

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

Board Members:

Heather Bode, Chairman
Grady Heitmann
Kelly Aesoph
Todd Brand
Gary Bowar

Superintendent:

Joel Price

Business Manager:

Lisa Raethz

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

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

School Board
Faulkton Area Schools District No. 24-4
Faulk County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4, South Dakota (School District), as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 5, 2015, which was qualified for the governmental activities because the School District did not include the effect of their other postemployment benefits on the financial statements and related notes.

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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2014-01 and #2014-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and

contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings as item #2014-03.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. 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

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

Kohlman, Biersbach & Anderson, LLP

January 5, 2015

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

PRIOR AUDIT FINDINGS:

Finding #2013-01

A material weakness was reported for a lack of segregation of duties for inventory; receivables; payables; indebtedness; deferred revenue; equity; revenues; and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2014-01.

Finding #2013-02

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2014-02.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2014

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2014-01

Criteria

Internal control can help a School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash; inventory; receivables; unavailable revenue; payables; indebtedness; equity; revenues; and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Effect

The School District has one employee who prepares all accounting records.

Recommendation

We recommend the School Board take a more active role in their oversight of cash; inventory; receivables; unavailable revenue; payables; indebtedness; equity; revenues; and the preparation of trust and agency receipts, disbursements, and bank reconciliations.

Management's Response

Heather Bode is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of Faulkton Area Schools District No. 24-4 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Faulkton Area Schools District No. 24-4 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash; inventory; receivables; unavailable revenue; payables; indebtedness; equity; revenues; and the preparation of trust and agency receipts, disbursements, and bank reconciliations. Faulkton Area Schools District No. 24-4 is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding cash; inventory; receivables; unavailable revenue; payables; indebtedness; equity; revenues; and the preparation of trust and agency receipts, disbursements, and bank reconciliations continues to exist.

Finding #2014-02

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2014
(Continued)

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement 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.

Management's Response

Heather Bode is the contact person responsible for the corrective action plan for this comment. She stated that the Faulkton School has and will continue to develop policies and procedures that will minimize risk and associated liability to the District.

COMPLIANCE AND OTHER MATTERS:

Finding #2014-03

Criteria

Governmental Accounting Standards Board (GASB) Statement No. 45 requires that local government employers that provide other postemployment benefits (OPEB) to their employees requires measurement, recognition, and displaying OPEB expense and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial statements. These amounts may be obtained through an actuarial valuation.

Condition Found

The School District offers OPEB to their employees when they retire in the form of health insurance. However, the School District has not obtained an actuarial valuation to determine the cost of the OPEB nor has the School District included the necessary disclosures in the footnotes.

Effect

Since the School District has not obtained an actuarial valuation of their OPEB, the School District is not in compliance with GASB Statement No. 45.

Recommendation

We recommend that the School District obtain an actuarial valuation of their OPEB, so that the necessary expense, liability, and note disclosures can be included in the financial statements.

Management's Response

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2014
(Continued)

Heather Bode is the contact person responsible for the corrective action plan for this comment. She stated, "The Faulkton Area School District #24-4 is looking into their options on this requirement. The Associated School Boards of South Dakota (ASBSD) stated the School has the option to go through Gallagher Benefit Services at a discounted rate of \$2,000 under ASBSD. The Board of Education will discuss this."

Closing Conference

The contents of this report were discussed with Heather Bode, Joel Price, and Lisa Raethz on November 12, 2014.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
Faulkton Area Schools District No. 24-4
Faulk County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4, South Dakota (School District), as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

The School District was required to include the effect of their other postemployment benefits (OPEB) in the financial statements and related note disclosures in accordance with Governmental Accounting Standards Board Statement No. 45. The School District did not obtain an actuarial valuation to determine the value of their OPEB.

Therefore, it was not able to be included in the financial statements and related note disclosures. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Faulkton Area Schools District No. 24-4, South Dakota, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4, South Dakota, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management’s Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require 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 this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District’s basic financial statements. The combining statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierbach & Anderson, LLP

January 5, 2015

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,033,902	\$ 13,881	\$ 1,047,783
Taxes receivable	1,011,826	-	1,011,826
Inventories	66,522	5,379	71,901
Other assets	120,995	-	120,995
Capital Assets:			
Land	1,700	-	1,700
Other capital assets, net of depreciation	<u>1,746,465</u>	<u>21,696</u>	<u>1,768,161</u>
TOTAL ASSETS	<u>3,981,410</u>	<u>40,956</u>	<u>4,022,366</u>
LIABILITIES:			
Accounts payable	6,485	-	6,485
Other current liabilities	19,028	71	19,099
Unearned revenue	-	1,163	1,163
Noncurrent Liabilities:			
Due within one year	135,125	-	135,125
Due in more than one year	<u>563,818</u>	<u>-</u>	<u>563,818</u>
TOTAL LIABILITIES	<u>724,456</u>	<u>1,234</u>	<u>725,690</u>
NET POSITION:			
Net investment in capital assets	1,177,352	21,696	1,199,048
Restricted for:			
Capital outlay purposes	445,180	-	445,180
Special education purposes	392,815	-	392,815
Unrestricted	<u>1,241,607</u>	<u>18,026</u>	<u>1,259,633</u>
TOTAL NET POSITION	<u>\$ 3,256,954</u>	<u>\$ 39,722</u>	<u>\$ 3,296,676</u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$1,614,858	\$ -	\$ 180,016	\$ -	\$ (1,434,842)		\$(1,434,842)
Support services	1,125,273	12,927	1,125	10,865	(1,100,356)		(1,100,356)
Nonprogrammed charges	33,802	-	-	-	(33,802)		(33,802)
*Interest on long-term debt	29,329	-	-	-	(29,329)		(29,329)
Cocurricular activities	177,042	25,546	-	-	(151,496)		(151,496)
Total Governmental Activities	2,980,304	38,473	181,141	10,865	(2,749,825)	-	(2,749,825)
Business-Type Activities:							
Food service	177,365	65,791	69,396	-		\$(42,178)	(42,178)
Preschool	3,799	7,828	-	-		4,029	4,029
Drivers education	3,096	3,150	-	-		54	54
Total Business-Type Activities	184,260	76,769	69,396	-	(38,095)	(38,095)	(38,095)
Total Primary Government	\$3,164,564	\$ 115,242	\$ 250,537	\$ 10,865	(2,749,825)	(38,095)	(2,787,920)
* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
					2,167,635	-	2,167,635
					114,960	-	114,960
Revenue from State Sources:							
					530,230	-	530,230
					28,348	-	28,348
Revenue from Federal Sources							
					2,451	-	2,451
					2,338	5	2,343
Other General Revenues							
					36,161	-	36,161
Transfers							
					(43,869)	43,869	-
Total General Revenues and Transfers					2,838,254	43,874	2,882,128
CHANGE IN NET POSITION					88,429	5,779	94,208
NET POSITION - BEGINNING					3,168,525	33,943	3,202,468
NET POSITION - ENDING					\$ 3,256,954	\$ 39,722	\$ 3,296,676

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 546,936	\$ 145,914	\$ 296,679	\$ 44,373	\$ 1,033,902
Taxes receivable - current	560,160	307,143	97,049	39,647	1,003,999
Taxes receivable - delinquent	5,160	1,740	816	111	7,827
Due from other governments	120,995	-	-	-	120,995
Inventory of supplies	66,522	-	-	-	66,522
TOTAL ASSETS	<u>\$ 1,299,773</u>	<u>\$ 454,797</u>	<u>\$ 394,544</u>	<u>\$ 84,131</u>	<u>\$ 2,233,245</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 4,889	\$ 503	\$ 1,093	\$ -	\$ 6,485
Payroll deductions and withholdings and employer matching payable	9,278	-	636	-	9,914
TOTAL LIABILITIES	<u>14,167</u>	<u>503</u>	<u>1,729</u>	<u>-</u>	<u>16,399</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	565,320	308,883	97,865	39,758	1,011,826
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>565,320</u>	<u>308,883</u>	<u>97,865</u>	<u>39,758</u>	<u>1,011,826</u>
FUND BALANCES:					
Nonspendable	66,522	-	-	-	66,522
Restricted	-	145,411	294,950	44,373	484,734
Assigned	454,797	-	-	-	454,797
Unassigned	198,967	-	-	-	198,967
TOTAL FUND BALANCES	<u>720,286</u>	<u>145,411</u>	<u>294,950</u>	<u>44,373</u>	<u>1,205,020</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,299,773</u>	<u>\$ 454,797</u>	<u>\$ 394,544</u>	<u>\$ 84,131</u>	<u>\$ 2,233,245</u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds		\$ 1,205,020
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.		1,748,165
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Early Retirement	\$ 102,009	
Accrued Leave	\$ 26,121	
Other Long-Term Debt	<u>\$ 570,813</u>	(698,943)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes Receivable	<u>\$ 1,011,826</u>	1,011,826
Payables for interest are recognized as expenses on the full accrual economic resources measurement focus presented in the government-wide financial statements but are not recognized generally until paid on the modified accrual current financial resources measurement focus presented in the fund financial statements.		<u>(9,114)</u>
Net Position - Governmental Activities		<u>\$ 3,256,954</u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,154,160	\$ 564,066	\$ 193,847	\$ 45,850	\$ 1,957,923
Prior years' ad valorem taxes	484	104	52	7	647
Utility taxes	114,960	-	-	-	114,960
Penalties and interest on taxes	1,411	597	230	10	2,248
Earnings on investments and deposits	2,169	2	121	46	2,338
Cocurricular activities:					
Admissions	22,751	-	-	-	22,751
Other pupil activity income	2,795	-	-	-	2,795
Other revenue from local sources:					
Rentals	546	-	-	-	546
Contributions and donations	900	-	-	-	900
Charges for services	11,893	-	1,034	-	12,927
Other	15,177	-	-	-	15,177
Revenue from Intermediate Sources:					
County sources:					
County apportionment	19,538	-	-	-	19,538
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	558,578	-	-	-	558,578
Restricted grants-in-aid	1,125	-	-	-	1,125
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	1,498	685	268	-	2,451
Restricted grants-in-aid received from federal government through the state	110,469	10,865	69,547	-	190,881

(Continued on next page)

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
TOTAL REVENUE	2,018,454	576,319	265,099	45,913	2,905,785
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	641,218	79,539	-	32,902	753,659
Middle/junior high	86,680	3,271	-	3,645	93,596
High school	358,595	26,789	-	15,284	400,668
Special programs:					
Programs for special education	-	-	181,307	-	181,307
Educationally deprived	143,615	-	-	-	143,615
Support Services:					
Pupils:					
Guidance	13,394	-	-	636	14,030
Health	2,060	-	-	-	2,060
Psychological	-	-	8,416	-	8,416
Speech pathology	-	-	48,140	-	48,140
Student therapy services	-	-	5,681	-	5,681
Instructional staff:					
Improvement of instruction	15,419	-	-	-	15,419
Educational media	100,009	25,189	-	3,789	128,987
General administration:					
Board of education	31,457	-	-	-	31,457
Executive administration	121,388	2,304	-	5,230	128,922
School administration:					
Office of the principal	77,633	-	-	3,016	80,649
Other	401	-	-	-	401

(Continued on next page)

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
Business:					
Fiscal services	60,150	9,744	-	1,871	71,765
Operation and maintenance of plant	280,006	100,000	-	3,651	383,657
Pupil transportation	20,185	140,397	-	-	160,582
Food services	-	8,874	-	-	8,874
Special education:					
Administrative costs	-	-	12,958	-	12,958
Other special education costs	-	-	25,452	-	25,452
Nonprogrammed Charges:					
Early retirement payments	-	-	-	33,903	33,903
Debt Services	-	129,734	-	-	129,734
Cocurricular Activities:					
Male activities	42,289	-	-	-	42,289
Female activities	28,169	-	-	-	28,169
Transportation	7,824	21,103	-	-	28,927
Combined activities	55,113	6,999	-	2,672	64,784
Capital Outlay	-	89,429	-	-	89,429
TOTAL EXPENDITURES	<u>2,085,605</u>	<u>643,372</u>	<u>281,954</u>	<u>106,599</u>	<u>3,117,530</u>
EXCESS OF REVENUE UNDER EXPENDITURES	<u>(67,151)</u>	<u>(67,053)</u>	<u>(16,855)</u>	<u>(60,686)</u>	<u>(211,745)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	174	-	-	-	174
Transfers out	<u>(35,000)</u>	<u>(2)</u>	<u>(121)</u>	<u>(46)</u>	<u>(35,169)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,826)</u>	<u>(2)</u>	<u>(121)</u>	<u>(46)</u>	<u>(34,995)</u>

(Continued on next page)

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
NET CHANGE IN FUND BALANCES	(101,977)	(67,055)	(16,976)	(60,732)	(246,740)
FUND BALANCE - BEGINNING	<u>822,263</u>	<u>212,466</u>	<u>311,926</u>	<u>105,105</u>	<u>1,451,760</u>
FUND BALANCE - ENDING	<u>\$ 720,286</u>	<u>\$ 145,411</u>	<u>\$ 294,950</u>	<u>\$ 44,373</u>	<u>\$ 1,205,020</u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (246,740)

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

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide statements. 89,429

This amount represents the current year depreciation expense reported in the statement of
activities which is not reported on the fund financial statements because it does not require
the use of current financial resources. (61,138)

Payment of principal on long-term debt is an expenditure in the governmental funds but
the payment reduces long-term liabilities in the statement of net position.

Early Retirement	\$ 33,903	
Other Long-Term Debt	<u>\$ 98,828</u>	132,731

Governmental funds recognize expenditures for amounts of compensated absences and early
retirement benefits actually paid to employees with current financial resources during the
fiscal year. Amounts of compensated absences earned by employees are not recognized
in the funds. In the statement of activities, expenses for these benefits are recognized when
the employees earn leave credits or elect to retire early.

Sick Leave	\$ 445	
Early Retirement	<u>\$ 33,802</u>	(34,247)

In both the government-wide and fund financial statements, revenues from property tax
levies are applied to finance the budget of a particular period. Accounting for revenues
from property tax accruals in the funds' statements differs from the accounting in the
government-wide statements in that the fund financial statements require the amounts to
be "available". This amount reflects the application of both the application period and
"availability criteria". 206,817

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in governmental funds. 1,577

Change in Net Position of Governmental Activities \$ 88,429

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 277	\$ 13,604	\$ 13,881
Inventory of stores purchased for resale	1,619	-	1,619
Inventory of donated food	3,760	-	3,760
Total Current Assets	<u>5,656</u>	<u>13,604</u>	<u>19,260</u>
Capital Assets:			
Machinery and equipment - local funds	63,818	-	63,818
Less: accumulated depreciation	<u>(42,122)</u>	<u>-</u>	<u>(42,122)</u>
Total Noncurrent Assets	<u>21,696</u>	<u>-</u>	<u>21,696</u>
TOTAL ASSETS	<u>27,352</u>	<u>13,604</u>	<u>40,956</u>
LIABILITIES:			
Current Liabilities:			
Payroll deductions and withholdings and employer matching payable	71	-	71
Unearned revenue	<u>1,163</u>	<u>-</u>	<u>1,163</u>
TOTAL LIABILITIES	<u>1,234</u>	<u>-</u>	<u>1,234</u>
NET POSITION:			
Net investment in capital assets	21,696	-	21,696
Unrestricted net position	<u>4,422</u>	<u>13,604</u>	<u>18,026</u>
TOTAL NET POSITION	<u>\$ 26,118</u>	<u>\$ 13,604</u>	<u>\$ 39,722</u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
OPERATING REVENUE:			
Food Sales:			
Student	\$ 54,853	\$ -	\$ 54,853
Adult	5,935	-	5,935
Ala Carte	5,003	-	5,003
Other Charges for Goods and Services	-	10,978	10,978
TOTAL OPERATING REVENUE	<u>65,791</u>	<u>10,978</u>	<u>76,769</u>
OPERATING EXPENSES:			
Salaries	50,521	5,468	55,989
Employee benefits	14,909	597	15,506
Purchased services	18,234	-	18,234
Supplies	3,432	830	4,262
Cost of sales - purchased	77,282	-	77,282
Cost of sales - donated	9,390	-	9,390
Other	208	-	208
Depreciation	3,389	-	3,389
TOTAL OPERATING EXPENSES	<u>177,365</u>	<u>6,895</u>	<u>184,260</u>
OPERATING INCOME (LOSS)	<u>(111,574)</u>	<u>4,083</u>	<u>(107,491)</u>
NONOPERATING REVENUE:			
Investment earnings	-	5	5
State grants	684	-	684
Federal grants	57,598	-	57,598
Donated food	11,114	-	11,114
TOTAL NONOPERATING REVENUE	<u>69,396</u>	<u>5</u>	<u>69,401</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(42,178)</u>	<u>4,088</u>	<u>(38,090)</u>
CAPITAL CONTRIBUTIONS	8,874	-	8,874
TRANSFERS IN	35,000	-	35,000
TRANSFERS OUT	-	(5)	(5)
CHANGE IN NET POSITION	1,696	4,083	5,779
NET POSITION - BEGINNING	<u>24,422</u>	<u>9,521</u>	<u>33,943</u>
NET POSITION - ENDING	<u>\$ 26,118</u>	<u>\$ 13,604</u>	<u>\$ 39,722</u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 66,502	\$ 10,978	\$ 77,480
Cash payments to employees for services	(65,359)	(6,065)	(71,424)
Cash payments to suppliers of goods or services	(99,207)	(1,334)	(100,541)
Net cash provided (used) by operating activities	(98,064)	3,579	(94,485)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	35,000	-	35,000
Transfers to General Fund	-	(5)	(5)
Operating grants	58,282	-	58,282
Net cash provided (used) by noncapital financing activities	93,282	(5)	93,277
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received for interest	-	5	5
Net cash provided by investing activities	-	5	5
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,782)	3,579	(1,203)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,059	10,025	15,084
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 277</u>	<u>\$ 13,604</u>	<u>\$ 13,881</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

OPERATING INCOME (LOSS)	\$ (111,574)	\$ 4,083	\$ (107,491)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation expense	3,389	-	3,389
Value of donated commodities used	9,390	-	9,390
Change in assets and liabilities:			
Accounts receivable	822	-	822

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Totals
Inventories	(51)	-	(51)
Accounts and other payables	71	(504)	(433)
Unearned revenue	(111)	-	(111)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (98,064)</u>	<u>\$ 3,579</u>	<u>\$ (94,485)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 11,114	\$ -	\$ 11,114
Equipment purchased by Capital Outlay Fund	\$ 8,874	\$ -	\$ 8,874

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 28,031	\$ 74,065
Investments	<u>6,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 34,031</u>	<u>\$ 74,065</u>
LIABILITIES:		
Amounts held for others	<u>\$ -</u>	<u>\$ 74,065</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 74,065</u>
NET POSITION:		
Held in trust for scholarships	<u>\$ 34,031</u>	

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and donations	\$ 20,000
Earnings from investments and deposits	<u>31</u>
TOTAL ADDITIONS	<u>20,031</u>
DEDUCTIONS:	
Other deductions	<u>2,020</u>
TOTAL DEDUCTIONS	<u>2,020</u>
CHANGE IN NET POSITION	18,011
NET POSITION - BEGINNING	<u>16,020</u>
NET POSITION - ENDING	<u><u>\$ 34,031</u></u>

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Faulkton Area Schools District No. 24-4 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

Fund Financial Statements:

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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

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

Governmental Funds:

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

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

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

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of 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 not a major fund and is the only nonmajor governmental fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Preschool Fund - A fund used to record financial transactions related to preschool operations. This fund is financed by user charges. This is not a major fund.

Drivers Education Fund - A fund used to record financial transactions related to drivers' education operations. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund: Scholarships.

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

To hold money for classes and organizations of the School.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2014, are for federal reimbursements.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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 Financial Statements:

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

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

The total June 30, 2014 balance of capital assets for governmental activities includes approximately 9 percent for which the costs were determined by estimates of the original costs. The total June 30, 2014 balance of capital assets for business-type activities includes approximately 21 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Improvements	\$15,000	Straight-line	20 - 50 years
Buildings	\$50,000	Straight-line	75 - 100 years
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	5 - 20 years
Machinery and Equipment - Business- Type Activities	\$ 500	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

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.

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, financing lease debt, and early retirement benefits payable.

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

k. 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.

l. Fund Balance Classification Policies and Procedures:

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory.

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

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

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	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

Faulkton Area Schools District No. 24-4
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 66,522	\$ --	\$ --	\$ --	\$ 66,522
Restricted for:					
Capital Outlay Fund	--	145,411	--	--	145,411
Special Education Fund	--	--	294,950	--	294,950
Pension Fund	--	--	--	44,373	44,373
Assigned to:					
Unemployment	34,029	--	--	--	34,029
Subsequent year's budget	420,768	--	--	--	420,768

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Unassigned	<u>198,967</u>	--	--	--	<u>198,967</u>
Total Fund Balances	<u>\$720,286</u>	<u>\$145,411</u>	<u>\$294,950</u>	<u>\$44,373</u>	<u>\$1,205,020</u>

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

The School District follows the practice of aggregating the cash assets of all the funds except for the Trust and Agency Funds, to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires 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.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposits - 100%.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund, which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - (Continued)

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 not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

NOTE 4 - INVENTORY

Inventory held for consumption is stated at cost.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are 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.

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 - (Continued)

Primary Government

	<u>Balance</u> <u>07/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ <u>1,700</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>1,700</u>
Capital assets, being depreciated:				
Improvements	1,699,133	46,701	--	1,745,834
Buildings	564,419	--	--	564,419
Machinery and equipment	<u>275,240</u>	<u>42,728</u>	<u>7,216</u>	<u>310,752</u>
Total, being depreciated	<u>2,538,792</u>	<u>89,429</u>	<u>7,216</u>	<u>2,621,005</u>
Less accumulated depreciation for:				
Improvements	309,200	38,557	--	347,757
Buildings	320,492	5,957	--	326,449
Machinery and equipment	<u>190,926</u>	<u>16,624</u>	<u>7,216</u>	<u>200,334</u>
Total accumulated depreciation	<u>820,618</u>	<u>61,138</u>	<u>7,216</u>	<u>874,540</u>
Total capital assets, being depreciated, net	<u>1,718,174</u>	<u>28,291</u>	<u>--</u>	<u>1,746,465</u>
Governmental activity capital assets, net	<u>\$1,719,874</u>	<u>\$28,291</u>	<u>\$--</u>	<u>\$1,748,165</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$41,568
Support services	6,697
Cocurricular activities	<u>12,873</u>
Total depreciation expense - governmental activities	<u>\$61,138</u>

	<u>Balance</u> <u>07/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/14</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$56,295	\$8,874	\$1,351	\$63,818
Less accumulated depreciation for:				
Machinery and equipment	<u>40,084</u>	<u>3,389</u>	<u>1,351</u>	<u>42,122</u>
Business-type activity capital assets, net	<u>\$16,211</u>	<u>\$5,485</u>	<u>\$--</u>	<u>\$21,696</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 - (Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food services	<u>\$3,389</u>

NOTE 7 - LONG-TERM LIABILITIES

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

PRIMARY GOVERNMENT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Energy Conservation Financing Lease	\$669,641	\$ --	\$ 98,828	\$570,813	\$103,618
Early Retirement Payable	102,110	33,802	33,903	102,009	27,602
Accrued Compensated Absences	<u>25,676</u>	<u>445</u>	<u>--</u>	<u>26,121</u>	<u>3,905</u>
Total Governmental Activities	<u>\$797,427</u>	<u>\$34,247</u>	<u>\$132,731</u>	<u>\$698,943</u>	<u>\$135,125</u>

Compensated absences for governmental activities typically have been liquidated from the fund from which the employee's most recent compensation has been paid. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund and the Pension Fund.

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

PRIMARY GOVERNMENT

Governmental Activities:

Financing (Capital Acquisition) Lease:

A financing (capital acquisition) lease with a final total of \$1,376,890 was entered into in February 2004. The lease includes interest at the rate of 4.79% with payments to be made from the Capital Outlay Fund. The final payment is scheduled to be made in March 2019.

\$570,813

Compensated Absences:

Payable for accrued sick leave generally paid from the fund from which the employee's most recent compensation had been paid.

\$ 26,121

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - (Continued)

Early Retirement Payable:

Payments to qualified individuals electing early retirement paid from General Fund or Pension Fund for the year ended June 30, 2014, and maturing in the years ending June 30, 2015, through June 30, 2019. (Generally, certified staff, after serving in the School District for at least 15 years and being not less than 55 years of age, or after serving for at least 25 years and being less than 55 years of age as of July first of the fiscal year retirement begins, may qualify for the District's retirement benefits subject to specified application procedures and policy prescribed limitation provisions. Benefits generally are paid by lump sum based on the number of years' service to the School District multiplied by \$100 plus \$480 per month for 60 months with start date options for payment provided.) There are currently 4 employees receiving early retirement benefits.

\$102,009

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

Annual Requirements to Maturity for Long-Term Debt
June 30, 2014

Year Ending <u>June 30,</u>	Early Retirement	Financing (Capital		Total	
	<u>Benefits Payable</u>	<u>Acquisition) Lease</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>		
2015	\$ 27,601	\$103,618	\$26,116	\$131,219	\$26,116
2016	24,803	108,641	21,093	133,444	21,093
2017	24,803	113,907	15,827	138,710	15,827
2018	18,602	119,429	10,305	138,031	10,305
2019	<u>6,200</u>	<u>125,218</u>	<u>4,516</u>	<u>131,418</u>	<u>4,516</u>
	<u>\$102,009</u>	<u>\$570,813</u>	<u>\$77,857</u>	<u>\$672,822</u>	<u>\$77,857</u>

NOTE 8 - OPERATING LEASES

A gym has been leased for a fifteen-year period with the first payment made in January 2005 as a nonrefundable deposit in the amount of \$150,000 and rental payments being made each July and December from the Capital Outlay Fund with a total paid of \$100,000 during the year ended June 30, 2014.

Copier and printing equipment has been leased through two different contracts for a 60 month period for each contract, which began with the first lease payment in July 2012 for one contract and July 2010 for the other contract. The lease payments are being paid from the Capital Outlay Fund with a total paid of \$9,744 during the year ended June 30, 2014.

The following are the minimum payments required for the existing operating leases:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 - (Continued)

<u>Year</u>	<u>Capital Outlay Fund</u>
2015	\$109,744
2016	106,042
2017	105,538
2018	100,000
2019	<u>100,000</u>
Total	<u>\$521,324</u>

NOTE 9 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2014, were as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$445,180
Special Education Purposes	Law	<u>392,815</u>
Total Restricted Net Position		<u>\$837,995</u>

NOTE 10 - INTERFUND TRANSFERS

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

<u>Transfers from:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
General Fund	\$ --	\$35,000	\$35,000
Capital Outlay Fund	2	--	2
Special Education Fund	121	--	121
Pension Fund	46	--	46
Preschool Fund	<u>5</u>	<u>--</u>	<u>5</u>
Total	<u>\$174</u>	<u>\$35,000</u>	<u>\$35,174</u>

The School District transferred money from the General Fund to the Food Service Fund to provide money for general operation of the lunch program.

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - RETIREMENT PLAN

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013 and 2012, were \$88,419, \$95,214, and \$90,507 respectively, equal to the required contributions each year.

NOTE 12 - 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 period ended June 30, 2014, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not have a lifetime maximum payment per person.

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: property, automobile, general liability, crime, and boiler and machinery.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - (Continued)

The agreement with ASBSD-PLF provides that the above coverages will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limits. The School District carries various deductibles for differing types of insurance coverage.

The School District does not carry additional insurance to cover claims in excess of the upper limits. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

The School District has Assigned Fund Balance in the General Fund in the amount of \$34,029 for the payment of future unemployment benefits.

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

NOTE 13 - LITIGATION

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 - SUBSEQUENT EVENTS

There are no subsequent events through January 5, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 860,000	\$ 860,000	\$1,154,160	\$ 294,160
Prior years' ad valorem taxes	2,500	2,500	484	(2,016)
Utility taxes	95,000	95,000	114,960	19,960
Penalties and interest on taxes	1,000	1,000	1,411	411
Earnings on investments and deposits	8,000	8,000	2,169	(5,831)
Cocurricular activities:				
Admissions	18,000	18,000	22,751	4,751
Other pupil activity income	8,000	8,000	2,795	(5,205)
Other revenue from local sources:				
Rentals	500	500	546	46
Contributions and donations	-	-	900	900
Charges for services	10,000	10,000	11,893	1,893
Other	-	-	15,177	15,177
Revenue from Intermediate Sources:				
County sources:				
County apportionment	15,000	15,000	19,538	4,538
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	828,417	828,417	558,578	(269,839)
Restricted grants-in-aid	-	-	1,125	1,125
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	1,498	1,498
Restricted grants-in-aid received from federal government through the state	102,802	102,802	110,469	7,667
TOTAL REVENUE	<u>1,949,219</u>	<u>1,949,219</u>	<u>2,018,454</u>	<u>69,235</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	759,250	759,250	641,218	118,032
Middle/junior high	108,230	108,230	86,680	21,550
High school	386,000	386,000	358,595	27,405
Special programs:				
Educationally deprived	154,894	154,894	143,615	11,279
Support Services:				
Pupils:				
Guidance	16,635	16,635	13,394	3,241

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health	2,200	2,200	2,060	140
Instructional staff:				
Improvement of instruction	-	-	15,419	(15,419)
Educational media	109,265	109,265	100,009	9,256
General administration:				
Board of education	36,650	36,650	31,457	5,193
Executive administration	128,010	128,010	121,388	6,622
School administration:				
Office of the principal	76,265	76,265	77,633	(1,368)
Other	1,000	1,000	401	599
Business:				
Fiscal services	68,925	68,925	60,150	8,775
Operation and maintenance of plant	304,100	304,100	280,006	24,094
Pupil transportation	9,250	9,250	20,185	(10,935)
Cocurricular Activities:				
Male activities	-	-	42,289	(42,289)
Female activities	-	-	28,169	(28,169)
Transportation	-	-	7,824	(7,824)
Combined activities	170,443	170,443	55,113	115,330
Contingencies	80,000	80,000		
Amount transferred		-		80,000
TOTAL EXPENDITURES	<u>2,411,117</u>	<u>2,411,117</u>	<u>2,085,605</u>	<u>325,512</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(461,898)</u>	<u>(461,898)</u>	<u>(67,151)</u>	<u>394,747</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	174	174
Transfers out	<u>(41,073)</u>	<u>(41,073)</u>	<u>(35,000)</u>	<u>6,073</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(41,073)</u>	<u>(41,073)</u>	<u>(34,826)</u>	<u>6,247</u>
NET CHANGE IN FUND BALANCES	(502,971)	(502,971)	(101,977)	400,994
FUND BALANCE - BEGINNING	<u>822,263</u>	<u>822,263</u>	<u>822,263</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 319,292</u>	<u>\$ 319,292</u>	<u>\$ 720,286</u>	<u>\$ 400,994</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 671,999	\$ 671,999	\$ 564,066	\$ (107,933)
Prior years' ad valorem taxes	-	-	104	104
Penalties and interest on taxes	-	-	597	597
Earnings on investments and deposits	-	-	2	2
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	685	685
Restricted grants-in-aid received from federal government through the state	-	-	10,865	10,865
TOTAL REVENUE	<u>671,999</u>	<u>671,999</u>	<u>576,319</u>	<u>(95,680)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	78,800	78,800	79,539	(739)
Middle/junior high	3,854	3,854	3,271	583
High school	25,160	25,160	26,789	(1,629)
Support Services:				
Instructional staff:				
Educational media	50,777	50,777	49,644	1,133
General administration:				
Executive administration	2,354	2,354	2,304	50
School administration:				
Office of the principal	1,177	1,177	-	1,177
Business:				
Fiscal services	11,777	11,777	9,744	2,033
Operation and maintenance				
of plant	154,300	154,300	136,108	18,192
Pupil transportation	197,500	197,500	169,263	28,237
Food services	10,000	10,000	8,874	1,126
Debt Services	130,000	130,000	129,734	266
Cocurricular Activities:				
Transportation	-	-	21,103	(21,103)
Combined activities	6,300	6,300	6,999	(699)
TOTAL EXPENDITURES	<u>671,999</u>	<u>671,999</u>	<u>643,372</u>	<u>28,627</u>

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS OF REVENUE UNDER EXPENDITURES	-	-	(67,053)	(67,053)
OTHER FINANCING USES:				
Transfers out	-	-	(2)	(2)
TOTAL OTHER FINANCING USES	-	-	(2)	(2)
NET CHANGE IN FUND BALANCES	-	-	(67,055)	(67,055)
FUND BALANCE - BEGINNING	212,466	212,466	212,466	-
FUND BALANCE - ENDING	<u>\$ 212,466</u>	<u>\$ 212,466</u>	<u>\$ 145,411</u>	<u>\$ (67,055)</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS-SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 208,897	\$ 208,897	\$ 193,847	\$ (15,050)
Prior years' ad valorem taxes	-	-	52	52
Penalties and interest on taxes	-	-	230	230
Earnings on investments and deposits	-	-	121	121
Other revenue from local sources:				
Charges for services	-	-	1,034	1,034
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	268	268
Restricted grants-in-aid received from federal government through the state	67,318	67,318	69,547	2,229
TOTAL REVENUE	<u>276,215</u>	<u>276,215</u>	<u>265,099</u>	<u>(11,116)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	262,621	262,621	181,307	81,314
Support Services:				
Pupils:				
Psychological	9,000	9,000	8,416	584
Speech pathology	56,220	56,220	48,140	8,080
Student therapy services	20,000	20,000	5,681	14,319
Special education:				
Administrative costs	11,750	11,750	12,958	(1,208)
Other special education costs	-	-	25,452	(25,452)
TOTAL EXPENDITURES	<u>359,591</u>	<u>359,591</u>	<u>281,954</u>	<u>77,637</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(83,376)</u>	<u>(83,376)</u>	<u>(16,855)</u>	<u>66,521</u>
OTHER FINANCING USES:				
Transfers out	-	-	(121)	(121)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(121)</u>	<u>(121)</u>

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	(83,376)	(83,376)	(16,976)	66,400
FUND BALANCE - BEGINNING	<u>311,926</u>	<u>311,926</u>	<u>311,926</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 228,550</u>	<u>\$ 228,550</u>	<u>\$ 294,950</u>	<u>\$ 66,400</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2014

NOTE 1 - Budgets and Budgetary Accounting

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

1. Prior to the first regular 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 fiduciary 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 percent 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows 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 and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

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

SUPPLEMENTARY INFORMATION

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	Enterprise Funds		Totals
	Preschool Fund	Drivers Education Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 13,105	\$ 499	\$ 13,604
Total Current Assets	<u>13,105</u>	<u>499</u>	<u>13,604</u>
TOTAL ASSETS	<u>13,105</u>	<u>499</u>	<u>13,604</u>
NET POSITION:			
Unrestricted net position	<u>13,105</u>	<u>499</u>	<u>13,604</u>
TOTAL NET POSITION	<u>\$ 13,105</u>	<u>\$ 499</u>	<u>\$ 13,604</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Preschool Fund	Drivers Education Fund	Totals
OPERATING REVENUE:			
Other Charges for Goods and Services	\$ 7,828	\$ 3,150	\$ 10,978
TOTAL OPERATING REVENUE	<u>7,828</u>	<u>3,150</u>	<u>10,978</u>
OPERATING EXPENSES:			
Salaries	2,984	2,484	5,468
Employee benefits	407	190	597
Supplies	408	422	830
TOTAL OPERATING EXPENSES	<u>3,799</u>	<u>3,096</u>	<u>6,895</u>
OPERATING INCOME	<u>4,029</u>	<u>54</u>	<u>4,083</u>
NONOPERATING REVENUE:			
Investment earnings	<u>5</u>	<u>-</u>	<u>5</u>
TOTAL NONOPERATING REVENUE	<u>5</u>	<u>-</u>	<u>5</u>
INCOME BEFORE TRANSFERS	4,034	54	4,088
TRANSFERS OUT	<u>(5)</u>	<u>-</u>	<u>(5)</u>
CHANGE IN NET POSITION	4,029	54	4,083
NET POSITION - BEGINNING	<u>9,076</u>	<u>445</u>	<u>9,521</u>
NET POSITION - ENDING	<u>\$ 13,105</u>	<u>\$ 499</u>	<u>\$ 13,604</u>