



Financial Statements
June 30, 2014

Groton Area School District 06-6

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Independent Auditor's Report

The School Board
Groton Area School District 06-6
Groton, 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 Groton Area School District 06-6 (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Groton Area School District 06-6, as of June 30, 2014, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and budgetary comparison information on pages 35 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
January 13, 2015

Groton Area School District 06-6
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,584,037	\$ 60,964	\$ 3,645,001
Taxes receivable	2,344,792	-	2,344,792
Accounts receivable	583,370	2,204	585,574
Inventories	-	8,128	8,128
Capital assets:			
Land, improvements and construction in progress	103,596	-	103,596
Other capital assets, net of depreciation	5,919,724	28,207	5,947,931
	<u>\$ 12,535,519</u>	<u>\$ 99,503</u>	<u>\$ 12,635,022</u>
Liabilities			
Accounts payable	\$ 434,394	\$ -	\$ 434,394
Unearned revenue	-	11,905	11,905
Noncurrent liabilities:			
Due within one year	460,188	-	460,188
Due in more than one year	2,760,524	-	2,760,524
Total liabilities	<u>3,655,106</u>	<u>11,905</u>	<u>3,667,011</u>
Deferred Inflows of Resources			
Taxes levied for future period	<u>2,376,517</u>	<u>-</u>	<u>2,376,517</u>
Net Position			
Net investment in capital assets	3,032,944	28,207	3,061,151
Restricted for:			
Capital Outlay	639,649	-	639,649
Special Education	223,463	-	223,463
Pension	593	-	593
Debt Service	144,793	-	144,793
North Central Special Education	467,511	-	467,511
Unrestricted	<u>1,994,943</u>	<u>59,391</u>	<u>2,054,334</u>
Total net position	<u>6,503,896</u>	<u>87,598</u>	<u>6,591,494</u>
	<u>\$ 12,535,519</u>	<u>\$ 99,503</u>	<u>\$ 12,635,022</u>

Groton Area School District 06-6
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government						
Governmental activities:						
Instruction	\$ 3,034,247	\$ 262,838	\$ 579,993	\$ (2,191,416)	\$ -	\$ (2,191,416)
Support services	3,110,553	1,365	-	(3,109,188)	-	(3,109,188)
Community services	2,496	-	-	(2,496)	-	(2,496)
*Interest on long-term debt	153,998	-	-	(153,998)	-	(153,998)
Cocurricular activities	530,706	187,614	-	(343,092)	-	(343,092)
Total governmental activities	6,832,000	451,817	579,993	(5,800,190)	-	(5,800,190)
Business-type activities:						
Food service	252,359	183,183	92,213	-	23,037	23,037
After school program	42,849	44,830	-	-	1,981	1,981
Driver's education	5,243	8,600	-	-	3,357	3,357
Total business-type activities	300,451	236,613	92,213	-	28,375	28,375
Total primary government	\$ 7,132,451	\$ 688,430	\$ 672,206	(5,800,190)	28,375	(5,771,815)
General Revenues						
Taxes:						
Property taxes				4,649,174	-	4,649,174
Gross receipts tax				578,962	-	578,962
Revenue from State sources:						
State aid				478,634	-	478,634
Other				207,151	-	207,151
Revenue from Federal sources						
Grants and contributions not restricted to specific programs				30,630	-	30,630
Unrestricted investment earnings				6,834	-	6,834
Other general revenues				741	-	741
Total general revenues				6,030,767	-	6,030,767
Change in Net Position				230,577	28,375	258,952
Net Position - Beginning				6,273,319	59,223	6,332,542
Net Position - Ending				\$ 6,503,896	\$ 87,598	\$ 6,591,494

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

Groton Area School District 06-6
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	North Central Special Education Cooperative	Bond Redemption Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 1,961,266	\$ 672,675	\$ 286,733	\$ -	\$ 516,937	\$ 146,426	\$ 3,584,037
Account receivable							
110 Taxes receivable - current	1,341,879	507,204	280,246	96,687	-	104,967	2,330,983
112 Taxes receivable - delinquent	7,450	3,173	1,693	593	-	900	13,809
120 Accounts receivable	466,050	-	-	-	-	-	466,050
140 Due from state government	112,912	-	-	-	4,408	-	117,320
	<u>\$ 3,889,557</u>	<u>\$ 1,183,052</u>	<u>\$ 568,672</u>	<u>\$ 97,280</u>	<u>\$ 521,345</u>	<u>\$ 252,293</u>	<u>\$ 6,512,199</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
402 Accounts payable	\$ 492	\$ 18,403	\$ -	\$ -	\$ -	\$ -	\$ 18,895
404 Contracts payable	208,696	-	36,993	-	40,965	-	286,654
450 Payroll deductions and withholdings and employer matching payable	97,760	-	18,216	-	12,869	-	128,845
Total liabilities	<u>306,948</u>	<u>18,403</u>	<u>55,209</u>	<u>-</u>	<u>53,834</u>	<u>-</u>	<u>434,394</u>
Deferred Inflows of Resources							
Taxes levied for future period	1,357,330	525,000	290,000	96,687	-	107,500	2,376,517
Unavailable revenue - delinquent property taxes	7,450	3,173	1,693	593	-	900	13,809
Total deferred inflows of resources	<u>1,364,780</u>	<u>528,173</u>	<u>291,693</u>	<u>97,280</u>	<u>-</u>	<u>108,400</u>	<u>2,390,326</u>
Fund Balances							
Restricted:							
Capital Outlay	-	636,476	-	-	-	-	636,476
Special Education	-	-	221,770	-	-	-	221,770
North Central Special Education Cooperative	-	-	-	-	440,106	-	440,106
Bond Redemption	-	-	-	-	-	143,893	143,893
Assigned:							
Unemployment	32,052	-	-	-	27,405	-	59,457
Unassigned	2,185,777	-	-	-	-	-	2,185,777
Total fund balances	<u>2,217,829</u>	<u>636,476</u>	<u>221,770</u>	<u>-</u>	<u>467,511</u>	<u>143,893</u>	<u>3,687,479</u>
	<u>\$ 3,889,557</u>	<u>\$ 1,183,052</u>	<u>\$ 568,672</u>	<u>\$ 97,280</u>	<u>\$ 521,345</u>	<u>\$ 252,293</u>	<u>\$ 6,512,199</u>

See Notes to Financial Statements

Groton Area School District 06-6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2014

Total Fund Balances - Governmental Funds	\$ 3,687,479
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.	6,023,320
Long-term liabilities, including bonds payable, financing lease payables, OPEB obligations, special assessment payables and early retirement payables are not due and payable in the current period and; therefore, are not reported in the funds.	(3,220,712)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and unearned) are not available to pay for current period expenditures and; therefore, are deferred inflows of resources in the funds.	<u>13,809</u>
Net Position - Governmental Funds	<u><u>\$ 6,503,896</u></u>

Groton Area School District 06-6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	North Central Special Education Cooperative	Bond Redemption Fund	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes:							
1110 Ad valorem taxes	\$ 2,578,978	\$ 1,051,384	\$ 579,196	\$ 198,836	\$ -	\$ 223,413	\$ 4,631,807
1120 Prior year's ad valorem taxes	6,234	2,802	1,455	481	-	758	11,730
1140 Gross receipt taxes	578,962	-	-	-	-	-	578,962
1190 Penalties and interest on taxes	3,874	1,954	1,068	361	-	438	7,695
1300 Tuition and fees:							
1310 Tuition from other LEAs	4,626	-	-	-	-	-	4,626
1360 Regular day school transportation fees	1,365	-	-	-	-	-	1,365
1500 Earnings on investments and deposits	614	-	-	-	127	-	741
1700 Cocurricular activities:							
1710 Admissions	40,167	-	-	-	-	-	40,167
1740 Rentals	2,070	-	-	-	-	-	2,070
1790 Other pupil activity income	145,377	-	-	-	-	-	145,377
1900 Other revenue from local sources:							
1910 Rentals	5,152	-	-	-	-	-	5,152
1920 Contributions and donations	5,436	1,398	-	-	-	-	6,834
1940 Services provided other LEAs	-	-	14,903	-	204,284	-	219,187
1970 Charges for services	26,051	-	12,974	-	-	-	39,025
1990 Other	16,988	-	-	-	4,893	-	21,881
2000 Revenue from intermediate sources							
2100 County sources:							
2110 County apportionment	49,557	-	-	-	-	-	49,557
2200 Revenue in lieu of taxes	1,583	234	129	45	-	-	1,991
3000 Revenue from State sources							
3100 Grants-in-aid:							
3110 Unrestricted grants-in-aid	478,634	-	-	-	-	-	478,634
3120 Restricted grants-in-aid	3,750	-	-	-	-	-	3,750
3900 Other State revenue	1,297	-	324	-	205,530	-	207,151
4000 Revenue from Federal sources							
4100 Grants-in-aid:							
4130 Unrestricted grants-in-aid received from Federal government through an intermediate source	6,020	-	-	-	-	-	6,020
4140 Restricted grants-in-aid received directly from federal government	17,769	-	-	-	-	-	17,769
4150-4199 Restricted grants-in-aid received from Federal government through the State	99,770	-	19,362	-	433,322	-	552,454
4900 Other Federal revenue	852	29,778	-	-	-	-	30,630
Total revenues	<u>4,075,126</u>	<u>1,087,550</u>	<u>629,411</u>	<u>199,723</u>	<u>848,156</u>	<u>224,609</u>	<u>7,064,575</u>

Groton Area School District 06-6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	North Central Special Education Cooperative	Bond Redemption Fund	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs:							
1110 Elementary	727,765	152	-	33,005	25,643	-	786,565
1120 Middle school/junior high	362,449	816	-	17,512	-	-	380,777
1130 High school	689,850	82,534	-	29,659	-	-	802,043
1140 Preschool services	31,153	-	-	1,556	-	-	32,709
1150 Class size reduction program	41,691	-	-	-	-	-	41,691
1190 Other regular programs	55,775	-	-	2,063	-	-	57,838
1200 Special programs:							
1210 Gifted and talented	3,225	-	-	94	-	-	3,319
1220 Programs for special education	-	12	469,481	20,694	138,297	-	628,484
1230 At-risk youth	19,345	-	19,362	1,711	-	-	40,418
1250 Culturally different	24,702	356	-	929	-	-	25,987
1270 Educationally deprived	127,276	-	-	-	-	-	127,276
2000 Support services							
2100 Pupils:							
2120 Guidance	96,390	46	-	4,630	-	-	101,066
2130 Health	31,634	-	1,380	1,565	-	-	34,579
2140 Psychological	-	-	10,643	-	160,534	-	171,177
2150 Speech pathology	-	-	22,173	-	271,432	-	293,605
2170 Student therapy services	-	-	57,549	54	-	-	57,603
2200 Support services - instructional staff:							
2210 Improvement of instruction	10,082	-	27	23	230,139	-	240,271
2220 Educational media	126,585	179,284	-	4,181	-	-	310,050
2300 Support services - general administration:							
2310 Board of education	37,217	55,535	-	-	-	-	92,752
2320 Executive administration	136,060	284	-	5,859	27,252	-	169,455
2400 Support services - school administration:							
2410 Office of the principal	233,919	-	-	9,505	-	-	243,424
2490 Other	915	-	-	-	-	-	915
2500 Support services - business:							
2520 Fiscal services	115,637	220	-	4,355	32,848	-	153,060
2530 Facilities acquisition and construction	-	70,986	-	-	-	-	70,986
2540 Operation and maintenance of plant	537,150	60,321	-	10,279	-	-	607,750
2550 Pupil transportation	301,849	850	-	4,031	-	-	306,730
2560 Food Services	-	-	-	3,693	-	-	3,693
2700 Support services - special education:							
2710 Administrative costs	-	-	9,663	-	-	-	9,663
2730 Transportation costs	-	-	17,992	-	-	-	17,992
2740 Other health impairments	-	-	614	-	-	-	614
2750 Other special education costs	-	-	2,713	-	-	-	2,713

Groton Area School District 06-6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	North Central Special Education Cooperative	Bond Redemption Fund	Total Governmental Funds
3000 Community services							
3500 Custody and care of children	-	-	-	1,161	-	-	1,161
3900 Other	-	-	-	339	-	-	339
4000 Nonprogrammed charges							
4500 Early retirement payments	765	-	-	30,000	-	-	30,765
5000 Debt services	-	375,263	-	-	-	217,146	592,409
6000 Cocurricular activities							
6900 Combined activities	436,142	30,811	-	12,825	-	-	479,778
7500 Capital outlay	-	264,782	-	-	-	-	264,782
Total expenditures	<u>4,147,576</u>	<u>1,122,252</u>	<u>611,597</u>	<u>199,723</u>	<u>886,145</u>	<u>217,146</u>	<u>7,184,439</u>
Excess of Revenue over (under) Expenditures	<u>(72,450)</u>	<u>(34,702)</u>	<u>17,814</u>	<u>-</u>	<u>(37,989)</u>	<u>7,463</u>	<u>(119,864)</u>
Other Financing Sources (Uses)							
5120 General long-term debt issued	-	107,800	-	-	-	-	107,800
5130 Sale of surplus property	60	-	-	-	-	-	60
Total other financing sources (uses)	<u>60</u>	<u>107,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,860</u>
Net Change in Fund Balances	(72,390)	73,098	17,814	-	(37,989)	7,463	(12,004)
Fund Balance - Beginning	<u>2,290,219</u>	<u>563,378</u>	<u>203,956</u>	<u>-</u>	<u>505,500</u>	<u>136,430</u>	<u>3,699,483</u>
Fund Balance - Ending	<u>\$ 2,217,829</u>	<u>\$ 636,476</u>	<u>\$ 221,770</u>	<u>\$ -</u>	<u>\$ 467,511</u>	<u>\$ 143,893</u>	<u>\$ 3,687,479</u>

Groton Area School District 06-6

Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-
Wide Statement of Activities
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (12,004)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$325,736) exceeded capital outlay (\$264,782) in the current period.	(60,954)
In both the government-wide and fund financial statements, revenues from tax levies are applied to finance the budget of a particular period. Accounting for revenues from 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".	(2,058)
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.	(107,800)
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the changes in this liability from one year to the next.	(35,783)
Repayment of early retirement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. New early retirement approved was \$20,000, payments of early retirement were \$30,000.	10,000
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>439,176</u>
Change in Net Position of Governmental Activities	<u><u>\$ 230,577</u></u>

Groton Area School District 06-6
Statement of Net Position – Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Food Service Fund	Other	Total
Assets			
Current Assets			
101 Cash and cash equivalents	\$ 38,766	\$ 22,198	\$ 60,964
120 Accounts receivable	-	2,204	2,204
170 Inventory of supplies	1,862	-	1,862
171 Inventory of stores purchased for resale	2,105	-	2,105
172 Inventory of donated food	4,161	-	4,161
Total current assets	<u>46,894</u>	<u>24,402</u>	<u>71,296</u>
Noncurrent Assets			
200 Capital assets:			
204 Machinery and equipment - local funds	115,211	-	115,211
Less accumulated depreciation	<u>(87,004)</u>	<u>-</u>	<u>(87,004)</u>
Total noncurrent assets	<u>28,207</u>	<u>-</u>	<u>28,207</u>
	<u>\$ 75,101</u>	<u>\$ 24,402</u>	<u>\$ 99,503</u>
Liabilities			
400 Current liabilities			
474 Unearned revenue	<u>\$ 8,550</u>	<u>\$ 3,355</u>	<u>\$ 11,905</u>
Total current liabilities	<u>8,550</u>	<u>3,355</u>	<u>11,905</u>
Net Position			
706 Net investment in capital assets	28,207	-	28,207
708 Unrestricted net position	<u>38,344</u>	<u>21,047</u>	<u>59,391</u>
Total net position	<u>66,551</u>	<u>21,047</u>	<u>87,598</u>
	<u>\$ 75,101</u>	<u>\$ 24,402</u>	<u>\$ 99,503</u>

Groton Area School District 06-6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	Food Service Fund	Other	Total
Operating Revenue			
Tuition and fees			
1310 Student tuition	\$ -	\$ 8,600	\$ 8,600
1920 Donations	-	63	63
1980 Parent tuition	-	44,767	44,767
Sales:			
1610 To pupils	158,145	-	158,145
1620 To adults	1,790	-	1,790
1660 Other	23,248	-	23,248
Total operating revenue	<u>183,183</u>	<u>53,430</u>	<u>236,613</u>
Operating Expenses			
100 Salaries	77,640	34,175	111,815
200 Employee benefits	24,746	8,871	33,617
300 Purchased services	5,636	907	6,543
400 Supplies	14,393	4,139	18,532
461 Cost of sales - purchased food	101,356	-	101,356
462 Cost of sales - donated food	22,526	-	22,526
910 Depreciation - local funds	6,062	-	6,062
Total operating expenses	<u>252,359</u>	<u>48,092</u>	<u>300,451</u>
Operating Income (Loss)	<u>(69,176)</u>	<u>5,338</u>	<u>(63,838)</u>
Nonoperating Revenue			
State sources:			
3810 Cash reimbursements	1,148	-	1,148
Federal sources:			
4810 Cash reimbursements	65,968	-	65,968
4820 Donated food	25,097	-	25,097
Total nonoperating revenue	<u>92,213</u>	<u>-</u>	<u>92,213</u>
Change in Net Position	23,037	5,338	28,375
Net Position - Beginning	<u>43,514</u>	<u>15,709</u>	<u>59,223</u>
Net Position - Ending	<u>\$ 66,551</u>	<u>\$ 21,047</u>	<u>\$ 87,598</u>

Groton Area School District 06-6
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	Food Service Fund	Other	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 183,703	\$ 57,055	\$ 240,758
Payments to suppliers	(142,743)	(13,917)	(156,660)
Payments to employees	(77,640)	(34,175)	(111,815)
Net Cash from (used for) Operating Activities	<u>(36,680)</u>	<u>8,963</u>	<u>(27,717)</u>
Cash Flows from Noncapital Financing Activities			
Operating subsidies	67,117	-	67,117
Net Cash from Noncapital Financing Activities	<u>67,117</u>	<u>-</u>	<u>67,117</u>
Net Change in Cash and Cash Equivalents	30,437	8,963	39,400
Cash and Cash Equivalents Beginning of Year	8,329	13,235	21,564
Cash and Cash Equivalents End of Year	<u>\$ 38,766</u>	<u>\$ 22,198</u>	<u>\$ 60,964</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating income (loss)	\$ (69,176)	\$ 5,338	\$ (63,838)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:			
Depreciation expense	6,062	-	6,062
Non-cash inventory costs	22,526	-	22,526
Change in assets and liabilities:			
Accounts receivable	-	3,340	3,340
Inventories	3,388	-	3,388
Unearned revenue	520	285	805
Net Cash from (used for) Operating Activities	<u>\$ (36,680)</u>	<u>\$ 8,963</u>	<u>\$ (27,717)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 25,097	\$ -	\$ 25,097

Groton Area School District 06-6
Statement of Fiduciary Net Position
June 30, 2014

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 193,112</u>
	<u>\$ 193,112</u>
Liabilities	
Amounts held for others	<u>\$ 193,112</u>
	<u>\$ 193,112</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Groton Area School District 06-6 (the School District) conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The School District was formed July 1, 2004. The School District formation is the result of the consolidation of Groton Area School District 06-6 and Bristol School District No. 18-1, as approved by voters in the respective districts. The School District consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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 School District'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 School District as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as presented by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. They include all funds of the School District 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 are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements

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

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

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

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

Governmental Funds

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

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay, Special Education, Pension and North Central Special Education Cooperative Funds are the special revenue funds maintained by the School District.

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 continuing a fund for the payment of pensions to retired employees of school districts, which have established such systems. This fund is financed by property taxes. This is a major fund.

North Central Special Education Cooperative - A fund established to provide special education services to participating school districts. This is a major fund.

Debt Service Fund Types - 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 Fund Types - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 Fund – A fund used to record financial transactions related to the driver’s education operations and the after school program operations. This fund is financed by tuition charges and the after school program. This is a major fund.

Fiduciary Funds

Fiduciary Funds are never considered to be major funds.

Agency Fund Types - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to account for student funds generated within the School District by the students or other School District organizations.

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 similar trust 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 School District, the length of that cycle is 60 days. Utility tax receivables and grant receivables which are accrued at June 30, 2014 are due from the state government for \$112,912 and the Counties for \$466,050. Other grant receivables which are accrued at June 30, 2014 are due from the state for \$4,408.

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

All proprietary funds and fiduciary 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.

Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

Fund Financial Statements

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

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the 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 in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

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.

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

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

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

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

Unearned Revenue

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

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 long-term bonds and financing leases.

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.

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.

Property Taxes

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance current year's appropriations and; therefore, are not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

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

Cash and Cash Equivalents

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows.

Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between non-spendable, restricted, committed, assigned and 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.

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.

Fund Balance Classification Policies and Procedures

In accordance with GASB No. 54, 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 or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted 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 School 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.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay	Property taxes
Special Education	Property taxes, grants and State aid
Pension	Property taxes
North Central Special Education Cooperative	Grants

Deferred Inflows of Resources

For the year ended June 30, 2014, the School District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of implementing this statement, the School District changed the classification of certain liabilities to deferred inflows. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, unavailable revenue, reported only in the statement of net position and governmental funds balance sheet. The governmental activities and governmental funds report unavailable revenues from property taxes and taxes levied for future periods. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

Rounding

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

Note 2 - Deposits and Investments

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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. As of June 30, 2014, the financial institution that holds the School District's deposits was properly collateralized.

Deposits are reported at cost plus interest, if the account is of the add-on type.

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a policy on custodial credit risk. Wells Fargo Bank, which holds all the School District's deposits, pledged securities in the amount over \$250,000 for all public school district funds. The financial institution where the collateral is held must be a member of the Federal Reserve.

The actual bank balances at June 30, 2014 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 804,736
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	3,077,856
	\$ 3,882,592
The School District's carrying amount of deposits at June 30, 2014	\$ 3,838,113

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

Cash and cash equivalents	\$ 3,645,001
Add: Agency fund cash (not included in government-wide statement of net position)	193,112
	\$ 3,838,113

Investments - In general, SDCL 4-5-6 permits School District funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) 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.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk. When the School District does own investments, they are held in the School District's name.

Interest Rate Risk - The School District had no investments at June 30, 2014 and 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.

Credit Risk - Currently, the School District has no policy in regard to credit risk.

Concentration of Credit Risk - The School District does not have a policy in place.

Note 3 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets not being depreciated:				
Land	\$ 103,596	\$ -	\$ -	\$ 103,596
Total capital assets not being depreciated	<u>103,596</u>	<u>-</u>	<u>-</u>	<u>103,596</u>
Capital assets being depreciated:				
Buildings	8,273,413	180,944	12,486	8,441,871
Improvements other than buildings	918,376	-	-	918,376
Machinery and equipment	1,671,165	83,838	144,366	1,610,637
Total capital assets being depreciated	<u>10,862,954</u>	<u>264,782</u>	<u>156,852</u>	<u>10,970,884</u>
Less accumulated depreciation for:				
Buildings	3,260,869	182,125	12,486	3,430,508
Improvements other than buildings	288,408	59,119	-	347,527
Machinery and equipment	1,332,999	84,492	144,366	1,273,125
Total accumulated depreciation	<u>4,882,276</u>	<u>325,736</u> **	<u>156,852</u>	<u>5,051,160</u>
Total capital assets being depreciated, net	<u>5,980,678</u>	<u>(60,954)</u>	<u>-</u>	<u>5,919,724</u>
Governmental activity capital assets, net	<u>\$ 6,084,274</u>	<u>\$ (60,954)</u>	<u>\$ -</u>	<u>\$ 6,023,320</u>

** Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 51,357
Support services	222,455
Community services	996
Co-curricular activities	<u>50,928</u>
Total depreciation expense - governmental activities	<u>\$ 325,736</u>

Groton Area School District 06-6
Notes to Financial Statements
June 30, 2014

Proprietary Fund	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets being depreciated:				
Machinery and equipment	\$ 115,211	\$ -	\$ -	\$ 115,211
Total capital assets being depreciated	<u>115,211</u>	<u>-</u>	<u>-</u>	<u>115,211</u>
Less accumulated depreciation for:				
Machinery and equipment	80,942	6,062 **	-	87,004
Total accumulated depreciation	<u>80,942</u>	<u>6,062</u>	<u>-</u>	<u>87,004</u>
Total capital assets being depreciated, net	<u>34,269</u>	<u>(6,062)</u>	<u>-</u>	<u>28,207</u>
Proprietary fund activities capital assets, net	<u>\$ 34,269</u>	<u>\$ (6,062)</u>	<u>\$ -</u>	<u>\$ 28,207</u>

** Depreciation expense was charged to functions as follows:

Proprietary fund activities:	
Food services	\$ 6,062
Total depreciation expense - proprietary fund activities	<u>\$ 6,062</u>

The School District has committed to purchasing a bus in the approximate amount of \$76,700 that has yet to be built as of June 30, 2014.

Note 4 - Long-Term Liabilities

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

Governmental Activities	7/1/2013	Increase	Decrease	6/30/2014	Due In One Year
General obligation	\$ 3,215,039	\$ -	\$ (352,008)	\$ 2,863,031	\$ 366,745
Financing (capital acquisition) leases	74,865	107,800	(78,315)	104,350	54,132
Special assessment debt	31,848	-	(8,853)	22,995	9,311
Early retirement payable	55,000	20,000	(30,000)	45,000	30,000
OPEB obligation	<u>149,553</u>	<u>68,263</u>	<u>(32,480)</u>	<u>185,336</u>	<u>-</u>
	<u>\$ 3,526,305</u>	<u>\$ 196,063</u>	<u>\$ (501,656)</u>	<u>\$ 3,220,712</u>	<u>\$ 460,188</u>

Primary Government

Governmental Activities

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

General Obligation Bonds		
Series 2009 General Obligation Bonds, matures December 2020, with interest rates varying from 1.25%-4.00% for the life of the loan, paid by the Bond Redemption Fund.	\$	1,340,000
Series 2009 General Obligation Bonds (Build America Bonds), matures December 2022 with interest rate of 5.85% for the life of the loan, paid by the Capital Outlay Fund.		1,469,154
Series 2010 General Obligation Bonds, matures March, 2015 with interest rate of 3.88% for the life of the loan, paid by the Capital Outlay Fund.		53,877
Financing (Capital Acquisition) Leases		
Northland Financial, computers, matures July 2016, 2.83% interest, annual payments of \$23,768 paid by the Capital Outlay Fund.		45,592
Northland Financial, computers, matures July 2015, 3.20% interest, annual payments of \$24,573, paid by the Capital Outlay Fund.		23,834
Marco, Inc. copiers, matures October 2018, 1.799% interest, monthly payments of \$698.65, paid by the Capital Outlay Fund.		34,924
Special Assessment Payable		
City of Groton, curb and gutter assessments, matures October 2015, 5.17% interest rate, annual payments of \$10,550, paid by the Capital Outlay Fund.		22,995
	\$	2,990,376

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

Principal	\$	181,519
Interest		7,681
	\$	189,200

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

Year Ending June 30,	G.O. Bonds Payable		Financing (Capital Acquisition Leases)		Special Assessment		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 366,745	\$ 128,507	\$ 54,132	\$ 2,593	\$ 9,311	\$ 1,189	\$ 430,188	\$ 132,289
2016	326,051	113,302	31,075	1,076	13,684	707	370,810	115,085
2017	339,720	99,020	8,106	278	-	-	347,826	99,298
2018	348,904	83,916	8,253	131	-	-	357,157	84,047
2019	373,632	67,731	2,784	10	-	-	376,416	67,741
2020-2024	1,107,979	99,858	-	-	-	-	1,107,979	99,858
	\$ 2,863,031	\$ 592,334	\$ 104,350	\$ 4,088	\$ 22,995	\$ 1,896	\$ 2,990,376	\$ 598,318

Included in the Marco, Inc. lease agreement is a servicing agreement for the copiers and printers at the School District. A total monthly payment for the serving portion of the lease is \$935 and matures in October, 2018. Required minimum lease payments for 2015 to 2017 are 11,215 and for 2018 is 3,738.

Note 5 - Special Termination Benefits

The School District has an early retirement policy in which the employee will receive a one-time benefit of \$20,000 payable in three different options, \$5,000 paid directly to retiree over 4 years, \$5,000 paid to a tax free investment plan for 4 years or \$20,000 moved to a trust and agency account to pay for health insurance until completely spent. The employee must meet the following criteria: the employee has served the School District for at least 15 years and is between the ages of 55 and 63 as of June 30 of the retirement year. The maximum number of recipients approved in any one year shall not exceed four, and the chronological order in which the applications are received will determine the priority of the recipients. During the 2014 fiscal year, there was one new employee approved to receive the benefits.

Note 6 - Retirement Plan

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

Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employee to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$211,701, \$202,356, and \$200,617, respectively, equal to the required contributions each year.

Note 7 - Cost Sharing Arrangements

The School District participates in four cost sharing arrangements with other area school districts. The budgets are established annually for these programs with input from each participating school. The participating school districts share these costs either based on the number of school districts or students participating.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no decreases in coverage from the previous fiscal year and settled claims have not exceeded coverage in any of the three previous fiscal years. During the year ended June 30, 2014, the School District managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The School District's top end plan coverage provides a deductible of \$100 per person up to \$200 per family. The plan also provides for coinsurance of 80% up to \$5,000. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Liability Insurance

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

Worker's Compensation Insurance

The School District purchases liability insurance for workmen's compensation from a commercial carrier.

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 assigned fund balance in the General Fund in the amount of \$32,052 for the payment of future unemployment benefits. The North Central Special Education Cooperative Special Revenue Fund has assigned \$27,405 for the payment of future unemployment benefits.

At June 30, 2014, no claims had been filed for unemployment benefits and no claims are anticipated for unemployment in the next fiscal year for the General Fund or the North Central Special Education Cooperative Special Revenue Fund.

Note 9 - Restricted Net Position

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

Fund	Restricted By	Amount
Capital Outlay	Law	\$ 639,649
Special Education	Law	223,463
Debt Service	Law	144,793
Pension	Law	593
North Central Special Education	Federal Regulation	467,511
		\$ 1,476,009

Note 10 - Joint Ventures

The School District participates in the Northern High Tech Modules Consortium (Co-op), formed for the purpose of providing services to the member school districts.

The members of the Co-op and their relative percentage of participation are:

Edmunds Central School District	12.5%
Groton Area School District	12.5%
Eureka School District	12.5%
Ipswich School District	12.5%
Leola School District	12.5%
Herreid School District	12.5%
Selby Area School District	12.5%
Warner School District	12.5%

The Edmunds Central School District serves as the school of record and the advisory board is composed of one representative from each school district, who is the Superintendent. The Board oversees adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the net assets, but does have a responsibility to fund deficits in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northern High Tech Modules Consortium.

At June 30, 2014, this joint venture had total fund equity of \$131,342 and no long-term debt.

Note 11 - Post-Employment Healthcare Plan

Plan Description

Groton School District Healthcare Plan is a single-employer defined benefit healthcare plan administered by the School District. The Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between School District certified staff and the governing board. A teacher or administrator, who retires from the School District on or after the age of 55 and with at least 10 years of consecutive service with the School District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 105% of the full active premium rates for either single or family coverage.

Annual OPEB Cost and Net OPEB Obligation

The School Districts annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB accounting Standards Codification Topic ASC P50 (previously GASB Statement 45). The School District has elected to calculate the ARC and related information using the alternative measurement method permitted by Topic ASC P50 for employers on plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

Annual required contribution (ARC)	\$ 69,011
Interest on net OPEB obligation	8,225
Adjustment to annual required contribution	<u>(8,973)</u>
Annual OPEB cost	68,263
Contributions made	<u>(32,480)</u>
 Increase in net OPEB obligation	 35,783
 Net OPEB obligation - July 1, 2013	 <u>149,553</u>
 Net OPEB obligation - June 30, 2014	 <u><u>\$ 185,336</u></u>

The School District's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2014	\$ 68,263	47.6%	\$ 185,336
2013	77,077	72.7%	149,553
2012	76,348	59.0%	128,536

Funded Status and Funding Process

As of June 30, 2014, the most recent actuarial valuation date, the plan's actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$628,590. The School District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$2,865,004 and the UAAL to the covered payroll was 21.94%.

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 multi-year 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.

The following simplifying assumptions were made:

- Retirement Age for Active Employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.
- Marital Status – Marital status of members at the calculation date was assumed to continue throughout retirement.
- Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 19W9 United States Life Tables for Males and for Females were used.

- Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
- Healthcare Cost Trend Rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 10.5% initially, reduced to an ultimate rate of 5.6% after six years, was used.
- Health Insurance Premiums – 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- Inflation Rate – The expected long-term inflation assumption of 4.03% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.
- Payroll Growth Rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

In the June 30, 2014 valuation, a simplified version of the entry age actuarial cost method was used. The simplifying assumptions included a 3.00% discount rate assuming the School District will fund the retirement benefit on a pay-as-you-go basis. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.



Required Supplementary Information
June 30, 2014

Groton Area School District 06-6

Groton Area School District 06-6
 Schedule of Funding Progress
 Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2014	\$ -	\$ 628,590	\$ 628,590	0.00%	\$ 2,865,004	21.94%
6/30/2013	-	657,880	657,880	0.00%	2,620,216	25.11%
6/30/2012	-	744,059	744,059	0.00%	2,635,116	28.24%

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 2,542,334	\$ 2,542,334	\$ 2,578,978	\$ 36,644
1120 Prior year's ad valorem taxes	13,000	13,000	6,234	(6,766)
1140 Gross receipts taxes	570,000	570,000	578,962	8,962
1190 Penalties and interest on taxes	5,000	5,000	3,874	(1,126)
1300 Tuition and fees:				
1310 Regular day school tuition	4,625	4,625	4,626	1
1360 Regular day school transportation fees	1,200	1,200	1,365	165
1500 Earnings on investments and deposits	850	850	614	(236)
1700 Cocurricular activities:				
1710 Admissions	41,000	41,000	40,167	(833)
1740 Rentals	1,400	1,400	2,070	670
1790 Other pupil activity income	118,100	118,100	145,377	27,277
1900 Other revenue from local sources:				
1910 Rentals	1,500	1,500	5,152	3,652
1920 Contributions and donations	10,000	10,000	5,436	(4,564)
1970 Charges for services	20,000	20,000	26,051	6,051
1990 Other	12,000	12,000	16,988	4,988
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	48,000	48,000	49,557	1,557
2200 Revenue in lieu of taxes	100	100	1,583	1,483
3000 Revenue from State sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	460,993	460,993	478,634	17,641
3120 Restricted grants-in-aid	500	500	3,750	3,250
3900 Other State revenue	1,200	1,200	1,297	97
4000 Revenue from Federal sources:				
4100 Grants-in-aid:				
4130 Unrestricted grants-in-aid received from Federal government through an intermediate source	6,000	6,000	6,020	20
4140 Restricted grants-in-aid received directly from Federal government	17,769	17,769	17,769	-
4150-4199 Restricted grants-in-aid received from Federal government through the State	119,085	119,085	99,770	(19,315)
4900 Other Federal revenue	900	900	852	(48)
Total revenues	<u>3,995,556</u>	<u>3,995,556</u>	<u>4,075,126</u>	<u>79,570</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	762,088	762,088	727,765	34,323
1111 Middle school/junior high	375,599	375,599	362,449	13,150
1130 High school	719,156	719,156	689,850	29,306
1140 Preschool services	31,795	31,795	31,153	642
1150 Class size reduction program	42,618	42,618	41,691	927
1190 Other regular programs	55,941	57,791	55,775	2,016

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
1200 Special programs:				
1210 Gifted and talented	5,360	5,360	3,225	2,135
1230 At-risk youth	39,765	39,765	19,345	20,420
1250 Culturally different	25,305	25,305	24,702	603
1270 Educationally deprived	130,547	130,547	127,276	3,271
2000 Support services				
2100 Pupils:				
2120 Guidance	102,789	102,789	96,390	6,399
2130 Health	33,676	33,676	31,634	2,042
2200 Support services - instructional staff:				
2210 Improvement of instruction	20,293	20,293	10,082	10,211
2220 Educational media	143,130	143,130	126,585	16,545
2300 Support services - general administration:				
2310 Board of education	54,244	54,244	37,217	17,027
2320 Executive administration	140,763	140,763	136,060	4,703
2400 Support services - school administration:				
2410 Office of the principal	247,885	247,885	233,919	13,966
2490 Other	1,500	1,500	915	585
2500 Support services - business:				
2520 Fiscal services	119,884	119,884	115,637	4,247
2530 Facilities acquisition and construction	6,000	6,000	-	6,000
2540 Operation and maintenance of plant	603,502	603,502	537,150	66,352
2550 Pupil transportation	330,563	330,563	301,849	28,714
4000 Nonprogrammed charges				
4400 Payments to State - unemployment	4,000	4,000	-	4,000
4500 Early retirement payments	32,345	32,345	765	31,580
6000 Cocurricular activities				
6900 Combined activities	494,552	494,552	436,142	58,410
7000 Contingencies	50,000	48,150	-	48,150
Total expenditures	<u>4,573,300</u>	<u>4,573,300</u>	<u>4,147,576</u>	<u>425,724</u>
Excess of Revenue over (under) Expenditures	<u>(577,744)</u>	<u>(577,744)</u>	<u>(72,450)</u>	<u>505,294</u>
Other Financing Sources (Uses)				
5130 Sale of surplus property	300	300	60	(240)
8110 Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Total other financing sources (uses)	<u>(4,700)</u>	<u>(4,700)</u>	<u>60</u>	<u>4,760</u>
Net Change in Fund Balances	(582,444)	(582,444)	(72,390)	510,054
Fund Balance - Beginning	<u>2,290,219</u>	<u>2,290,219</u>	<u>2,290,219</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,707,775</u>	<u>\$ 1,707,775</u>	<u>\$ 2,217,829</u>	<u>\$ 510,054</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,041,000	\$ 1,041,000	\$ 1,051,384	\$ 10,384
1120 Prior year's ad valorem taxes	4,000	4,000	2,802	(1,198)
1190 Penalties and interest on taxes	2,200	2,200	1,954	(246)
1900 Other revenue from local sources:				
1920 Contributions and donations	-	-	1,398	1,398
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	100	100	234	134
4000 Revenue from Federal sources				
4900 Other Federal revenue	50,339	50,339	29,778	(20,561)
	<u>1,097,639</u>	<u>1,097,639</u>	<u>1,087,550</u>	<u>(10,089)</u>
Total revenues				
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	3,500	3,500	20,152	(16,652)
1120 Junior High/Middle School	5,100	5,100	816	4,284
1130 High school	19,075	19,075	102,534	(83,459)
1140 Preschool services	700	700	-	700
1190 Other regular programs	2,000	2,000	-	2,000
1200 Special programs:				
1220 Programs for special education	1,600	1,600	12	1,588
1230 At-risk youth	100	100	-	100
1250 Culturally different	700	700	356	344
2000 Support services				
2100 Pupils:				
2120 Guidance	750	750	46	704
2130 Health	350	350	-	350
2200 Support services - instructional staff:				
2220 Educational media	219,865	219,865	179,284	40,581
2300 Support services - general administration:				
2310 Board of education	56,000	56,000	55,535	465
2320 Executive administration	500	500	284	216
2400 Support services - school administration:				
2410 Office of the principal	500	500	-	500
2500 Support services - business:				
2520 Fiscal services	500	500	220	280
2530 Facilities acquisition and construction	323,700	323,700	283,672	40,028
2540 Operation and maintenance of plant	61,950	63,450	72,417	(8,967)
2550 Pupil transportation	4,000	4,000	850	3,150
5000 Debt services	391,370	391,370	375,263	16,107
6000 Cocurricular activities				
6900 Combined activities	34,125	34,125	30,811	3,314
	<u>1,126,385</u>	<u>1,127,885</u>	<u>1,122,252</u>	<u>5,633</u>
Total expenditures				

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of Revenue over (under) Expenditures	(28,746)	(30,246)	(34,702)	(4,456)
Other Financing Sources (Uses)				
5120 Proceeds of general long-term liabilities	-	-	107,800	107,800
Total other financing sources (uses)	-	-	107,800	107,800
Net Change in Fund Balances	(28,746)	(30,246)	73,098	103,344
Fund Balance - Beginning	563,378	563,378	563,378	-
Fund Balance - Ending	\$ 534,632	\$ 533,132	\$ 636,476	\$ 103,344

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 573,200	\$ 573,200	\$ 579,196	\$ 5,996
1120 Prior year's ad valorem taxes	2,200	2,200	1,455	(745)
1190 Penalties and interest on taxes	1,200	1,200	1,068	(132)
1900 Other revenue from local sources:				
1940 Services provided other LEAs	14,500	14,500	14,903	403
1970 Charges for services	9,300	9,300	12,974	3,674
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	50	50	129	79
3000 Revenue from State sources				
3110 Unrestricted grants-in-aid	300	300		
3900 Other State revenue	200	200	324	124
4000 Revenue from Federal sources:				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from Federal government through the State	-	-	19,362	19,362
Total revenues	<u>600,950</u>	<u>600,950</u>	<u>629,411</u>	<u>28,461</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	553,294	553,294	469,481	83,813
1230 At-risk youth	-	-	19,362	(19,362)
2000 Support services				
2100 Pupils:				
2120 Guidance	20,000	20,000	-	20,000
2130 Health	-	-	1,380	(1,380)
2140 Psychological	11,800	11,800	10,643	1,157
2150 Speech pathology	23,200	23,200	22,173	1,027
2170 Student therapy services	63,010	63,010	57,549	5,461
2200 Support services - instructional staff:				
2210 Improvement of instruction	500	500	27	473
2300 Support services - general administration:				
2310 Board of education	1,000	1,000	-	1,000
2700 Support services - special education:				
2710 Administrative costs	13,646	13,646	9,663	3,983
2720 Speech/language impairments	-	-		
2730 Transportation costs	23,071	24,921	17,992	6,929
2740 Other health impairments	840	1,640	614	1,026
2750 Other special education costs	6,260	6,260	2,713	3,547
Total expenditures	<u>716,621</u>	<u>719,271</u>	<u>611,597</u>	<u>107,674</u>
Net Change in Fund Balances	(115,671)	(118,321)	17,814	136,135
Fund Balance - Beginning	<u>203,956</u>	<u>203,956</u>	<u>203,956</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 88,285</u>	<u>\$ 85,635</u>	<u>\$ 221,770</u>	<u>\$ 136,135</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 197,802	\$ 197,802	\$ 198,836	\$ 1,034
1120 Prior year's ad valorem taxes	700	700	481	(219)
1190 Penalties and interest on taxes	300	300	361	61
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	-	-	45	45
Total revenues	<u>198,802</u>	<u>198,802</u>	<u>199,723</u>	<u>921</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	42,782	42,782	33,005	9,777
1111 Middle school/junior high	22,700	22,700	17,512	5,188
1130 High school	38,445	38,445	29,659	8,786
1140 Preschool services	2,017	2,017	1,556	461
1190 Other regular programs	2,674	2,674	2,063	611
1200 Special programs:				
1210 Gifted and talented	121	121	94	27
1220 Programs for special education	26,824	26,824	20,694	6,130
1230 At-risk youth	2,218	2,218	1,711	507
1250 Culturally different	1,204	1,204	929	275
2000 Support services				
2100 Pupils:				
2120 Guidance	6,001	6,001	4,630	1,371
2130 Health	2,029	2,029	1,565	464
2170 Student therapy services	70	70	54	16
2200 Support services - instructional staff:				
2210 Improvement of instruction	30	30	23	7
2220 Educational media	5,420	5,420	4,181	1,239
2300 Support services - general administration:				
2320 Executive administration	7,595	7,595	5,859	1,736
2400 Support services - school administration:				
2410 Office of the principal	12,320	12,320	9,505	2,815
2500 Support services - business:				
2520 Fiscal services	5,646	5,646	4,355	1,291
2540 Operation and maintenance of plant	13,324	13,324	10,279	3,045
2550 Pupil transportation	5,226	5,226	4,031	1,195
2560 Food services	4,787	4,787	3,693	1,094
3000 Community services				
3500 Custody and care of children	1,505	1,505	1,161	344
3900 Other	440	440	339	101
4000 Nonprogrammed charges				
4500 Early retirement payments	30,000	30,000	30,000	-
6000 Cocurricular activities				
6900 Combined activities	16,622	16,622	12,825	3,797
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>199,723</u>	<u>50,277</u>
Net Change in Fund Balances	(51,198)	(51,198)	-	51,198
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ (51,198)</u>	<u>\$ (51,198)</u>	<u>\$ -</u>	<u>\$ 51,198</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – North Central Special Education
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1500 Earnings on investments and deposits	\$ 150	\$ 150	\$ 127	\$ (23)
1900 Other revenue from local sources:				
1940 Services provided other LEAs	202,642	202,642	204,284	1,642
1990 Other	3,800	3,800	4,893	1,093
3000 Revenue from State sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	182,664	182,664	205,530	22,866
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from Federal government through the State	433,141	433,141	433,322	181
Total revenues	<u>822,397</u>	<u>822,397</u>	<u>848,156</u>	<u>25,759</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	25,643	25,643	25,643	-
1200 Special programs:				
1220 Programs for special education	160,243	160,243	138,297	21,946
2000 Support services				
2100 Pupils:				
2142 Psychological services	176,181	176,181	160,534	15,647
2152 Speech pathology services	336,344	336,344	271,432	64,912
2200 Support services - instructional staff:				
2210 Improvement of instruction	235,962	235,962	230,139	5,823
2300 Support services - general administration:				
2320 Executive administration	27,606	27,606	27,252	354
2500 Support services - business:				
2520 Fiscal services	48,629	48,629	32,848	15,781
Total expenditures	<u>1,010,608</u>	<u>1,010,608</u>	<u>886,145</u>	<u>124,463</u>
Net Change in Fund Balances	(188,211)	(188,211)	(37,989)	150,222
Fund Balance - Beginning	<u>505,500</u>	<u>505,500</u>	<u>505,500</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 317,289</u>	<u>\$ 317,289</u>	<u>\$ 467,511</u>	<u>\$ 150,222</u>

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedule presents expenditures for capital outlay purposes within each function while the governmental funds statement of revenues, expenditures, and changes in fund balance presents capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

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

1. Prior to the first regular School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the general fund, capital project funds, and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and special revenue funds of the School District only.



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The School Board
Groton Area School District 06-6
Groton, 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 Groton Area School District 06-6 (the School District) as of and for the year ended June 30, 2014, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2014-A to be a material weakness.

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

Compliance and Other Matters

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

School District's Response to Findings

Groton Area School District 06-6's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
January 13, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

The School Board
Groton Area School District 06-6
Groton, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Groton Area School District 06-6's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Groton Area School District 06-6 is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Eide Sallly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
January 13, 2015



Supplementary Information
June 30, 2014

Groton Area School District 06-6

Groton Area School District 06-6
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Food Donation (Commodities Used)	10.555	\$ 25,097
School Breakfast Program (Note 2)	10.553	6,784
National School Lunch Program (Note 2)	10.555	59,184
		<u>91,065</u>
Total U.S. Department of Agriculture		<u>91,065</u>
U.S. Department of Education		
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	59,425
Rural Education	84.358	17,769
Improving Teacher Quality State Grants (Title II)	84.367	40,345
		<u>117,539</u>
Special Education Cluster:		
Special Education - Grants to States (IDEA, Part B, P.L. 102-119) (Note 2)	84.027	412,894
Special Education - Preschool Grants (IDEA, Part B, Section 619, P.L. 102-119)	84.173	15,247
		<u>428,141</u>
Total for Special Education Cluster		<u>428,141</u>
Special Education - Grants for Infants and Families	84.181	5,181
		<u>550,861</u>
Total U.S. Department of Education		<u>550,861</u>
U.S. Department of Health and Human Services		
Pass through the SD Department of Social Services:		
Medical Assistance Program	93.778	29,535
		<u>29,535</u>
Total U.S. Department of Health and Human Services		<u>29,535</u>
Grand Total		<u><u>\$ 671,461</u></u>

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The School District received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note B – Significant Accounting Policies

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

Note C – Pass-through

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

Note D – Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the School District had food commodities totaling \$4,160 in inventory.

Section I – Summary of Auditor’s Results

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

Name of Federal Program	CFDA Number(s)
Special Education Cluster	84.027, 84.173

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2014-A Preparation of Financial Statements, Footnotes, and Material Journal Entries

Condition: Groton Area School District 06-6 requested the external auditors to assist in the preparation of the financial statements, related footnotes and the schedule of expenditures of federal awards for the year ended June 30, 2014. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and; therefore, could result in a misstatement of the School District's financial statements.

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements, footnotes and the schedule of expenditures of federal awards, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could cause the need for auditors to at times propose material journal entries.

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

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Management Response and Corrective Action Plan

Response: Management accepts the risk associated with preparation of the final audited financial statements by the independent auditor.

Explanation of Disagreement: No disagreement noted.

Official Responsible for Ensuring Corrective Action Plan: Mike Weber, Business Manager

Planned Completion for Correction Action: Ongoing

Plan to Monitor Completion of Corrective Action: Ongoing

Section III – Federal Award Findings and Questioned Costs

None noted.

2013-001 **Passed-through U.S. Department of Education**
CFDA # 84.027
Special Education Cluster

Allowable Costs

Significant Deficiency in Internal Control over Compliance

Finding: Groton Area School District 06-6 and North Central Special Education Co-op (NCSEC) did not have proper controls in place to review and identify allowance costs under the special education program.

Status: This has been resolved as of June 30, 2014.