

**LENNOX SCHOOL DISTRICT NO. 41- 4**

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

**JUNE 30, 2014**

LENNOX SCHOOL DISTRICT NO. 41-4  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2014

School Board

Alan Rops

Mary Peters

Renae Buehner

Merris Miller

Nancy Nelson

Sandy Poppenga

Dawn Wolf

Business Manager

Angela Art

Superintendent

Dr. Robert Mayer

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# QUAM & BERGLIN, P.C.

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Lennox School District No. 41-4  
Lincoln County, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lennox School District No. 41-4, Lincoln County, South Dakota, as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lennox School District No. 41-4 as of June 30, 2014, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Quam & Berglin, P.C.*

Quam & Berglin, P.C.  
Certified Public Accountants  
Elk Point, SD

November 25, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lennox School District 41-4's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2014. Please read it in conjunction with the School District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$645,825 more than the \$9,519,986 governmental and business-type program expenditures.
- The total cost of the School's programs increased by 2%. This occurred due to a \$2,000 salary increase and a \$1,000 bonus to salaried employees and a 3% increase and a \$1,000 bonus to hourly employees, with a related increase to payroll taxes and retirement benefits, these increases were then offset with a decrease in the issuance of new debt. The prior fiscal year there was a significant increase in debt issuance for the new scoreboards, the Worthing Street Project, and the MacBook lease for the 1:1 initiative at the high school.
- The school district did not apply for extra-ordinary cost funds for the special education fund.
- For FY 2014, the school district balanced their general fund budget with a one-time state aid payment and the old football field and business office sale money. The general fund ended the year with a deficit of \$(42,874) and an ending fund balance of \$1,511,466. The deficit was mainly created due to planned payout of employee bonuses. \$68,111 of the fund balance was used to balance the budget for FY 2015 in order to payout employee bonuses and additional salary increases for staff.
- The food service fund's net loss was \$36,227 of which \$24,074 was depreciation expense which is a non-cash expense. Sales to students increased due to an increase in enrollment. The cost of food increased due to changes in the Federal guidelines that required school districts to prepare healthier food. Our free/reduced percentage decreased slightly from 22% in FY 2014 to 19% FY 2015.

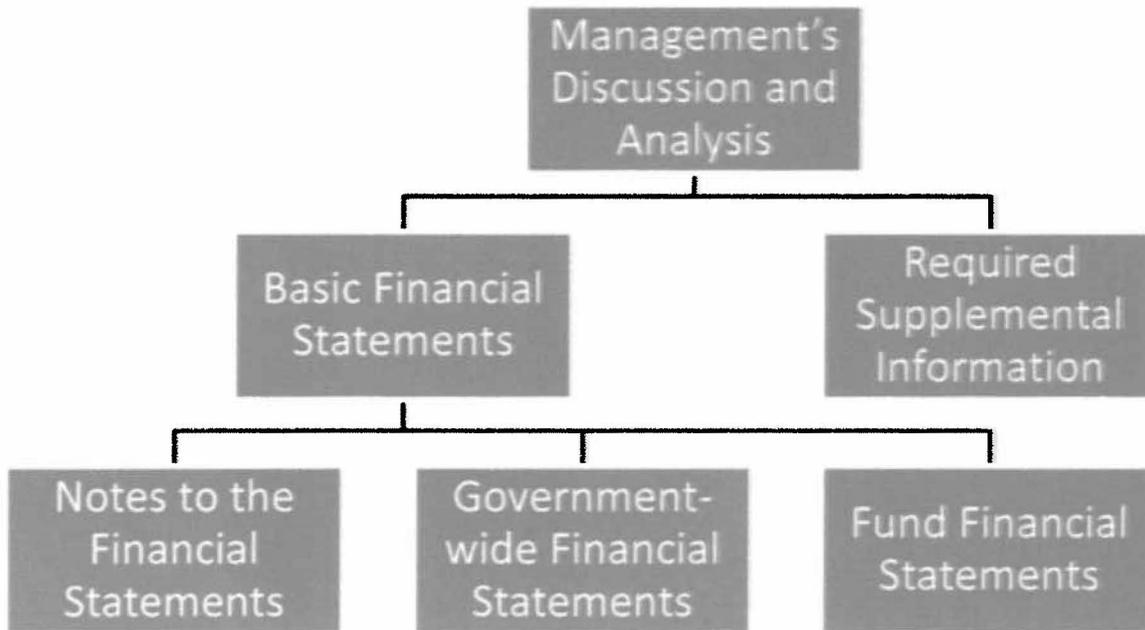
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



The following summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements:

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

## Government-wide Statements

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

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

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch and breakfast services to all students. The food service also receives federal and state assistance to subsidize the food service program. The OST/Preschool program receives most of its funds from student fees.

## Fund Financial Statements

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

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

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund

and the Out of School/Preschool program are the only proprietary funds maintained by the School.

- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Position

The School’s combined net position increased as follows:

LENNOX SCHOOL DISTRICT 41-4						
Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	Prior Yr	Current	Prior Yr	Current	Prior Yr	Current
Current and Other Assets	15,287,995	8,754,274	308,551	320,578	15,596,547	9,074,852
Capital Assets	21,123,423	21,153,272	188,394	164,115	21,311,818	21,317,386
Total Assets	<u>36,411,419</u>	<u>29,907,546</u>	<u>496,946</u>	<u>484,693</u>	<u>36,908,364</u>	<u>30,392,238</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	25,000	25,000				
Total Assets and Deferred Outflows of Resources	<u>36,436,419</u>	<u>29,932,546</u>				
Long-Term Debt Outstanding	25,987,072	18,491,938			25,987,072	18,491,938
Other Liabilities	2,926,236	776,526	32,475	33,018	2,958,711	809,544
Total Liabilities	<u>28,913,309</u>	<u>19,268,464</u>	<u>32,475</u>	<u>33,018</u>	<u>28,945,783</u>	<u>19,301,481</u>
Deferred Inflows of Resources						
Taxes levied for Future Period		2,357,828				2,357,828
Net Position:						
Net Investment in						
Capital Assets	5,577,800	6,455,224	188,394	164,115	5,766,194	6,619,339
Restricted	1,394,666	1,232,715			1,394,666	1,232,715
Unrestricted	525,644	618,315	276,076	287,560	801,720	905,876
Total Net Position	<u>7,498,110</u>	<u>8,306,254</u>	<u>464,470</u>	<u>451,675</u>	<u>7,962,580</u>	<u>8,757,929</u>
Beginning Net Position	<u>6,331,420</u>	7,498,110	<u>434,764</u>	<u>464,470</u>	<u>6,766,184</u>	<u>7,962,580</u>
Prior Period Adjustment		149,523				
Beginning Adjusted Net Position		<u>7,647,633</u>				
Increase (Decrease) in Net Position	<u>1,166,690</u>	<u>658,621</u>	<u>29,706</u>	<u>(12,795)</u>	<u>1,196,396</u>	<u>645,826</u>
Percentage of Increase						

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, computer and bus lease payments, other post-

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

The decrease in current assets and the decrease in long-term debt are primarily due the payoff of the advanced refunding bonds with the use of the cash held with a fiscal agent. Capital Assets increased due to the recording of Construction Work in Process for the 7<sup>th</sup> and 8<sup>th</sup> Grade Addition at the high school. Net position increased by 13% for governmental activities because the school district expended more revenue than received and net position decreased by 3% for the business-type activities because the Food Service fund expended more for the cost of food due to changes in the Federal guidelines that required school districts to prepare healthier food.

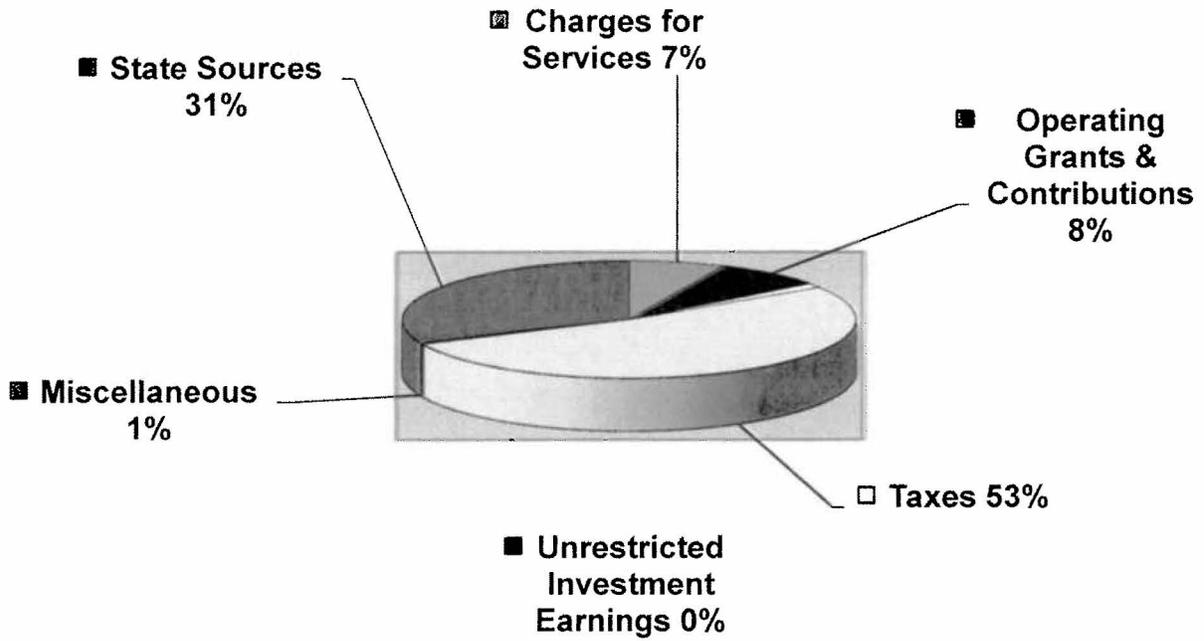
### **Changes in Net Position**

The School's total revenues (excluding special items) totaled \$10,363,960. (See Table 1) Approximately 52% of the School's revenue comes from property and other taxes, with another 31% coming from state aid. (See Chart 1) The School's expenses cover a range of services, encompassing instruction, support services, co-curricular, debt service, OST and food services. (See Chart 2)

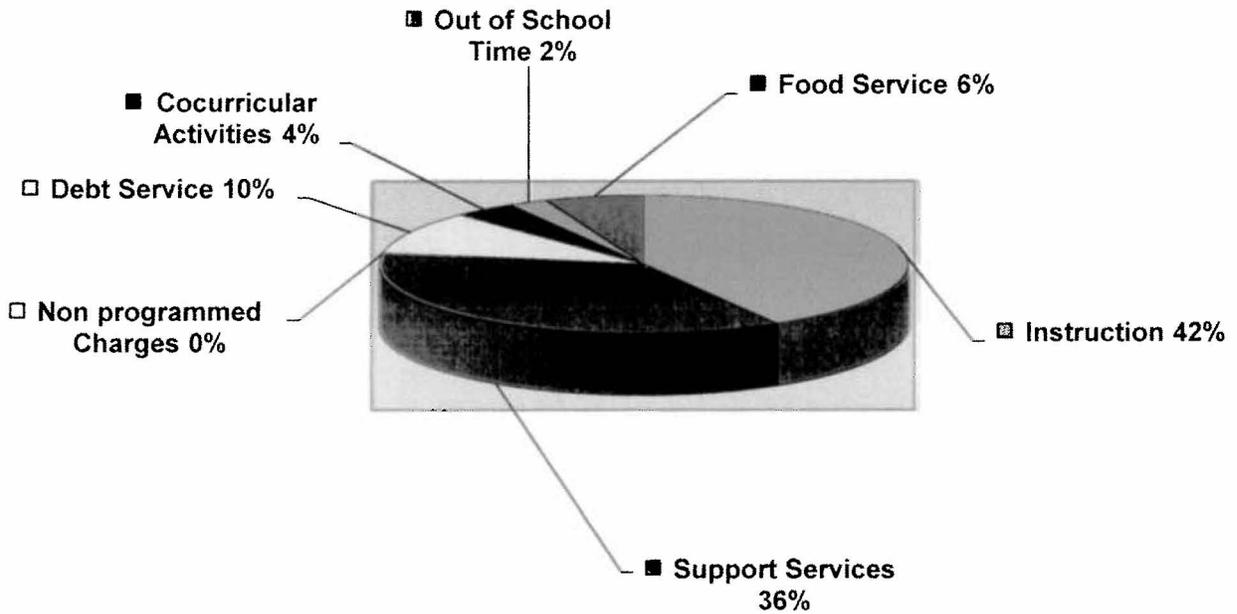
Table 1  
LENNOX SCHOOL DISTRICT 41-4  
Changes in Net Position

	Governmental		Business-Type		Total		% Change 2013-2014
	Activities		Activities				
	2013	2014	2013	2014	2013	2014	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 124,760	\$ 101,142	\$ 593,248	\$ 608,581	\$ 718,009	\$ 709,723	-1%
Operating Grants and Contributions	653,390	624,332	160,474	176,257	813,864	800,588	-2%
Capital Grants and Contributions	141,060	130,109			141,060	130,109	-8%
General Revenues							
Taxes	5,594,002	5,425,285			5,594,002	5,425,285	-3%
Revenue State Sources	3,113,972	3,212,465			3,113,972	3,212,465	3%
Unrestricted Investment Earnings	36,497	35,102	1,226	1,374	37,723	36,476	-3%
Other General Revenues	122,037	49,314			122,037	49,314	-60%
<b>Total Revenues</b>	<b>9,785,719</b>	<b>9,577,748</b>	<b>754,948</b>	<b>786,212</b>	<b>10,540,667</b>	<b>10,363,960</b>	<b>-2%</b>
<b>Expenses</b>							
Instruction	\$ 4,180,941	\$ 3,961,192			\$ 4,180,941	\$ 3,961,192	-5%
Support Services	3,208,688	3,394,841			3,208,688	3,394,841	6%
Nonprogrammed Charges	79,319	40,051			79,319	40,051	-50%
Debt Service	793,093	960,818			793,093	960,818	21%
Cocurricular Activities	328,765	365,002			328,765	365,002	11%
Out of School Time			\$ 217,590	\$ 225,996	217,590	225,996	4%
Food Service			535,874	572,085	535,874	572,085	7%
<b>Total Expenses</b>	<b>8,590,806</b>	<b>8,721,904</b>	<b>753,464</b>	<b>798,082</b>	<b>9,344,270</b>	<b>9,519,986</b>	<b>2%</b>
Excess (Deficiency) Before							
Special Items and Transfers	1,194,912	855,844	1,484	(11,870)	1,196,396	843,974	-29%
Loss on Disposal of Capital Assets		(197,943)		(206)		(198,148.8)	
Transfers	(28,223)	720	28,223	(720)			
<b>Increase (Decrease) in Net Position</b>	<b>\$ 1,166,690</b>	<b>\$ 658,621</b>	<b>\$ 29,707</b>	<b>\$ (12,796)</b>	<b>\$ 1,196,396</b>	<b>\$ 645,825</b>	<b>-46%</b>

**Chart 1**  
**Lennox School District 41-4**  
**Sources of Revenue for Fiscal Year 2014**



**Chart 2**  
**Lennox School District 41-4**  
**Functional Expenses for Fiscal Year 2014**



## **GOVERNMENTAL ACTIVITIES**

Revenues for the governmental activities decreased by approximately 2.1% due to several factors which included a decrease in both operating and capital grants and contributions for a total of \$40,009, a decrease in property taxes collected of \$168,717, an increase in state revenue of \$98,493, and a decrease in other general revenues of \$72,723. The decrease in grants and contributions is due to the decrease in use of the Title I funding and the district did not receive a Clean Diesel grant for a bus purchase during FY 2014. The decrease in property taxes is primarily due to the double collection of gross receipts tax in FY 2013 due to the change in the law for the collection of gross receipts tax. The increase in state revenue is due to the increase in the State Aid per student allocation and because of the district's increase in enrollment. The decrease in other general revenues is due to the initial one-time donations for the scoreboard sponsorships that occurred in FY 2013.

Expenses increased by 1.5% due to several factors which included a decrease of instruction costs of \$219,749, and increase in support services of \$186,153, a decrease in non-programmed costs of \$39,268, and an increase of \$167,725 in debt service costs. The decrease in instruction costs was caused by the issuance of a MacBook lease during FY 2013. The increase in support service costs resulted from additional costs spent with the Safe Routes to School grant and an increase in salary and benefits for support staff. Non-programmed costs decreased due to the change in early retirement payments. The increase in debt service costs was due primarily to paying off the scoreboard loan.

## **BUSINESS-TYPE ACTIVITIES**

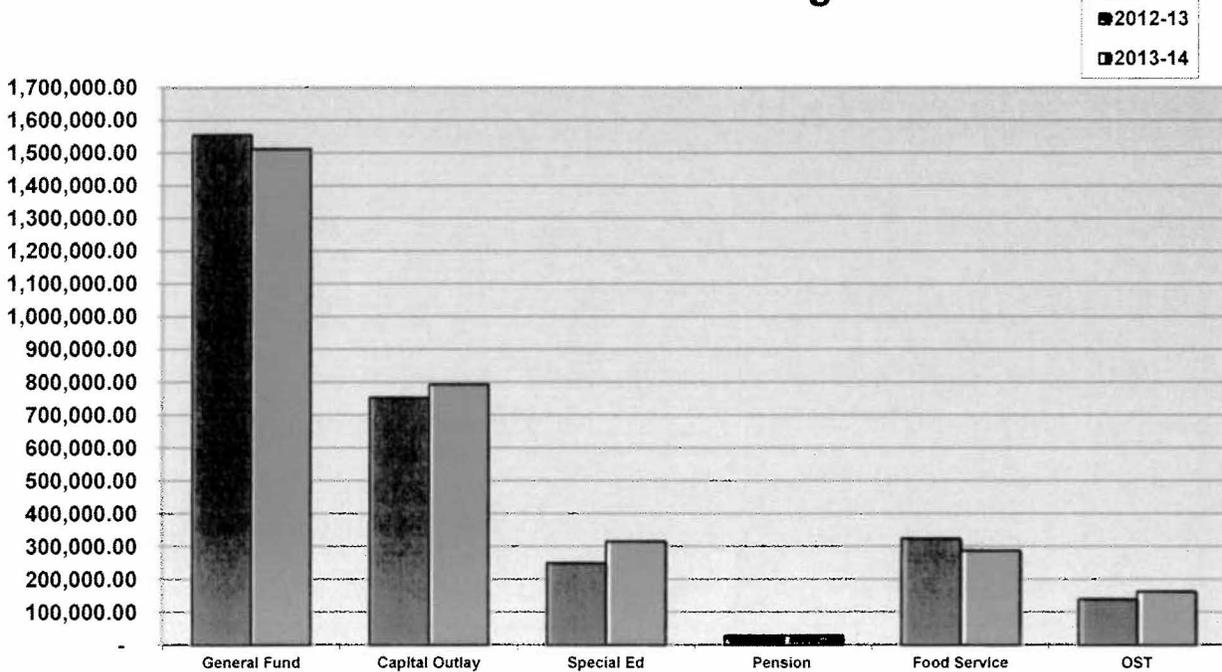
The School's food service fund revenues increased by 2.7% and expenses increased by 6.8%. Revenues and expenses for the OST/Preschool program increased by 2.4% and increased 3.9% respectively. Factors contributing to these results included:

- Food Service revenue increased due to increasing enrollment. The increase in expenses was due to the increase in food costs caused by the change in Federal guidelines requiring the district to serve more healthy meals. The OST/preschool childcare revenue increased due to increased enrollment in the Totally Kids. Expenses increased due to the salary increase and bonus given to staff.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The General Fund, Capital Outlay Fund, Pension Fund, and the OST/Preschool Fund did not have any significant changes in fund balance for the year. However, the Special Education fund increased by \$65,466.73 and the Food Service Fund decreased by \$36,226.72. The changes in the different funds are explained in the two sections above.

## 2012-2013 vs. 2013-2014 ending fund balances



### BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

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

The budget was supplemented with additional grants, donations, loan proceeds, and fund balance. Other than these items, there were no other significant budget changes or budget variances for the year.

### CAPITAL ASSET ADMINISTRATION

By the end of 2014, the School had invested \$21,153,272 in a broad range of capital assets, including, land, buildings, improvements, and various machinery and equipment. (See Table 2) This amount represents a net increase (including additions and deductions) of \$29,848.38 or approximately .14 percent, over last year resulting mainly from the recording of depreciation and the purchase of assets.

**Table 2**  
**LENNOX SCHOOL DISTRICT 41-4 - Capital Assets**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Dollar Change
	2013	2014	2013	2014	
Land	\$ 467,534	\$ 445,534	\$	\$	\$ (22,000)
CWIP	-	455,624			455,624
Buildings	18,782,553	18,368,613			(413,940)
Improvements (PITO)	811,264	836,306			25,042
Machinery and Equipment	1,062,072	1,047,195	188,394	164,115	(39,157)
<b>Total Capital Assets (Net)</b>	<u>\$ 21,123,423</u>	<u>\$ 21,153,272</u>	<u>\$ 188,394</u>	<u>\$ 164,115</u>	<u>\$ 5,569</u>

This year's major capital asset purchases consisted of the Worthing Street Project, a bus, two vans, a lawn mower, computer equipment, playground equipment, Apple iPad Mini Lab, and the construction of the 7<sup>th</sup> and 8<sup>th</sup> Grade Addition onto the high school.

### LONG-TERM DEBT

At year-end the School had \$18,491,938 in Bonds Payable, Capital Outlay Certificates and other long-term obligations. This is a decrease of 28.78% as shown on Table A-4 below which is due to a combination of the payoff of advanced refunding general obligation bonds, issuance of capital outlay certificates for the 7<sup>th</sup> and 8<sup>th</sup> Grade Addition project, and principal payments on the debt.

**Table A-4**  
**LENNOX SCHOOL DISTRICT 41-4 - Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2013	2014	2013	2014	2013-2014	2013-2014
Bonds Payable	\$ 18,820,000	\$ 8,945,000			\$ (9,875,000)	-52.47%
Capital Outlay Certificates	6,375,000	9,070,000			2,695,000	42.27%
Early Retirement	120,217	98,680			(21,537)	-17.92%
Computer Lease	239,561	110,883			(128,678)	-53.71%
Notes Payable	294,523	119,618			(174,905)	-59.39%
Admin Accrued Leave	13,018	13,498			480	3.69%
OPEB Liability	103,785	134,258			30,473	29.36%
<b>Total Outstanding Debt and Obligations</b>	<u>\$ 25,966,104</u>	<u>\$ 18,491,938</u>			<u>\$ (7,474,167)</u>	<u>28.78%</u>

There are 2 administrators who are eligible for early retirement therefore their accrued leave needs to be added to the outstanding debt and obligations because it is an obligation that needs to be accrued and paid by the district.

The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 80% of their last year's salary in 6 equal payments spread over the next three years. This plan allows the school to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Preliminary valuation figures show that the School experienced an increase in total property valuation of \$50,911,733 or 14.4% from the prior year. This increases the amount of revenue generated from property taxes by approximately \$239,285 in the capital outlay, special education and the pension fund. The total amount which can be levied is limited by the State of South Dakota.

For the 2014-15 school year, the district increased salaries and gave bonuses at an average of 7.09% to their certified employees and a 3% salary increase to all other employees. The district received a 3.36% increase in state aid from the State and enrollment increased by 12 students. The School adopted a balanced general fund budget for the 2014-15 school year with the use of \$68,111 of fund balance to fund employees one-time bonuses and additional salary increases.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for FY 2014 ensures that property taxes plus state aid will equal \$4,625.65 per pupil. The allocation for FY 2015 will increase to \$4,781.14 per pupil. State aid is based on the school district's fall enrollment from the current year or an average of the current year and the previous year if there is a decrease in enrollment from year to year. The school experienced a 12 student increase for the state aid calculation for FY 2015.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Lennox School District's Business Office, 305 W. 5<sup>th</sup> Ave, P.O. Box 38, Lennox, SD 57039.

**LENNOX SCHOOL DISTRICT NO. 41-4**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 5,132,336.89	\$ 305,091.20	\$ 5,437,428.09
Investments	501,512.33		501,512.33
Taxes Receivable	2,431,540.99		2,431,540.99
Accounts Receivable	13,101.85	368.00	13,469.85
Due From Other Governments	628,689.46	732.02	629,421.48
Interest Receivable	1,395.76		1,395.76
Inventories		13,858.59	13,858.59
Prepaid Expenses	45,696.55	528.33	46,224.88
Capital Assets:			
Land and Construction Work in Progress	901,157.82		901,157.82
Other Capital Assets, Net of Depreciation	20,252,113.87	164,114.60	20,416,228.47
<b>TOTAL ASSETS</b>	<b>29,907,545.52</b>	<b>484,692.74</b>	<b>30,392,238.26</b>
Deferred Outflows of Resources			
Deferred Charge on Refunding	25,000.00		25,000.00
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,932,545.52</b>	<b>484,692.74</b>	<b>30,417,238.26</b>
<b>LIABILITIES :</b>			
Accounts Payable	56,321.29	3,514.82	59,836.11
Contracts Payable	434,954.16	15,749.28	450,703.44
Construction Contracts Payable	177,665.15		177,665.15
Sales Tax Payable	137.10		137.10
Benefits Payable	107,448.12	4,566.16	112,014.28
Unearned Revenue		9,187.53	9,187.53
Noncurrent Liabilities:			
Due Within One Year	1,614,209.35		1,614,209.35
Due in More than One Year	16,877,728.35		16,877,728.35
<b>TOTAL LIABILITIES</b>	<b>19,268,463.52</b>	<b>33,017.79</b>	<b>19,301,481.31</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for Future Period	2,357,828.08		2,357,828.08
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,357,828.08</b>		<b>2,357,828.08</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	6,455,223.91	164,114.60	6,619,338.51
Net Position Restricted for:			
Capital Outlay	701,308.95		701,308.95
Special Education	323,067.04		323,067.04
Pension	31,574.20		31,574.20
Debt Service	176,764.58		176,764.58
Unrestricted Net Position	618,315.24	287,560.35	905,875.59
<b>TOTAL NET POSITION</b>	<b>\$ 8,306,253.92</b>	<b>\$ 451,674.95</b>	<b>\$ 8,757,928.87</b>

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

**LENNOX SCHOOL DISTRICT NO. 41-4  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 3,961,192.45	\$	\$ 607,794.20	\$	\$ (3,353,398.25)	\$	\$ (3,353,398.25)
Support Services	3,394,840.58	47,190.43	16,537.49	74,279.84	(3,256,832.82)		(3,256,832.82)
Nonprogrammed Charges	40,051.00				(40,051.00)		(40,051.00)
*Interest on Long-term Debt	960,817.66			55,828.88	(904,988.78)		(904,988.78)
Cocurricular Activities	365,002.33	53,951.79			(311,050.54)		(311,050.54)
<b>Total Governmental Activities</b>	<b>8,721,904.02</b>	<b>101,142.22</b>	<b>624,331.69</b>	<b>130,108.72</b>	<b>(7,866,321.39)</b>		<b>(7,866,321.39)</b>
<b>Business-type Activities:</b>							
Food Service	572,085.26	362,839.20	172,571.50			(36,674.56)	(36,674.56)
After School Program	215,521.93	235,391.90	3,685.29			23,555.26	23,555.26
Driver's Education	10,474.36	10,350.00				(124.36)	(124.36)
<b>Total Business-type Activities</b>	<b>798,081.55</b>	<b>608,581.10</b>	<b>176,256.79</b>			<b>(13,243.66)</b>	<b>(13,243.66)</b>
<b>Total Primary Government</b>	<b>\$ 9,519,985.57</b>	<b>\$ 709,723.32</b>	<b>\$ 800,588.48</b>	<b>\$ 130,108.72</b>	<b>(7,866,321.39)</b>	<b>(13,243.66)</b>	<b>(7,879,565.05)</b>
<b>*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.</b>							
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					4,999,918.02		4,999,918.02
Utility Taxes					425,366.50		425,366.50
<b>Revenue from State Sources:</b>							
State aid					3,212,465.09		3,212,465.09
Unrestricted Investment Earnings					35,101.57	1,374.05	36,475.62
Other General Revenues					49,313.99		49,313.99
Loss on Disposal of Capital Assets					(197,942.53)	(206.25)	(198,148.78)
<b>Transfers</b>					719.96	(719.96)	
<b>Total General Revenues, Losses, and Transfers</b>					<b>8,524,942.60</b>	<b>447.84</b>	<b>8,525,390.44</b>
<b>Change in Net Position</b>					<b>658,621.21</b>	<b>(12,795.82)</b>	<b>645,825.39</b>
<b>Net Position - Beginning</b>					<b>7,498,110.02</b>	<b>464,470.77</b>	<b>7,962,580.79</b>
<b>Prior Period Adjustment</b>					<b>149,522.69</b>		<b>149,522.69</b>
<b>Net Position - Adjusted Beginning</b>					<b>7,647,632.71</b>	<b>464,470.77</b>	<b>8,112,103.48</b>
<b>NET POSITION - ENDING</b>					<b>\$ 8,306,253.92</b>	<b>\$ 451,674.95</b>	<b>\$ 8,757,928.87</b>

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

**LENNOX SCHOOL DISTRICT NO. 41-4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	High School Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 919,646.16	\$ 809,446.77	\$ 299,751.68	\$ 30,000.00	\$ 164,340.77	\$ 2,909,151.51	\$ 5,132,336.89
Investments	501,512.33						501,512.33
Taxes Receivable - Current	846,795.05	723,455.98	289,382.72	62,012.00	436,182.33		2,357,828.08
Taxes Receivable - Delinquent	33,159.32	19,220.23	7,335.35	1,574.20	12,423.81		73,712.91
Accounts Receivable	3,931.85	9,170.00					13,101.85
Due from Other Governments	508,167.46		120,522.00				628,689.46
Interest Receivable on Investments	1,311.75					84.01	1,395.76
Prepaid Expenses	39,198.69		6,497.86				45,696.55
<b>TOTAL ASSETS</b>	<b><u>\$ 2,853,722.61</u></b>	<b><u>\$ 1,561,292.98</u></b>	<b><u>\$ 723,489.61</u></b>	<b><u>\$ 93,586.20</u></b>	<b><u>\$ 612,946.91</u></b>	<b><u>\$ 2,909,235.52</u></b>	<b><u>\$ 8,754,273.83</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
Liabilities:							
Accounts Payable	\$ 25,247.88	\$ 25,507.46	\$ 5,565.95	\$	\$	\$	\$ 56,321.29
Contracts Payable	349,609.74		85,344.42				434,954.16
Construction Contracts Payable						177,665.15	177,665.15
Sales Tax Payable		137.10					137.10
Payroll Deductions and Withholdings and Employer Matching Payable	87,318.64		20,129.48				107,448.12
<b>Total Liabilities</b>	<b><u>462,176.26</u></b>	<b><u>25,644.56</u></b>	<b><u>111,039.85</u></b>			<b><u>177,665.15</u></b>	<b><u>776,525.82</u></b>
Deferred Inflows of Resources:							
Taxes Levied for a Future Period	846,795.05	723,455.98	289,382.72	62,012.00	436,182.33		2,357,828.08
Unavailable Revenue-Property Taxes	33,159.32	19,220.23	7,335.35	1,574.20	12,423.81		73,712.91
<b>Total Deferred Inflows of Resources</b>	<b><u>879,954.37</u></b>	<b><u>742,676.21</u></b>	<b><u>296,718.07</u></b>	<b><u>63,586.20</u></b>	<b><u>448,606.14</u></b>		<b><u>2,431,540.99</u></b>
Fund Balances:							
Nonspendable	39,198.69		6,497.86				45,696.55
Restricted		792,972.21	309,233.83	30,000.00	164,340.77	2,731,570.37	4,028,117.18
Assigned	76,667.10						76,667.10
Unassigned	1,395,726.19						1,395,726.19
<b>Total Fund Balances</b>	<b><u>1,511,591.98</u></b>	<b><u>792,972.21</u></b>	<b><u>315,731.69</u></b>	<b><u>30,000.00</u></b>	<b><u>164,340.77</u></b>	<b><u>2,731,570.37</u></b>	<b><u>5,546,207.02</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS FROM RESOURCES AND FUND BALANCES</b>	<b><u>\$ 2,853,722.61</u></b>	<b><u>\$ 1,561,292.98</u></b>	<b><u>\$ 723,489.61</u></b>	<b><u>\$ 93,586.20</u></b>	<b><u>\$ 612,946.91</u></b>	<b><u>\$ 2,909,235.52</u></b>	<b><u>\$ 8,754,273.83</u></b>

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

**LENNOX SCHOOL DISTRICT NO. 41-4  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total Fund Balances - Governmental Funds		\$ 5,546,207.02
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost of Capital Assets is	\$ 26,800,303.67	
Accumulated Depreciation is	<u>(5,647,031.98)</u>	21,153,271.69
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(8,945,000.00)	
Capital Outlay Certificates	(9,070,000.00)	
Early Retirement	(98,680.00)	
Accrued Leave	(13,498.06)	
Other Long Term Notes	(119,618.15)	
Financing Aquisition Leases	(110,883.49)	
Other Post-Employment Benefits	<u>(134,258.00)</u>	(18,491,937.70)
Assets, such as taxes receivable (delinquent) that are not available to pay for current period expenditures, are deferred in the funds.		
		73,712.91
Deferred charges on refunded debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. Deferred amount is:		
		<u>25,000.00</u>
Net Position - Governmental Funds		<u>\$ 8,306,253.92</u>

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

**LENNOX SCHOOL DISTRICT NO. 41-4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>High School Bond Redemption Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 1,689,870.19	\$ 1,540,375.18	\$ 604,721.80	\$ 131,824.25	\$ 946,476.47	\$	\$ 4,913,267.89
Prior Years' Ad Valorem Taxes	36,502.09	20,439.51	7,230.20	1,631.71	11,386.06		77,189.57
Utility Taxes	425,366.50						425,366.50
Penalties and Interest on Taxes	9,195.44	4,623.06	1,775.83	380.21	2,997.10		18,971.64
Earnings on Investments and Deposits	6,761.87	1,390.50	1,156.58	325.19	25,257.12	210.31	35,101.57
Cocurricular Activities:							
Admissions	40,291.63						40,291.63
Rentals	13,660.16						13,660.16
Other Revenue from Local Sources:							
Rentals	1,480.00						1,480.00
Contributions and Donations	7,125.16	67,154.68					74,279.84
Services Provided Other LEA's	33,510.77		5,410.00				38,920.77
Charges for Services			8,269.66				8,269.66
Other	3,479.35						3,479.35
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	27,936.25						27,936.25
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	3,212,465.09						3,212,465.09
Restricted Grants-in-Aid	5,375.00		300,543.00				305,918.00
Other State Revenue	16,537.49						16,537.49
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-in-Aid Received from Federal Government Through the State	101,022.00	10,725.20	190,129.00				301,876.20
Other Federal Revenue		55,828.88					55,828.88
<b>Total Revenue</b>	<u>5,630,578.99</u>	<u>1,700,537.01</u>	<u>1,119,236.07</u>	<u>134,161.36</u>	<u>986,116.75</u>	<u>210.31</u>	<u>9,570,840.49</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	1,256,830.57	78,875.46	53,924.45		1,389,630.48
Middle/Junior High	522,336.87	16,185.60	25,364.26		563,886.73
High School	848,159.73	61,197.01	37,099.37		946,456.11

Special Programs:

Programs for Special Education			681,219.68		681,219.68
Educationally Deprived	61,836.49				61,836.49

Support Services:

Pupils:

Guidance	179,422.79				179,422.79
Health	47,450.54	1,249.00			48,699.54
Psychological			66,659.21		66,659.21
Speech Pathology Services			106,500.75		106,500.75
Student Therapy Services			54,827.66		54,827.66

Support Services - Instructional Staff:

Improvement of Instruction	62,148.84				62,148.84
Educational Media	249,658.67	22,075.65	6,029.25		277,763.57

Support Services - General Administration:

Board of Education	52,508.88				52,508.88
Executive Administration	128,063.22		6,614.85		134,678.07

Support Services - School Administration:

Office of the Principal	443,460.74				443,460.74
Other	1,214.12				1,214.12

Support Services - Business:

Fiscal Services	155,434.59	1,808.89	4,803.99		162,047.47
Operation and Maintenance of Plant	947,050.80	117,496.06		0.10	1,064,546.96
Pupil Transportation	374,682.23	2,759.38			377,441.61
Food Services		1,730.00			1,730.00

Support Services - Central Information:

Staff	3,745.96				3,745.96
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Support Services - Special Education:

Administrative Costs			113,140.57		113,140.57
Transportation Costs			30,264.89		30,264.89

Nonprogrammed Charges

Unemployment	1,551.00				1,551.00
Early Retirement	60,037.34				60,037.34

Debt Services		1,176,904.67		10,312,986.26	83,016.16	11,572,907.09
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**LENNOX SCHOOL DISTRICT NO. 41-4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>High School Bond Redemption Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Cocurricular Activities:							
Male Activities	68,846.50	19,630.99					88,477.49
Female Activities	42,755.40	3,927.13					46,682.53
Transportation	18,625.11						18,625.11
Combined Activities	152,922.84	10,053.07					162,975.91
Capital Outlay		172,134.78				455,623.68	627,758.46
Total Expenditures	<u>5,678,743.23</u>	<u>1,686,027.69</u>	<u>1,052,612.76</u>	<u>133,836.17</u>	<u>10,312,986.26</u>	<u>538,639.94</u>	<u>19,402,846.05</u>
Excess of Revenue Over (Under) Expenditures	<u>(48,164.24)</u>	<u>14,509.32</u>	<u>66,623.31</u>	<u>325.19</u>	<u>(9,326,869.51)</u>	<u>(538,429.63)</u>	<u>(9,832,005.56)</u>
Other Financing Sources (Uses):							
Transfers In	5,290.31						5,290.31
Transfers Out		(1,390.50)	(1,156.58)	(325.19)	(1,698.08)		(4,570.35)
Proceeds of Long-term Debt Issued		505,000.00				3,270,000.00	3,775,000.00
Sale of Surplus Property		11,493.95					11,493.95
Payment to Refunded Debt Escrow Agent		(493,793.96)					(493,793.96)
Compensation for Loss of Capital Assets		4,924.44					4,924.44
Total Other Financing Sources (Uses)	<u>5,290.31</u>	<u>26,233.93</u>	<u>(1,156.58)</u>	<u>(325.19)</u>	<u>(1,698.08)</u>	<u>3,270,000.00</u>	<u>3,298,344.39</u>
Net Change in Fund Balances	(42,873.93)	40,743.25	65,466.73	0.00	(9,328,567.59)	2,731,570.37	(6,533,661.17)
Fund Balance - Beginning	<u>1,554,465.91</u>	<u>752,228.96</u>	<u>250,264.96</u>	<u>30,000.00</u>	<u>9,492,908.36</u>	<u>0.00</u>	<u>12,079,868.19</u>
FUND BALANCE - ENDING	<u>\$ 1,511,591.98</u>	<u>\$ 792,972.21</u>	<u>\$ 315,731.69</u>	<u>\$ 30,000.00</u>	<u>\$ 164,340.77</u>	<u>\$2,731,570.37</u>	<u>\$ 5,546,207.02</u>

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

**LENNOX SCHOOL DISTRICT NO. 41-4  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (6,533,661.17)

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

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (197,942.53)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays expense exceeds depreciation expense in the period is :

Capital Outlay	\$ 627,758.46	
Depreciation Expense	<u>(549,490.24)</u>	78,268.22

Payment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.

General Obligation Bonds	9,875,000.00	
Capital Outlay Certificates	1,080,000.00	
Financing (Acquisition) Leases	128,677.82	
Other Long Term Notes	<u>174,904.54</u>	11,258,582.36

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

Capital Outlay Certificates		(3,775,000.00)
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Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered available revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. (9,511.08)

When bonds are issued there is usually a premium or deferred charges involved. This premium or deferred charge is amortized over the life of the bonds issued.

Discount on Debt Issue	(173,666.68)	
Premium on Debt Issue	<u>20,967.71</u>	(152,698.97)

In the statement of activities, certain operating expenses (compensated absences and early retirement benefits) are measured by the amounts earned and paid during the year. In the governmental funds however, expenditures for these items are different than the amount of financial resources used. This year the changes in these accounts are:

Administrative Leave Payable	(479.96)	
Other Post Employment Benefits	(30,473.00)	
Early Retirement Benefits	<u>21,537.34</u>	<u>(9,415.62)</u>

Change in Net Position of Governmental Activities \$ 658,621.21

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

**LENNOX SCHOOL DISTRICT NO. 41-4**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>OST/Preschool Fund</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 120,735.22	\$ 184,355.98	\$ 305,091.20
Accounts Receivable		368.00	368.00
Due from Other Governments		732.02	732.02
Prepaid Expenses		528.33	528.33
Inventory of Supplies	2,900.40		2,900.40
Inventory of Stores Purchased for Resale	10,958.19		10,958.19
Total Current Assets	<u>134,593.81</u>	<u>185,984.33</u>	<u>320,578.14</u>
Capital Assets:			
Machinery and Equipment	382,674.54		382,674.54
Less: Accumulated Depreciation	<u>(218,559.94)</u>		<u>(218,559.94)</u>
Total Noncurrent Assets	<u>164,114.60</u>		<u>164,114.60</u>
<b>TOTAL ASSETS</b>	<u>298,708.41</u>	<u>185,984.33</u>	<u>484,692.74</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	604.41	2,910.41	3,514.82
Contracts Payable	378.84	15,370.44	15,749.28
Payroll Deductions and Withholdings and Employer Matching Payable	2,924.63	1,641.53	4,566.16
Deposits Payable	<u>6,838.33</u>	<u>2,349.20</u>	<u>9,187.53</u>
Total Current Liabilities	<u>10,746.21</u>	<u>22,271.58</u>	<u>33,017.79</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	164,114.60		164,114.60
Unrestricted Net Position	<u>123,847.60</u>	<u>163,712.75</u>	<u>287,560.35</u>
Total Net Position	<u>\$ 287,962.20</u>	<u>\$ 163,712.75</u>	<u>\$ 451,674.95</u>

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

**LENNOX SCHOOL DISTRICT NO. 41-4**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>OST/Preschool Fund</u>	<u>Total</u>
<b>Operating Revenue:</b>			
Preschool Tuition	\$	\$ 63,544.50	\$ 63,544.50
Sales To Pupils	222,418.90	3,297.50	225,716.40
Sales To Adults	5,331.25		5,331.25
A la Carte	119,045.70		119,045.70
Childcare		165,375.40	165,375.40
Other	16,043.35	13,524.50	29,567.85
Total Operating Revenue	<u>362,839.20</u>	<u>245,741.90</u>	<u>608,581.10</u>
<b>Operating Expenses:</b>			
Food Service:			
Salaries	172,896.26	173,785.57	346,681.83
Employee Benefits	64,432.80	27,362.41	91,795.21
Purchased Services	9,532.11	1,170.06	10,702.17
Supplies	14,506.70	11,113.71	25,620.41
Cost of Sales-Purchased Food	245,788.86	12,564.54	258,353.40
Cost of Sales-Donated Food	38,853.77		38,853.77
Miscellaneous	2,001.25		2,001.25
Depreciation-Local Funds	24,073.51		24,073.51
Total Operating Expenses	<u>572,085.26</u>	<u>225,996.29</u>	<u>798,081.55</u>
Operating Income (Loss)	<u>(209,246.06)</u>	<u>19,745.61</u>	<u>(189,500.45)</u>
<b>Nonoperating Revenue (Expense):</b>			
Local Sources:			
Investment Earnings	654.09	719.96	1,374.05
Loss on Disposal of Capital Assets	(206.25)		(206.25)
State Sources:			
Cash Reimbursements	1,944.58		1,944.58
Federal Sources:			
Cash Reimbursements	131,773.15	3,685.29	135,458.44
Donated Food	38,853.77		38,853.77
Total Nonoperating Revenue (Expense)	<u>173,019.34</u>	<u>4,405.25</u>	<u>177,424.59</u>
Income (Loss) Before Transfers and Contributions	<u>(36,226.72)</u>	<u>24,150.86</u>	<u>(12,075.86)</u>
Transfers (Out)		<u>(719.96)</u>	<u>(719.96)</u>
Change in Net Position	<u>(36,226.72)</u>	<u>23,430.90</u>	<u>(12,795.82)</u>
Net Position - Beginning	<u>324,188.92</u>	<u>140,281.85</u>	<u>464,470.77</u>
<b>NET POSITION - ENDING</b>	<u><b>\$ 287,962.20</b></u>	<u><b>\$ 163,712.75</b></u>	<u><b>\$ 451,674.95</b></u>

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

**LENNOX SCHOOL DISTRICT NO. 41-4**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>OST/Preschool Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 363,151.62	\$ 246,111.46	\$ 609,263.08
Payments to Suppliers	(270,956.41)	(22,112.87)	(293,069.28)
Payments to Employees	(235,726.65)	(202,835.43)	(438,562.08)
Other Operating Cash Payments	(5,493.89)	77.24	(5,416.65)
Net Cash Provided (Used) by Operating Activities	<u>(149,025.33)</u>	<u>21,240.40</u>	<u>(127,784.93)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	133,717.73	3,685.29	137,403.02
Transfers		(719.96)	(719.96)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>133,717.73</u>	<u>2,965.33</u>	<u>136,683.06</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Earnings	654.09	719.96	1,374.05
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (14,653.51)</u>	<u>\$ 24,925.69</u>	<u>\$ 10,272.18</u>
Cash and Cash Equivalents at Beginning of Year	\$ 135,388.73	\$ 159,430.29	\$ 294,819.02
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>120,735.22</u>	<u>184,355.98</u>	<u>305,091.20</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (14,653.51)</u>	<u>\$ 24,925.69</u>	<u>\$ 10,272.18</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (209,246.06)	\$ 19,745.61	\$ (189,500.45)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	24,073.51		24,073.51
Value of Commodities Used	38,853.77		38,853.77
Change in Assets and Liabilities:			
Accounts Receivable		(368.00)	(368.00)
Due from Government		58.71	58.71
Due from Other Fund		77.24	77.24
Prepaid Expenses		210.55	210.55
Inventories	(1,733.15)		(1,733.15)
Accounts Payable	604.41	2,524.89	3,129.30
Due to Other Fund	(3,492.64)		(3,492.64)
Contracts and Benefits Payable	1,602.41	(1,687.45)	(85.04)
Deposits Payable	312.42	678.85	991.27
Net Cash Provided (Used) by Operating Activities	<u>\$ (149,025.33)</u>	<u>\$ 21,240.40</u>	<u>\$ (127,784.93)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 38,853.77		
Loss on Disposal of Capital Assets	(206.25)		

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

LENNOX SCHOOL DISTRICT NO. 41-4  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 32,635.70	\$ 72,679.09
Accounts Receivable		561.88
TOTAL ASSETS	32,635.70	73,240.97
<b>LIABILITIES:</b>		
Accounts Payable		2,200.30
Amounts Held for Others		71,040.67
Total Liabilities		\$ 73,240.97
<b>NET POSITION</b>		
Held in Trust for Scholarships	\$ 32,635.70	

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

**LENNOX SCHOOL DISTRICT NO. 41-4  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Private-Purpose Trust Funds</b>
<b>ADDITIONS:</b>	
Contributions and Donations	\$ 2,210.00
Interest on Investments	<u>456.75</u>
Total Additions	<u>2,666.75</u>
<b>DEDUCTIONS:</b>	
Trust Deductions for Scholarships	<u>2,750.00</u>
Total Deductions	<u>2,750.00</u>
Change in Net Position	(83.25)
Net Position - Beginning	<u>32,718.95</u>
<b>NET POSITION - ENDING</b>	<b><u>\$ 32,635.70</u></b>

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

LENNOX SCHOOL DISTRICT NO. 41-4  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Lennox School District No. 41-4, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

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

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or

services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

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

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

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

**Governmental Funds:**

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

*Special Revenue Fund Types - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.*

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 district. This fund is financed by grants and property taxes. This is a major fund.

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

*Debt Service Fund Types - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.*

Bond Redemption Funds - Funds established by SDCL 13-16-13 to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The 2009 General Obligation Bonds are paid from the High School Bond Redemption Fund. This is a major fund.

*Capital Projects Fund - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).*

The 7<sup>th</sup> and 8<sup>th</sup> Grade Addition to the High School Capital Project Fund is the only capital projects fund maintained by the School District. This is a major fund.

### **Proprietary Funds:**

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

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

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

OST/Preschool Fund--A fund used to record financial transactions related to OST/Preschool programs conducted for the benefit of the children. This fund is financed by user charges and grants. This is a major fund.

### **Fiduciary Funds:**

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

*Private-Purpose Trust Fund Types - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains private-purpose trust funds for scholarships.*

*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 District maintains*

agency funds for the following purposes: Individual Class Funds, Student Council Funds, and various Student Club Activity Funds.

c. Measurement Focus and Basis of Accounting:

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

**Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**Basis of Accounting:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and 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 Lennox School District No. 41-4, the length of that cycle is 60 days. Revenues accrued at June 30, 2014 are amounts due from grants, accrued interest, and other receivables.

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

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

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

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

*Government-Wide Statements*

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

betterments that are significant and which extend the useful life of a capital asset are also capitalized.

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

The total June 30, 2014 balance of capital assets for governmental activities includes approximately 1.65 percent for which costs were determined by estimates of the original cost. These estimated original costs were established by appraisals. The total June 30, 2014 balance of capital assets for business-type activities are valued at original costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which 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	\$ 15,000.00	Straight Line	10-25 Years
Buildings	50,000.00	Straight Line	50 Years
Machinery and Equipment	5,000.00	Straight Line	5-20 Years
Food Service Machinery and Equipment	1,000.00	Straight Line	5-12 Years

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements*

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of accrued leave payable, capital outlay certificates payable, financing capital acquisition leases, early retirement payable, and bonds payable.

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

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications

*Government-wide Statements:*

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

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

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund

equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

i. Application of Net Position:

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board, Superintendent, or Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

A schedule of fund balances is provided as follows:

LENNOX SCHOOL DISTRICT NO. 41-4  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Fund Balance:							
Nonspendable:							
Prepaid Items	\$ 39,198.69	\$	\$ 6,497.86	\$	\$	\$	\$ 45,696.55
Restricted for:							
Capital Outlay		792,972.21					792,972.21
Special Education			309,233.83				309,233.83
Pension				30,000.00			30,000.00
Debt Service					164,340.77		164,340.77
Capital Projects						2,731,570.37	2,731,570.37
Assigned for:							
Unemployment	8,556.10						8,556.10
Next Year's Budget	68,111.00						68,111.00
Unassigned:	<u>1,395,726.19</u>	<u>                    </u>	<u>1,395,726.19</u>				
<b>Total Fund Balances</b>	<b><u>\$ 1,511,591.98</u></b>	<b><u>\$ 792,972.21</u></b>	<b><u>\$ 315,731.69</u></b>	<b><u>\$ 30,000.00</u></b>	<b><u>\$ 164,340.77</u></b>	<b><u>\$ 2,731,570.37</u></b>	<b><u>\$ 5,546,207.02</u></b>

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

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

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

Investments – In general, SDCL 4-5-6 permits school 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 safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

Credit Risk – State law limits eligible investments for the school district, as discussed above. The school district has no investment policy that would further limit its investment choices. Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2014.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund except the Food Service Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investments, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restriction on interfund transfers.

#### NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectible accounts has been established, as the District believes all receivables are ultimately collectable.

#### NOTE 4 – INVENTORY

Inventory held for consumption is stated at cost.

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

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

In the government 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 nonspendable fund balance classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

#### NOTE 5 - PROPERTY TAXES

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

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

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

Primary Government	Balance June 30, 2013	Increases	Decrease	Balance June 30, 2014
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 467,534.14	\$	\$ (22,000.00)	\$ 445,534.14
Construction Work in Process		455,623.68		455,623.68
Total Capital Assets not depreciated	467,534.14	455,623.68	(22,000.00)	901,157.82
Capital Assets,				
Buildings	22,665,863.87		(305,297.00)	22,360,566.87
Improvements	1,547,538.70		(362,968.30)	1,184,570.40
Library Books	356,541.55		(8,185.54)	348,356.01
Machinery and Equipment	1,927,366.79	172,134.78	(93,849.00)	2,005,652.57
Total Being Depreciated	26,497,310.91	172,134.78	(770,299.84)	25,899,145.85
Less Accumulated Depreciation:				
Buildings	3,883,311.27	320,169.10	(211,526.38)	3,991,953.99
Improvements	586,751.80	52,494.39	(290,981.80)	348,264.39
Library Books	203,318.15	17,417.80		220,735.95
Machinery and Equipment	1,018,517.83	159,408.95	(91,849.13)	1,086,077.65
Total Accumulated Depreciation	5,691,899.05	549,490.24	(594,357.31)	5,647,031.98
Total Capital Assets, Being Depreciated, Net	20,805,411.86	(377,355.46)	(175,942.53)	20,252,113.87
Total Governmental Activities Capital Assets, Net	<u>\$ 21,272,946.00</u>	<u>\$ 78,268.22</u>	<u>\$ (197,942.53)</u>	<u>\$ 21,153,271.69</u>
**Depreciation Expense was charged to functions as follows:				
Governmental Activities:				
Instruction				\$ 287,210.00
Support Services				214,038.95
Co-curricular Activities				48,241.29
Total Depreciation Expense-Governmental Activities				<u>\$ 549,490.24</u>

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Business-type Activity				
Business-type Activity Capital Assets, Net				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 417,560.72	\$	\$(34,886.18)	\$ 382,674.54
Less Accumulated Depreciation:				
Machinery and Equipment	<u>229,166.36</u>	<u>24,073.51</u>	<u>(34,679.93)</u>	<u>218,559.94</u>
Total Business-type Activity Capital Assets, Net	<u>\$ 188,394.36</u>	<u>\$ (24,073.51)</u>	<u>\$ (206.25)</u>	<u>\$ 164,114.60</u>

\*\*Depreciation expense was charged to functions as follows:

Food Service	<u>\$ 24,073.51</u>
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Construction Work in Progress at June 30, 2014 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/14</u>	<u>Committed</u>
7th & 8th Grade Addition	<u>\$ 2,994,000.00</u>	<u>\$ 455,623.68</u>	<u>\$ 2,538,376.32</u>

#### NOTE 7 - LONG-TERM LIABILITIES

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Capital Outlay Certificates	\$ 6,375,000.00	\$ 3,775,000.00	\$ (1,080,000.00)	\$ 9,070,000.00	\$ 610,000.00
General Obligation Bonds	18,820,000.00		(9,875,000.00)	8,945,000.00	815,000.00
Notes Payable and Assessments	294,522.69		(174,904.54)	119,618.15	29,904.54
Financing (Capital Acquisition) Leases	239,561.31		(128,677.82)	110,883.49	110,883.49
Early Retirement Payable	120,217.34	38,500.00	(60,037.34)	98,680.00	48,421.32
Compensated Absences	13,018.10	479.96		13,498.06	
Other Post-Employment Benefits	<u>103,785.00</u>	<u>70,781.00</u>	<u>(40,308.00)</u>	<u>134,258.00</u>	
<b>Total Governmental Activities</b>	<u>\$ 25,966,104.44</u>	<u>\$ 3,884,760.96</u>	<u>\$ (11,358,927.70)</u>	<u>\$ 18,491,937.70</u>	<u>\$ 1,614,209.35</u>

Compensated absences, early retirement benefits and other post-employment benefits typically have been liquidated from the General Fund.

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

Governmental Activities:

General Obligation Bonds:

Series 2012 General Obligation Refunding Bonds, Final maturity July 2023, Interest rates of .6 to 2.50%, dependent on the length to maturity of the bond. Payments from the High School Bond Redemption Fund. \$ 8,945,000.00

Capital Outlay Certificates:

Series 2010 Capital Outlay Refunding Certificates. Maturing in 2019. Interest rates at 0.95 to 3.80%, dependent on the length to maturity. Payments from the Capital Outlay Fund. 1,495,000.00

Series 2010 Capital Outlay Refunding Certificates. Final maturity in July 2020. Interest rates at 2.35 to 3.80%, dependent on the length to maturity. Payments from the Capital Outlay Fund. 215,000.00

Series 2010 Capital Outlay Certificates. Final maturity in July 2030. Interest rates at .85 to 6.125%, dependent on the length to maturity. Payments from the Capital Outlay Fund. 3,585,000.00

Series 2014 Capital Outlay Certificates. Final maturity in January 2034. Interest rates at 1.10 to 3.85%, dependent on the length to maturity. Payments from the Capital Outlay Fund. 3,270,000.00

Series 2014 Capital Outlay Refunding Certificates. Final maturity in January 2018. Interest rates at 1.100 to 3.85%, dependent on the length to maturity. Payments from the Capital Outlay Fund. 505,000.00

Early Retirement Benefits:

Retirement benefits payable to participating employees; Semi-annual payments are made from the General Fund. 98,680.00

Compensated Absences:

Vested severance benefits liability to be paid from the General Fund. 13,498.06

Other Post-Employment Benefits

Obligations to individuals who are retired or will retire from the School District and will receive post-employment benefits. Payments are made from the General Fund. 134,258.00

Equipment Lease (Apple MacBooks) due in annual installments of \$112,990.28 including interest at 3.14%; Final maturity in August 2014; Payments from the Capital Outlay Fund. 110,883.49

City Assessments

City of Worthing assessment due in annual installments of \$29,904.54 including no interest costs; Final maturity on December 31, 2017; Payments from the Capital Outlay Fund

119,618.15

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

	<u>Apple Macbooks</u>
Principal	\$ 332,409.06
Interest	<u>6,561.78</u>
Total	<u>\$ 338,970.84</u>

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

Year Ending	Capital Outlay		General Obligation Bonds		Financing (Capital Acquisition)		Early Retirement	City of Worthing		Totals	
	Certificates		Payable		Leases		Benefits	Principal	Principal	Principal	Interest
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Principal	Interest
2015	\$ 610,000	\$ 288,100	\$ 815,000	\$ 152,078	\$ 110,883	\$ 2,107	\$ 48,421	\$ 29,905	\$ 1,614,209	\$ 442,28	
2016	630,000	324,535	845,000	145,557			37,425	29,905	1,542,330	470,09	
2017	665,000	310,500	895,000	137,953			12,833	29,905	1,602,738	448,45	
2018	690,000	292,486	930,000	128,555				29,905	1,649,905	421,04	
2019	675,000	271,818	980,000	116,000					1,655,000	387,81	
2020-24	1,915,000	1,110,942	4,480,000	209,057					6,395,000	1,319,99	
2025-29	2,170,000	678,627							2,170,000	678,62	
2030-34	1,715,000	172,441							1,715,000	172,44	
	<u>\$ 9,070,000</u>	<u>\$ 3,449,449</u>	<u>\$ 8,945,000</u>	<u>\$ 889,200</u>	<u>\$ 110,883</u>	<u>\$ 2,107</u>	<u>\$ 98,679</u>	<u>\$ 119,620</u>	<u>\$ 18,344,182</u>	<u>\$ 4,340,75</u>	

During fiscal year 2014, the School District issued \$505,000.00 in capital outlay refunding certificates with an average interest rate of 0.25 to 1.00 percent, to refund the following:

<u>Year Issued</u>	<u>Interest Rate</u>	<u>Unpaid principal at time of refunding</u>
2009	3.1 to 3.7%	\$ 485,000.00

The School District refunded the debt to reduce its total debt service payments over the next four years by \$18,123.96 and to obtain an economic gain of \$17,972.66.

The entire proceeds of the refunding issue in the amount of \$493,793.96 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

NOTE 8 - POSTEMPLOYMENT MEDICAL PLAN

*Plan Description:* Lennox School District has a single-employer defined benefit medical plan administered by the Sanford Health Plan. The plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their

immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Lennox School District, P.O. Box 38, Lennox, SD 57039 or by calling 1 (605) 647-2202.

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

*Annual OPEB Cost and Net OPEB Obligation:* The school district's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the school district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation to the plan:

Annual required contribution	\$ 72,703
Interest on net OPEB obligation	3,373
Adjustment to annual required contribution	<u>(5,295)</u>
Annual OPEB cost (expense)	70,781
Contributions made	<u>(40,308)</u>
Increase in net OPEB obligation	30,473
Net OPEB obligation - beginning of year	<u>103,785</u>
Net OPEB obligation - end of year	<u>\$ 134,258</u>

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

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage of</b>	<b>Net OPEB</b>
<b><u>Ended</u></b>	<b><u>OPEB Cost</u></b>	<b><u>Cost Contributed</u></b>	<b><u>Obligation</u></b>
6/30/2012	69,440	35.2%	62,234
6/30/2013	70,057	40.0%	103,785
6/30/2014	70,781	56.9%	134,258

*Funded Status and Funding Progress:* As of June 30, 2012, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$484,349, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$474,048.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members)

and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.25 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.1 percent after ten years. Both rates included a 2.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was fourteen years.

NOTE 9 - OPERATING LEASES

The District leases a postage meter on a monthly lease. Payments are made from the Capital Outlay Fund. The following are the minimum payments on existing operating leases:

	Capital Outlay Fund
<u>Year</u>	<u>Amount</u>
2015	\$ 1,752.00
2016	584.00

NOTE 10 - RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted By:</u>	<u>Amount:</u>
Capital Outlay Purposes	Law	\$ 701,308.95
Special Education Purposes	Law	323,067.04
Pension Purposes	Law	31,574.20
Debt Service Purposes	Debt Covenants	176,764.58
Total Restricted Net Position:		<u>\$ 1,232,714.77</u>

NOTE 11 - INTERFUND TRANSFERS

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

<u>Transfer From:</u>	<u>Transfers to:</u>
	<u>General Fund</u>
Capital Outlay Fund	\$ 1,390.50
Special Education Fund	1,156.58
Pension Fund	325.19
High School Bond Redemption Fund	1,698.08
OST/Preschool Fund	719.96
	<u>\$ 5,290.31</u>

The School District typically uses transfers to transfer earnings on deposits and investments to the General Fund from the other funds.

NOTE 12 - RETIREMENT PLAN

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$296,313.63, \$255,725.06, and \$255,244.69, respectively, equal to the required contributions each year.

NOTE 13 - JOINT VENTURES

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

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

Lennox	17.0%
Brandon Valley	60.0%
West Central	23.0%

The co-op's governing board is composed of one representative from each member school district, who is also a school board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

At June 30, 2014, this joint venture had total assets of \$2,171,288, total liabilities of \$35,437, and net position of \$2,135,850 in the General and Special Education Funds.

#### NOTE 14 - RISK MANAGEMENT

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

##### Liability Insurance

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

##### Worker's Compensation

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

##### Unemployment Benefits

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

The school district has assigned equity in the General Fund in the amount of \$8,556.10 for the payment of future unemployment benefits.

During the year ended June 30, 2014, two claims in the amount of \$1,551.00 was filed for unemployment benefits. It is not anticipated that any claims for unemployment will be filed in the next fiscal year.

#### NOTE 15 - EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between the ages of 54 and 61 for teachers or 55 and 64 for administrators and have at least fifteen years of continuous service with the district. Under the plan, the district will pay 80% of the current salary contract. Such amounts are payable in six equal installments, spread over the next three years following retirement. The district uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2014, 5 employees participated in the early retirement plan. The amount paid for such benefits during the year was \$60,037.34.

NOTE 16 - SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 17 – PRIOR PERIOD ADJUSTMENT

The School District entered into an assessment agreement with the City of Worthing in the amount of \$149,522.69 during FY13 for infrastructure improvements. The corresponding capitalized improvements other than buildings was not setup during fiscal year 2013, so a prior period adjustment is being made to the current year government-wide financial statements for this amount.

**REQUIRED SUPPLEMENTARY INFORMATION  
LENNOX SCHOOL DISTRICT NO. 41-4  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,600,310.00	1,600,310.00	\$ 1,689,870.19	\$ 89,560.19
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	36,502.09	16,502.09
Gross Receipts Taxes	391,347.00	391,347.00	425,366.50	34,019.50
Penalties and Interest on Taxes	10,000.00	10,000.00	9,195.44	(804.56)
Earnings on Investments and Deposits	10,000.00	10,000.00	6,761.87	(3,238.13)
Cocurricular Activities:				
Admissions	38,500.00	38,500.00	40,291.63	1,791.63
Rentals	500.00	500.00	13,660.16	13,160.16
Other Pupil Activity Income	7,100.00	7,100.00		(7,100.00)
Other Revenue from Local Sources:				
Rentals	1,000.00	1,000.00	1,480.00	480.00
Contributions and Donations	3,500.00	7,126.00	7,125.16	(0.84)
Charges for Services	30,000.00	30,000.00	33,510.77	3,510.77
Other Local Revenue	4,000.00	4,000.00	3,479.35	(520.65)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	30,000.00	30,000.00	27,936.25	(2,063.75)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid		7,000.00	5,375.00	(1,625.00)
Unrestricted Grants-in-Aid	3,243,126.00	3,243,126.00	3,212,465.09	(30,660.91)
Other State Revenue		16,537.49	16,537.49	
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	106,551.00	106,642.00	101,022.00	(5,620.00)
<b>Total Revenue</b>	<u>5,495,934.00</u>	<u>5,523,188.49</u>	<u>5,630,578.99</u>	<u>107,390.50</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	1,258,991.00	1,258,991.00	1,256,830.57	2,160.43
Middle/Junior High	537,310.00	537,310.00	522,336.87	14,973.13
High School	872,673.00	872,673.00	848,159.73	24,513.27
Special Programs:				
Educationally Deprived	67,113.00	67,113.00	61,836.49	5,276.51
Support Services:				
Pupils:				
Guidance	156,730.00	180,327.49	179,422.79	904.70
Health	49,215.00	49,215.00	47,450.54	1,764.46

**REQUIRED SUPPLEMENTARY INFORMATION  
LENNOX SCHOOL DISTRICT NO. 41-4  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Positive (Negative)
Support Services - Instructional Staff:				
Improvement of Instruction	55,703.00	63,889.00	62,148.84	1,740.16
Educational Media	257,687.00	257,687.00	249,658.67	8,028.33
Support Services - General Administration:				
Board of Education	47,535.00	53,190.00	52,508.88	681.12
Executive Administration	132,900.00	132,922.00	128,063.22	4,858.78
Support Services - School Administration:				
Office of the Principal	454,245.00	454,245.00	443,460.74	10,784.26
Other	2,000.00	2,000.00	1,214.12	785.88
Support Services - Business:				
Fiscal Services	166,283.00	166,283.00	155,434.59	10,848.41
Operation and Maintenance of Plant	855,725.00	969,695.20	947,050.80	22,644.40
Pupil Transportation	367,040.00	374,930.00	374,682.23	247.77
Support Services - Central Information:				
Staff	4,400.00	4,400.00	3,745.96	654.04
Nonprogrammed Charges:				
Payments to State - Unemployment	2,500.00	2,500.00	1,551.00	949.00
Early Retirement Payments	60,038.00	60,038.00	60,037.34	0.66
Cocurricular Activities:				
Male Activities	63,160.00	71,306.00	68,846.50	2,459.50
Female Activities	44,928.00	44,928.00	42,755.40	2,172.60
Transportation	16,393.00	18,626.00	18,625.11	0.89
Combined Activities	158,589.00	158,589.00	152,922.84	5,666.16
Total Expenditures	<u>5,631,158.00</u>	<u>5,800,857.69</u>	<u>5,678,743.23</u>	<u>122,114.46</u>
Excess of Revenue Over (Under) Expenditures	(135,224.00)	(277,669.20)	(48,164.24)	229,504.96
Other Financing Sources:				
Transfer In			5,290.31	5,290.31
Net Change in Fund Balances	(135,224.00)	(277,669.20)	(42,873.93)	234,795.27
Fund Balance - Beginning	<u>1,554,465.91</u>	<u>1,554,465.91</u>	<u>1,554,465.91</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,419,241.91</u>	<u>\$ 1,276,796.71</u>	<u>\$ 1,511,591.98</u>	<u>\$ 234,795.27</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**LENNOX SCHOOL DISTRICT NO. 41-4**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,468,500.00	\$ 1,468,500.00	\$ 1,540,375.18	\$ 71,875.18
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	20,439.51	17,439.51
Penalties and Interest on Taxes	2,000.00	2,000.00	4,623.06	2,623.06
Investment Earnings			1,390.50	1,390.50
Other Revenue from Local Sources:				
Contributions and Donations	35,000.00	58,229.00	67,154.68	8,925.68
Revenue from Federal Sources				
Restricted Grants-in-Aid Received from Federal Government through the State		10,725.20	10,725.20	
Other Federal Revenue	<u>60,651.00</u>	<u>60,651.00</u>	<u>55,828.88</u>	<u>(4,822.12)</u>
Total Revenue	<u>1,569,151.00</u>	<u>1,603,105.20</u>	<u>1,700,537.01</u>	<u>97,431.81</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	80,475.00	130,525.00	100,873.41	29,651.59
Middle School	22,450.00	22,450.00	16,185.60	6,264.40
High School	24,450.00	24,450.00	71,198.00	(46,748.00)
Support Services:				
Pupils:				
Health	1,250.00	1,250.00	1,249.00	1.00
Support Services - Instructional Staff:				
Educational Media	19,500.00	22,867.00	22,075.65	791.35
Support Services - Business:				
Fiscal Services	2,200.00	2,200.00	1,808.89	391.11
Operation and Maintenance of Plant	208,801.00	229,985.00	142,750.24	87,234.76
Pupil Transportation	101,000.00	105,180.00	110,103.07	(4,923.07)
Food Services	2,000.00	2,000.00	1,730.00	270.00
Debt Service	1,087,025.00	1,203,905.54	1,176,904.67	27,000.87
Cocurricular Activities:				
Male Activities	6,100.00	17,310.00	19,630.99	(2,320.99)
Female Activities	3,100.00	4,519.68	3,927.13	592.55
Combined Activities	<u>10,800.00</u>	<u>18,390.00</u>	<u>17,591.04</u>	<u>798.96</u>
Total Expenditures	<u>1,569,151.00</u>	<u>1,785,032.22</u>	<u>1,686,027.69</u>	<u>99,004.53</u>
Excess Over (Under) Expenditure	0.00	(181,927.02)	14,509.32	196,436.34
Other Financing Sources (Uses):				
Transfers Out			(1,390.50)	(1,390.50)
Proceeds from Long-Term Liabilities		505,000.00	505,000.00	
Payments to Refunded Debt		(496,102.46)	(493,793.96)	2,308.50
Sale of Surplus Property			11,493.95	11,493.95
Compensation for Loss of Capital Assets			4,924.44	4,924.44
Total Other Financing Sources (Uses)		<u>8,897.54</u>	<u>26,233.93</u>	<u>17,336.39</u>
Net Change in Fund Balance	0.00	(173,029.48)	40,743.25	213,772.73
Fund Balance - Beginning	<u>752,228.96</u>	<u>752,228.96</u>	<u>752,228.96</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 752,228.96</u>	<u>\$ 579,199.48</u>	<u>\$ 792,972.21</u>	<u>\$ 213,772.73</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
 LENNOX SCHOOL DISTRICT NO. 41-4  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 SPECIAL EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 570,830.00	\$ 570,830.00	\$ 604,721.80	\$ 33,891.80
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	7,230.20	3,230.20
Penalties and Interest on Taxes	1,500.00	1,500.00	1,775.83	275.83
Investment Earnings			1,156.58	1,156.58
Other Revenue from Local Sources:				
Services Provided Other LEA's	5,000.00	5,000.00	5,410.00	
Charges for Services	4,000.00	4,000.00	8,269.66	4,269.66
Revenue from State Sources:				
Restricted Grant in Aid	315,099.00	315,099.00	300,543.00	(14,556.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government through State	<u>190,129.00</u>	<u>190,129.00</u>	<u>190,129.00</u>	
Total Revenue	<u>1,090,558.00</u>	<u>1,090,558.00</u>	<u>1,119,236.07</u>	<u>28,268.07</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	698,726.00	731,168.00	681,219.68	49,948.32
Support Services:				
Pupils:				
Psychological	66,470.00	66,660.00	66,659.21	0.79
Speech Pathology	107,460.00	107,460.00	106,500.75	959.25
Student Therapy Services	59,100.00	59,100.00	54,827.66	4,272.34
Support Services - Special Education:				
Administrative Costs	115,759.00	115,759.00	113,140.57	2,618.43
Transportation Costs	<u>35,500.00</u>	<u>35,500.00</u>	<u>30,264.89</u>	<u>5,235.11</u>
Total Expenditures	<u>1,083,015.00</u>	<u>1,115,647.00</u>	<u>1,052,612.76</u>	<u>63,034.24</u>
Excess of Revenue Over (Under) Expenditures	7,543.00	(25,089.00)	66,623.31	91,712.31
Other Financing Sources (Uses):				
Transfers Out			<u>(1,156.58)</u>	<u>(1,156.58)</u>
Net Change in Fund Balance	7,543.00	(25,089.00)	65,466.73	90,555.73
Fund Balance - Beginning	<u>250,264.96</u>	<u>250,264.96</u>	<u>250,264.96</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 257,807.96</u>	<u>\$ 225,175.96</u>	<u>\$ 315,731.69</u>	<u>\$ 90,555.73</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**LENNOX SCHOOL DISTRICT NO. 41-4**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PENSION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 121,423.00	\$ 121,423.00	\$ 131,824.25	\$ 10,401.25
Prior Year Taxes			1,631.71	1,631.71
Penalties and Interest on Taxes			380.21	380.21
Earnings on Investments and Deposits			325.19	325.19
<b>Total Revenue</b>	<u>121,423.00</u>	<u>121,423.00</u>	<u>134,161.36</u>	<u>12,738.36</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	50,920.00	53,925.00	53,924.45	0.55
Middle/Junior High	24,180.00	25,365.00	25,364.26	0.74
High School	36,780.00	37,100.00	37,099.37	0.63
Support Services:				
Instructional Staff				
Educational Media	3,533.00	6,030.00	6,029.25	0.75
Support Services - General Administration:				
Executive Administration	6,010.00	11,419.00	11,418.84	0.16
<b>Total Expenditures</b>	<u>121,423.00</u>	<u>133,839.00</u>	<u>133,836.17</u>	<u>2.83</u>
Excess of Revenue Over (Under)				
Expenditures	0.00	(12,416.00)	325.19	12,741.19
Other Financing Sources (Uses):				
Transfers Out			(325.19)	(325.19)
<b>Net Change in Fund Balances</b>	0.00	(12,416.00)	0.00	12,416.00
Fund Balance - Beginning	<u>30,000.00</u>	<u>30,000.00</u>	<u>30,000.00</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 30,000.00</u>	<u>\$ 17,584.00</u>	<u>\$ 30,000.00</u>	<u>\$ 12,416.00</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**LENNOX SCHOOL DISTRICT NO. 41-4**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**  
**JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/09	\$ 0.00	\$ 312,381	\$ 312,381	0.0%	\$ 3,358,357	9.3%
06/30/12	0.00	494,325	494,325	0.0%	2,893,154	17.1%

LENNOX SCHOOL DISTRICT NO. 41-4  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

# QUAM & BERGLIN, P.C.

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

School Board  
Lennox School District No. 41-4  
Lincoln County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lennox School District No. 41-4, Lincoln County, South Dakota, as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise Lennox School District's basic financial statements and have issued our report thereon dated November 25, 2014.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be significant deficiencies. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2014-01 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **School District's Response to Findings**

Lennox School District's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. 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 Lennox School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam & Berglin, P.C.  
Certified Public Accountants  
Elk Point, SD

November 25, 2014

**LENNOX SCHOOL DISTRICT NO. 41-4  
SCHEDULE OF CURRENT AUDIT FINDINGS  
JUNE 30, 2014**

**PRIOR AUDIT FINDING:**

**Audit Finding Number 2013-01:**

A material weakness was reported for a lack of segregation of duties for revenues, expenditures, and payroll. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated as a significant deficiency under current audit finding number 2014-01.

**CURRENT AUDIT FINDING:**

***Internal Control-Related Findings-Significant Deficiency:***

**Audit Finding Number 2014-01:**

There is a significant deficiency resulting from lack of segregation of duties for revenues, expenditures, and payroll.

**Criteria:**

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

**Condition, Cause and Effect:**

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

**Recommendation:**

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

**Corrective Action Plan:**

Angela Arlt, Business Manager for Lennox School District No. 41-4, is the contact person responsible for the corrective action plan for this comment. The Board of Directors is aware of this problem, which is a result of the size of the entity and precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Board of Directors has prepared a response to this finding, shown on page 56.



**Lennox School District 41-4**

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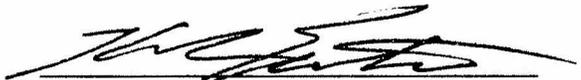
- Kirk Easton  
Superintendent
- Angela Arlt  
Business Manager
- Tim Raabe  
High School Principal
- Chad Allison  
Middle School Principal
- Dr. Kym Johnston  
Worthing Principal/District  
Curriculum Director
- Darin Eich  
Lennox Elementary Principal
- Kristi Wallin  
Student Services Director
- Rich Luther  
Activities Director

**CORRECTIVE PLAN OF ACTION  
FOR THE YEAR ENDED JUNE 30, 2014**

Lennox School District No. 41-4 has considered the lack of segregation of duties for the revenues, expenditures and payroll functions. At this time it is not cost effective for Lennox School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Lennox School District to decrease the likelihood that financial data is adversely affected.

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

  
\_\_\_\_\_  
Business Manager

  
\_\_\_\_\_  
Superintendent