 5 Years	Greater Than 5 Years	-	
Federal Home Loan Mortgage Corporation AAA	\$ 1,724	\$ -	\$ -	\$ 1,724

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. It is the investment policy of the School District to limit the purchase of investments of direct U.S. Government obligations and U.S. Government and Federal Agency issues.

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

Receivables

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

All accounts and property tax receivables are shown net of an allowance for uncollectibles of zero. No valuation allowance has been established based upon the School District's estimate that uncollectible receivables, if any, would be immaterial.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. Approximately 51% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (49%) is considered to be applied to finance the budget for the subsequent year. 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. Current year property taxes receivable which is not available as a resource that can be used to finance the current year's appropriations and; therefore, are not susceptible to accrual have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

Inventory

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories purchased by the food service fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

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 where the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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

The total June 30, 2016 balance of capital assets for governmental activities includes approximately 8% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2016 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land**	Any Amount	**	**
Buildings	\$ 5,000	Straight-Line	10-50 years
Equipment	5,000	Straight-Line	3-20 years

***Land, an inexhaustible capital asset, 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.

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 consist primarily of compensated absences, early retirement benefits payable, general obligation bonds, and capital outlay certificates payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

Cash and Cash Equivalents

The School District pools some of its cash resources for depositing and investing purposes. The School District has access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

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.

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance, and 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.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance 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 restraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the School Board and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements 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 School District 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>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Pension Fund	Property taxes
Arena Fund	Cocurricular admissions

Rounding

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

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.

Pensions

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has three items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension asset not included in pension expense reported in the government-wide statement of net position, and deferred charges relating to debt.

Aberdeen School District 6-1

Notes to Financial Statements

June 30, 2016

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

Note 2 - Due from Other Governments

As of June 30, 2016, amounts due from other governments are as follows:

General Fund		
Due from state sources	\$	511,857
Due from county sources		416,252
Due from other schools		14,020
Capital Outlay Fund		
Due from state sources		14,784
Special Education		
Due from federal sources		<u>220,673</u>
Total due from other governments	\$	<u>1,177,586</u>

Aberdeen School District 6-1
Notes to Financial Statements
June 30, 2016

Note 3 - Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

Primary Government	Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 531,884	\$ -	\$ -	\$ 531,884
Construction work in process	<u>5,160,957</u>	<u>7,563,706</u>	<u>4,838,641</u>	<u>7,886,022</u>
Total not being depreciated	<u>5,692,841</u>	<u>7,563,706</u>	<u>4,838,641</u>	<u>8,417,906</u>
Capital assets, being depreciated:				
Buildings	69,560,763	4,838,641	63,092	74,336,312
Machinery and equipment	<u>2,413,794</u>	<u>461,584</u>	<u>185,492</u>	<u>2,689,886</u>
Total being depreciated	<u>71,974,557</u>	<u>5,300,225</u>	<u>248,584</u>	<u>77,026,198</u>
Less accumulated depreciation for:				
Buildings	18,389,331	1,399,973	24,501	19,764,803
Machinery and equipment	<u>1,646,956</u>	<u>215,861</u>	<u>180,168</u>	<u>1,682,649</u>
Total accumulated depreciation	<u>20,036,287</u>	<u>1,615,834</u>	<u>204,669</u>	<u>21,447,452</u>
Total capital assets being depreciated, net	<u>51,938,270</u>	<u>3,684,391</u>	<u>43,915</u>	<u>55,578,746</u>
Governmental activity capital assets, net	<u>\$ 57,631,111</u>	<u>\$ 11,248,097</u>	<u>\$ 4,882,556</u>	<u>\$ 63,996,652</u>
Governmental activities:				
Instruction				\$ 1,217,420
Support services				147,710
Co-curricular activities				250,704
Total depreciation expense - governmental activities				<u>\$ 1,615,834</u>

Construction work in progress at June 30, 2016 is composed of the following:

	Project Authorization	Expended Through June 30, 2016	Committed	Required Future Financing
New School	\$ 8,087,000	\$ 7,886,022	\$ 200,978	\$ -

Aberdeen School District 6-1

Notes to Financial Statements

June 30, 2016

<u>Business-Type Activities</u>	<u>Balance 06/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/16</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 593,373	\$ -	\$ 9,764	\$ 583,609
Total being depreciated	593,373	-	9,764	583,609
Total accumulated depreciation	377,786	25,948	9,764	393,970
Total capital assets being depreciated, net	215,587	(25,948)	-	189,639
Business-type activity capital assets, net	<u>\$ 215,587</u>	<u>\$ (25,948)</u>	<u>\$ -</u>	<u>\$ 189,639</u>
Business-type activities:				
Food service				\$ 25,948
Total depreciation expense - business-type activities				<u>\$ 25,948</u>

Note 4 - Long-Term Debt

A summary of changes in long-term debt follows:

	Amounts Outstanding 6/30/2015	Issued	Retired	Refunded	Amounts Outstanding 6/30/2016	Due in One Year
Governmental activities:						
General obligation bonds	\$ 13,960,000	\$ 8,065,000	\$ (1,135,000)	\$ (8,155,000)	\$ 12,735,000	\$ 1,390,000
Capital outlay certificates	12,355,000	7,725,000	(1,470,000)	-	18,610,000	1,665,000
Early retirement	892,515	551,119	(249,063)	-	1,194,571	311,934
Financing (capital acquisition) leases	-	64,016	(10,096)	-	53,920	12,632
OPEB obligation	1,133,735	45,498	-	-	1,179,233	-
Compensated absences	138,374	181,237	(181,553)	-	138,058	138,058
Unamortized premium	-	240,502	(11,446)	-	229,056	20,102
	<u>\$ 28,479,624</u>	<u>\$ 16,872,372</u>	<u>\$ (3,057,158)</u>	<u>\$ (8,155,000)</u>	<u>\$ 34,139,838</u>	<u>\$ 3,537,726</u>

No anticipated reduction in compensated absences is foreseen for next year, continued minor growth should be seen for governmental and business-type activities. Compensated absences for governmental activities typically have been liquidated from the general fund and special education fund. Early retirement benefits payable for governmental activities typically have been liquidated from the general fund, special education fund, and the pension fund. See Note 9 for further discussion of the OPEB liability.

Aberdeen School District 6-1
Notes to Financial Statements
June 30, 2016

A summary of deferred charges on various bond refundings as of June 30, 2016, follows:

	<u>Original Cost</u>	<u>2016 Amortization</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
2010 Refunding Deferred charges	\$ 118,791	\$ 7,424	\$ 37,122	\$ 81,669
2012 Refunding Deferred charges	123,423	12,342	49,368	74,055
2013 Refunding Deferred charges	372,797	62,133	186,399	186,398
2016 Refunding Deferred charges	238,910	21,719	21,719	217,191
	<u>\$ 853,921</u>	<u>\$ 103,618</u>	<u>\$ 294,608</u>	<u>\$ 559,313</u>

Debt payable at June 30, 2016 is comprised of the following individual issues:

General Obligation Bonds

General Obligation Refunding Bonds

General obligation refunding bonds, series 2016, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2016, with final installment due January 1, 2025; interest rates range from .85% to 2.5%, paid from the debt service fund. \$ 8,065,000

General obligation refunding bonds, series 2013, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2015, with final installment due January 1, 2020; interest rates range from .6% to 2.25%, paid from the debt service fund. 4,670,000

Capital Outlay Certificates

Capital Outlay Certificates, series 2009A (QSCB), subject to semi-annual sinking fund requirements in June and December beginning June 16, 2010, with final installment due December 16, 2024, interest rate of 2%, paid from the capital outlay fund. 1,685,000

Capital outlay certificates, series 2016, subject to semi-annual sinking fund requirements in July and January beginning January 15, 2016, with final installment due January 15, 2035, interest rate ranges from 0.9% to 4.0%, paid from the capital outlay fund. 7,725,000

Capital outlay certificates, series 2011, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2011, with final installment due January 15, 2018, interest rate ranges from 0.55% to 2.45%, paid from the capital outlay fund. 930,000

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 Notes to Financial Statements
 June 30, 2016

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2010, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2011, with final installment due January 15, 2027, interest rate range from 0.75% to 3.45%, paid from the capital outlay fund. 4,845,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2012, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2012, with final installment due January 15, 2023, interest rate range from 0.75% to 2.20%, paid from the capital outlay fund. 3,425,000

Financing (Capital Acquisition) Leases

Marco Inc. copier, matures October 20, 2020, 3.308% interest, monthly payments of \$512.81, paid by the Capital Outlay Fund 23,921

Marco Inc. copiers, matures August 14, 2020, 4.194% interest, monthly payments of \$493.63, paid by the Capital Outlay Fund 22,609

Century Business Products copier, matures August 7, 2019, 8.822% interest, monthly payments of \$223.60, paid by the Capital Outlay Fund 7,390

Early Retirement

Requires annual payments of not more than \$182,333 from special education fund and pension fund; final payment July 2021. 1,194,571

Plus unamortized premiums

229,056

\$ 32,822,547

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

Principal	\$	64,016
Interest		<u>7,104</u>
		<u><u>\$ 71,120</u></u>

Aberdeen School District 6-1

Notes to Financial Statements

June 30, 2016

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2016, excluding compensated absences, but including sinking fund installments, are as follows:

Year Ending June 30,	General Obligation Bonds		C.O. Certificates		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,390,000	\$ 256,333	\$ 1,665,000	\$ 467,051	\$ 12,632	\$ 2,128
2018	1,405,000	236,706	1,690,000	438,311	13,226	1,534
2019	1,430,000	212,469	1,430,000	405,291	13,854	907
2020	1,455,000	183,819	1,455,000	378,860	12,203	320
2021	1,485,000	149,988	1,490,000	348,926	2,005	14
2022-2026	5,570,000	233,588	6,025,000	1,252,161	-	-
2027-2031	-	-	2,755,000	636,644	-	-
2032-2036	-	-	2,100,000	194,875	-	-
	\$ 12,735,000	\$ 1,272,903	\$ 18,610,000	\$ 4,122,119	\$ 53,920	\$ 4,903

Year Ending June 30,	Early Retirement Principal	Total	
		Principal	Interest
2017	\$ 311,934	\$ 3,379,566	\$ 725,512
2018	268,973	3,377,199	676,551
2019	220,576	3,094,430	618,667
2020	168,020	3,090,223	562,999
2021	133,215	3,110,220	498,928
2022-2026	91,853	11,686,853	1,485,749
2027-2031	-	2,755,000	636,644
2032-2036	-	2,100,000	194,875
	\$ 1,194,571	\$ 32,593,491	\$ 5,399,925

Note 5 - Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Aberdeen School District 6-1

Notes to Financial Statements

June 30, 2016

The School invests in brokered certificates of deposit and asset backed securities traded in the financial markets. The brokered certificates of deposit and asset backed securities are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

The following table presents the assets measured at fair value on a recurring basis at June 30, 2016:

	Total	Level 1	Level 2	Level 3
Brokered certificates of deposit	\$ 1,250,040	\$ -	\$ 1,250,040	\$ -
Asset backed securities	1,724		1,724	
	<u><u>\$ 1,251,764</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,251,764</u></u>	<u><u>\$ -</u></u>

Note 6 - Leases

The School District leases several copier machines with varying payments from \$71 to \$284 per month. These leases have varying termination dates ranging from August 2016 to September 2018. All items are paid from the capital outlay fund.

The following are the minimum payments on existing operating leases:

Year	Amount
2017	\$ 12,344
2018	11,928
2019	<u>2,982</u>
	<u><u>\$ 27,254</u></u>

Note 7 - Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 2,778,784
Special Education	Law	395,915
Pension	Law	195,696
Pension benefits	Law	6,541,692
Arena	Law	52,767
Bond Redemption	Law	<u>1,144,081</u>
Total restricted net position		<u><u>\$ 11,108,935</u></u>

Note 8 - Early Retirement

Each employee who accepts retirement after the age of 55 and prior to the age of 63 with at least 20 years of service in the School District will receive incentive pay equal to 80% of their current annual salary for employees with 30 or more years of service, and 60% of their current annual salary for employees with 20 to 29 years of service, paid out in 6 equal, annual installments. The liability is recorded based upon the specified annual payments that are due and have not been discounted as the School District has determined the discount to not be material.

Note 9 - Post-Employment Healthcare Plan

As permitted by South Dakota State statutes, the School District allows retirees to continue to participate in the School District's group health plan upon retirement if they have: 1) contributed 15 years of service to the School District, and 2) reached the age of 55. Retirees will not be able to continue on the plan after they have reached the age of 65 with the exception of: 1) if at the time the retiree participant becomes eligible for Medicare (age 65) and he/she had dependent(s) not eligible for Medicare, coverage for those dependent(s) may be continued under the plan until the spouse reaches age 65 and dependent(s) reach the age of 23 or age 25 if a full-time student, 2) retirees over the age of 65 on the plan prior to January 1, 2002, have the option of staying on the plan indefinitely as a supplement to Medicare.

Funding Policy Relating to Retired Employees

The contribution requirement of plan members is established by the School District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the School District contributed approximately \$3,971,903 to the plan for current premiums or approximately 95% of total premiums. Plan members receiving benefits contributed approximately \$167,542 or approximately 5% of the total premiums. Retirees are required to pay 100% of the premiums for both the retiree and the retiree plus spouse coverage. Monthly contribution rates in effect for retirees under age 65 (rates scaled depending on level of deductible chosen) during fiscal year 2016 were as follows:

Retiree premium	\$1,000 / \$2,000
Retiree plus spouse premium	\$2,000 / \$4,000

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation relating to retiree participating in the School District's Health Insurance Plan:

	2016	2015	2014
Annual required contribution (ARC)	\$ 138,526	\$ 134,818	\$ 134,818
Interest on net OPEB obligation	51,018	40,726	35,237
Adjustment to ARC	<u>(69,601)</u>	<u>53,168</u>	<u>(48,072)</u>
Annual OPEB cost (expense)	119,943	228,712	121,983
Contributions made	<u>(74,445)</u>	<u>-</u>	<u>-</u>
Increase in net OPEB obligation	45,498	228,712	121,983
Net OPEB obligation - beginning of year	<u>1,133,735</u>	<u>905,023</u>	<u>783,040</u>
Net OPEB obligation - end of year	<u>\$ 1,179,233</u>	<u>\$ 1,133,735</u>	<u>\$ 905,023</u>
Percentage of annual OPEB cost contributed	<u>62%</u>	<u>0%</u>	<u>0%</u>

Funded Status and Funding Progress

As of June 30, 2016, 2014 and 2012, the last three instances actuarial valuations have been performed to date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,237,977, \$1,300,382 and \$1,444,627, respectively. The School District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal years ended June 30, 2016, 2014 and 2012, was \$18,607,838, \$18,432,440, and \$16,223,586, respectively, and the ratio of the UAAL to the covered payroll was 6.7%, 7.1% and 8.9%, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, the healthcare cost trend, amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2016, actuarial valuation, the projected unit credit (PUC) actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate assuming the School District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 50% of eligible retirees will actually participate in the retiree medical benefit and 20% of their spouses will participate. The annual healthcare cost trend rate of 7% initially, decreasing approximately 1% per year until reaching an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

Note 10 - Litigation

At June 30, 2016 the School District was not involved in any litigation.

Note 11 - 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 year ended June 30, 2016, the School District managed its risks as follows:

Employee Health Insurance

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$80,000 per individual and \$4,103,456 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2016, an estimated liability of \$314,000 was accrued for incurred but not reported claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2016, the health insurance internal service fund had a net position balance of \$1,893,918.

The following is a history of the claims activity for the fund for the years ended June 30, 2016, 2015, and 2014, respectively.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Amount of claim liabilities, beginning of year	\$ 256,000	\$ 271,000	\$ 239,000
Incurred claims	4,103,456	3,728,706	3,698,764
Claims paid	<u>(3,935,697)</u>	<u>(3,743,706)</u>	<u>(3,666,764)</u>
Amount of claim liabilities, end of year	<u>\$ 423,759</u>	<u>\$ 256,000</u>	<u>\$ 271,000</u>

Worker's Compensation Insurance

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

Liability Insurance

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

Unemployment Benefit

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2016, no claims were filed for unemployment benefits, which resulted in the payment of benefits in the amount of \$0. At June 30, 2016, no claims had been filed for unemployment benefits and approximately \$4,000 is anticipated in the next fiscal year.

Note 12 - Pension Plan

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and 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 at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary, Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% 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 ending June 30, 2016, 2015 and 2014 were \$1,257,103, \$1,204,362 and \$1,151,731, respectively, equal to the required contributions each year.

Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2015, SDRS is 104% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the School District as of June 30, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 118,512,859
Less proportionate share of total pension liability	<u>113,848,587</u>
Proportionate share of net pension asset	<u>\$ 4,664,272</u>

At June 30, 2016, the School District reported an asset of \$4,664,272 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the School District's proportion was 1.0997308% which is a decrease of 0.000089% from its proportion measured as of June 30, 2014.

Aberdeen School District 6-1
Notes to Financial Statements
June 30, 2016

For the year ended June 30, 2016, the School District recognized pension revenue of \$508,977. At June 30, 2016 the School District 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	\$ 955,030	\$ -
Changes in assumption	3,698,474	-
Net difference between projected and actual earnings on pension plan investments	2,849,325	6,882,224
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	288
School District contributions subsequent to the measurement date	<u>1,257,103</u>	-
 Total	 <u>\$ 8,759,932</u>	 <u>\$ 6,882,512</u>

There is \$1,257,103 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a increase of the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2017	\$ 220,931
2018	220,931
2019	(594,675)
2020	<u>773,130</u>
 Total	 <u>\$ 620,317</u>

Actuarial Assumptions

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. 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 weighting 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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
 Total	 <u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2017 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 asset.

Aberdeen School District 6-1

Notes to Financial Statements

June 30, 2016

Sensitivity of Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the School District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension asset (liability)	\$ (11,739,922)	\$ 4,664,272	\$ 18,040,480

Pension Plan Fiduciary Net Position

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



Required Supplementary Information
June 30, 2016

Aberdeen School District 6-1

Aberdeen School District 6-1
Schedule of Funding Progress
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2016	\$ -	\$ 1,237,977	\$ 1,237,977	0.00%	\$ 18,607,838	6.70%
6/30/2014	-	1,300,382	1,300,382	0.00%	18,432,440	7.10%
6/30/2012	-	1,444,627	1,444,627	0.00%	16,223,586	8.90%

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 11,138,227	\$ 11,138,227	\$ 11,141,180	\$ 2,953
1120 Prior year's ad valorem taxes	125,000	125,000	113,319	(11,681)
1130 Tax deed revenue	-	-	44,985	44,985
1140 Gross receipts taxes	813,000	813,000	775,605	(37,395)
1190 Penalties and interest on taxes	27,000	27,000	30,491	3,491
1300 Tuition and fees:				
1310 Regular day school tuition	25,000	25,000	28,650	3,650
1500 Earnings on investments and deposits	11,000	11,000	34,648	23,648
1700 Cocurricular activities:				
1710 Admissions	81,000	81,000	86,206	5,206
1900 Other revenue from local sources:				
1910 Rentals	5,000	5,000	14,619	9,619
1920 Contributions and donations	40,000	85,000	80,792	(4,208)
1970 Charges for services	125,000	125,000	79,605	(45,395)
1990 Other	28,000	28,000	42,331	14,331
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	340,000	340,000	369,632	29,632
2200 Revenue in lieu of taxes	14,000	14,000	16,209	2,209
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	11,268,821	11,268,821	11,545,820	276,999
3300 Tuition:				
3320 Regular	70,573	70,573	76,024	5,451
3900 Other state revenue	5,000	5,000	-	(5,000)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	73,355	73,355	73,845	490
4150-4199 Restricted grants-in-aid received from Federal government through the State	998,844	998,844	985,880	(12,964)
4400 Johnson O'Malley funds	28,000	28,000	16,845	(11,155)
4900 Other federal revenue	1,000	1,000	-	(1,000)
Total revenues	25,217,820	25,262,820	25,556,686	293,866

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	6,582,051	6,582,051	6,557,935	24,116
1120 Middle/junior high schools	3,487,678	3,487,678	3,414,203	73,475
1130 High school	4,136,564	4,181,564	4,108,169	73,395
1200 Special programs:				
1250 Culturally different	317,148	319,148	321,946	(2,798)
1270 Educationally deprived	688,057	688,057	682,849	5,208
2000 Support services				
2100 Pupils:				
2120 Guidance	698,593	698,593	678,127	20,466
2130 Health	172,780	177,780	176,536	1,244
2200 Support services - instructional staff:				
2210 Improvement of instruction	221,362	229,362	219,349	10,013
2220 Educational media	890,418	890,418	876,269	14,149
2300 Support services - general administration:				
2310 Board of education	140,966	143,966	130,140	13,826
2320 Executive administration	241,946	241,946	242,001	(55)
2400 Support services - school administration:				
2410 Office of the principal	1,829,182	1,829,182	1,781,681	47,501
2440 Title I program administration	11,706	11,706	11,447	259
2500 Support services - business:				
2520 Fiscal services	371,592	371,592	363,640	7,952
2540 Operation and maintenance of plant	3,489,612	3,499,612	3,456,325	43,287
2550 Pupil transportation	165,000	165,000	153,432	11,568
2570 Internal services	112,930	112,930	107,451	5,479
2600 Support services - central:				
2640 Staff	240,631	240,631	227,519	13,112
3000 Community services				
3700 Nonpublic school	18,974	18,974	19,109	(135)
6000 Cocurricular activities				
6100 Male activities	444,146	444,146	448,548	(4,402)
6200 Female activities	402,455	402,455	393,061	9,394
6900 Combined activities	630,519	630,519	633,341	(2,822)
7000 Contingencies	200,000	200,000	-	200,000
Amount transferred	-	(28,000)	-	(28,000)
Total expenditures	<u>25,494,310</u>	<u>25,539,310</u>	<u>25,003,078</u>	<u>536,232</u>
Net Change in Fund Balances	(276,490)	(276,490)	553,608	830,098
Fund Balance - Beginning	<u>7,587,151</u>	<u>7,587,151</u>	<u>7,587,151</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 7,310,661</u>	<u>\$ 7,310,661</u>	<u>\$ 8,140,759</u>	<u>\$ 830,098</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 6,154,550	\$ 6,154,550	\$ 6,058,114	\$ (96,436)
1120 Prior year's ad valorem taxes	52,000	52,000	53,447	1,447
1130 Tax deed revenue	-	-	30,293	30,293
1190 Penalties and interest on taxes	14,000	14,000	16,068	2,068
1900 Other revenue from local sources:				
1990 Other	-	422,907	422,908	1
4000 Revenue from federal sources				
4150-4199 Restricted grants-in-aid received from Federal Government through the state	46,426	46,426	46,481	55
4900 Other Federal revenue	-	-	7,140	7,140
Total revenues	<u>6,266,976</u>	<u>6,689,883</u>	<u>6,634,451</u>	<u>(55,432)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	45,908	45,908	35,544	10,364
1120 Middle/junior high schools	16,700	16,700	15,873	827
1130 High school	95,926	95,926	60,349	35,577
1200 Special programs:				
1220 Programs for special education	3,000	3,000	1,995	1,005
2000 Support services				
2200 Support services - instructional staff:				
2210 Improvement of instruction	698,881	698,881	622,422	76,459
2220 Educational media	698,000	698,000	650,155	47,845
2500 Support services - business:				
2520 Fiscal services	30,600	30,600	33,968	(3,368)
2540 Operation and maintenance of plant	1,319,000	1,821,852	1,084,832	737,020
2550 Pupil transportation	130,000	140,000	138,639	1,361
2560 Food services	35,000	35,000	9,013	25,987
2570 Internal services	27,000	27,000	79,945	(52,945)
5000 Debt services	1,828,000	1,828,000	1,826,216	1,784
6000 Cocurricular activities				
6900 Combined activities	<u>80,000</u>	<u>80,000</u>	<u>68,083</u>	<u>11,917</u>
Total expenditures	<u>5,008,015</u>	<u>5,520,867</u>	<u>4,627,034</u>	<u>893,833</u>
Excess of Revenue over (under) Expenditures	1,258,961	1,169,016	2,007,417	838,401
Other Financing Sources (Uses)				
5130 Sale of Surplus	-	79,945	79,945	-
5120 Proceeds from long-term debt	-	-	64,016	(64,016)
Total other financing sources (uses)	-	79,945	143,961	-
Net Change in Fund Balances	1,258,961	1,248,961	2,151,378	838,401
Fund Balance - Beginning	<u>556,581</u>	<u>556,581</u>	<u>556,581</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,815,542</u>	<u>\$ 1,805,542</u>	<u>\$ 2,707,959</u>	<u>\$ 838,401</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 3,057,238	\$ 3,057,238	\$ 3,003,809	\$ (53,429)
1120 Prior year's ad valorem taxes	26,000	26,000	27,139	1,139
1130 Tax deed revenue	-	-	15,571	15,571
1190 Penalties and interest on taxes	7,000	7,000	8,065	1,065
1300 Tuition and fees:				
1310 Regular day school tuition	20,000	20,000	15,000	(5,000)
1900 Other revenue from local sources:				
1970 Charges for services	69,000	69,000	149,301	80,301
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	2,413,473	2,413,473	2,268,171	(145,302)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,046,857	1,046,857	1,031,815	(15,042)
Total revenues	<u>6,639,568</u>	<u>6,639,568</u>	<u>6,518,871</u>	<u>(120,697)</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	4,323,094	4,328,094	4,179,283	148,811
2000 Support services				
2100 Pupils:				
2130 Health	172,673	172,673	165,417	7,256
2140 Psychological	546,331	551,331	549,949	1,382
2150 Speech pathology	668,786	678,786	668,396	10,390
2170 Student therapy services	397,647	467,647	431,424	36,223
2200 Support services - instructional staff:				
2210 Improvement of instruction	18,927	18,927	14,126	4,801
2700 Support services - special education:				
2710 Administrative costs	162,047	164,047	165,587	(1,540)
2730 Transportation costs	263,000	303,000	318,976	(15,976)
2750 Other special education costs	93,000	93,000	63,612	29,388
4500 Early retirement	<u>19,910</u>	<u>19,910</u>	<u>19,910</u>	<u>-</u>
Total expenditures	<u>6,665,415</u>	<u>6,797,415</u>	<u>6,576,680</u>	<u>220,735</u>
Net Change in Fund Balances	(25,847)	(157,847)	(57,809)	100,038
Fund Balance - Beginning	<u>417,557</u>	<u>417,557</u>	<u>417,557</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 391,710</u>	<u>\$ 259,710</u>	<u>\$ 359,748</u>	<u>\$ 100,038</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 612,607	\$ 612,607	\$ 605,810	\$ (6,797)
1120 Prior year's ad valorem taxes	5,200	5,200	5,345	145
1130 Tax deed revenue	-	-	3,029	3,029
1190 Penalties and interest on taxes	1,400	1,400	1,607	207
Total revenues	<u>619,207</u>	<u>619,207</u>	<u>615,791</u>	<u>(3,416)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	124,495	124,495	124,495	-
1120 Middle/junior high schools	56,484	56,484	56,484	-
1130 High school	65,355	65,355	65,355	-
1200 Special programs:				
1250 Culturally different	4,099	4,099	4,099	-
2100 Pupils:				
2120 Guidance	12,384	12,384	12,384	-
2130 Health	3,089	3,089	3,089	-
2000 Support services				
2200 Support services - instructional staff:				
2210 Improvement of instruction	2,716	2,716	2,716	-
2220 Educational media	14,816	14,816	14,816	-
2300 Support services - general administration:				
2320 Executive administration	4,136	4,136	4,136	-
2400 Support services - school administration:				
2410 Office of the principal	29,992	29,992	29,992	-
2500 Support services - business:				
2520 Fiscal services	6,230	6,230	6,230	-
2540 Operation and maintenance of plant	29,916	29,916	29,916	-
2570 Internal services	1,818	1,818	1,818	-
2600 Support services - central:				
2640 Staff	3,609	3,609	3,609	-
4000 Nonprogrammed charges				
4500 Early retirement payments	229,154	229,154	229,154	-
6000 Cocurricular activities				
6100 Male activities	4,927	4,927	4,927	-
6200 Female activities	4,358	4,358	4,358	-
6900 Combined activities	7,577	7,577	7,577	-
Total expenditures	<u>605,155</u>	<u>605,155</u>	<u>605,155</u>	<u>-</u>
Net Change in Fund Balances	14,052	14,052	10,636	(3,416)
Fund Balance - Beginning	<u>177,978</u>	<u>177,978</u>	<u>177,978</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 192,030</u>	<u>\$ 192,030</u>	<u>\$ 188,614</u>	<u>\$ (3,416)</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Arena Fund
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1700 Cocurricular activities:				
1710 Admissions	\$ 8,000	\$ 8,000	\$ 8,886	\$ 886
Total revenues	8,000	8,000	8,886	886
Expenditures				
2000 Support services				
2500 Support services - business:				
2540 Operation and maintenance of plant	-	2,454	2,453	1
Total expenditures	-	2,454	2,453	1
Net Change in Fund Balances	8,000	5,546	6,433	887
Fund Balance - Beginning	46,334	46,334	46,334	-
Fund Balance - Ending	\$ 54,334	\$ 51,880	\$ 52,767	\$ 887

Note 1 - Budgets and Budgetary Accounting

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

1. Prior to the first regular School 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 trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, State statute allows adoption of supplemental budgets when money are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
11. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2 - Budget Reconciliation

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

Aberdeen School District 6-1
 Schedule of Net Pension Asset
 Year Ended June 30, 2016

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Asset	Employer's Proportionate Share of the Net Pension Asset (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SDRS	6/30/2015	1.0997%	\$ 4,664,272	\$ 20,072,700	23.2%	104.1%
SDRS	6/30/2014	1.0996%	7,922,469	19,229,717	41.2%	107.3%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Aberdeen School District 6-1
 Schedule of Pension Contributions
 Year Ended June 30, 2016

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions Percentage of Covered-Employee Payroll (b/d)
SDRS	6/30/2016	\$ 1,257,213	\$ 1,257,213	\$ -	\$ 20,953,548	6.0%
SDRS	6/30/2015	1,204,362	1,204,362	-	20,072,700	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Aberdeen School District 6-1

Notes to Required Supplementary Information – Pension Schedules

June 30, 2016

Notes to Required Supplementary Information

Changes of Benefit Terms:

Disability and certain survivor benefit provisions were changed effective July 1, 2015 during the 2014 South Dakota Legislative Session. These benefit provision changes were first recognized in the June 30, 2014 actuarial valuation.

Changes of Assumptions:

No actuarial assumptions were changed from those used in the June 30, 2014 actuarial valuation.



**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***

The School Board
Aberdeen School District 6-1
Aberdeen, 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, the discretely presented component unit, and each major fund of Aberdeen School District 6-1 (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2016-A.

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

Compliance and Other Matters

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

Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eddie Bailely LCP". The signature is fluid and cursive, with "Eddie" and "Bailely" connected at the top, and "LCP" written below them in a smaller, separate group of letters.

Aberdeen, South Dakota
December 19, 2016



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Aberdeen School District 6-1's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District 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, 2016.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions cost. 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
December 19, 2016



Supplementary Information
June 30, 2016

Aberdeen School District 6-1

Aberdeen School District 6-1
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2016

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
U.S. Department of Agriculture		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 157,974
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	154,770
National School Lunch Program (Note 2)	10.555	<u>764,495</u>
Total for Child Nutrition Cluster		<u>1,077,239</u>
Total U.S. Department of Agriculture		<u>1,077,239</u>
U.S. Department of the Interior		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 1)	15.130	<u>16,845</u>
Total U.S. Department of the Interior		<u>16,845</u>
U.S. Department of Education		
Direct Federal Funding:		
Indian Education - Grants to Local Educational Agencies	84.060	73,845
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	671,220
Title I Program for Neglected and Delinquent Children	84.013	56,804
Career and Technical Education - Basic Grants to States	84.048	49,365
Special Education Cluster:		
Special Education - Grants to States (Note 2)	84.027	988,921
Special Education - Preschool Grants	84.173	<u>35,226</u>
Total for Special Education Cluster		<u>1,024,147</u>
Special Education - Grants for Infants and Families	84.181	7,667
Improving Teacher Quality State Grants	84.367	<u>254,972</u>
Total U.S. Department of Education		<u>2,138,020</u>
U.S. Department of Homeland Security		
Other Federal Assistance:		
Homeland Security	97.067	<u>7,140</u>
Total U.S. Department of Health and Human Services		<u>7,140</u>
Grand Total		<u>\$ 3,239,244</u>

Aberdeen School District 6-1
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented on the accrual basis and the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. 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—Significant Accounting Policies

Governmental fund types account for some of the School District's federal grant activity. Therefore, those expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The food service fund account for some of the School District's federal grant activity. Those expenditures in the schedule of expenditures of federal awards are recognized on the accrual basis of accounting. The School District's summary of significant accounting policies is presented in Note 1 in the School District's basic financial statements.

The organization has not elected to use the 10% de minimis cost rate.

Note 3—Pass Through Entity

The pass-through entities have not provided identifying numbers; therefore, they are not included in this schedule.

Note 4 — Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the School District had food commodities totaling \$51,048 in inventory.

Aberdeen School District 6-1
Schedule of Findings and Questioned Costs
June 30, 2016

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA, Preschool)	84.173
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2016-A Material Adjusting Entries

Criteria: The School District's internal control structure should be designed to provide for the recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: During the course of our audit field work we proposed material audit adjustments, primarily to the Food Service Fund in relation to required adoption of GASB 68 related to pension accounting and also to reclassify a transfer to the general fund.

Cause: The adoption of GASB 68 for pension reporting required the School District to make additional calculations this year that effected the District's government wide financial statements. A portion of those amounts should have been allocated and recorded in the food service fund. This was a new accounting standard in fiscal year 2015 and that allocation to the food service fund was overlooked. Also, a transfer back to the general fund for June expenses was not made before year-end and needed to be recorded as a due to/from.

Effect: This caused the Food Service assets, deferred inflows, deferred outflows and change in net condition to be understated.

Repeat Finding from Prior Years: Yes, prior year finding from 2015

Recommendation: We would recommend a review of entries related to infrequent transactions, such as the GASB 68 entries, be reviewed to ensure all affected funds are addressed.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2016-001

**Department of Agriculture Passed-through State of South Dakota
Child Nutrition Cluster**

School Breakfast Program – CFDA #10.553

National School Lunch Program– CFDA #10.555

Grant Year Ending June 30, 2016

Lack of Review on Reimbursement Request for Claims

Reporting

Significant Deficiency in Internal Control over Compliance

Criteria: The state requires reimbursement requests be completed based on actual meals served for free, reduced and paid.

Condition: When reviewing one reimbursement request, there was a clerical error in reporting school breakfast severe needs and school breakfast program reduced and paid numbers

Cause: The reimbursement was reported incorrectly based on reporting one school's reduced number under the paid column and the paid number was reported under the reduced column.

Effect: Lack of review of the reimbursement request report resulted in a clerical error in the request for one month.

Questioned Costs: None reported.

Context/Sampling: A nonstatistical sample of four reports out of nine reports were selected for reporting testing. This sample appears statistically valid.

Recommendation: We recommend that the school district take increased care and attention in determining and reviewing the reimbursement request.

Views of Responsible Officials: Management agrees with the finding.

Findings Statement Findings

Finding 2015-A Material Adjusting Entries

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: Proposed material audit adjustments in the Food Service for GASB 68 related to pension accounting and a transfer to the general fund were made to the School's recorded account balances, which if not recorded, would have resulted in a material misstatement of the School's financial statements.

Status: This finding has not been resolved as of June 30, 2016. The reason for the finding's recurrence is that the School District required similar entries in the current year. Planned actions include a review of entries related to infrequent transactions, such as the GASB 68 entries, be reviewed to ensure all affected funds are addressed.

Findings Related to Federal Awards

2015-001 Eligibility – Calculation of Verification Sample

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: When reviewing the calculation of the sample size to be selected for income verification, it was noted that the calculation was performed incorrectly and was not reviewed for accuracy. Lack of review allowed a smaller number than required to undergo the verification process.

Status: This finding has been resolved as of June 30, 2016.

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APPENDIX D - CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Aberdeen School District 6-1, Brown County, South Dakota (the “Issuer”) in connection with the Issuer’s issuance of \$4,125,000 in aggregate principal amount of its Limited Tax General Obligation Refunding Certificates, Series 2017 (the “Certificates”). The Certificates are being issued pursuant to a resolution (the “Resolution”) adopted by the Issuer on June 12, 2017. The CUSIP Number of the final maturity of the Certificates is 003268 GF0.

The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Audited Financial Statements**” means the Issuer’s annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) for Governmental Units as prescribed by the Governmental Accounting Standards Board (“GASB”).

“**Beneficial Owner**” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

“**Disclosure Representative**” shall mean the Business Manager or his or her designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

“**Dissemination Agent**” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“**Financial Information or Operating Data**” means financial information or operating data which is presented in the final official statement, which shall include financial information and operating data which is customarily prepared by the Issuer and is publicly available.

“**Holder**” shall mean the person in whose name any Certificate shall be registered.

“**Listed Event**” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“**Municipal Securities Rulemaking Board**” or ”**MSRB**” shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. Reference is made to Commission Release No.

34-59062, December 8, 2008 (the "Release") relating to the MSRB's Electronic Municipal Market Access ("EMMA") system for municipal securities disclosure that became effective on July 1, 2009. To the extent applicable to this Disclosure Certificate, the Issuer shall comply with the Release and with EMMA.

"Official Statement" shall mean the Official Statement of the Issuer dated November 9, 2017, prepared in connection with the issuance of the Certificates.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State" shall mean the State of South Dakota.

SECTION 3. Provision of Annual Reports. The Issuer shall, or shall cause the Dissemination Agent (if other than the Issuer) to, not later than twelve months (the "filing date") (or the next succeeding business day, if that day is not a business day) after the end of the Issuer's fiscal year (which currently ends June 30th), commencing with the report for the fiscal year ending June 30, 2017 (which is due no later than June 30, 2018), provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statement of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under subsection 5.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the most recent fiscal year most recently ended, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Department of Legislative Audit of the State. If the Issuer's audited financial statements are not available by the time of the Annual Report is required to be filed pursuant to subsection 3 of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the Issuer the Annual Report shall also include updates of the following headings in the Official Statement:

- (i) Financial Position and Operations;
- (ii) District Property Values;
- (iii) Historical Property Tax Collections; and

(iv) Student Enrollment.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, within ten (10) business days after the occurrence of the event, to MSRB notice of the occurrence of any of the following Listed Events with respect to the Certificates, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of Certificate Holders;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer¹;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Each Listed Event Notice shall be in electronic form and shall be so captioned and prominently state the date, title and (to the extent less than all of the Certificates are affected by the related Listed Event) CUSIP numbers of the Certificates. The Issuer may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above or otherwise specified herein.

(c) Failure to provide the Annual Report by the date specified herein shall be reported to the MSRB in the same manner as set forth in this Section 5.

¹ This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

SECTION 6. EMMA. The SEC has designated EMMA as the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Certificates, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 9. Amendment; Waiver Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or

notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.