

GARRETSON SCHOOL DISTRICT NO 49-4

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

JUNE 30, 2014

GARRETSON SCHOOL DISTRICT NO. 49-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

School Board

Todd Tilberg

Angela Lardy

Tana Clark

John Brinkman

Shannon Nordstrom

Business Manager

Rod Fischer

Superintendent

Robert L. Arend

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QUAM & BERGLIN, P.C.

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INDEPENDENT AUDITOR'S REPORT

School Board
Garretson School District No. 49-4
Minnehaha County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Garretson School District No. 49-4, Minnehaha County, South Dakota (School District), as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garretson School District No. 49-4 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated January 13, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

January 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Garretson School District 49-4's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ending on June 30, 2014. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's net position from governmental activities increased \$8,489 and business-type activities increased \$1,272, respectively for a total increase of \$9,761.
- During the year, the School's revenues generated from taxes and other revenues of the governmental programs were \$4,740,570 and the related expenditures for instruction, support services, debt, and co-curricular activities were \$4,732,081.
- The total cost of the School's programs decreased by approximately .35%, or \$16,391 which is due to decreases in spending on interest for debt in the amount of \$88,319. This was accomplished by previous refunding of debt at lower interest rates and also the issuance of new debt refunding which deferred interest payment on a debt issue.
- The General Fund reported an increase of \$162,025 current year expenditures primarily due to increased maintenance costs in the amount of \$107,326. This was due because allowable utility costs that had been charged against the Capital Outlay fund was reverted back to the General Fund. All other expenditure categories increased slightly due increases in salaries and benefits.
- The Capital Outlay Fund expenditures increased \$687,460 due to construction costs on the bus garage; the purchase of a new bus in the amount of \$91,767; middle school technology purchases, along with higher debt repayment costs.
- Special Ed Fund expenses increased \$99,568 due to higher out of district student therapy and residential costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government functions, reporting the School'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 operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School 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

Required Components of Garretson School's Annual Financial Report

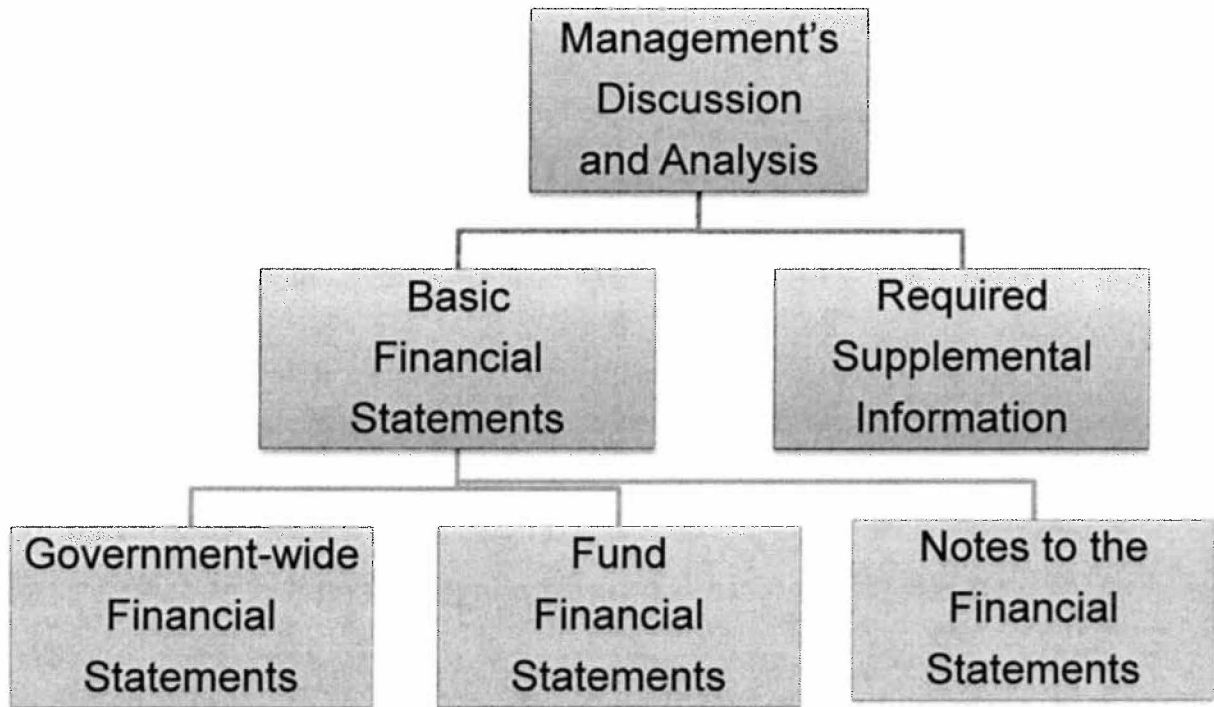


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government they cover and the types of information they contain. The reminder of the overview section of the management's discussion and analysis explains the structure and contents of each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

Figure A-2

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

Government-wide Statements

The government-wide statements report information about the School 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's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School'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 are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, 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 charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School 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 has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School'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 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 (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School'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's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position increased as follows:

TABLE A-1
GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF NET POSITION

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
Current and Other Assets	\$ 5,006,734.62	\$ 5,493,547.13	\$ 9,965.27	\$ 10,167.54	\$ 5,016,699.89	\$ 5,503,714.67
Capital Assets	<u>7,014,047.36</u>	<u>7,413,460.24</u>	<u>13,346.84</u>	<u>8,403.91</u>	<u>7,027,394.20</u>	<u>7,421,864.15</u>
Total Assets	<u>12,020,781.98</u>	<u>12,907,007.37</u>	<u>23,312.11</u>	<u>18,571.45</u>	<u>12,044,094.09</u>	<u>12,925,578.82</u>
Long-Term Debt Outstanding	5,729,478.99	6,503,429.41			5,729,478.99	6,503,429.41
Other Liabilities	<u>459,157.18</u>	<u>562,943.53</u>	<u>35,843.67</u>	<u>29,830.66</u>	<u>495,000.85</u>	<u>592,774.19</u>
Total Liabilities	<u>6,188,636.17</u>	<u>7,066,372.94</u>	<u>35,843.67</u>	<u>29,830.66</u>	<u>6,224,479.84</u>	<u>7,096,203.60</u>
Net Position:						
Net Investment in						
Capital Assets	2,654,047.36	2,304,689.76	13,346.84	8,403.91	2,667,394.20	2,313,093.67
Restricted	1,499,453.95	1,977,691.57			1,499,453.95	1,977,691.57
Unrestricted	<u>1,678,644.50</u>	<u>1,558,253.10</u>	<u>(25,878.40)</u>	<u>(19,663.12)</u>	<u>1,652,766.10</u>	<u>1,538,589.98</u>
Total Net Position	<u>5,832,145.81</u>	<u>5,840,634.43</u>	<u>(12,531.56)</u>	<u>(11,259.21)</u>	<u>5,819,614.25</u>	<u>5,829,375.22</u>
Increase (Decrease) in Net Position	(86,388.74)	8,488.62	(32,239.38)	1,272.35	(118,628.12)	9,760.97
Beginning Net Position	<u>5,918,534.55</u>	<u>5,832,145.81</u>	<u>19,707.82</u>	<u>(12,531.56)</u>	<u>5,938,242.37</u>	<u>5,819,614.25</u>
Ending Net Position	<u>\$ 5,832,145.81</u>	<u>\$ 5,840,634.43</u>	<u>\$ (12,531.56)</u>	<u>\$ (11,259.21)</u>	<u>\$ 5,819,614.25</u>	<u>\$ 5,829,375.22</u>
Percentage of Increase (Decrease) in						
Net Position	-1.46%	0.15%	-163.59%	-10.15%	-2.00%	0.17%

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, consisting of compensated absences payable, early retirement benefits payable and capital outlay certificates payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

Changes in Net Position

The School's total revenues (excluding special items) totaled \$4,989,963. (See Table A-2.) Approximately 48.27 % of the School's FY2014 revenue comes from property and other taxes, with another 40.52 % coming from state aid and restricted grants. This compares with 47.46% of revenue coming from property and other taxes; 40.59% from state aid in FY2013, and 46.68% of revenue coming from property and other taxes; 40.65% from state aid in FY2012 (See Figure A-2).

The total cost of all programs and services was \$4,980,202. The School's expenses cover a range of services, encompassing instruction, support services and food services. (See Table A-2).

GOVERNMENTAL ACTIVITIES

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

TABLE A-2
GARRETSON SCHOOL DISTRICT 49-4
Changes in Net Position

	<u>Total Governmental Activities</u>		<u>Total Business-Type Activities</u>		<u>Total</u>	
	<u>FY2013</u>	<u>FY2014</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2013</u>	<u>FY2014</u>
Revenues						
Program Revenues						
Charges for Services	\$ 24,483.00	\$ 22,069.35	\$ 170,189.05	\$ 166,048.60	\$ 194,672.05	\$ 188,117.95
Operating Grants and Contributions	172,254.00	158,478.00	87,010.58	83,328.86	259,264.58	241,806.86
General Revenues						
Taxes	2,334,859.78	2,409,041.85			2,334,859.78	2,409,041.85
Revenue State Sources	1,996,798.89	2,021,733.94			1,996,798.89	2,021,733.94
Other General Revenue	123,464.02	113,775.64			123,464.02	113,775.64
Unrestricted Investment Earnings	10,223.69	15,471.28	9.85	15.41	10,233.54	15,486.69
Total Revenues	<u>4,662,083.38</u>	<u>4,740,570.06</u>	<u>257,209.48</u>	<u>249,392.87</u>	<u>4,919,292.86</u>	<u>4,989,962.93</u>
Expenses						
Instruction	2,563,389.94	2,550,675.75			2,563,389.94	2,550,675.75
Support Services	1,655,797.84	1,735,356.36			1,655,797.84	1,735,356.36
Debt Services	241,731.49	153,412.41			241,731.49	153,412.41
Cocurricular Activities	287,552.85	292,636.92			287,552.85	292,636.92
Food Service			283,533.73	240,502.40	283,533.73	240,502.40
Other Enterprise			5,915.13	7,618.12	5,915.13	7,618.12
Total Expenses	<u>4,748,472.12</u>	<u>4,732,081.44</u>	<u>289,448.86</u>	<u>248,120.52</u>	<u>5,037,920.98</u>	<u>4,980,201.96</u>
Increase (Decrease) in Net Position	<u>(86,388.74)</u>	<u>8,488.62</u>	<u>(32,239.38)</u>	<u>1,272.35</u>	<u>(118,628.12)</u>	<u>9,760.97</u>
Net Position Beginning of the year	<u>5,918,534.55</u>	<u>5,832,145.81</u>	<u>19,707.82</u>	<u>(12,531.56)</u>	<u>5,938,242.37</u>	<u>5,819,614.25</u>
NET POSITION - ENDING	<u>\$ 5,832,145.81</u>	<u>\$ 5,840,634.43</u>	<u>\$ (12,531.56)</u>	<u>\$ (11,259.21)</u>	<u>\$ 5,819,614.25</u>	<u>\$ 5,829,375.22</u>
Percentage of Increase (Decrease) in Net Position	-1.46%	0.15%	-163.59%	-10.15%	-2.00%	0.17%

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

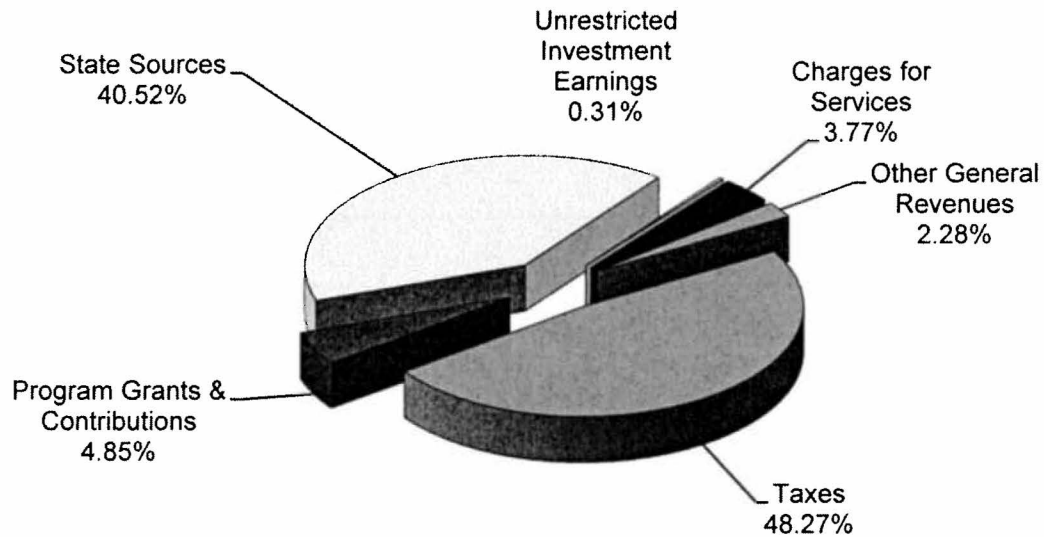
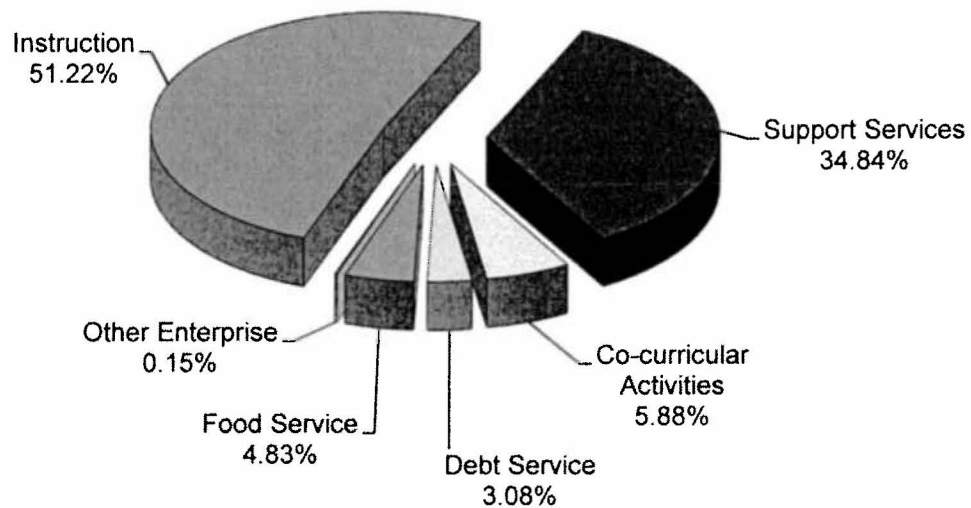


Figure A-4
**Garretson School District
 Functional Expenses for FY2014**



BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities decreased by about 3.04%, or \$7,818. Expenses decreased by \$41,329 or 14.28%. Factors contributing to these results included:

- A decrease in the number of lunch meals served by the food service operations in the amount of 5,553. Breakfasts served decreased by 1,396 meals.
- Free and reduced lunches decreased over 2012-2013 by 952 meals and thus the extra federal reimbursements were lost due to decreased meal sales. Regular priced meals decreased 4,601.
- Contributing factors to the decreases include new federal regulations regulating portion size, serving more fruits and vegetables, and encouraging healthier meal choices.
- Expenses decreased in addition to purchasing less food, was because of a reduction of one staff member in the food service department.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund balance decreased by \$151,715 for the year. The District budgeted to use \$404,422 of its fund balance in FY2014 but higher than expected revenues and lower than expected expenses reduced the amount of cash that was needed from its reserves. The Special Education Fund and Pension Fund balances had a decrease of \$102,940 and a decrease of \$49,453 respectively, due to increased Special Education expenses and the District's decision to shift some of the pension costs of the General Fund to the Pension Fund. The Capital Outlay Fund balance had an increase of \$583,970 in Fiscal Year 2014. This is mainly due to issuance of Capital Outlay Certificates in the amount of \$1,200,000, for the construction of a new bus garage, and construction costs as of June 30, 2014 of only \$589,237. The Debt Service Fund had an increase of \$14,965 due to savings on refunded debt.

BUDGETARY HIGHLIGHTS

The General Fund used \$29,125 of its contingency budget. Of that amount \$15,200 was needed to supplement the co-curricular budget because of unforeseen state tournament expenses, and \$9,200 went to supplement the Staff In-service accounts to pay for additional training due to the upcoming implantation of the new Common Core standards. The General Fund had favorable budget variances in the "Operations and Maintenance" and "Transportation" functions due to lower than budgeted building repairs, fuel costs and vehicle repair costs.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2014, the school district had invested \$7,413,460 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) Because of bus garage construction in progress and the purchase of a new bus, this amount represents a net increase (including additions and deductions) of \$399,413 or 5.69%, than last year.

Table A-3
GARRETSON SCHOOL DISTRICT 49-4 - Capital Assets
(not including accumulated depreciation)

	Governmental Activities			Governmental Business-Type Activities		
	FY2013	FY2014	Increase/ (Decrease)	FY2013	FY2014	Increase/ (Decrease)
Land	\$ 268,500.65	\$ 343,405.95	\$ 74,905.30	\$	\$	\$
Construction Work in Progress		514,332.54	514,332.54			
Buildings	7,852,080.43	7,852,080.43				
Improvements other than Building	2,303,591.58	2,303,591.58				
Machinery and Equipment	1,564,792.96	1,710,933.96	146,141.00	168,702.38	168,702.38	
Library Books	111,565.28	113,422.43	1,857.15			
Total Capital Assets	<u>\$ 12,100,530.90</u>	<u>\$ 12,837,766.89</u>	<u>\$ 737,235.99</u>	<u>\$ 168,702.38</u>	<u>\$ 168,702.38</u>	<u>\$</u>

This year's capital asset purchases included the construction costs on a new bus garage, purchase of a new bus, maintenance equipment, textbooks and new student computers.

LONG-TERM DEBT

At year-end the School had \$6,503,000 in total long term liabilities. The school's total debt expenditures increased by 13.51% as shown on Table A-4 below.

Table A-4
GARRETSON SCHOOL DISTRICT 49-4
Outstanding Debt and Obligations

	Governmental Activities		Total % Change
	FY2013	FY2014	
General Obligation Bonds	\$ 2,215,000.00	\$ 1,955,000.00	-11.74%
Capital Outlay Certificates	3,450,000.00	4,350,000.00	26.09%
Financing (Capital) Leases		134,883.36	100.00%
Compensated Absences	55,983.99	48,108.05	-14.07%
Other Postemployment Benefits	8,495.00	15,438.00	81.73%
Total Long-Term Liabilities	<u>\$ 5,729,478.99</u>	<u>\$ 6,503,429.41</u>	13.51%

The School does not maintain an early retirement plan. The District's General Obligation Bonds have a final maturity date of July 1, 2020, and the capital outlay certificates have final maturity dates of July 15, 2024. In September, 2013 the District issued \$1,200,000 of Capital Outlay Certificates to pay for the construction of, and purchase of equipment for a new bus garage. The final maturity date of those certificates is July 15, 2024.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's property tax valuations increased \$13,359,048 or 6.27% over last year. The increase was helped by a 9.92% increase in the AG valuations. The remaining property valuation classifications values had a slight increase when compared to the prior year. The increase in property valuation increases the School's ability to raise revenue generated from property taxes. That amount of property tax revenue however, is limited by the State of South Dakota in the property tax levy.

One of the primary sources of revenue to the School is based on a per student allocation they receive from the State of South Dakota. The state aid formula for the 2013-2014 school year ensures that property taxes plus state aid will equal \$4,625.65 per pupil. The state aid amount for the 2013-2014 school year increased \$134.73 per student or 3.00% from 2012-2013. The legislature awarded schools "one time" money for the 2013-2014 budget in the amount of \$76.80 per pupil. The District transferred \$116,499 of General Fund retirement costs to the Pension Fund and did not transfer any utility costs to the Capital Outlay Fund. The fiscal year 2015 state aid amount will be \$4,781.14, which is an increase of \$155.49 per pupil, or 3.36%. The District still remains fiscally stable and will resume use of the Capital Outlay for General Fund utility costs in FY 2015 and will still use the Pension Fund for some General Fund expenses.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Garretson School District's Business Office, 505 2nd St., Garretson, SD 57030.

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GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 2,961,917.15	\$ 4,312.90	\$ 2,966,230.05
Investments	22,208.98		22,208.98
Taxes Receivable	1,078,443.46		1,078,443.46
Due From Other Governments	99,864.66		99,864.66
Inventories		5,854.64	5,854.64
Restricted Assets:			
Cash and Cash Equivalents	1,331,112.88		1,331,112.88
Capital Assets:			
Land and Construction in Progress	857,738.49		857,738.49
Other Capital Assets, Net of Depreciation	<u>6,555,721.75</u>	<u>8,403.91</u>	<u>6,564,125.66</u>
TOTAL ASSETS	<u>12,907,007.37</u>	<u>18,571.45</u>	<u>12,925,578.82</u>
LIABILITIES :			
Accounts Payable	165,263.13	1,630.92	166,894.05
Accrued Wages & Benefits Payable	402,680.40	18,987.49	421,667.89
Deposits Payable		4,212.25	4,212.25
Internal Balances	(5,000.00)	5,000.00	
Noncurrent Liabilities:			
Due Within One Year	1,997,001.66		1,997,001.66
Due in More than One Year	<u>4,506,427.75</u>		<u>4,506,427.75</u>
TOTAL LIABILITIES	<u>7,066,372.94</u>	<u>29,830.66</u>	<u>7,096,203.60</u>
NET POSITION:			
Net Investment in Capital Assets	2,304,689.76	8,403.91	2,313,093.67
Restricted for:			
Capital Outlay	1,244,713.31		1,244,713.31
Special Education	194,432.34		194,432.34
Bond Redemption	390,117.89		390,117.89
Pension	148,428.03		148,428.03
Unrestricted (deficit)	<u>1,558,253.10</u>	<u>(19,663.12)</u>	<u>1,538,589.98</u>
TOTAL NET POSITION	<u>\$ 5,840,634.43</u>	<u>\$ (11,259.21)</u>	<u>\$ 5,829,375.22</u>

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

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$2,550,675.75	\$ 125.00	\$ 158,478.00	\$ (2,392,072.75)	\$	\$(2,392,072.75)
Support Services	1,735,356.36			(1,735,356.36)		(1,735,356.36)
*Interest on Long-term Debt	153,412.41			(153,412.41)		(153,412.41)
Cocurricular Activities	292,636.92	21,944.35		(270,692.57)		(270,692.57)
Total Governmental Activities	4,732,081.44	22,069.35	158,478.00	(4,551,534.09)		(4,551,534.09)
Business-type Activities:						
Food Service	240,502.40	159,248.60	83,328.86		2,075.06	2,075.06
Drivers Education Program	7,618.12	6,800.00			(818.12)	(818.12)
Total Business-type Activities	248,120.52	166,048.60	83,328.86		1,256.94	1,256.94
Total Primary Government	\$ 4,980,201.96	\$ 188,117.95	\$ 241,806.86	(4,551,534.09)	1,256.94	(4,550,277.15)

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

General Revenues:

Taxes:

Property Taxes	2,309,177.19	2,309,177.19
Utility Taxes	99,864.66	99,864.66

Revenue from State Sources:

State Aid	2,021,733.94	2,021,733.94
Unrestricted Investment Earnings	15,471.28	15.41 15,486.69
Other General Revenues	113,775.64	113,775.64

Total General Revenues	4,560,022.71	15.41 4,560,038.12
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Change in Net Position	8,488.62	1,272.35 9,760.97
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Net Position Beginning	5,832,145.81	(12,531.56) 5,819,614.25
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NET POSITION - ENDING	\$ 5,840,634.43	\$ (11,259.21) \$ 5,829,375.22
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The notes to the financial statements are an integral part of this statement

GARRETSON SCHOOL DISTRICT NO. 49-4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 1,438,651.80	\$ 1,028,530.77	\$ 130,331.19	\$ 116,581.19	\$ 247,822.20	\$ 2,961,917.15
Cash with Fiscal Agent		1,331,112.88				1,331,112.88
Investments	22,208.98					22,208.98
Taxes Receivable--Current	413,486.61	314,895.97	163,115.87	31,489.47	140,548.65	1,063,536.57
Taxes Receivable--Delinquent	7,619.69	3,569.02	1,613.77	357.37	1,747.04	14,906.89
Due from Other Funds	5,000.00					5,000.00
Due from Other Governments	99,864.66					99,864.66
TOTAL ASSETS	<u>\$ 1,986,831.74</u>	<u>\$ 2,678,108.64</u>	<u>\$ 295,060.83</u>	<u>\$ 148,428.03</u>	<u>\$ 390,117.89</u>	<u>\$ 5,498,547.13</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 38,172.63	\$ 102,282.45	\$ 24,808.05	\$	\$	\$ 165,263.13
Contracts Payable	254,092.05		55,058.02			309,150.07
Payroll Deductions and Withholdings and Employer Matching Payable	72,767.91		20,762.42			93,530.33
Total Liabilities	<u>365,032.59</u>	<u>102,282.45</u>	<u>100,628.49</u>			<u>567,943.53</u>
Deferred Inflows of Resources:						
Unavailable Revenue-Property Taxes	421,106.30	318,464.99	164,729.64	31,846.84	142,295.69	1,078,443.46
Total Deferred Inflows of Resources	<u>421,106.30</u>	<u>318,464.99</u>	<u>164,729.64</u>	<u>31,846.84</u>	<u>142,295.69</u>	<u>1,078,443.46</u>
Fund Balances:						
Restricted		2,257,361.20	29,702.70	116,581.19	247,822.20	2,651,467.29
Assigned for Unemployment	23,006.47					23,006.47
Assigned for Subsequent Year's Budget	339,959.00					339,959.00
Unassigned	837,727.38					837,727.38
Total Fund Balances	<u>1,200,692.85</u>	<u>2,257,361.20</u>	<u>29,702.70</u>	<u>116,581.19</u>	<u>247,822.20</u>	<u>3,852,160.14</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,986,831.74</u>	<u>\$ 2,678,108.64</u>	<u>\$ 295,060.83</u>	<u>\$ 148,428.03</u>	<u>\$ 390,117.89</u>	<u>\$ 5,498,547.13</u>

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

GARRETSON SCHOOL DISTRICT NO. 49-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 3,852,160.14
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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.

Cost of Capital Assets	\$ 12,837,766.89	
Accumulated Depreciation	<u>(5,424,306.65)</u>	7,413,460.24

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Long-Term Liabilities at the year end consist of:

General Obligation Bonds	(1,955,000.00)	
Capital Outlay Certificates	(4,350,000.00)	
Financing (Capital Acquisition) Leases	(134,883.36)	
Other Post Employment Benefits	(15,438.00)	
Compensated Absences	<u>(48,108.05)</u>	(6,503,429.41)

Assets, such as taxes receivable, that are not available to pay for current period expenditures, are deferred in the funds as unavailable revenue.

1,078,443.46

Net Position - Governmental Funds	<u>\$ 5,840,634.43</u>
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The notes to the financial statements are an integral part of this statement.

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 855,060.30	\$ 658,327.05	\$ 326,189.51	\$ 65,832.78	\$ 296,143.41	\$ 2,201,553.05
Prior Years' Ad Valorem Taxes	6,772.10	4,364.16	2,037.14	436.44	1,958.14	15,567.98
Utility Taxes	99,864.66					99,864.66
Penalties and Interest on Taxes	1,666.58	1,093.29	512.87	109.32	475.43	3,857.49
Earnings on Investments and Deposits	4,193.54	9,242.77	309.89	666.95	1,058.13	15,471.28
Tuition and Fees:						
Regular School Day Tuition	125.00					125.00
Cocurricular Activities:						
Admissions	21,944.35					21,944.35
Other Revenue from Local Sources:						
Rentals	200.00		20,852.83			21,052.83
Charges for Services	26,711.52		11,977.85			38,689.37
Other	30,387.30					30,387.30
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	23,646.14					23,646.14
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	1,782,927.94					1,782,927.94
Restricted Grants-in-Aid	625.00		237,936.00			238,561.00
Other State Revenue	245.00					245.00
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through State	74,074.00		84,404.00			158,478.00
Total Revenue	<u>2,928,443.43</u>	<u>673,027.27</u>	<u>684,220.09</u>	<u>67,045.49</u>	<u>299,635.11</u>	<u>4,652,371.39</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	689,311.77	44,267.10	31,761.88	765,340.75
Middle School	305,412.87	59,208.70	14,518.11	379,139.68
High School	551,560.63	44,503.39	25,536.49	621,600.51
Preschool	27.62			27.62
Other Regular Programs	1,792.00			1,792.00

Special Programs:

Programs for Special Education		4,686.33	532,155.11	536,841.44
Educationally Deprived	22,790.02			22,790.02
Other Special Programs	47,748.76	3,000.00		50,748.76

Support Services:

Pupils:

Guidance	81,297.90		4,147.42	85,445.32
Health	2,536.37			2,536.37
Psychological			18,376.22	18,376.22
Speech Pathology			58,668.44	58,668.44
Student Therapy			60,160.84	60,160.84

Support Services - Instructional Staff:

Improvement of Instruction	38,070.82			38,070.82
Educational Media	100,505.16	11,663.48	2,691.70	114,860.34

Support Services - General Administration:

Board of Education	40,136.33			40,136.33
Executive Administration	127,694.55	1,410.95	10,120.00	139,225.50

Support Services - School Administration:

Office of the Principal	165,029.61	3,494.24	6,687.00	175,210.85
Other	938.50			938.50

Support Services - Business:

Fiscal Services	108,383.86	1,182.68	4,645.00	114,211.54
Facilities Acquisition & Construction			8,411.11	8,411.11
Operation and Maintenance of Plant	463,058.17	38,254.57		501,312.74
Pupil Transportation	161,531.14		2,720.00	164,251.14

Support Services - Central:

Staff	323.25			323.25
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Support Services - Special Education:

Administrative Costs			27,282.38	27,282.38
Speech & Language			12,532.23	12,532.23
Autism			1,566.53	1,566.53
Preschool			1,566.53	1,566.53
Transportation Costs			15,275.14	15,275.14
Other Special Education Costs			59,576.58	59,576.58

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Debt Services		473,236.14			284,670.00	757,906.14
Cocurricular Activities:						
Male Activities	11,721.26					11,721.26
Female Activities	15,139.79					15,139.79
Combined Activities	143,290.48	16,115.70		5,260.15		164,666.33
Capital Outlay	<u>1,857.15</u>	<u>767,410.84</u>				<u>769,267.99</u>
Total Expenditures	<u>3,080,158.01</u>	<u>1,468,434.12</u>	<u>787,160.00</u>	<u>116,498.86</u>	<u>284,670.00</u>	<u>5,736,920.99</u>
Excess of Revenue Over (Under)						
Expenditures	(151,714.58)	(795,406.85)	(102,939.91)	(49,453.37)	14,965.11	(1,084,549.60)
Other Financing Sources:						
Proceeds of Long-Term Debt Issued		1,200,000.00				1,200,000.00
Proceeds of Capital Leases		<u>179,377.09</u>				<u>179,377.09</u>
Total Other Financing Sources		<u>1,379,377.09</u>				<u>1,379,377.09</u>
Net Change in Fund Balances	(151,714.58)	583,970.24	(102,939.91)	(49,453.37)	14,965.11	294,827.49
Fund Balance - July 1, 2013	<u>1,352,407.43</u>	<u>1,673,390.96</u>	<u>132,642.61</u>	<u>166,034.56</u>	<u>232,857.09</u>	<u>3,557,332.65</u>
FUND BALANCE - JUNE 30, 2014	<u>\$ 1,200,692.85</u>	<u>\$ 2,257,361.20</u>	<u>\$ 29,702.70</u>	<u>\$ 116,581.19</u>	<u>\$ 247,822.20</u>	<u>\$ 3,852,160.14</u>

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

GARRETSON SCHOOL DISTRICT NO. 49-4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 294,827.49
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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. The amount by which capital outlays expended exceeds depreciation expense is:

Current year depreciation	\$ (369,855.11)	
Capital outlays	<u>769,267.99</u>	399,412.88

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligations Bonds	260,000.00	
Capital Outlay Certificates	300,000.00	
Financing (Capital Acquisition) Leases	<u>44,493.73</u>	604,493.73

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.

Capital Leases	(179,377.09)	
Capital Outlay Certificates	<u>(1,200,000.00)</u>	(1,379,377.09)

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

88,198.67

Governmental funds do not reflect the change in other post-employment benefits payable, but the statement of activities reflects the change through expenses.

(6,943.00)

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenses.

7,875.94

Change in Net Position of Governmental Activities

\$ 8,488.62

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

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 351.02	\$ 3,961.88	\$ 4,312.90
Inventory of Supplies	1,138.54		1,138.54
Inventory of Stores Purchased for Resale	4,131.57		4,131.57
Inventory of Donated Food	584.53		584.53
Total Current Assets	6,205.66	3,961.88	10,167.54
Capital Assets:			
Machinery and Equipment	168,702.38		168,702.38
Less: Accumulated Depreciation	(160,298.47)		(160,298.47)
Total Noncurrent Assets	8,403.91		8,403.91
TOTAL ASSETS	14,609.57	3,961.88	18,571.45
LIABILITIES:			
Current Liabilities:			
Accounts Payable	950.94	679.98	1,630.92
Contracts Payable	10,162.06	2,882.50	13,044.56
Payroll Deductions and Withholdings and Employer Matching Payable	5,722.41	220.52	5,942.93
Due to General Fund	5,000.00		5,000.00
Deposits Payable	4,212.25		4,212.25
Total Current Liabilities	26,047.66	3,783.00	29,830.66
NET POSITION:			
Net Investment in Capital Assets	8,403.91		8,403.91
Unrestricted Net Position	(19,842.00)	178.88	(19,663.12)
Total Net Position	\$ (11,438.09)	\$ 178.88	\$ (11,259.21)

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

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue:			
Tuition and Fees:			
Drivers Education	\$	\$ 6,800.00	\$ 6,800.00
Food Sales:			
To Pupils	115,852.08		115,852.08
To Adults	716.10		716.10
A la Carte	5,744.90		5,744.90
Other	36,935.52		36,935.52
Total Operating Revenue	<u>159,248.60</u>	<u>6,800.00</u>	<u>166,048.60</u>
Operating Expenses:			
Salaries	83,072.73	5,765.00	88,837.73
Employee Benefits	40,659.91	441.04	41,100.95
Purchased Services	7,671.40		7,671.40
Supplies	6,845.75	1,412.08	8,257.83
Cost of Sales-Purchased Food	76,867.77		76,867.77
Cost of Sales-Donated Food	18,076.55		18,076.55
Miscellaneous	2,365.36		2,365.36
Depreciation-Local Funds	4,942.93		4,942.93
Total Operating Expenses	<u>240,502.40</u>	<u>7,618.12</u>	<u>248,120.52</u>
Operating Income (Loss)	<u>(81,253.80)</u>	<u>(818.12)</u>	<u>(82,071.92)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	15.41		15.41
State Sources:			
Cash Reimbursements	1,109.60		1,109.60
Federal Sources:			
Cash Reimbursements	65,498.60		65,498.60
Donated Food	16,720.66		16,720.66
Total Nonoperating Revenue (Expense)	<u>83,344.27</u>		<u>83,344.27</u>
Change in Net Position	2,090.47	(818.12)	1,272.35
Net Position - Beginning	<u>(13,528.56)</u>	<u>997.00</u>	<u>(12,531.56)</u>
NET POSITION - ENDING	<u>\$ (11,438.09)</u>	<u>\$ 178.88</u>	<u>\$ (11,259.21)</u>

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

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 158,475.23	\$ 6,800.00	\$ 165,275.23
Payments to Suppliers	(94,320.61)	(732.10)	(95,052.71)
Payments to Employees	(128,262.37)	(5,724.30)	(133,986.67)
Net Cash Provided (Used) by Operating Activities	(64,107.75)	343.60	(63,764.15)
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund	(2,200.00)	(622.57)	(2,822.57)
Operating Subsidies	66,608.20		66,608.20
Transfer to General Fund			
Net Cash Provided (Used) by Noncapital Financing Activities	64,408.20	(622.57)	63,785.63
Cash Flows from Investing Activities:			
Interest Earnings	15.41		15.41
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 315.86	\$ (278.97)	\$ 36.89
Cash and Cash Equivalents at Beginning of Year	\$ 35.16	\$ 4,240.85	\$ 4,276.01
CASH AND CASH EQUIVALENTS AT END OF YEAR	351.02	3,961.88	4,312.90
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 315.86	\$ (278.97)	\$ 36.89
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (81,253.80)	\$ (818.12)	\$ (82,071.92)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	4,942.93		4,942.93
Value of Commodities Used	18,076.55		18,076.55
Change in Assets and Liabilities:			
Inventories	(1,521.27)		(1,521.27)
Accounts Payable	950.94	679.98	1,630.92
Contracts and Benefits Payable	(4,529.73)	481.74	(4,047.99)
Deposits Payable	(773.37)		(773.37)
Net Cash Provided (Used) by Operating Activities	\$ (64,107.75)	\$ 343.60	\$ (63,764.15)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 16,720.66		

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

GARRETSON SCHOOL DISTRICT NO. 49-4
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 31,838.63
Investments	13,724.96
Accounts Receivable	<u>12,279.77</u>
TOTAL ASSETS	<u>57,843.36</u>
 LIABILITIES:	
Amounts Held for Others	<u>57,843.36</u>
Total Liabilities	<u><u>\$ 57,843.36</u></u>

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

GARRETSON SCHOOL DISTRICT NO. 49-4
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Garretson School District No. 49-4, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

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

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

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.

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

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

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

Other Enterprise Fund - A fund used to record financial transactions related to driver's education conducted for the benefit of the students. The fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: Individual Class Funds, Student Council Funds, and various Student Club Activity Funds.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic

resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Garretson School District No. 49-4, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2014 are amounts due from other governments.

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

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

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

Government-Wide Statements

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

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

The total June 30, 2014 balance of capital assets for governmental activities includes approximately 0.88% for which the costs were determined by estimates of original costs. The total June 30, 2014 balance of capital assets for business-type activities are valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Improvements	10,000.00	Straight Line	10-40 Years
Buildings	10,000.00	Straight Line	50 Years
Machinery and Equipment	5,000.00	Straight Line	5-20 Years
Food Service Machinery and Equipment	1,000.00	Straight Line	8-12 Years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of bonds payable, capital outlay certificates payable, other post-employment benefits and compensated absences.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Deferred Inflows and Outflows of Resources:

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

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

A schedule of fund balances is provided as follows:

**GARRETSON SCHOOL DISTRICT NO. 49-4
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
<i>Restricted for:</i>						
Capital Outlay	\$	\$ 2,257,361.20	\$	\$	\$	\$ 2,257,361.20
Special Education			29,702.70			29,702.70
Pension				116,581.19		116,581.19
Debt Service					247,822.20	247,822.20
<i>Assigned to:</i>						
Unemployment	23,006.47					23,006.47
Subsequent Year						
Budget	339,959.00					339,959.00
<i>Unassigned</i>	837,727.38					837,727.38
Total Fund Balances	<u>\$ 1,200,692.85</u>	<u>\$ 2,257,361.20</u>	<u>\$ 29,702.70</u>	<u>\$ 116,581.19</u>	<u>\$ 247,822.20</u>	<u>\$ 3,852,160.14</u>

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

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

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

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

Credit Risk - State law limits eligible investments for the school district, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2014, the school district's investment in the SDFIT pool was unrated.

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

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pool:		
SDFIT - Government Cash Reserve	Unrated	\$ 10,340.49

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

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Investment earnings are not material to the individual funds.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 1,331,112.88	First Bank & Trust Escrow For future payment of crossover refunding debt

NOTE 4 – RECEIVABLES AND PAYABLES

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

NOTE 5 - INVENTORY

Inventory is stated at the lower of cost or market. The cost valuation method is the first in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2014 in the governmental funds.

NOTE 6 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

NOTE 7 - CHANGES IN CAPITAL ASSETS

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

Primary Government	Balance July 1, 2013	Increases	Decrease	Balance June 30, 2014
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 268,500.65	\$ 74,905.30	\$	\$ 343,405.95
Construction Work in Progress		514,332.54		514,332.54
Total, not being depreciated	<u>268,500.65</u>	<u>589,237.84</u>		<u>857,738.49</u>
Capital Assets, depreciated:				
Buildings	7,852,080.43			7,852,080.43
Improvements	2,303,591.58			2,303,591.58
Machinery and Equipment	1,676,358.24	180,030.15	(32,032.00)	1,824,356.39
Totals	<u>11,832,030.25</u>	<u>180,030.15</u>	<u>(32,032.00)</u>	<u>11,980,028.40</u>
Less Accumulated Depreciation:				
Buildings	2,751,699.10	150,284.43		2,901,983.53
Improvements	1,058,511.02	107,634.04		1,166,145.06
Machinery and Equipment	1,276,273.42	111,936.64	(32,032.00)	1,356,178.06
Total Accumulated Depreciation	<u>5,086,483.54</u>	<u>369,855.11</u>	<u>(32,032.00)</u>	<u>5,424,306.65</u>
Total Capital Assets, being depreciated, net	<u>6,745,546.71</u>	<u>(189,824.96)</u>		<u>6,555,721.75</u>
Governmental activities capital assets, net	<u>\$ 7,014,047.36</u>	<u>\$ 399,412.88</u>	<u>\$ 0.00</u>	<u>\$ 7,413,460.24</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 165,451.97
Support Services	103,293.60
Co-curricular	101,109.54
Total Depreciation expense-governmental activities	<u>\$ 369,855.11</u>

Business-type activity capital assets, net

Capital Assets, depreciated:			
Machinery and Equipment	\$ 168,702.38	\$	\$ 168,702.38
Less Accumulated Depreciation:			
Machinery and Equipment	<u>155,355.54</u>	<u>4,942.93</u>	<u>160,298.47</u>
Business-type activity capital assets, net	<u>\$ 13,346.84</u>	<u>\$ (4,942.93)</u>	<u>\$ 8,403.91</u>

**Depreciation expense was charged to functions as follows:

Construction Work in Progress at June 30, 2014 is composed of the following:

Project Name	Project Authorization	Expended to 6/30/2014	Comitted
Bus Garage	\$1,194,800.00	\$ 514,332.54	\$ 680,467.46

NOTE 8 - LONG -TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2014 is as follows: Compensated absences and other postemployment benefits payable for governmental activities typically have been liquidated from the General Fund.

Governmental Activities	General Obligation	Capital Outlay Certificates	Capital Financing Leases	Other Post Employment Benefits	Compensated Absences	Totals
Liabilities Payable, July 1	\$ 2,215,000.00	\$ 3,450,000.00	\$	\$ 8,495.00	\$ 55,983.99	\$ 5,729,478.99
New Issues		1,200,000.00	179,377.09	17,988.00	7,500.90	1,404,865.99
Retired	(260,000.00)	(300,000.00)	(44,493.73)	(11,045.00)	(15,376.84)	(630,915.57)
Liabilities Payable, June 30	<u>\$ 1,955,000.00</u>	<u>\$ 4,350,000.00</u>	<u>\$ 134,883.36</u>	<u>\$ 15,438.00</u>	<u>\$ 48,108.05</u>	<u>\$ 6,503,429.41</u>
Due within One Year	<u>\$ 275,000.00</u>	<u>\$ 1,645,000.00</u>	<u>\$ 47,131.24</u>	<u>\$ 15,438.00</u>	<u>\$ 14,432.42</u>	<u>\$ 1,997,001.66</u>

In prior years, the district completed a partial crossover advance refunding of Capital Outlay Certificates. The refunded certificates will be called effective December 1, 2014 and will be considered defeased at that time. On June 30, 2014, there was \$1,331,112.88 on deposit with the escrow agent for payment of \$1,305,000 of certificates.

Debt payable at June 30, 2014 is comprised of the following:

General Obligation Bonds:

2013 General Obligation Refunding Bonds - Interest rates from 0.500 to 1.700%, depending on time to maturity; Final Maturity July 1, 2020; payable from Debt Service Fund \$ 1,955,000.00

Capital Outlay Certificates:

2009 Limited Tax General Obligation Refunding Certificates - Interest rates from 2.5 to 4%, depending on time to maturity; Final Maturity July 15, 2024; payable from Capital Outlay Fund 1,885,000.00

2013 Limited Tax General Obligation Crossover Advance Refunding Certificates - Interest rates from .550 to 2.450%, depending on time to maturity; final maturity on July 15, 2024; payable from Capital Outlay Fund 1,370,000.00

2013 Limited Tax General Obligation Certificates - Interest rates from .600 to 3.400%, Depending on time to maturity; Final maturity on July 15, 2024; payable from Capital Outlay Fund 1,095,000.00

Capital Financing Leases:

Capital acquisition lease dated November 27, 2013 for the purchase of 3 Copiers, monthly payments with final maturity in November 2018. Payments are made from the Capital Outlay Fund 70,666.67

Capital acquisition lease dated July 15, 2013 for the purchase of 112 computers and related equipment, annual payments of \$35,160.40 including interest at 6.27%; final payment July 15, 2015. 64,216.69

Compensated Absences:

Sick Leave - Payable from the General Fund. 48,108.05

Other Post Employment Benefits:

Obligations to individuals who are retired or will retire from the school district and who will receive post - employment benefits. Payments are to be made from the General Fund. 15,438.00

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

Ending June 30,	General Obligation		Capital Outlay Certificates		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 275,000	\$ 23,070	\$ 1,645,000	\$ 64,987	\$ 47,131	\$ 4,029	\$ 1,967,131	\$ 92,086
2016	295,000	21,282	350,000	59,970	49,085	2,077	694,085	83,329
2017	320,000	18,923	355,000	55,985	16,000		691,000	74,908
2018	335,000	15,723	370,000	50,583	16,000		721,000	66,306
2019	350,000	11,535	270,000	44,031	6,667		626,667	55,566
2020-24	380,000	6,460	1,360,000	121,015			1,740,000	127,475
Total	<u>\$ 1,955,000</u>	<u>\$ 96,993</u>	<u>\$ 4,350,000</u>	<u>\$ 396,571</u>	<u>\$ 134,883</u>	<u>\$ 6,106</u>	<u>\$ 6,439,883</u>	<u>\$ 499,670</u>

NOTE 10 - RESTRICTED NET POSITION

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

<u>Major Purposes</u>	<u>Restricted By:</u>	<u>Amount:</u>
Capital Outlay Purposes	Law	\$ 1,244,713.31
Special Education Purposes	Law	194,432.34
Pension Purposes	Law	148,428.03
Bond Redemption Purposes	Debt Covenants	390,117.89
Total Restricted Net Position:		<u>\$ 1,977,691.57</u>

NOTE 11 – INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 5,000.00	\$
Food Service Fund		5,000.00

NOTE 12 - RETIREMENT PLAN

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$139,357, \$141,611, and \$135,069 respectively, equal to the required contributions each year.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description: Garretson School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. Subject to the requirements of South Dakota Codified Law 3-12-65 and 3-12-66, SDCL 13-10-4 allows the School Board to enter into retirement pension agreement with its employees. In

addition, SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Garretson School District, PO Box C, Garretson, SD 57030 or by calling 605-594-3451.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Annual OPEB Cost and Net OPEB Obligation: The school district's annual other postemployment 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 to the plan:

Annual required contribution	\$ 18,145
Interest on net OPEB obligation	276
Adjustment to annual required contribution	<u>(433)</u>
Annual OPEB cost (expense)	17,988
Contributions made	<u>(11,045)</u>
Increase in net OPEB obligation	6,943
Net OPEB obligation - beginning of year	<u>8,495</u>
Net OPEB obligation - end of year	<u>\$ 15,438</u>

The school district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2014 and the preceding two years was as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2012	17,400	79.00%	4,478
6/30/2013	17,692	77.00%	8,495
6/30/2014	18,145	60.87%	15,438

Funded Status and Funding Progress: As of June 30, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$124,833, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$124,833.

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, and 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2012 actuarial valuation, the Unit Credit Actuarial Cost Method (with attribution through all years of employment) was used to allocate the cost of benefits to years of active service. The objective under this method is to expense each participant's benefit under the plan proportional to the service rendered. At the time the funding method is introduced, there will be a liability, which represents the contributions, which would have accumulated if this method of funding had always been used (called the Actuarial Liability). The difference between this actuarial liability and the assets, if any, is the unfunded actuarial liability, which is typically amortized over a period of years. The maximum permissible years under GASB 45 is 30 years.

NOTE 14 - JOINT VENTURES

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

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

Baltic	7.95%
Chester	5.77%
Colman-Egan	5.27%
Dell Rapids	15.09%
Flandreau	14.52%
Garretson	6.61%
Howard	8.61%
Madison Central	15.47%
Oldman-Ramona	3.46%
Rutland	3.07%
Tri-Valley	14.19%

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

At June 30, 2014, this joint venture had total assets of \$119,443, total liabilities of \$65,647, and net position of \$53,796.

NOTE 15 - RISK MANAGEMENT

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

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.

Worker's Compensation

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

Unemployment Benefits

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

The school district has an assigned fund balance in the General Fund in the amount of \$23,006.47 for the payment of future unemployment benefits.

During the year ended June 30, 2014, one claim was filed for unemployment benefits in the amount of \$1,424. It is not anticipated that any additional material claims will be filed in the next fiscal year.

NOTE 16 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

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**REQUIRED SUPPLEMENTARY INFORMATION
GARRETSON SCHOOL DISTRICT NO. 49-4
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 820,100.00	\$ 820,100.00	\$ 855,060.30	\$ 34,960.30
Prior Years' Ad Valorem Taxes	7,500.00	7,500.00	6,772.10	(727.90)
Utility Taxes	75,000.00	75,000.00	99,864.66	24,864.66
Penalties and Interest on Taxes	2,000.00	2,000.00	1,666.58	(333.42)
Tuition and Fees:				
Summer School Tuition			125.00	125.00
Earnings on Investments and Deposits	5,000.00	5,000.00	4,193.54	(806.46)
Cocurricular Activities:				
Admissions	20,000.00	20,000.00	21,944.35	1,944.35
Other Revenue from Local Sources:				
Rentals	500.00	500.00	200.00	(300.00)
Medicaid Direct Services			679.03	679.03
Medicaid Indirect Administrative Services	8,000.00	8,000.00	26,032.49	18,032.49
Other	8,000.00	8,000.00	30,387.30	22,387.30
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	24,000.00	24,000.00	23,646.14	(353.86)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,780,000.00	1,780,000.00	1,782,927.94	2,927.94
Restricted Grants-in-Aid			625.00	625.00
Other State Revenue	2,000.00	2,000.00	245.00	(1,755.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	70,167.00	70,167.00	74,074.00	3,907.00
Total Revenue	<u>2,822,267.00</u>	<u>2,822,267.00</u>	<u>2,928,443.43</u>	<u>106,176.43</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	700,226.00	700,226.00	689,311.77	10,914.23
Middle School	304,592.00	305,417.00	305,412.87	4.13
High School	599,978.00	599,978.00	551,560.63	48,417.37
Preschool Services	3,000.00	3,000.00	27.62	2,972.38
Other Regular Programs	2,560.00	2,560.00	1,792.00	768.00

**REQUIRED SUPPLEMENTARY INFORMATION
GARRETSON SCHOOL DISTRICT NO. 49-4
BUDGETARY COMPARISON SCHEDULE -BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Educationally Deprived	\$ 28,292.00	\$ 28,292.00	\$ 22,790.02	\$ 5,501.98
Other Special Programs	48,652.00	48,652.00	47,748.76	903.24
Support Services:				
Pupils:				
Guidance	87,285.00	87,285.00	81,297.90	5,987.10
Health	4,600.00	4,600.00	2,536.37	2,063.63
Support Services - Instructional Staff:				
Improvement of Instruction	28,292.00	37,492.00	38,070.82	(578.82)
Educational Media	103,642.00	105,242.00	102,362.31	2,879.69
Support Services - General Administration:				
Board of Education	41,309.00	42,284.00	40,136.33	2,147.67
Executive Administration	126,533.00	127,833.00	127,694.55	138.45
Support Services - School Administration:				
Office of the Principal	169,188.00	169,188.00	165,029.61	4,158.39
Other	1,500.00	1,500.00	938.50	561.50
Support Services - Business:				
Fiscal Services	112,612.00	112,612.00	108,383.86	4,228.14
Operation and Maintenance of Plant	494,744.00	494,744.00	463,058.17	31,685.83
Pupil Transportation	180,385.00	180,385.00	161,531.14	18,853.86
Support Services - Central:				
Staff	300.00	325.00	323.25	1.75
Cocurricular Activities:				
Male Activities			11,721.26	(11,721.26)
Female Activities			15,139.79	(15,139.79)
Combined Activities	154,017.00	169,217.00	143,290.48	25,926.52
Contingencies	40,000.00	10,875.00		10,875.00
Total Expenditures	<u>3,231,707.00</u>	<u>3,231,707.00</u>	<u>3,080,158.01</u>	<u>151,548.99</u>
Net Change in Fund Balances	(409,440.00)	(409,440.00)	(151,714.58)	257,725.42
Fund Balance - July 1, 2013	<u>1,352,407.43</u>	<u>1,352,407.43</u>	<u>1,352,407.43</u>	
FUND BALANCE - JUNE 30, 2014	<u>\$ 942,967.43</u>	<u>\$ 942,967.43</u>	<u>\$ 1,200,692.85</u>	<u>\$257,725.42</u>

REQUIRED SUPPLEMENTARY INFORMATION
GARRETSON SCHOOL DISTRICT NO. 49-4
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 646,000.00	\$ 646,000.00	\$ 658,327.05	\$ 12,327.05
Prior Years' Ad Valorem Taxes	2,500.00	2,500.00	4,364.16	1,864.16
Penalties and Interest on Taxes	1,000.00	1,000.00	1,093.29	93.29
Earnings on Investments and Deposits	1,500.00	1,500.00	9,242.77	7,742.77
Total Revenue	651,000.00	651,000.00	673,027.27	22,027.27
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	17,000.00	17,000.00	44,267.10	(27,267.10)
Middle School	23,000.00	26,100.00	59,208.70	(33,108.70)
High School	17,000.00	17,000.00	44,503.39	(27,503.39)
Special Programs:				
Programs for Special Education	6,250.00	6,250.00	4,686.33	1,563.67
Other	5,500.00	5,500.00	3,000.00	2,500.00
Support Services - Instructional Staff:				
Educational Media	15,000.00	15,000.00	11,663.48	3,336.52
Support Services - General Administration:				
Executive Administration		1,450.00	1,410.95	39.05
Support Services - School Administration:				
Office of Principal	6,000.00	6,000.00	3,494.24	2,505.76
Support Services - Business:				
Fiscal Services			1,182.68	(1,182.68)
Facilities Acquisition and Construction	1,510,000.00	1,510,000.00	589,237.84	920,762.16
Operation and Maintenance of Plant	60,000.00	84,000.00	38,254.57	45,745.43
Pupil Transportation	117,270.00	117,270.00	91,767.00	25,503.00
Debt Services	379,123.00	416,123.00	553,236.14	(137,113.14)
Cocurricular Activities	30,000.00	30,000.00	22,521.70	7,478.30
Total Expenditures	2,186,143.00	2,251,693.00	1,468,434.12	783,258.88
Excess of Revenue Over (Under)				
Expenditures	(1,535,143.00)	(1,600,693.00)	(795,406.85)	805,286.15
Other Financing Sources:				
Long-term Debt Proceeds	1,400,000.00	1,400,000.00	1,200,000.00	(200,000.00)
Proceeds of Capital Leases			179,377.09	179,377.09
Net Change in Fund Balance	(135,143.00)	(200,693.00)	583,970.24	784,663.24
Fund Balance - July 1, 2013	1,673,390.96	1,673,390.96	1,673,390.96	
FUND BALANCE - JUNE 30, 2014	\$ 1,538,247.96	\$ 1,472,697.96	\$ 2,257,361.20	\$ 784,663.24

REQUIRED SUPPLEMENTARY INFORMATION
GARRETSON SCHOOL DISTRICT NO. 49-4
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 320,000.00	\$ 320,000.00	\$ 326,189.51	\$ 6,189.51
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	2,037.14	1,037.14
Penalties and Interest on Taxes	500.00	500.00	512.87	12.87
Earnings on Investments and Deposits	500.00	500.00	309.89	(190.11)
Rentals	10,000.00	10,000.00	20,852.83	10,852.83
Other Revenue from Local Sources:				
Medicaid Direct Services	15,000.00	15,000.00	7,914.85	(7,085.15)
Medicaid Indirect Administrative Services	500.00	500.00	4,063.00	3,563.00
Revenue from State Sources:				
Restricted Grant in Aid	244,179.00	244,179.00	237,936.00	(6,243.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Gov't through State	85,035.00	85,035.00	84,404.00	(631.00)
Total Revenue	<u>676,714.00</u>	<u>676,714.00</u>	<u>684,220.09</u>	<u>7,506.09</u>
Expenditures:				
Special Programs				
Programs for Special Education	580,720.00	632,720.00	532,155.11	100,564.89
Support Services-Pupils				
Psychological	19,000.00	19,000.00	18,376.22	623.78
Speech Pathology	74,234.00	74,234.00	58,668.44	15,565.56
Student Therapy Services	87,000.00	92,400.00	60,160.84	32,239.16
Support Services-Instructional Staff				
Improvement of Instruction	500.00	500.00		500.00
Support Services - Special Education				
Administrative Costs	47,308.00	47,308.00	27,282.38	20,025.62
Speech/Language	1,500.00	1,500.00	12,532.23	(11,032.23)
Autism	2,000.00	2,000.00	1,566.53	433.47
Preschool	1,500.00	1,500.00	1,566.53	(66.53)
Transportation Costs	17,505.00	17,505.00	15,275.14	2,229.86
Other Special Education Costs			59,576.58	(59,576.58)
Total Expenditures	<u>831,267.00</u>	<u>888,667.00</u>	<u>787,160.00</u>	<u>101,507.00</u>
Net Change in Fund Balance	(154,553.00)	(211,953.00)	(102,939.91)	109,013.09
Fund Balance - July 1, 2013	<u>132,642.61</u>	<u>132,642.61</u>	<u>132,642.61</u>	
FUND BALANCE - JUNE 30, 2014	<u>\$ (21,910.39)</u>	<u>\$ (79,310.39)</u>	<u>\$ 29,702.70</u>	<u>\$ 109,013.09</u>

**REQUIRED SUPPLEMENTARY INFORMATION
GARRETSON SCHOOL DISTRICT NO. 49-4
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 64,700.00	\$ 64,700.00	\$ 65,832.78	\$ 1,132.78
Prior Years' Ad Valorem Taxes	200.00	200.00	436.44	236.44
Penalties and Interest on Taxes	100.00	100.00	109.32	9.32
Earnings on Investments and Deposits	800.00	800.00	666.95	(133.05)
Total Revenue	<u>65,800.00</u>	<u>65,800.00</u>	<u>67,045.49</u>	<u>1,245.49</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	31,890.00	31,890.00	31,761.88	128.12
Middle School	14,622.00	14,622.00	14,518.11	103.89
High School	28,068.00	28,068.00	25,536.49	2,531.51
Support Services:				
Pupils:				
Guidance	4,200.00	4,200.00	4,147.42	52.58
Support Services - Instructional Staff:				
Educational Media	2,851.00	2,851.00	2,691.70	159.30
Support Services - General Administration:				
Executive Administration	10,120.00	10,120.00	10,120.00	
Support Services - School Administration:				
Office of the Principal	6,687.00	6,687.00	6,687.00	
Support Services - Business:				
Fiscal Services	4,645.00	4,645.00	4,645.00	
Operation and Maintenance of Plant	8,480.00	8,480.00	8,411.11	68.89
Pupil Transportation	2,720.00	2,720.00	2,720.00	
Cocurricular Activities:				
Combined Activities	5,440.00	5,440.00	5,260.15	179.85
Total Expenditures	<u>119,723.00</u>	<u>119,723.00</u>	<u>116,498.86</u>	<u>3,224.14</u>
Net Change in Fund Balances	(53,923.00)	(53,923.00)	(49,453.37)	4,469.63
Fund Balance - July 1, 2013	<u>166,034.56</u>	<u>166,034.56</u>	<u>166,034.56</u>	
FUND BALANCE - JUNE 30, 2014	<u>\$112,111.56</u>	<u>\$112,111.56</u>	<u>\$116,581.19</u>	<u>\$ 4,469.63</u>

**REQUIRED SUPPLEMENTARY INFORMATION
GARRETSON SCHOOL DISTRICT NO. 49-4
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - 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]
6/30/2010	\$ 0.00	\$ 97,557	\$ 97,557	0.0%	\$ 2,157,973	4.5%
6/30/2012	0.00	124,833	124,833	0.0%	2,116,599	5.9%

GARRETSON SCHOOL DISTRICT NO. 49-4
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2- USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

QUAM & BERGLIN, P.C.

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

School Board
Garretson School District No. 49-4
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Garretson School District No. 49-4, Minnehaha County, South Dakota, (School District) as of June 30, 2014 for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 13, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency, described in the accompanying Schedule of Audit Findings as Finding No. 2014-001.

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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

Garretson School District's response to the finding identified in our audit is in the accompanying Corrective Action Plan. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

January 13, 2015

GARRETSON SCHOOL DISTRICT NO. 49-4
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2014

PRIOR AUDIT FINDING:

Prior Other Audit Findings:

Prior Finding Number 2013-01:

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

CURRENT AUDIT FINDING:

Internal Control-Related Findings – Significant Deficiency:

Finding Number 2014-001:

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

Criteria:

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

Condition, Cause and Effect:

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

Recommendation:

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

Corrective Action Plan:

The Board of Directors has prepared a response to this finding, shown on page 52.

Garretson School District 49-4

"Creating a Gateway to Life-Long Learning"

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Middle / High School - Option 3
Superintendent / Business Office - Option 4
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Website: www.garretson.k12.sd.us

Guy Johnson, Superintendent
Rod Fischer, Business Manager
Chris Long, Middle/High School Principal
Teresa Johnson, Elementary Principal

CORRECTIVE PLAN OF ACTION

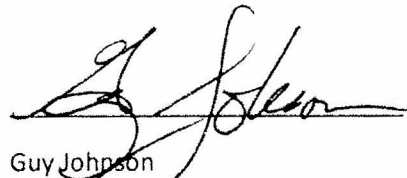
June 30, 2014

Garretson School District 49-4 has considered the lack of segregation of duties for the revenues function. At this time it is not cost effective for Garretson School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Garretson School District to decrease the likelihood that financial data is adversely affected.

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



Rod Fischer
Business Manager



Guy Johnson
Superintendent