



Financial Statements
June 30, 2014 and 2013

Doland School District 56-2

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Independent Auditor's Report

The School Board
Doland School District 56-2
Doland, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Doland School District 56-2 (the School District) as of June 30, 2014 and for each of the years in the two year period 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

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

Auditor's Responsibility

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

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

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

Opinions

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

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, Doland School District 56-2 early adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Doland School District 56-2 has updated the current period reporting for this item as no retroactive restatement was necessary. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress and budgetary comparison information on pages 36 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Aberdeen, South Dakota
June 8, 2015

Doland School District 56-2
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,523,039	\$ 21,150	\$ 1,544,189
Taxes receivable	878,006	-	878,006
Accounts receivable	328,124	12,426	340,550
Inventories	-	3,073	3,073
Other assets	39,269	1,000	40,269
Interfund balances	10,591	(10,591)	-
Capital assets not being depreciated:			
Land	15,603	-	15,603
Construction in progress	170,446	-	170,446
Capital assets, net of accumulated depreciation:			
Improvements other than buildings	82,615	-	82,615
Buildings	570,474	-	570,474
Machinery and equipment	207,488	16,297	223,785
	<u>\$ 3,825,655</u>	<u>\$ 43,355</u>	<u>\$ 3,869,010</u>
Liabilities			
Accounts payable	\$ 208,415	\$ 8,726	\$ 217,141
Other current liabilities	148,473	3,126	151,599
Noncurrent liabilities due in more than one year	78,641	-	78,641
Total liabilities	<u>435,529</u>	<u>11,852</u>	<u>447,381</u>
Deferred Inflows of Resources			
Taxes levied for future period	<u>1,012,169</u>	<u>-</u>	<u>1,012,169</u>
Net Position			
Invested in capital assets	1,046,626	16,297	1,062,923
Restricted for:			
Capital Outlay	446,239	-	446,239
Pension	37,242	-	37,242
Unrestricted	<u>847,850</u>	<u>15,206</u>	<u>863,056</u>
Total net position	<u>2,377,957</u>	<u>31,503</u>	<u>2,409,460</u>
	<u>\$ 3,825,655</u>	<u>\$ 43,355</u>	<u>\$ 3,869,010</u>

Doland School District 56-2
Statements of Activities
Years Ended June 30, 2014 and 2013

Functions/Programs	2014						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental activities:							
Instruction	\$ 1,217,539	\$ -	\$ 76,179	\$ -	\$ (1,141,360)	\$ -	\$ (1,141,360)
Support services	500,972	11,716	2,639	-	(486,617)	-	(486,617)
Cocurricular activities	40,807	3,836	-	-	(36,971)	-	(36,971)
Total governmental activities	<u>1,759,318</u>	<u>15,552</u>	<u>78,818</u>	<u>-</u>	<u>(1,664,948)</u>	<u>-</u>	<u>(1,664,948)</u>
Business-type activities:							
Food service	119,260	21,965	97,724	-	-	429	429
Other	10,609	5,736	2,700	-	-	(2,173)	(2,173)
Total business-type activities	<u>129,869</u>	<u>27,701</u>	<u>100,424</u>	<u>-</u>	<u>-</u>	<u>(1,744)</u>	<u>(1,744)</u>
Total primary government	<u>\$ 1,889,187</u>	<u>\$ 43,253</u>	<u>\$ 179,242</u>	<u>\$ -</u>	<u>(1,664,948)</u>	<u>(1,744)</u>	<u>(1,666,692)</u>
General Revenues							
Property taxes					1,460,229	-	1,460,229
Gross receipts taxes					65,689	-	65,689
Revenue from state sources:							
State aid					343,648	-	343,648
Unrestricted investment earnings					3,080	1	3,081
Other general revenues					16,037	-	16,037
Total general revenues					<u>1,888,683</u>	<u>1</u>	<u>1,888,684</u>
Change in Net Position					223,735	(1,743)	221,992
Net Position - Beginning					<u>2,154,222</u>	<u>33,246</u>	<u>2,187,468</u>
Net Position - Ending					<u>\$ 2,377,957</u>	<u>\$ 31,503</u>	<u>\$ 2,409,460</u>

See Notes to Financial Statements

Doland School District 56-2
 Statements of Activities
 Years Ended June 30, 2014 and 2013

Functions/Programs	2013						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 1,101,777	\$ -	\$ 21,685	\$ -	\$ (1,080,092)	\$ -	\$ (1,080,092)
Support services	494,124	9,678	-	-	(484,446)	-	(484,446)
Cocurricular activities	35,907	3,648	-	71,107	38,848	-	38,848
Total governmental activities	<u>1,631,808</u>	<u>13,326</u>	<u>21,685</u>	<u>71,107</u>	<u>(1,525,690)</u>	<u>-</u>	<u>(1,525,690)</u>
Business-type activities:							
Food service	117,880	20,651	95,039	-	-	(2,190)	(2,190)
Total primary government	<u>\$ 1,749,688</u>	<u>\$ 33,977</u>	<u>\$ 116,724</u>	<u>\$ 71,107</u>	<u>(1,525,690)</u>	<u>(2,190)</u>	<u>(1,527,880)</u>
General Revenues							
Property taxes					1,111,337	-	1,111,337
Gross receipts taxes					104,379	-	104,379
Revenue from state sources:							
State aid					323,109	-	323,109
Unrestricted investment earnings					4,339	4	4,343
Other general revenues					15,713	-	15,713
Loss on disposal of fixed assets					(11,796)	-	(11,796)
Total general revenues					<u>1,547,081</u>	<u>4</u>	<u>1,547,085</u>
Change in Net Position					21,391	(2,186)	19,205
Net Position - Beginning					<u>2,132,831</u>	<u>35,432</u>	<u>2,168,263</u>
Net Position - Ending					<u>\$ 2,154,222</u>	<u>\$ 33,246</u>	<u>\$ 2,187,468</u>

Doland School District 56-2
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 788,562	\$ 473,158	\$ 221,318	\$ 40,001	\$ 1,523,039
Taxes receivable - current	446,687	219,450	175,545	31,197	872,879
Taxes receivable - delinquent	4,262	615	166	84	5,127
Due from other governments	328,124	-	-	-	328,124
Prepaid items	39,269	-	-	-	39,269
Due from other funds	10,591	-	-	-	10,591
Total assets	\$ 1,617,495	\$ 693,223	\$ 397,029	\$ 71,282	\$ 2,779,029
Liabilities, Deferred Inflows and Fund Balances					
Current Liabilities					
Accounts payable	\$ 2,916	\$ 5,100	\$ 399	\$ -	\$ 8,415
Contracts payable	119,110	-	11,410	-	130,520
Due to other governments	-	-	200,000	-	200,000
Payroll deductions, withholdings, and employer matching payable	16,248	-	1,705	-	17,953
Total liabilities	138,274	5,100	213,514	-	356,888
Deferred Inflows of Resources					
Unavailable revenue - property taxes	4,262	615	166	84	5,127
Taxes levied for future periods	544,280	241,884	191,965	34,040	1,012,169
Total deferred inflows of resources	548,542	242,499	192,131	34,124	1,017,296
Fund Balances					
Nonspendable for:					
Advance payments	10,591	-	-	-	10,591
Prepaid items	39,269	-	-	-	39,269
Restricted for:					
Capital Outlay	-	445,624	-	-	445,624
Pension	-	-	-	37,158	37,158
Assigned to:					
Unemployment	54,190	-	-	-	54,190
Unassigned	826,629	-	(8,616)	-	818,013
Total fund balances	930,679	445,624	(8,616)	37,158	1,404,845
	\$ 1,617,495	\$ 693,223	\$ 397,029	\$ 71,282	\$ 2,779,029

Doland School District 56-2
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2014

Total Fund Balances - Governmental Funds	\$ 1,404,845
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.	1,046,626
Long-term liabilities, including OPEB obligations, are not due and payable in the current period and; therefore, are not reported in the funds.	(78,641)
Property taxes become due and payable on January 1, each year, but are not collected/available soon enough to pay current period expenditures; therefore, they are reported as deferred revenue in the fund financial statements. However, because the delinquent taxes are and payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government- wide financial statements.	<u>5,127</u>
Net Position - Governmental Funds	<u><u>\$ 2,377,957</u></u>

Doland School District 56-2
 Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2014 and 2013

	2014				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 826,083	\$ 367,492	\$ 214,641	\$ 45,025	\$ 1,453,241
Prior year's ad valorem taxes	4,001	1,001	249	167	5,418
Tax deed revenue	706	-	-	-	706
Gross receipts taxes	65,689	-	-	-	65,689
Penalties and interest on taxes	2,118	685	126	1,827	4,756
Earnings on investments and deposits	2,514	417	109	40	3,080
Cocurricular activities:					
Admissions	3,731	-	-	-	3,731
Rentals	105	-	-	-	105
Other revenue from local sources:					
Rentals	50	-	-	-	50
Contributions and donations	2,639	-	-	-	2,639
Refund of prior year's expenditures	4,896	-	-	-	4,896
Charges for services	7,356	-	4,360	-	11,716
Other	4,153	-	-	-	4,153
Revenue from intermediate sources					
County sources:					
County apportionment	6,938	-	-	-	6,938
Revenue from state sources					
Grants-in-aid:					
Unrestricted grants-in-aid	343,648	-	-	-	343,648
Revenue from federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from federal government through the state	76,179	-	-	-	76,179
Total revenues	1,350,806	369,595	219,485	47,059	1,986,945
Expenditures					
Instruction					
Regular programs:					
Elementary	493,521	9,155	-	16,000	518,676
Middle/junior high	102,311	62	-	4,000	106,373
High school	233,004	43,218	-	10,000	286,222
Special programs:					
Programs for special education	-	-	191,686	-	191,686
Educationally deprived	103,843	-	-	-	103,843
Support services					
Pupils:					
Guidance	89	-	-	-	89
Health	594	-	-	-	594
Psychological	-	-	1,574	-	1,574
Speech pathology	-	-	3,279	-	3,279
Student therapy services	-	-	21,110	-	21,110
Support services - instructional staff:					
Educational media	27,767	4,404	-	102	32,273
Support services - general administration:					
Board of education	18,206	-	-	-	18,206
Executive administration	39,531	-	-	-	39,531
Support services - school administration:					
Office of the principal	43,509	-	-	-	43,509
Other school administration	254	-	-	-	254
Support services - business:					
Fiscal services	63,129	3,150	-	-	66,279
Operation and maintenance of plant	153,564	2,396	-	-	155,960
Pupil transportation	86,432	-	-	-	86,432

Doland School District 56-2
 Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2014 and 2013

	2014				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Support services - special education:					
Administration costs	-	-	8,968	-	8,968
Transportation costs	-	-	1,501	-	1,501
Cocurricular activities					
Male activities	4,534	-	-	-	4,534
Female activities	4,633	-	-	-	4,633
Transportation	8,853	-	-	-	8,853
Combined activities	17,209	-	-	-	17,209
Capital outlay	-	226,585	-	-	226,585
Total expenditures	<u>1,400,983</u>	<u>288,970</u>	<u>228,118</u>	<u>30,102</u>	<u>1,948,173</u>
Excess of Revenue over (under) Expenditures	<u>(50,177)</u>	<u>80,625</u>	<u>(8,633)</u>	<u>16,957</u>	<u>38,772</u>
Other Financing Sources (Uses)					
Transfers in	566	-	-	-	566
Transfers out	-	(417)	(109)	(40)	(566)
Total other financing sources (uses)	<u>566</u>	<u>(417)</u>	<u>(109)</u>	<u>(40)</u>	<u>-</u>
Net Change in Fund Balance	(49,611)	80,208	(8,742)	16,917	38,772
Fund Balance - Beginning	<u>980,290</u>	<u>365,416</u>	<u>126</u>	<u>20,241</u>	<u>1,366,073</u>
Fund Balance - Ending	<u>\$ 930,679</u>	<u>\$ 445,624</u>	<u>\$ (8,616)</u>	<u>\$ 37,158</u>	<u>\$ 1,404,845</u>

Doland School District 56-2
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Years Ended June 30, 2014 and 2013

	2013				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 770,435	\$ 253,997	\$ 44,804	\$ 31,611	\$ 1,100,847
Prior year's ad valorem taxes	3,466	420	145	88	4,119
Gross receipts taxes	104,379	-	-	-	104,379
Penalties and interest on taxes	2,315	530	79	89	3,013
Earnings on investments and deposits	3,861	354	71	53	4,339
Cocurricular activities:					
Admissions	3,573	-	-	-	3,573
Rentals	75	-	-	-	75
Other revenue from local sources:					
Contributions and donations	71,107	-	-	-	71,107
Refund of prior year's expenditures	7,682	-	-	-	7,682
Charges for services	6,944	-	2,734	-	9,678
Other	681	-	-	-	681
Revenue from intermediate sources					
County sources:					
County apportionment	7,350	-	-	-	7,350
Revenue from state sources					
Grants-in-aid:					
Unrestricted grants-in-aid	323,109	-	-	-	323,109
Revenue from federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from federal government through the state	20,685	-	1,000	-	21,685
Total revenues	1,325,662	255,301	48,833	31,841	1,661,637
Expenditures					
Instruction					
Regular programs:					
Elementary	424,029	17,064	-	16,756	457,849
Middle/junior high	100,193	-	-	4,812	105,005
High school	211,044	27,231	-	9,364	247,639
Special programs:					
Programs for special education	-	799	136,715	-	137,514
Educationally deprived	137,928	-	-	-	137,928
Support services					
Pupils:					
Guidance	3,635	-	-	-	3,635
Health	510	-	-	-	510
Psychological	-	-	1,588	-	1,588
Speech pathology	-	-	3,440	-	3,440
Student therapy services	-	-	16,040	-	16,040
Support services - instructional staff:					
Educational media	29,002	-	-	3,619	32,621
Support services - general administration:					
Board of education	23,553	-	-	1,716	25,269
Executive administration	38,391	-	-	-	38,391
Support services - school administration:					
Office of the principal	40,205	-	-	1,962	42,167
Other school administration	261	-	-	-	261
Support services - business:					
Fiscal services	51,265	4,445	-	2,200	57,910
Operation and maintenance of plant	147,065	1,615	-	1,729	150,409
Pupil transportation	92,557	-	-	395	92,952

Doland School District 56-2
 Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2014 and 2013

	2013				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	
Support services - special education:					
Administration costs	-	-	8,447	-	8,447
Transportation costs	-	-	105	-	105
Cocurricular activities					
Male activities	6,174	-	-	-	6,174
Female activities	5,129	-	-	-	5,129
Transportation	7,083	-	-	-	7,083
Combined activities	14,385	-	-	440	14,825
Capital outlay	66,370	96,614	-	-	162,984
Total expenditures	<u>1,398,779</u>	<u>147,768</u>	<u>166,335</u>	<u>42,993</u>	<u>1,755,875</u>
Excess of Revenue over (under) Expenditures	<u>(73,117)</u>	<u>107,533</u>	<u>(117,502)</u>	<u>(11,152)</u>	<u>(94,238)</u>
Other Financing Sources (Uses)					
Transfers in	479	-	-	-	479
Transfers out	-	(355)	(71)	(53)	(479)
Sale of surplus property	1,075	-	-	-	1,075
Total other financing sources (uses)	<u>1,554</u>	<u>(355)</u>	<u>(71)</u>	<u>(53)</u>	<u>1,075</u>
Net Change in Fund Balance	(71,563)	107,178	(117,573)	(11,205)	(93,163)
Fund Balance - Beginning	<u>1,051,853</u>	<u>258,238</u>	<u>117,699</u>	<u>31,446</u>	<u>1,459,236</u>
Fund Balance - Ending	<u>\$ 980,290</u>	<u>\$ 365,416</u>	<u>\$ 126</u>	<u>\$ 20,241</u>	<u>\$ 1,366,073</u>

Doland School District 56-2
 Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Government-
 Wide Statements of Activities
 Years Ended June 30, 2014 and 2013

	2014	2013
Net Change in Fund Balances - Total Governmental Funds	\$ 38,772	\$ (93,163)
Amounts Reported for Governmental Activities in the Statements of Activities are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$37,124 and \$42,241) was exceeded by capital outlays (\$226,585 and \$162,984) in 2014 and 2013, respectively.	189,461	120,743
The accrual of OPEB costs are not reflected in governmental funds, but the statements of activities reflects the changes in this liability from one year to the next.	(606)	3,324
The fund financial statements report the proceeds from the sale of fixed assets as other financing sources, but the government-wide statements report the the excess of proceeds over the net book value of assets sold as a gain, or the excess of net book value over proceeds as a loss.	-	(12,871)
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	(3,892)	3,358
Change in Net position of Governmental Activities	\$ 223,735	\$ 21,391

Doland School District 56-2
Statement of Net Position-- Proprietary Funds
June 30, 2014 and 2013

	2014 Enterprise			2013 Enterprise
	Food Service Fund	Other Enterprise Fund	Total	Food Service Fund
Assets				
Current Assets				
Cash and cash equivalents	\$ 12,732	\$ 8,418	\$ 21,150	\$ 8,976
Accounts receivable	12,426	-	12,426	11,275
Inventory of supplies	558	-	558	408
Inventory of stores purchased for resale	579	-	579	695
Inventory of donated food	1,936	-	1,936	1,971
Prepaid expenses	1,000	-	1,000	2,201
Total current assets	<u>29,231</u>	<u>8,418</u>	<u>37,649</u>	<u>25,526</u>
Noncurrent Assets				
Capital assets:				
Machinery and equipment - local funds	44,299	-	44,299	44,299
Machinery and equipment - federal assistance	13,498	-	13,498	13,498
Less accumulated depreciation	<u>(41,500)</u>	<u>-</u>	<u>(41,500)</u>	<u>(39,657)</u>
Total noncurrent assets	<u>16,297</u>	<u>-</u>	<u>16,297</u>	<u>18,140</u>
	<u>\$ 45,528</u>	<u>\$ 8,418</u>	<u>\$ 53,946</u>	<u>\$ 43,666</u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 8,726	\$ -	\$ 8,726	\$ 7,446
Contracts payable	3,126	-	3,126	2,974
Due to general fund	<u>-</u>	<u>10,591</u>	<u>10,591</u>	<u>-</u>
Total current liabilities	<u>11,852</u>	<u>10,591</u>	<u>22,443</u>	<u>10,420</u>
Net Position				
Invested in capital assets	16,297	-	16,297	18,140
Unrestricted net position	<u>17,379</u>	<u>(2,173)</u>	<u>15,206</u>	<u>15,106</u>
Total net position	<u>33,676</u>	<u>(2,173)</u>	<u>31,503</u>	<u>33,246</u>
	<u>\$ 45,528</u>	<u>\$ 8,418</u>	<u>\$ 53,946</u>	<u>\$ 43,666</u>

Doland School District 56-2
 Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
 Years Ended June 30, 2014 and 2013

	2014			2013
	Enterprise			Enterprise
	Food Service Fund	Other Enterprise Fund	Total	Food Service Fund
Operating Revenue				
Food sales	\$ 21,965	\$ -	\$ 21,965	\$ 20,651
Pre school tuition	-	5,736	5,736	-
Pre school donations	-	2,700	2,700	-
Total operating revenue	<u>21,965</u>	<u>8,436</u>	<u>30,401</u>	<u>20,651</u>
Operating Expenses				
Salaries	29,354	9,838	39,192	29,063
Employee benefits	5,589	753	6,342	3,965
Purchased services	48,055	-	48,055	50,988
Supplies	1,389	18	1,407	1,662
Cost of sales - purchased	25,177	-	25,177	24,939
Cost of sales - donated	7,853	-	7,853	5,420
Depreciation	1,843	-	1,843	1,843
Total operating expenses	<u>119,260</u>	<u>10,609</u>	<u>129,869</u>	<u>117,880</u>
Operating Loss	<u>(97,295)</u>	<u>(2,173)</u>	<u>(99,468)</u>	<u>(97,229)</u>
Nonoperating Revenue (Expense)				
Local sources:				
Investment earnings	1	-	1	4
State sources:				
Cash reimbursements	371	-	371	656
Federal sources:				
Cash reimbursements	89,535	-	89,535	87,987
Donated food	7,818	-	7,818	6,396
Total nonoperating revenue	<u>97,725</u>	<u>-</u>	<u>97,725</u>	<u>95,043</u>
Change in Net Position	430	(2,173)	(1,743)	(2,186)
Net Position - Beginning	<u>33,246</u>	<u>-</u>	<u>33,246</u>	<u>35,432</u>
Net Position - Ending	<u>\$ 33,676</u>	<u>\$ (2,173)</u>	<u>\$ 31,503</u>	<u>\$ 33,246</u>

Doland School District 56-2
Statements of Cash Flows – Proprietary Funds
Years Ended June 30, 2014 and 2013

	2014			2013
	Enterprise			Enterprise
	Food Service Fund	Other Enterprise Fund	Total	Food Service Fund
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 21,965	\$ 5,736	\$ 27,701	\$ 20,651
Cash payments to employees	(34,791)	-	(34,791)	(32,957)
Cash payments to suppliers	(72,174)	(18)	(72,192)	(81,949)
Cash donations	-	2,700	2,700	-
Net Cash from (used for) Operating Activities	<u>(85,000)</u>	<u>8,418</u>	<u>(76,582)</u>	<u>(94,255)</u>
Cash Flows from Noncapital Financing Activities				
Cash reimbursements - state sources	371	-	371	656
Cash reimbursements - federal sources	88,384	-	88,384	100,255
Net Cash from Noncapital Financing Activities	<u>88,755</u>	<u>-</u>	<u>88,755</u>	<u>100,911</u>
Cash Flows from (used for) Investing Activities				
Purchases of fixed assets	-	-	-	(1,224)
Investment earnings	1	-	1	4
Net Cash Flows from (used for) Investing Activities	<u>1</u>	<u>-</u>	<u>1</u>	<u>(1,220)</u>
Net Change in Cash and Cash Equivalents	3,756	8,418	12,174	5,436
Cash and Cash Equivalents Beginning of Year	8,976	-	8,976	3,540
Cash and Cash Equivalents End of Year	<u>\$ 12,732</u>	<u>\$ 8,418</u>	<u>\$ 21,150</u>	<u>\$ 8,976</u>
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities				
Operating loss	\$ (97,295)	\$ (2,173)	\$ (99,468)	\$ (97,229)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:				
Value of donated commodities used	7,853	-	7,853	5,420
Depreciation expense	1,843	-	1,843	1,843
Change in assets and liabilities:				
Inventories	(34)	-	(34)	302
Prepaid expenses	1,201	-	1,201	(2,201)
Accounts and other payables	1,432	10,591	12,023	(2,390)
Net Cash from (used for) Operating Activities	<u>\$ (85,000)</u>	<u>\$ 8,418</u>	<u>\$ (76,582)</u>	<u>\$ (94,255)</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 7,818	\$ -	\$ 7,818	\$ 6,396

Doland School District 56-2
Statement of Fiduciary Net Position
June 30, 2014

	Private-Purpose Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 60,830	\$ 56,817
	\$ 60,830	\$ 56,817
Liabilities		
Amounts held for others	\$ -	\$ 56,817
Total liabilities	-	\$ 56,817
Net Position		
Held in trust for scholarships	\$ 60,830	

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Doland School District 56-2 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of the Doland School District 56-2 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the School District's financial statements to be misleading or incomplete.

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 has no component units.

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

Governmental Funds

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

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The capital outlay, special education, and pension funds are the special revenue funds maintained by the School District.

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

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

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of 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.

Proprietary Funds

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

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

Other Fund – A fund used to record financial transactions related to the pre-school operations. This fund is financed by tuition charges. This is a major fund. This fund began operations during the year ended June 30, 2014.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

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

Private-Purpose Trust Fund – The private-purpose trust fund was created to act as a custodian for funds, such as scholarships, held in trust for the benefit of private individuals or organizations. The School District maintains only one private-purpose trust fund for scholarships.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2014 are:

General Fund	
Due from youth at risk	\$ 200,000
Due from federal government	128,124
	<u>328,124</u>
	<u>\$ 328,124</u>
 Food Service	
Due from federal government	<u>\$ 12,426</u>

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

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

Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

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.

Fund Financial Statements

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

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the 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 which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the general fund or special revenue funds.

Capital Assets

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

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

Government-Wide Statements

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

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

The June 30, 2014 and 2013 balance of capital assets for governmental activities and for business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statements 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All land values	N/A	N/A
Improvements	\$ 4,000	Straight-line	30 years
Buildings	10,000	Straight-line	65 years
Equipment	2,500	Straight-line	5-20 years
Library books	All values	Straight-line	10-30 years
Food service equipment	500	Straight-line	5-12 years

*Land is an inexhaustible capital asset and it 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.

Deferred Inflows of Recourses

For the year ended June 30, 2013, the School District early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of implementing this statement, the School District changed the classification of certain liabilities to deferred inflows. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, unavailable revenue, reported only in the statement of net position and governmental funds balance sheet. The governmental activities and governmental funds report unavailable revenues from property taxes and taxes levied for future periods, which are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 School District does not have any long-term liabilities.

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

Program Revenues

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

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

Property Taxes

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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 a deferred inflow 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 an amount not collected during the fiscal period or within the "availability period".

Proprietary Funds Revenue and Expense Classifications

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

In the proprietary fund's statements of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statements 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.

Cash and Cash Equivalents

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

Equity Classifications**Government-Wide Statements**

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

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position- Consists of net assets 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 assets that do not meet the definition of "restricted" or "net invested 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.

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints. Includes fund balance amounts related to noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts).
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the School Board and does not lapse at year end.

- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Pension Fund	Property taxes

Rounding

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

Note 2 - Deposits and Investments 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% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. As of June 30, 2014 and 2013, one of the financial institutions that holds the School District’s deposits was not properly collateralized.

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

State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund, except for the enterprise fund, which retains its investment income.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the Federal Depository Insurance Corporation (FDIC) maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2014, one of the financial institutions that holds the School District's deposits was not properly collateralized and the deposits at that institution were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>Percent Under-Collateralized</u>	<u>At-Risk Amount</u>
Farmers State Bank of Turton	21.44%	<u>\$ 236,066</u>

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

Insured (FDIC/NCUA)	\$ 575,927
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution.	<u>1,101,054</u>
Total deposits	<u>\$ 1,676,981</u>

The School District's carrying amount of deposits at June 30, 2014 was \$1,650,816. Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 1,544,189
Add: Agency fund cash (not included in government-wide statement of Net Position)	56,817
Add: Private purpose trust fund	60,830
Less: Money market investment account included in cash and cash equivalents	<u>(11,020)</u>
Total reconciled deposits	<u>\$ 1,650,816</u>

Investments

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

Investments held as of June 30, 2014 are as follows:

	Credit Rating	Maturity	Fair Value
External investment pools:			
SDFIT	Unrated	N/A	\$ 11,020

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties.

The net asset value of the SD FIT money market account is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. Since the School District has ready access to the cash it is reported as cash and cash equivalents.

Custodial Credit Risk

The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has adopted a policy for custodial credit risk, but the adopted policy is no more restrictive than existing South Dakota Codified Law.

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’s investment policy does not further limit its investment choices. As of June 30, 2014, the School District’s investment in the SD FIT pool was unrated.

Concentration of Credit Risk

The School District places no limit on the amount that may be invested in any one issuer. One hundred percent of the School District’s investments are in the SD FIT pool.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from investments to the General Fund. Accounting principles generally accepted in the United States of America, on the other hand, required income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board had discretion to credit investment income to a fund other than the fund that provided the resources for investment, 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 restrictions on interfund transfers.

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year.

Note 4 - Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2014 and 2013 is as follows:

Primary Government Governmental Activities	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Capital assets, not being depreciated:				
Land	\$ 11,977	\$ 3,626	\$ -	\$ 15,603
Construction in progress	-	170,446		170,446
Total capital assets not being depreciated	<u>11,977</u>	<u>174,072</u>	<u>-</u>	<u>186,049</u>
Capital assets being depreciated:				
Improvements other than buildings	134,971	-	-	134,971
Buildings	1,140,330	48,159	-	1,188,489
Machinery and equipment	613,898	4,354	-	618,252
Total capital assets being depreciated	<u>1,889,199</u>	<u>52,513</u>	<u>-</u>	<u>1,941,712</u>
Less accumulated depreciation for:				
Improvements other than buildings	49,321	3,035	-	52,356
Buildings	602,557	15,458	-	618,015
Machinery and equipment	392,133	18,631	-	410,764
Total accumulated depreciation	<u>1,044,011</u>	<u>37,124</u>	<u>-</u>	<u>1,081,135</u>
Total capital assets being depreciated, net	<u>845,188</u>	<u>15,389</u>	<u>-</u>	<u>860,577</u>
Governmental activity capital assets, net	<u>\$ 857,165</u>	<u>\$ 189,461</u>	<u>\$ -</u>	<u>\$ 1,046,626</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 10,133
Support services	21,413
Cocurricular	<u>5,578</u>
Total depreciation expense - governmental activities	<u>\$ 37,124</u>

Construction in progress includes the \$170,466 of costs incurred in the construction of the Superintendent's house. Construction of the house was completed after year end at a total cost of \$207,849, including the cost of the land. The house previously used for this purpose was sold after year-end for \$20,000.

Doland School District 56-2
Notes to Financial Statements
June 30, 2014 and 2013

<u>Business-Type Activities</u>	<u>Balance 07/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/14</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 57,797	\$ -	\$ -	\$ 57,797
Totals	<u>57,797</u>	<u>-</u>	<u>-</u>	<u>57,797</u>
Less accumulated depreciation for:				
Machinery and equipment	39,657	1,843	-	41,500
Total accumulated depreciation	<u>39,657</u>	<u>1,843</u>	<u>-</u>	<u>41,500</u>
Total capital assets being depreciated, net	<u>18,140</u>	<u>(1,843)</u>	<u>-</u>	<u>16,297</u>
Business-type activities capital assets, net	<u>\$ 18,140</u>	<u>\$ (1,843)</u>	<u>\$ -</u>	<u>\$ 16,297</u>

Depreciation expense was charged to functions as follows:

Business-type activities:				\$ 1,843
Food services				<u>1,843</u>
Total depreciation expense - business-type activities				<u>\$ 1,843</u>

<u>Primary Government Governmental Activities</u>	<u>Balance 07/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/13</u>
Capital assets, not being depreciated:				
Land	\$ 11,977	\$ -	\$ -	\$ 11,977
Construction in progress	34,000	-	34,000	-
Total capital assets not being depreciated	<u>45,977</u>	<u>-</u>	<u>34,000</u>	<u>11,977</u>
Capital assets being depreciated:				
Improvements other than buildings	68,601	66,370	-	134,971
Buildings	1,037,026	103,304	-	1,140,330
Machinery and equipment	660,865	27,310	74,277	613,898
Total capital assets being depreciated	<u>1,766,492</u>	<u>196,984</u>	<u>74,277</u>	<u>1,889,199</u>
Less accumulated depreciation for:				
Improvements other than buildings	48,214	1,107	-	49,321
Buildings	591,617	10,940	-	602,557
Machinery and equipment	423,345	30,194	61,406	392,133
Total accumulated depreciation	<u>1,063,176</u>	<u>42,241</u>	<u>61,406</u>	<u>1,044,011</u>
Total capital assets being depreciated, net	<u>703,316</u>	<u>154,743</u>	<u>12,871</u>	<u>845,188</u>
Governmental activity capital assets, net	<u>\$ 749,293</u>	<u>\$ 154,743</u>	<u>\$ 46,871</u>	<u>\$ 857,165</u>

Depreciation expense was charged to functions as follows:

Governmental activities:				\$ 19,166
Instruction				20,379
Support services				2,696
Cocurricular				<u>42,241</u>
Total depreciation expense - governmental activities				<u>\$ 42,241</u>

Doland School District 56-2
Notes to Financial Statements
June 30, 2014 and 2013

<u>Business-Type Activities</u>	<u>Balance 07/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/13</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 56,573	\$ 1,224	\$ -	\$ 57,797
Totals	56,573	1,224	-	57,797
Less accumulated depreciation for:				
Machinery and equipment	37,814	1,843	-	39,657
Total accumulated depreciation	37,814	1,843	-	39,657
Total capital assets being depreciated, net	18,759	(619)	-	18,140
Business-type activities capital assets, net	<u>\$ 18,759</u>	<u>\$ (619)</u>	<u>\$ -</u>	<u>\$ 18,140</u>
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Food services				\$ 1,843
Total depreciation expense - business-type activities				<u>\$ 1,843</u>

Note 5 - Long-Term Debt

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

<u>Purpose</u>	<u>Amounts Outstanding 6/30/2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/2014</u>	<u>Due in One Year</u>
OPEB Obligation	\$ 78,035	\$ 9,216	\$ 8,610	\$ 78,641	\$ -

<u>Purpose</u>	<u>Amounts Outstanding 6/30/2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/2013</u>	<u>Due in One Year</u>
OPEB Obligation	\$ 81,359	\$ 9,032	\$ 12,356	\$ 78,035	\$ -

Note 6 - Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 446,239
Pension	Law	37,242
Total restricted Net Position		<u>\$ 483,481</u>

Note 7 - Retirement Plan

All employees, working 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 survivors 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, P.O. 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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2014, 2013 and 2012 were \$59,205, \$56,039 and \$54,960, respectively, equal to the required contributions each year.

Note 8 - Joint Ventures

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing special education and other services to the member school districts.

The members of the Co-op are Doland School District, Frederick Area School District, Groton Area School District, Hitchcock/Tulare School District, Langford Area School District, Northwestern Area School District, and Warner School District and their relative percentage of participation are equal.

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

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

Separate financial statements for this joint venture are available from North Central Special Education Cooperative.

At June 30, 2014 and 2013, this joint venture had total assets and fund equity of \$497,251 and \$484,342 for the years ended, respectively.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2014 and 2013, 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 omission 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.

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial carrier.

Worker's Compensation

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

Unemployment Benefits

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

The School District has assigned equity in the general fund in the amount of \$54,190 for the payment of future unemployment benefits.

No unemployment benefits were paid during the years ended June 30, 2014 and 2013. At June 30, 2014, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 10 - Interfund Transactions

During the years ended June 30, 2014 and 2013, the interest earned on cash and investments was transferred from the special education, capital outlay and pension funds to the general fund according to policy.

Note 11 - Postemployment Healthcare Plan

Plan Description

Doland School District Healthcare Plan is a single-employer defined benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher or administrator, who retires from the School District on or after the age of 55 and with at least 3 years of consecutive service with the School District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Annual OPEB Cost and Net OPEB Obligation

The School Districts annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Accounting Standards Codification Topic ASC (previously GASB Statement 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

	2014	2013
Annual required contribution (ARC)	\$ 10,662	\$ 10,539
Interest on net OPEB obligation	2,536	2,644
Adjustment to annual required contribution	(3,982)	(4,151)
Annual OPEB cost	9,216	9,032
Contributions made	(8,610)	(12,356)
Increase (decrease) in net OPEB obligation	606	(3,324)
Net OPEB obligation - July 1	78,035	81,359
Net OPEB obligation - June 30	\$ 78,641	\$ 78,035

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2014	\$ 9,216	93.4%	\$ 78,641
2013	9,032	136.8%	78,035
2012	8,905	103.9%	81,359

Funded Status and Funding Process

As of June 30, 2012, the most recent actuarial valuation date, the plan's actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$132,031. The School District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) and the UAAL to the covered payroll were not applicable.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 3.25% discount rate assuming the School District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 25% of eligible retirees will actually participate in the retiree medical benefit and 25% of their spouses will participate. The annual healthcare cost trend rate of 8.5% initially, decreasing by approximately 0.5% per year until reaching an ultimate rate of 5.1%. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

Note 12 - Litigation

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



Required Supplementary Information
June 30, 2014 and 2013

Doland School District 56-2

Doland School District 56-2
 Schedule of Funding Progress
 Years Ended June 30, 2014 and 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2012	-	132,031	132,031	0.00%	N/A	N/A

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Years Ended June 30, 2014 and 2013

	2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 756,346	\$ 756,346	\$ 826,083	\$ 69,737
Prior year's ad valorem taxes	2,500	2,500	4,001	1,501
Tax deed revenue	-	-	706	706
Gross receipts taxes	7,000	7,000	65,689	58,689
Penalties and interest on taxes	1,855	1,855	2,118	263
Earnings on investments and deposits	2,952	2,952	2,514	(438)
Cocurricular activities:				
Admissions	3,593	3,593	3,731	138
Rentals	64	64	105	41
Other pupil activity income	202	202	-	(202)
Other revenue from local sources:				
Rentals	-	-	50	50
Contributions and donations	314	314	2,639	2,325
Refund of prior period expenditures	4,830	4,830	4,896	66
Charges for services	4,065	4,065	7,356	3,291
Other	340	340	4,153	3,813
Revenue from intermediate sources				
County sources:				
County apportionment	12,472	12,472	6,938	(5,534)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	349,221	349,221	343,648	(5,573)
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	62,418	62,418	76,179	13,761
Total revenues	1,208,172	1,208,172	1,350,806	142,634
Expenditures				
Instruction				
Regular programs:				
Elementary	567,679	590,917	493,521	97,396
Middle/junior high	115,035	115,650	102,311	13,339
High school	273,846	275,393	233,004	42,389
Special programs:				
Educationally deprived	130,432	130,432	103,843	26,589
Support services				
Pupils:				
Guidance	4,743	5,318	89	5,229
Health	950	1,150	594	556
Support services - instructional staff:				
Educational media	37,051	43,240	27,767	15,473
Support services - general administration:				
Board of education	42,790	45,710	18,206	27,504
Executive administration	68,185	68,585	39,531	29,054
Support services - school administration:				
Office of the principal	67,332	68,156	43,509	24,647
Other	500	500	254	246

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Years Ended June 30, 2014 and 2013

	2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Support services - business:				
Fiscal services	58,310	59,410	63,129	(3,719)
Operation and maintenance of plant	235,778	239,689	153,564	86,125
Pupil transportation	133,269	133,269	86,432	46,837
Cocurricular activities:				
Male activities	11,068	11,293	4,534	6,759
Female activities	7,508	8,954	4,633	4,321
Transportation	10,560	10,560	8,853	1,707
Combined activities	20,289	20,289	17,209	3,080
Contingencies	45,450	45,450	-	45,450
Amount transferred	-	(44,125)	-	(44,125)
Total expenditures	<u>1,830,775</u>	<u>1,829,840</u>	<u>1,400,983</u>	<u>428,857</u>
Excess of Revenue over (under) Expenditures	<u>(622,603)</u>	<u>(621,668)</u>	<u>(50,177)</u>	<u>571,491</u>
Other Financing Sources (Uses)				
Transfers in	-	-	566	566
Transfers out	(1,010)	(1,010)	-	1,010
Total other financing sources (uses)	<u>(1,010)</u>	<u>(1,010)</u>	<u>566</u>	<u>1,576</u>
Net Change in Fund Balances	(623,613)	(622,678)	(49,611)	573,067
Fund Balance - Beginning	<u>980,290</u>	<u>980,290</u>	<u>980,290</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 356,677</u>	<u>\$ 357,612</u>	<u>\$ 930,679</u>	<u>\$ 573,067</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Years Ended June 30, 2014 and 2013

	2013			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 560,851	\$ 560,851	\$ 770,435	\$ 209,584
Prior year's ad valorem taxes	2,000	2,000	3,466	1,466
Gross receipts taxes	54,906	54,906	104,379	49,473
Penalties and interest on taxes	1,809	1,809	2,315	506
Earnings on investments and deposits	2,880	2,880	3,861	981
Cocurricular activities:				
Admissions	3,505	3,505	3,573	68
Rentals	62	62	75	13
Other pupil activity income	197	197	-	(197)
Other revenue from local sources:				
Contributions and donations	306	306	71,107	70,801
Refund of prior period expenditures	4,712	4,712	7,682	2,970
Charges for services	3,965	3,965	6,944	2,979
Other	331	331	681	350
Revenue from intermediate sources				
County sources:				
County apportionment	12,167	12,167	7,350	(4,817)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	340,702	340,702	323,109	(17,593)
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	72,354	72,354	20,685	(51,669)
Total revenues	1,060,747	1,060,747	1,325,662	264,915
Expenditures				
Instruction				
Regular programs:				
Elementary	473,542	548,296	424,029	124,267
Middle/junior high	103,039	108,610	100,193	8,417
High school	254,511	264,057	211,044	53,013
Special programs:				
Educationally deprived	112,881	193,470	137,928	55,542
Support services				
Pupils:				
Guidance	2,564	3,942	3,635	307
Health	1,283	1,283	510	773
Support services - instructional staff:				
Educational media	30,195	32,954	29,002	3,952
Support services - general administration:				
Board of education	35,435	42,084	23,553	18,531
Executive administration	65,926	65,926	38,391	27,535
Support services - school administration:				
Office of the principal	66,782	66,782	40,205	26,577
Other	239	239	261	(22)

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Years Ended June 30, 2014 and 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Support services - business:				
Fiscal services	52,815	55,464	51,265	4,199
Operation and maintenance of plant	193,755	199,755	147,065	52,690
Pupil transportation	129,793	131,502	92,557	38,945
Cocurricular activities:				
Male activities	8,380	11,214	6,174	5,040
Female activities	5,404	7,289	5,129	2,160
Transportation	10,252	10,252	7,083	3,169
Combined activities	19,693	19,693	80,755	(61,062)
Contingencies	45,450	45,450	-	45,450
Amount transferred	-	(24,353)	-	(24,353)
Total expenditures	<u>1,611,939</u>	<u>1,783,909</u>	<u>1,398,779</u>	<u>385,130</u>
Excess of Revenue over (under) Expenditures	<u>(551,192)</u>	<u>(723,162)</u>	<u>(73,117)</u>	<u>650,045</u>
Other Financing Sources (Uses)				
Transfers in	-	-	479	479
Transfers out	(1,010)	(1,010)	-	1,010
Sale of surplus property	215	215	1,075	860
Total other financing sources (uses)	<u>(795)</u>	<u>(795)</u>	<u>1,554</u>	<u>2,349</u>
Net Change in Fund Balances	<u>(551,987)</u>	<u>(723,957)</u>	<u>(71,563)</u>	<u>652,394</u>
Fund Balance - Beginning	<u>1,051,853</u>	<u>1,051,853</u>	<u>1,051,853</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 499,866</u>	<u>\$ 327,896</u>	<u>\$ 980,290</u>	<u>\$ 652,394</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Years Ended June 30, 2014 and 2013

	2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 342,924	\$ 342,924	\$ 367,492	\$ 24,568
Prior year's ad valorem taxes	231	231	1,001	770
Penalties and interest on taxes	154	154	685	531
Earnings on investments and deposits	-	-	417	417
Total revenues	<u>343,309</u>	<u>343,309</u>	<u>369,595</u>	<u>26,286</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	51,500	53,425	10,010	43,415
Middle/junior high	20,000	20,000	62	19,938
High school	110,500	112,750	46,717	66,033
Support services				
Support services - instructional staff:				
Educational media	16,000	16,000	4,404	11,596
Support services - business:				
Fiscal services	6,000	6,000	3,150	2,850
Operation and maintenance of plant	310,060	397,030	224,627	172,403
Pupil transportation	103,000	103,000	-	103,000
Total expenditures	<u>617,060</u>	<u>708,205</u>	<u>288,970</u>	<u>419,235</u>
Excess of Revenue over (under) Expenditures	<u>(273,751)</u>	<u>(364,896)</u>	<u>80,625</u>	<u>445,521</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(417)	(417)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(417)</u>	<u>(417)</u>
Net Change in Fund Balance	(273,751)	(364,896)	80,208	445,104
Fund Balance - Beginning	<u>365,416</u>	<u>365,416</u>	<u>365,416</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 91,665</u>	<u>\$ 520</u>	<u>\$ 445,624</u>	<u>\$ 445,104</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Years Ended June 30, 2014 and 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 245,458	\$ 245,458	\$ 253,997	\$ 8,539
Prior year's ad valorem taxes	225	225	420	195
Penalties and interest on taxes	150	150	530	380
Earnings on investments and deposits	-	-	354	354
Total revenues	<u>245,833</u>	<u>245,833</u>	<u>255,301</u>	<u>9,468</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	32,778	32,778	19,374	13,404
Middle/junior high	15,000	15,000	-	15,000
High school	100,000	100,000	27,231	72,769
Special programs:				
Programs for special education	-	-	799	(799)
Support services				
Support services - instructional staff:				
Educational media	1,600	1,600	-	1,600
Support services - business:				
Fiscal services	3,000	3,050	4,445	(1,395)
Operation and maintenance of plant	202,000	202,000	70,919	131,081
Pupil transportation	100,000	100,000	25,000	75,000
Food service	303	303	-	303
Total expenditures	<u>454,681</u>	<u>454,731</u>	<u>147,768</u>	<u>306,963</u>
Excess of Revenue over (under) Expenditures	<u>(208,848)</u>	<u>(208,898)</u>	<u>107,533</u>	<u>316,431</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(355)	(355)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(355)</u>	<u>(355)</u>
Net Change in Fund Balance	(208,848)	(208,898)	107,178	316,076
Fund Balance - Beginning	<u>258,238</u>	<u>258,238</u>	<u>258,238</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 49,390</u>	<u>\$ 49,340</u>	<u>\$ 365,416</u>	<u>\$ 316,076</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Years Ended June 30, 2014 and 2013

	2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 199,731	\$ 199,731	\$ 214,641	\$ 14,910
Prior year's ad valorem taxes	226	226	249	23
Penalties and interest on taxes	462	462	126	(336)
Earnings on investments and deposits	-	-	109	109
Other revenue from local sources				
Charges for services	7,306	7,306	4,360	(2,946)
Total revenues	<u>207,725</u>	<u>207,725</u>	<u>219,485</u>	<u>11,760</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	192,172	218,429	191,686	26,743
Support services				
Pupils:				
Psychological	8,240	8,240	1,574	6,666
Speech pathology	8,240	8,240	3,279	4,961
Student therapy services	17,000	21,500	21,110	390
Support services - special education:				
Administrative costs	8,800	9,130	8,968	162
Transportation costs	557	2,157	1,501	656
Total expenditures	<u>235,009</u>	<u>267,696</u>	<u>228,118</u>	<u>39,578</u>
Excess of Revenue over (under) Expenditures	<u>(27,284)</u>	<u>(59,971)</u>	<u>(8,633)</u>	<u>51,338</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(109)	(109)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(109)</u>	<u>(109)</u>
Net Change in Fund Balance	(27,284)	(59,971)	(8,742)	51,229
Fund Balance - Beginning	126	126	126	-
Fund Balance - Ending	<u>\$ (27,158)</u>	<u>\$ (59,845)</u>	<u>\$ (8,616)</u>	<u>\$ 51,229</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Years Ended June 30, 2014 and 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 41,592	\$ 41,592	\$ 44,804	\$ 3,212
Prior year's ad valorem taxes	220	220	145	(75)
Penalties and interest on taxes	450	450	79	(371)
Earnings on investments and deposits	-	-	71	71
Other revenue from local sources				
Charges for services	-	-	2,734	2,734
Medicaid direct services	6,151	6,151	-	(6,151)
Revenue from federal sources				
Grants-in-aid:	-	-	1,000	1,000
Total revenues	<u>48,413</u>	<u>48,413</u>	<u>48,833</u>	<u>420</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	194,701	237,284	136,715	100,569
Support services				
Pupils:				
Psychological	8,000	8,000	1,588	6,412
Speech pathology	8,000	8,000	3,440	4,560
Student therapy services	20,000	20,000	16,040	3,960
Support services - special education:				
Administrative costs	7,669	8,494	8,447	47
Transportation costs	245	351	105	246
Total expenditures	<u>238,615</u>	<u>282,129</u>	<u>166,335</u>	<u>115,794</u>
Excess of Revenue over (under) Expenditures	<u>(190,202)</u>	<u>(233,716)</u>	<u>(117,502)</u>	<u>116,214</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(71)	(71)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(71)</u>	<u>(71)</u>
Net Change in Fund Balance	(190,202)	(233,716)	(117,573)	116,143
Fund Balance - Beginning	<u>117,699</u>	<u>117,699</u>	<u>117,699</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (72,503)</u>	<u>\$ (116,017)</u>	<u>\$ 126</u>	<u>\$ 116,143</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Years Ended June 30, 2014 and 2013

	2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 56,149	\$ 56,149	\$ 45,025	\$ (11,124)
Prior year's ad valorem taxes	159	159	167	8
Penalties and interest on taxes	100	100	1,827	1,727
Earnings on investments and deposits	-	-	40	40
Total revenues	<u>56,408</u>	<u>56,408</u>	<u>47,059</u>	<u>(9,349)</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	21,424	21,424	16,000	5,424
Middle/junior high	10,300	10,300	4,000	6,300
High school	10,300	10,300	10,000	300
Support services				
Support services - instructional staff:				
Educational media	3,605	3,605	102	3,503
Support services - general administration:				
Board of education	2,678	2,678	-	2,678
Support services - school administration:				
Office of the principal	2,576	2,576	-	2,576
Support services - business:				
Fiscal services	2,266	2,266	-	2,266
Operation and maintenance of plant	4,172	4,172	-	4,172
Student transportation	927	927	-	927
Cocurricular activities				
Combined activities	824	824	-	824
Total expenditures	<u>59,072</u>	<u>59,072</u>	<u>30,102</u>	<u>28,970</u>
Excess of Revenue over (under) Expenditures	<u>(2,664)</u>	<u>(2,664)</u>	<u>16,957</u>	<u>19,621</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(40)	(40)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>(40)</u>
Net Change in Fund Balance	(2,664)	(2,664)	16,917	19,581
Fund Balance - Beginning	<u>20,241</u>	<u>20,241</u>	<u>20,241</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 17,577</u>	<u>\$ 17,577</u>	<u>\$ 37,158</u>	<u>\$ 19,581</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Years Ended June 30, 2014 and 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Budgetary Basis)	
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 29,262	\$ 29,262	\$ 31,611	\$ 2,349
Prior year's ad valorem taxes	155	155	88	(67)
Penalties and interest on taxes	97	97	89	(8)
Earnings on investments and deposits	-	-	53	53
Total revenues	<u>29,514</u>	<u>29,514</u>	<u>31,841</u>	<u>2,327</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	20,800	20,800	16,756	4,044
Middle/junior high	10,000	10,000	4,812	5,188
High school	10,000	10,000	9,364	636
Support services				
Support services - instructional staff:				
Educational media	3,500	3,500	3,619	(119)
Support services - general administration:				
Board of education	2,600	2,600	1,716	884
Support services - school administration:				
Office of the principal	2,500	2,500	1,962	538
Support services - business:				
Fiscal services	2,200	2,200	2,200	-
Operation and maintenance of plant	4,050	4,050	1,729	2,321
Student transportation	900	900	395	505
Cocurricular activities				
Combined activities	800	800	440	360
Total expenditures	<u>57,350</u>	<u>57,350</u>	<u>42,993</u>	<u>14,357</u>
Excess of Revenue over (under) Expenditures	<u>(27,836)</u>	<u>(27,836)</u>	<u>(11,152)</u>	<u>16,684</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(53)	(53)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(53)</u>	<u>(53)</u>
Net Change in Fund Balance	(27,836)	(27,836)	(11,205)	16,631
Fund Balance - Beginning	<u>31,446</u>	<u>31,446</u>	<u>31,446</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,610</u>	<u>\$ 3,610</u>	<u>\$ 20,241</u>	<u>\$ 16,631</u>

Note 1 - Basis of Presentation

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

Note 2 - Budgetary Legal Requirements

Budgets and Budgetary Accounting

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

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



CPAs & BUSINESS ADVISORS

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

The School Board
Doland School District 56-2
Doland, 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 Doland School District 56-2 (the School District) as of June 30, 2014 and for each of the years in the two year period thend ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated June 8, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying auditor's comments, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

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

Compliance and Other Matters

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

Entity's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying auditor's comments. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Aberdeen, South Dakota
June 8, 2015

Status of Prior Audit Recommendations

Finding 2012-1 Lack of Segregation of Duties

There was a lack of segregation of duties in the revenue, expenditure and payroll functions due to the size of the School District.

Current Status: This has not been corrected and is restated as current audit finding 2014-A.

Finding 2012-2 Preparation of Financial Statements and Footnotes

The School District does not have an internal control system over financial reporting due to identify misstatements so they can be corrected before the annual report is complete.

Current Status: This finding has not been corrected and is restated as current audit finding 2014-B.

Current Audit Findings and Recommendations

Finding 2014-A Lack of Segregation of Duties

Condition: Doland School District 56-2 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties. Also, adequate internal controls were not set in place to ensure that bank reconciliations were able to be provided in a timely manner to the auditors during fieldwork procedures.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no individual handles a transaction from its inception to its completion.

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

Management's Response: Management accepts the risk associated with lack of segregation of duties in the School District.

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

Condition: Doland School District 56-2 requested the external auditors to prepare the financial statements and related notes for the year ended June 30, 2014. As a part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement of the School District's financial statements.

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

Cause: The School District does not have adequate staff trained to prepare financial statements and the related footnotes and could cause the need for auditors to at times propose material journal entries.

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

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

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