

**GREATER SCOTT
SCHOOL DISTRICT NO. 61-5**

AUDIT REPORT

**FISCAL YEAR ENDED
JUNE 30, 2010**

GREATER SCOTT DISTRICT NO. 61-5
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2010

School Board

Cindy Waterman

Arden Wiksen

Henry Van Sloten

Jeff Petersen

Chad Hartman

Business Manager

Paula Bartunek

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
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QUAM & BERGLIN

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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
Greater Scott School District No. 61-5
Union County, South Dakota

We have audited the financial statements of the governmental activities and each major fund of Greater Scott School District No. 61-5, Union County, South Dakota, as of June 30, 2010 and for the year then ended, which collectively comprise Greater Scott School District's basic financial statements and have issued our report thereon dated January 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greater Scott School District's internal control over financial reporting as a basis for designing our audit procedures 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 Greater Scott School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Greater Scott School District's internal control over financial reporting.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Audit Findings as item 2010-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings as items 2010-02, 2010-03, 2010-04, 2010-05, and 2010-06 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Scott School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in finding numbers 2010-02, 2010-03, 2010-04, 2010-05, and 2010-06.

The School District did not respond to the audit findings.

We noted certain other matters that were reported to management of the School District in a separate communication date January 20, 2011.

This report is intended solely for the information and use of federal awarding agencies and pass through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Greater Scott School District No. 61-5 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin
Certified Public Accountants

January 20, 2011

**GREATER SCOTT SCHOOL DISTRICT NO. 61-5
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2010**

PRIOR AUDIT FINDING:

Audit Finding Number 2009-01:

A material weakness was noted for a lack of segregation of duties related to revenues and expenditures. This finding has not been corrected and is restated as Audit Finding 2010-01.

Audit Finding Number 2009-02:

The school district did not adopt an annual budget in the prescribed by the Auditor General and in accordance with SDCL 13-11-2. This finding has not been corrected and is restated as Audit Finding 2010-02.

Audit Finding Number 2009-03:

The school did not publish minutes of the school board meetings within 20 days as prescribed by SDCL 13-8-35. This finding has been corrected

Audit Finding Number 2009-04:

The school board did not designate a depository in South Dakota in violation of SDCL. This finding has not been corrected and is restated as Audit Finding 2010-03.

Audit Finding Number 2009-05:

The school district's publication of proceedings did not include a detailed statement of receipts and balances on hand in violation of SDCL 13-8-35. This finding has not been corrected and is restated as Audit Finding 2010-04.

CURRENT AUDIT FINDINGS:

Internal Control Related Finding - Material Weakness:

Audit Finding Number 2010-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. The lack of segregation applies to the revenue and expenditures functions.

Analysis:

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

Recommendation:

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

Compliance Related Findings:

Audit Finding Number 2010-02:

The school did not adopt an annual budget in the format prescribed by the Auditor General and in accordance with SDCL 13-11-2. The budget in the prescribed format was not published.

Analysis:

SDCL 13-11-2 requires that the school board propose, adopt and publish the annual budget in the format prescribed by the Auditor General.

Recommendation:

We recommend that Greater Scott School District officials propose, adopt and publish an annual budget for every fiscal year in a timely manner.

Audit Finding Number 2010-03:

The school board did not designate a depository in South Dakota.

Analysis:

Greater Scott School District maintains its financial assets in an Iowa bank in violation of SDCL 13-16-15, 13-16-15.1, and 13-16-18.1.

Recommendation:

We recommend that Greater Scott School District officials use a depository within South Dakota.

Audit Finding Number 2010-04:

The school district's publication of proceeding did not include a detailed statement of receipts and balances on hand in violation of SDCL 13-8-35.

Analysis:

Minutes of the quarterly meetings did not include a detailed statement of receipts and balances on hand in the publication.

Recommendation:

We recommend that in the future, minutes of all meetings be published with a detailed statement of receipts and balances on hand.

Audit Finding Number 2010-05:

As of June 30, 2010 Greater Scott School District was not in compliance with their consolidation plan.

Criteria:

According to the Greater Scott School District consolidation plan, all the remaining assets of the district should have been transferred to another governmental entity effective June 30, 2010.

Condition, Cause and Effect:

The Greater Scott School District did not transfer all remaining assets by the June 30, 2010 dissolution date.

Recommendation:

We recommend that the remaining balance be transferred.

Audit Finding Number 2010-06:

The School District transferred Special Education money to a non-educational governmental entity.

Criteria:

Special Education funds are designated for the specific educational needs of those children in need of special assistance and prolonged assistance residing within the school district. There is no provision in SDCL for transfer of these funds to non-educational entities.

Condition, Cause and Effect:

In the course of the dissolution and attachment of the Greater Scott School District, Special Education funds were transferred to Virginia Township. As of June 30, 2010, the Greater Scott School District had a remaining Special Education cash balance of \$23,493. \$16,861 of this balance was transferred to the Township.

Recommendation:

We recommend that the South Dakota Department of Education provide additional oversight in the reorganization plans of dissolving or consolidating school districts.

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INDEPENDENT AUDITOR'S REPORT

School Board
Greater Scott School District No. 61-5
Union County, South Dakota

We have audited the accompanying financial statements of the governmental activities and each major fund of Greater Scott School District No. 61-5, Union County, South Dakota, as of June 30, 2010 for the year then ended, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Greater Scott School District's management. Our responsibility is to express opinions 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greater Scott School District No. 61-5 as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, Greater Scott School District 61-5 ceased to exist effective July 1, 2010 as a result of the reorganization plan approved by the voters of the district on May 4, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision 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* and should be considered in assessing the results of our audit.

The School District has not presented budgetary comparison schedules. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We did not audit the information and express no opinion on it. The School District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in cursive script that reads "Quam + Berglin".

Quam and Berglin
Certified Public Accountants

January 20, 2011

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 6,828.38
TOTAL ASSETS	<u>6,828.38</u>
LIABILITIES :	
Due to Other Governments	<u>6,828.38</u>
TOTAL LIABILITIES	<u>6,828.38</u>
NET ASSETS:	
Unrestricted (Deficit)	<u>0.00</u>
TOTAL NET ASSETS	<u>\$ 0.00</u>

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

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
Primary Government:		
Governmental Activities:		
Instruction	\$ 92,312.41	\$ (92,312.41)
Support Services	23,808.56	(23,808.56)
Total Governmental Activities	116,120.97	(116,120.97)
Total Primary Government	\$ 116,120.97	\$ (116,120.97)
General Revenues:		
Taxes:		
Property Taxes		\$ 82,426.36
Gross Receipt Taxes		3,745.35
Unrestricted Investment Earnings		5,527.06
Other General Revenues		3,933.89
Extraordinary Items:		
Transfer of Funds - Virginia Township		(180,196.57)
Transfer of Funds - Alcester Hudson School		(26,631.81)
Total General Revenues and Extraordinary Items		(111,195.72)
Change in Net Assets		(227,316.69)
Net Assets - Beginning		227,316.69
NET ASSETS - ENDING		\$ 0.00

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

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 3,335.36	\$ 3,493.02	\$ 6,828.38
TOTAL ASSETS	<u>3,335.36</u>	<u>3,493.02</u>	<u>6,828.38</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Due to Other Government	<u>3,335.36</u>	<u>3,493.02</u>	<u>6,828.38</u>
Total Liabilities	<u>3,335.36</u>	<u>3,493.02</u>	<u>6,828.38</u>
Fund Balances:			
Unreserved Fund Balances:			
Undesignated	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Fund Balances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,335.36</u>	<u>\$ 3,493.02</u>	<u>\$ 6,828.38</u>

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

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total Fund Balances - Governmental Funds	\$	0.00
Amounts reported for governmental activities in the statement of net assets are different because:		
There are no reconciliation items		_____
Net Assets - Governmental Funds	\$	<u>0.00</u>

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

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 78,361.52	\$ 3,513.54	\$ 1,054.66	\$ 82,929.72
Gross Receipts Taxes	3,745.35			3,745.35
Earnings on Investments and Deposits	4,934.70		592.36	5,527.06
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	2,088.17			2,088.17
Revenue from State Sources:				
Other State Sources	<u>1,845.72</u>			<u>1,845.72</u>
Total Revenue	<u>90,975.46</u>	<u>3,513.54</u>	<u>1,647.02</u>	<u>96,136.02</u>
Expenditures:				
Instruction:				
Regular Programs:				
Other Regular Programs	81,633.00			81,633.00
Pupil Transportation	7,350.00			7,350.00
Special Programs:				
Programs for Special Education			10,679.41	10,679.41
Board of Education	3,136.12			3,136.12
Support Services - Business:				
Fiscal Services	300.00			300.00
Other Support Services	<u>13,022.44</u>			<u>13,022.44</u>
Total Expenditures	<u>105,441.56</u>		<u>10,679.41</u>	<u>116,120.97</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(14,466.10)</u>	<u>3,513.54</u>	<u>(9,032.39)</u>	<u>(19,984.95)</u>
Other Financing Sources (Uses):				
Transfers In (Out)	<u>6,256.05</u>	<u>(6,256.05)</u>		
Total Other Financing Sources (Uses)	<u>6,256.05</u>	<u>(6,256.05)</u>		
Extraordinary Items:				
Transfer of Funds - Virginia Township	(163,335.36)		(16,861.21)	(180,196.57)
Transfer of Funds - Alcester Hudson School	<u>(20,000.00)</u>		<u>(6,631.81)</u>	<u>(26,631.81)</u>
Net Change in Fund Balances	(191,545.41)	(2,742.51)	(32,525.41)	(226,813.33)
Fund Balance - July 1, 2009	<u>191,545.41</u>	<u>2,742.51</u>	<u>32,525.41</u>	<u>(226,813.33)</u>
FUND BALANCE - June 30, 2010	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$(226,813.33)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned.	<u>(503.36)</u>
Change in Net Assets of Governmental Activities	<u>\$(227,316.69)</u>

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

GREATER SCOTT SCHOOL DISTRICT NO. 61-5
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The reporting entity of Greater Scott School District No. 61-5 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity).

b. Basis of Presentation

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. The new reporting model significantly changes the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements report governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in two components- restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

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

1. Total assets, 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 District financial reporting entity are described below within their respective fund types:

Governmental Funds:

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

Special Revenue Fund Types - Special revenue funds are used to account for 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 district. This fund is financed by grants and property taxes. This is a major fund.

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 Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the Government-Wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the

right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Greater Scott School District No. 61-5, the length of that cycle is 60 days. No revenues were accrued at June 30, 2010.

Expenditures generally are recognized when the related fund liability is incurred.

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

The School District had no interfund eliminations or reclassifications during the year June 30, 2010.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets

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

As of June 30, 2010, the School District had no capital assets.

f. Long-Term Liabilities

As of June 30, 2010, the School District had no long-term liabilities.

g. Program Revenues

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

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

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

The School District had no program revenues during the year June 30, 2010.

h. Equity Classifications

Government-wide Statements:

Equity is classified as net assets and is displayed in two components:

1. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Reserved” and “Unreserved” components.

i. Application of Net Assets:

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

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

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. As of the year ended June 30, 2010, the School District had no investments.

Custodial Credit Risk - Deposits – The risk that, in the event of depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

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. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements.

NOTE 4 – PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations.

As of June 30, 2010, all tax revenue is payable to the Alcester – Hudson School District.

NOTE 5 – TRANSFERS

Transfers for the year ended June 30, 2010 were as follows:

	<u>Transfers To:</u>
	General
	Fund
<u>Transfers From:</u>	
Major Funds:	
Capital Outlay	6,256.05
Total Transfers	<u>\$ 6,256.05</u>

The Capital Outlay fund was closed to the General Fund in accordance with SDCL 13-16-26. Per the dissolution plan, \$20,000 was transferred to Alcester-Hudson School District to establish an escrow account. The escrow account will be used to pay for legal and other professional services in order to ensure the right of students residing in the Greater Scott School District to attend West

Sioux Community School in Hawarden, Iowa. The remaining district funds were transferred to Virginia Township.

NOTE 6 – RISK MANAGEMENT

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2010, the school district managed its risks as follows:

Liability Insurance

The school district purchases liability insurance for errors and omissions of public officials from a commercial insurance carrier.

NOTE 7 – LITIGATION

As of June 30, 2010 the School District was not involved in any litigation.

NOTE 8 – SUBSEQUENT EVENT

Voters in the Greater Scott School District approved a plan to dissolve the district and attach to the Alcester - Hudson School District. The plan is effective June 30, 2010. Boundary changes were initiated by resolution of intent according to SDCL 13-6-84.2. The Greater Scott School District submitted the plans to the Department of Education for approval. As a result of the plan, the Greater Scott School District ceased to exist effective July 1, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION
GREATER SCOTT SCHOOL DISTRICT NO. 61-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 71,000.00	\$ 71,000.00	\$ 78,361.52	\$ 7,361.52
Gross Receipts Taxes			3,745.35	3,745.35
Earnings on Investments and Deposits			4,934.70	4,934.70
Other Revenue from Local Sources:				
Other	46,450.00	46,450.00	2,088.17	(44,361.83)
Revenue from State Sources:				
State Apportionment			1,845.72	1,845.72
Total Revenue	<u>117,450.00</u>	<u>117,450.00</u>	<u>90,975.46</u>	<u>(26,474.54)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Other Regular Programs	81,000.00	81,000.00	81,633.00	(633.00)
Support Services - General Administration:				
Board of Education	2,500.00	2,500.00	3,136.12	(636.12)
Support Services - Business:				
Fiscal Services	950.00	950.00	300.00	650.00
Other	33,000.00	33,000.00	20,372.44	12,627.56
Total Expenditures	<u>117,450.00</u>	<u>117,450.00</u>	<u>105,441.56</u>	<u>12,008.44</u>
Excess of Revenue Over (Under)				
Expenditures			(14,466.10)	(14,466.10)
Other Financing Sources:				
Transfer In (Out)			(177,079.31)	(177,079.31)
Total Other Financing Sources (Uses)			(177,079.31)	(177,079.31)
Net Change in Fund Balances	0.00	0.00	(191,545.41)	(191,545.41)
Fund Balance - July 1, 2009	<u>191,545.41</u>	<u>191,545.41</u>	<u>191,545.41</u>	
FUND BALANCE - JUNE 30, 2010	<u>\$ 191,545.41</u>	<u>\$ 191,545.41</u>	<u>\$ 0.00</u>	<u>\$ (191,545.41)</u>

REQUIRED SUPPLEMENTARY INFORMATION
GREATER SCOTT SCHOOL DISTRICT NO. 61-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,000.00	\$ 5,000.00	\$ 3,513.54	\$ (1,486.46)
Total Revenue	<u>5,000.00</u>	<u>5,000.00</u>	<u>3,513.54</u>	<u>(1,486.46)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Other Regular Programs	<u>5,000.00</u>	<u>5,000.00</u>	<u> </u>	<u>5,000.00</u>
Total Expenditures	<u>5,000.00</u>	<u>5,000.00</u>	<u> </u>	<u>5,000.00</u>
Excess of Revenue Over (Under)				
Expenditures	<u> </u>	<u> </u>	<u>3,513.54</u>	<u>3,513.54</u>
Other Financing Sources:				
Transfer In (Out)	<u> </u>	<u> </u>	<u>(6,256.05)</u>	<u>(6,256.05)</u>
Total Other Financing Sources (Uses)	<u> </u>	<u> </u>	<u>(6,256.05)</u>	<u>(6,256.05)</u>
Net Change in Fund Balances	0.00	0.00	(2,742.51)	(2,742.51)
Fund Balance - July 1, 2009	<u>2,742.51</u>	<u>2,742.51</u>	<u>2,742.51</u>	<u> </u>
FUND BALANCE - JUNE 30, 2010	<u>\$ 2,742.51</u>	<u>\$ 2,742.51</u>	<u>\$ 0.00</u>	<u>\$ (2,742.51)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 GREATER SCOTT SCHOOL DISTRICT NO. 61-5
 BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
 SPECIAL EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 8,000.00	\$ 8,000.00	\$ 1,054.66	\$ (6,945.34)
Earnings on Investments and Deposits			592.36	592.36
Total Revenue	<u>8,000.00</u>	<u>8,000.00</u>	<u>1,647.02</u>	<u>(6,352.98)</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	<u>8,000.00</u>	<u>8,000.00</u>	<u>10,679.41</u>	<u>(2,679.41)</u>
Total Expenditures	<u>8,000.00</u>	<u>8,000.00</u>	<u>10,679.41</u>	<u>(2,679.41)</u>
Excess of Revenue Over (Under)				
Expenditures			<u>(9,032.39)</u>	<u>(9,032.39)</u>
Other Financing Sources:				
Transfer In (Out)			<u>(23,493.02)</u>	<u>(23,493.02)</u>
Total Other Financing Sources (Uses)			<u>(23,493.02)</u>	<u>(23,493.02)</u>
Net Change in Fund Balances	0.00	0.00	(32,525.41)	(32,525.41)
Fund Balance - July 1, 2009	<u>32,525.41</u>	<u>32,525.41</u>	<u>32,525.41</u>	
FUND BALANCE - JUNE 30, 2010	<u>\$ 32,525.41</u>	<u>\$ 32,525.41</u>	<u>\$ 0.00</u>	<u>\$ (32,525.41)</u>

GREATER SCOTT SCHOOL DISTRICT NO:61-5
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.