

HOVEN SCHOOL DISTRICT NO. 53-2
HOVEN, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING JUNE 30, 2014
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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FOR THE TWO YEARS ENDING JUNE 30, 2014

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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School Board
Hoven School District No. 53-2
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District No. 53-2 (School District), Potter County, South Dakota as of June 30, 2014 and for each of the fiscal years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District No. 53-2, Potter County, South Dakota, as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the fiscal years in the biennial period then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 8) and the budgetary comparison schedule (page 37 to 45) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 46) dated May 7, 2015 on my tests of the Hoven School District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

May 7, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Hoven School District No. 53-2's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the two fiscal years ending June 30, 2014. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Hoven School District are as follows:

For the year ending:

	6-30-2014	6-30-2013
Revenue:		
Charges for goods and services	47,842	46,995
Operating grants	108,128	127,327
Capital grants	24,991	0
General receipts	1,732,449	1,601,232
Insurance settlement (estimate)	4,889,398	
	-----	-----
Total	6,802,808	1,775,554
	-----	-----
Expenses:		
Governmental	1,732,904	1,651,656
Business-type	56,396	51,666
	-----	-----
Total	1,789,300	1,703,322
	-----	-----
Increase in Net Position	5,013,508	72,232
Net Position:		
July 1, 2012		2,161,185

June 30, 2013	2,233,417	2,233,417
	-----	=====
June 30, 2014	7,246,925	
	=====	
Governmental Funds:		
General	5,963,266	763,409
Capital Outlay	260,953	310,424
Special Education	217,579	191,279
Pension	38,492	34,555
Long-term Debt	(19,018)	(23,421)
Capital Assets	768,787	936,829
Business-Type Funds:		
Food Service	16,650	20,127
Public Enterprise	216	215
	-----	-----
Total	7,246,925	2,233,417
	=====	=====

During the year ending June 30, 2014 the School District:

- * Lost the high school in a fire in May 2014.
- * Accrued an estimated fire loss insurance settlement of \$5,000,000 less the book value of property lost in the fire of \$110,602, or \$4,889,398.

During the year ending June 30, 2013 the School District:

- * Maintained normal operations.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the basic financial statements (page 9 to 36) and (3) required supplementary information (page 37 to 45). The basic financial statements include two types of statements that present the School District from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the School District.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the School District are the general fund, capital outlay fund, special education fund, and pension fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the School District that operate like a business. Enterprise funds operated by the School District are the food service fund and the public enterprise fund.

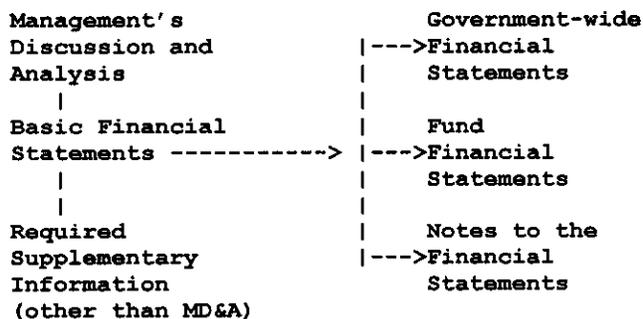
The fiduciary fund financial statements provide information about the financial status of activities (like the French Club or FFA) in which the School District acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The School District only has agency fiduciary funds.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis for the general fund and special revenue funds.

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 8) and the Budgetary Comparison Schedules (page 37 to 45) is financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the School District's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	Fund Statements-----		
		Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	School Activities except Enterprise (food service) and Fiduciary (student organizations)	Activities operated like a private business (food service & driver's education)	School's custody of money that belongs to others
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
Required Financial Statements (continued)	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows	
Basis of Accounting	Accrual	Modified accrual	Accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources	Economic resources
Types of Assets & Liabilities	All - Financial and capital, short- and long-term	Only current financial assets and liabilities No capital assets	All - Financial and capital, short- and long-term	All - Financial and capital (if any), short- and long-term
Types of Revenue and Expenditures or Expense	All - Regardless of when cash is received	Revenues when cash is received during year or within 15 days of year-end Expenditures when goods or services are received and payment is due during year or soon after year-end	All - Regardless of when cash is received	All - Regardless of when cash is received

GOVERNMENT-WIDE STATEMENTS (Reporting on the School District as a whole)

The government-wide statements (page 9 to 11) report information about the School District as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the school's financial health. Increases or decreases in net position measures improvements or declines in the school's financial health. To assess the school's overall financial health you also need to consider other factors such as changes in the student enrollment, property tax base and/or changes in federal and state grants and aid.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the school are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include (1) basic instructional services such as elementary, high school, and special education programs, (2) support services such as guidance, library, administration, and transportation, (3) debt services such as payments on the School District's early retirement obligation, and (4) extracurricular activities such as sports and music. Property taxes, state and federal grants, and interest earnings finance most of these activities.

The business-type activities account for the School District's special milk and lunch food service programs and the driver's education program. These programs are funded in part by user fees and in part by state and federal grants.

FUND FINANCIAL STATEMENTS (Reporting on the most significant funds)

The fund financial statements (page 12 to 21) provide more detailed information about the School District's most significant funds, not the School District as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of School District's resources. State law requires the use of some funds and the school board establishes other funds to manage money for a specific purpose, like a capital project fund for a new building.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary.

Governmental funds: Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources available for spending in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

Enterprise fund: Services for which the School District charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The food service fund and the public enterprise (driver's education) fund are the only enterprise funds maintained by the School District.

Fiduciary funds: The School District is the agent (or fiduciary) for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position (if required). Fiduciary funds are excluded from the School District's government-wide financial statements because the School District cannot use these assets to finance the School District's operations.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The School District's general fund budget of \$1,461,500 for the FY14 year is an increase of \$11,100 or 0.77% from FY13. The increase was spread across several line items. There were no supplemental appropriations to the general fund budget in FY14. See page 37 for more information.

The School District's general fund budget of \$1,450,400 for the FY13 year is a decrease of \$35,000 or 2.36% from FY12. The decrease was spread across several items. There were no supplemental appropriations to the general fund budget in FY13. See page 38 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At June 30, 2014, the School District had invested \$768,787 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$171,498 or 18.24% from June 30, 2013. Significant capital asset activity is reported above. See page 35 for more information.

At June 30, 2013, the School District had invested \$940,285 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$61,540 or 6.15% from June 30, 2012. Significant capital asset activity is reported above. See page 35 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

At June 30, 2014, the School District had total debt of \$19,018. This amount represents a net decrease of \$4,403 or 18.80% from June 30, 2013.

At June 30, 2013, the School District had total debt of \$23,421. This amount represents a net decrease of \$16,554 or 41.41% from June 30, 2012.

Significant long-term debt activity is reported above. Principal and interest payments, which are due on July 1st, are budgeted and paid as if they are due on June 30th. At June 30, 2014 the School District has no long-term debt except early retirement and compensated absences. See page 36 for more information.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$ 100,000)
(Material changes for business-type activities = changes greater than \$ 5,000)

	Increase (Decrease)	Reason
Year Ending June 30, 2014:		
Governmental Activities:		
Current assets	5,211,000	Estimated insurance settlement.
Capital assets	(168,000)	Depreciation and net book loss from fire that destroyed the high school.
Property taxes	130,000	Increase in property taxes.
Business-type Activities:		
		None to report.
Year Ending June 30, 2013:		
Governmental Activities:		
Current assets	160,000	Excess receipts from operations.
Business-type Activities:		
		None to report.

CURRENTLY KNOWN FACTS

In May 2014 the high school building was lost in a fire. The School is estimating an insurance settlement of \$5,000,000. The book value of property lost in the fire is \$110,602. The School will use the Holy Infant Hospital building for classes in FY15 and St. Anthony's church basement for food services. In September 2014 the School Board let a contract for \$102,250 to demolish the high school building.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hoven School District's business office at P.O. Box 128, Hoven, SD 57450.

TABLE 1 - NET POSITION
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014, JUNE 30, 2013, AND JUNE 30, 2012

	Governmental Activities			Business-Type Activities			Total Government		
	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12
Current assets	7,186	1,975	1,815	17	17	17	7,203	1,992	1,832
Capital assets	769	937	998		3	4	769	940	1,002
Total assets	7,955	2,912	2,813	17	20	21	7,972	2,932	2,834
Current liabilities	94	100	93			1	94	100	94
Current maturities on debt	8	9	23				8	9	23
Long-term liabilities	11	14	17				11	14	17
Deferred inflow of resources	612	576	539				612	576	539
Total liabilities and deferr	725	699	672	0	0	1	725	699	673
Net position:									
Net invested in cap assets	769	937	998		3	4	769	940	1,002
Restricted	517	536	518				517	536	518
Unrestricted	5,944	740	625	17	17	16	5,961	757	641
Total net position	7,230	2,213	2,141	17	20	20	7,247	2,233	2,161

TABLE 2 - CHANGES IN NET POSITION
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE YEARS ENDING JUNE 30, 2014, JUNE 30, 2013, AND JUNE 30, 2012

	Governmental Activities			Business-Type Activities			Total Government		
	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12
Revenues:									
Program revenues:									
Charges for services	19	19	9	29	28	29	48	47	38
Grants and contributions	109	104	140	24	24	27	133	128	167
General revenues:									
Property taxes	1,429	1,299	1,256				1,429	1,299	1,256
Gross receipts tax	109	90	64				109	90	64
State sources	164	166	159				164	166	159
County sources	13	23	12				13	23	12
Interest earnings	3	4	4				3	4	4
Other	14	19	26				14	19	26
Total revenues	1,860	1,724	1,670	53	52	56	1,913	1,776	1,726
Expenses:									
Instruction	1,151	1,091	1,170				1,151	1,091	1,170
Support	508	495	545				508	495	545
Cocurricular activities	74	66	57				74	66	57
Food service				56	52	53	56	52	53
Public enterprise						2	0	0	2
Total expenses	1,733	1,652	1,772	56	52	55	1,789	1,704	1,827
Increase (decrease) in net position	127	72	(102)	(3)	0	1	124	72	(101)
Other financing sources (uses):									
Transfers in (out)			(1)			1	0	0	0
Extraordinary item:									
Insurance settlement (estim)	4,890			0			4,890	0	0
Net change in net position	5,017	72	(103)	(3)	0	2	5,014	72	(101)
Net position:									
June 30, 2011			2,244			18			2,262
June 30, 2012		2,141	2,141		20	20		2,161	2,161
June 30, 2013	2,213	2,213		20	20		2,233	2,233	
June 30, 2014	7,230			17			7,247		

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalent	1,496,729	14,144	1,510,873
Receivables:			
Property taxes - current	611,757		611,757
Property taxes -prior	2,955		2,955
Due from other governments	77,472		77,472
Insurance settlement (estimate)	4,997,116	2,884	5,000,000
Inventory	0	0	0
Total current assets	7,186,029	17,028	7,203,057
Capital assets:			
Land	14,105		14,105
Buildings	1,081,725		1,081,725
Improvements	31,755		31,755
Equipment	320,712	0	320,712
Accumulated depreciation	(679,510)	0	(679,510)
Total capital assets	768,787	0	768,787
Total assets	7,954,816	17,028	7,971,844
LIABILITIES			
Current liabilities:			
Accounts payable	10,491		10,491
Contracts payable	72,076		72,076
Payroll deductions payable	11,415	162	11,577
Noncurrent liabilities due in one year:			
Early retirement	2,832		2,832
Accrued leave	4,855		4,855
Total current liabilities	101,669	162	101,831
Noncurrent liabilities:			
Early retirement	11,331		11,331
Total noncurrent liabilities	11,331	0	11,331
Total liabilities	113,000	162	113,162
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	611,757		611,757
Total deferred inflow of resources	611,757	0	611,757
NET POSITION			
Net invested in capital assets	768,787		768,787
Restricted for:			
Capital outlay	260,953		260,953
Special education	217,579		217,579
Pension	38,492		38,492
Unrestricted	5,944,248	16,866	5,961,114
Total net position	7,230,059	16,866	7,246,925

See accompanying notes.

BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	972,975	267,560	217,764	38,430	1,496,729
Receivables:					
Property taxes - current	483,149	36,093	69,017	23,498	611,757
Property taxes - delinquent	2,550	123	220	62	2,955
Due from other governments	77,472				77,472
Insurance settlement (estimate)	4,997,116				4,997,116
Total assets	<u>6,533,262</u>	<u>303,776</u>	<u>287,001</u>	<u>61,990</u>	<u>7,186,029</u>
LIABILITIES					
Accounts payable	3,761	6,730			10,491
Contracts payable	72,076				72,076
Payroll deductions payable	11,010		405		11,415
Total liabilities	<u>86,847</u>	<u>6,730</u>	<u>405</u>	<u>0</u>	<u>93,982</u>
DEFERRED INFLOW OF RESOURCES					
Taxes levied for a future period	483,149	36,093	69,017	23,498	611,757
Unavailable revenue:					
Property taxes - delinquent	2,550	123	220	62	2,955
Gross receipts tax	77,472				77,472
Insurance settlement (estimate)	4,997,116				4,997,116
Total deferred inflow of resources	<u>5,560,287</u>	<u>36,216</u>	<u>69,237</u>	<u>23,560</u>	<u>5,689,300</u>
FUND BALANCE					
Nonspendable					0
Restricted		260,830	217,359	38,430	516,619
Committed					0
Assigned					0
Unassigned	886,128				886,128
Total fund balance	<u>886,128</u>	<u>260,830</u>	<u>217,359</u>	<u>38,430</u>	<u>1,402,747</u>
Total liabilities, deferred inflow of resources and fund balance	<u>6,533,262</u>	<u>303,776</u>	<u>287,001</u>	<u>61,990</u>	<u>7,186,029</u>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 1,402,747

Amounts reported in the government-wide statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Therefore:
Add the cost of capital assets 1,448,297
Subtract the associated accumulated depreciation (679,510)

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities
Early retirement (14,163)
Accrued leave (4,855)

Some assets are not available to pay for current period expenditures and therefore are deferred in the funds.
Therefore add: Taxes receivable (delinquent) 2,955
Gross receipts tax 77,472
Insurance settlement (estimate) 4,997,116

Total net position on government-wide statement of net position 7,230,059

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenue:					
Revenue from local sources:					
Taxes:					
Ad valorem taxes	1,122,412	85,653	165,776	51,562	1,425,403
Prior year ad valorem taxes	1,747	66	133	29	1,975
Gross receipts	31,163				31,163
Penalties and interest	2,175	171	336	91	2,773
Interest earned	1,891	653	483	118	3,145
Cocurricular activities:					
Admissions	6,809				6,809
Other pupil activity	1,300				1,300
Other revenue from local sources:					
Rentals	100				100
Donations	528		50		578
Medicaid	8,688		2,559		11,247
Other	13,614				13,614
Total revenue from local source	1,190,427	86,543	169,337	51,800	1,498,107
Revenue from intermediate sources:					
County sources:					
County apportionment	12,207				12,207
Revenue in lieu of taxes	303	29	57	15	404
Revenue from state sources:					
Unrestricted grants-in-aid	164,225				164,225
Restricted grants-in-aid		24,991			24,991
Revenue from federal sources:					
Restricted grants-in-aid	59,795		23,921		83,716
Total revenues	1,426,957	111,563	193,315	51,815	1,783,650
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	380,769	40,514		14,719	436,002
Middle school	78,086			3,618	81,704
High school	368,720	106,814		13,167	488,701
Music	681				681
Special programs:					
Programs for special educ.			100,565		100,565
Educ. deprived (Title I)	28,208				28,208
Total instruction	856,464	147,328	100,565	31,504	1,135,861
Support services:					
Pupils:					
Guidance	4,323			172	4,495
Special education			49,654		49,654
Instruction:					
Improvement of instruction	6,443				6,443
Technology	46,156			1,234	47,390
General administration:					
Board of Education	11,468				11,468
Executive administration	124,024	799		5,734	130,557
School administration:					
Multi-service coop	300				300
Business:					
Fiscal services	50,570	2,550		2,165	55,285
Operations and maintenance	95,501	7,673		2,400	105,574
Pupil transportation	12,625				12,625
Food service	28,924			1,500	30,424
Special education			16,666		16,666
Total support services	380,334	11,022	66,320	13,205	470,881

(continued)

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2014 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Debt service:					
Early retirement				2,832	2,832
Total debt service	0	0	0	2,832	2,832
Cocurricular activities:					
Transportation	21,574				21,574
Combined activities	43,648	1,973		214	45,835
Total cocurricular services	65,222	1,973	0	214	67,409
Capital outlay:					
Total expenditures	1,302,020	160,323	166,885	47,755	1,676,983
Excess of revenues over (under) expenditures	124,937	(48,760)	26,430	4,060	106,667
Other financing sources (uses):					
Transfer in	771				771
Transfer (out)		(653)		(118)	(771)
Sale of surplus property	250				250
Net change in fund balance	125,958	(49,413)	26,430	3,942	106,917
Fund balance:					
July 1, 2013	760,170	310,243	190,929	34,488	1,295,830
June 30, 2014	886,128	260,830	217,359	38,430	1,402,747

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 106,917

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of: None 0
 Subtract depreciation taken on all capital assets (60,324)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes (3,837)
 Add current year delinquent taxes 2,955
 Add current year gross receipts tax 77,472
 Add insurance settlement less book value of fire loss (estimate) 4,889,398

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. Therefore:

Add prior year accrued leave payable 6,426
 Subtract current year accrued leave payable (4,855)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add prior year early retirement payable 16,995
 Subtract current year early retirement payable (14,163)

Change in net position on government-wide statement of activities 5,016,984

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenue:					
Revenue from local sources:					
Taxes:					
Ad valorem taxes	1,003,207	83,522	169,052	37,296	1,293,077
Prior year ad valorem taxes	869	56	103	24	1,052
Gross receipts	89,625				89,625
Penalties and interest	1,862	158	330	54	2,404
Interest earned	2,379	1,099	612	195	4,285
Cocurricular activities:					
Admissions	5,798				5,798
Other pupil activity	1,323				1,323
Other revenue from local sources:					
Rentals	100				100
Donations	416	10,000			10,416
Medicaid	9,394		2,627		12,021
Other	6,782	1,624			8,406
Total revenue from local source	1,121,755	96,459	172,724	37,569	1,428,507
Revenue from intermediate sources:					
County sources:					
County apportionment	22,105				22,105
Revenue in lieu of taxes	423	32	68	11	534
Revenue from state sources:					
Unrestricted grants-in-aid	166,322				166,322
Revenue from federal sources:					
Restricted grants-in-aid	74,000		29,419		103,419
Total revenues	1,384,605	96,491	202,211	37,580	1,720,887
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	359,252	28,124		14,421	401,797
Middle school	87,120			4,023	91,143
High school	304,917	31,077		10,086	346,080
Music	47,807	1,774		2,093	51,674
Special programs:					
Programs for special educ.			115,955		115,955
Educ. deprived (Title I)	42,540				42,540
Other programs	25,482				25,482
Total instruction	867,118	60,975	115,955	30,623	1,074,671
Support services:					
Pupils:					
Guidance	9,579			447	10,026
Special education			51,771		51,771
Instruction:					
Improvement of instruction	10,072				10,072
Technology	28,385			1,281	29,666
General administration:					
Board of Education	12,075				12,075
Executive administration	121,168			5,584	126,752
School administration:					
Multi-service coop	357				357
Business:					
Fiscal services	57,920	2,400		2,128	62,448
Operations and maintenance	78,476	8,064		2,004	88,544
Pupil transportation	24,717				24,717
Food service	25,560			1,479	27,039
Special education			12,929		12,929
Total support services	368,309	10,464	64,700	12,923	456,396

(continued)

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2013 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Debt service:					
Early retirement				16,995	16,995
Total debt service	0	0	0	16,995	16,995
Cocurricular activities:					
Transportation	20,574				20,574
Combined activities	33,803	4,434		369	38,606
Total cocurricular services	54,377	4,434	0	369	59,180
Capital outlay:					
Total expenditures	1,289,804	75,873	180,655	60,910	1,607,242
Excess of revenues over (under) expenditures	94,801	20,618	21,556	(23,330)	113,645
Other financing sources (uses):					
Transfer in	1,294				1,294
Transfer (out)		(1,099)		(195)	(1,294)
Sale of surplus property	340				340
Net change in fund balance	96,435	19,519	21,556	(23,525)	113,985
Fund balance:					
July 1, 2012	663,735	290,724	169,373	58,013	1,181,845
June 30, 2013	760,170	310,243	190,929	34,488	1,295,830

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 113,985

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of: None 0
 Subtract depreciation taken on all capital assets (60,968)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes (1,304)
 Add current year delinquent taxes 3,837

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. Therefore:

Add prior year accrued leave payable 5,986
 Subtract current year accrued leave payable (6,426)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add prior year early retirement payable 33,990
 Subtract current year early retirement payable (16,995)

Change in net position on government-wide statement of activities 72,105

See accompanying notes.

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2014

	Food Service Fund	Public Enterprise Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash	13,928	216	14,144
Receivable: insurance settlement (est)	2,884		2,884
Inventory	0		0
Long-term capital assets:			
Equipment	0		0
Accumulated depreciation	0		0
Total assets	16,812	216	17,028
LIABILITIES			
Accrued payroll and benefits	162		162
Total liabilities	162	0	162
NET POSITION			
Net invested in capital assets	0		0
Unrestricted	16,650	216	16,866
Total net position	16,650	216	16,866

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2014

Operating revenue:			
Sales to pupils	22,909		22,909
Sales to adults	3,544		3,544
Other sales	2,033		2,033
Total operating revenue	28,486	0	28,486
Operating expense:			
Salaries	7,256		7,256
Employee benefits	6,164		6,164
Purchased services	1,139		1,139
Supplies	2,159		2,159
Cost of sales:			
Purchased food	33,836		33,836
Donated food	5,270		5,270
Depreciation	572		572
Total operating expenses	56,396	0	56,396
Operating income (loss)	(27,910)	0	(27,910)
Nonoperating revenue (expense):			
Interest earnings	21	1	22
State source:			
Cash reimbursement	269		269
Federal source:			
Cash reimbursement	19,662		19,662
Donated food	4,481		4,481
Total nonoperating revenue (expense)	24,433	1	24,434
Extraordinary item:			
Insurance settlement (estimate)	2,884		2,884
Less: book value of fire loss	(2,884)		(2,884)
Change in net position	(3,477)	1	(3,476)
Net position:			
July 1, 2013	20,127	215	20,342
June 30, 2014	16,650	216	16,866

See accompanying notes.

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2013

	Food Service Fund	Public Enterprise Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash	13,090	215	13,305
Inventory	3,743		3,743
Long-term capital assets:			
Equipment	35,828		35,828
Accumulated depreciation	(32,372)		(32,372)
Total assets	20,289	215	20,504
LIABILITIES			
Accrued payroll and benefits	162		162
Total liabilities	162	0	162
NET POSITION			
Net invested in capital assets	3,456		3,456
Unrestricted	16,671	215	16,886
Total net position	20,127	215	20,342

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2013

Operating revenue:			
Sales to pupils	21,486		21,486
Sales to adults	4,363		4,363
Other sales	2,004		2,004
Total operating revenue	27,853	0	27,853
Operating expense:			
Salaries	6,076		6,076
Employee benefits	6,449		6,449
Purchased services	1,462		1,462
Supplies	1,509		1,509
Cost of sales:			
Purchased food	32,385		32,385
Donated food	3,213		3,213
Depreciation	572		572
Total operating expenses	51,666	0	51,666
Operating income (loss)	(23,813)	0	(23,813)
Nonoperating revenue (expense):			
Interest earnings	31	1	32
State source:			
Cash reimbursement	489		489
Federal source:			
Cash reimbursement	19,929		19,929
Donated food	3,490		3,490
Total nonoperating revenue (expense)	23,939	1	23,940
Change in net position	126	1	127
Net position:			
July 1, 2012	20,001	214	20,215
June 30, 2013	20,127	215	20,342

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDING JUNE 30, 2014

	Food Service Fund	Public Enterprise Fund	Total Enterprise Funds
Cash flows from:			
Operating activities:			
Receipts from customers	28,486		28,486
Cash paid to employees	(13,420)		(13,420)
Payments to suppliers	(34,180)		(34,180)
Net cash provided (used) by operating activities	----- (19,114)	----- 0	----- (19,114)
Noncapital financing activities:			
Grant reimbursements - state	269		269
Grant reimbursements - federal	19,662		19,662
Capital financing activities:			
None	0	0	0
Investing activities:			
Interest earnings	21	1	22
Net increase (decrease) in cash and cash equivalents	----- 838	----- 1	----- 839
Cash and cash equivalents:			
July 1, 2013	13,090	215	13,305
June 30, 2014	----- 13,928	----- 216	----- 14,144
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(27,910)	0	(27,910)
Value of donated commodities used	5,270		5,270
Depreciation	572		572
Fire loss			0
Change in operating accounts:			
Inventory - supplies	621		621
Inventory - purchased	2,333		2,333
Contracts and benefits payable	0		0
Net cash provided (used) by operating activities	----- (19,114)	----- 0	----- (19,114)
Noncash investing, capital and financing activities:			
Value of donated commodities received in FY14:	4,481		
Insurance settlement receivable (est)	2,884		
Less: book value of fire loss	(2,884)		

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDING JUNE 30, 2013

	Food Service Fund	Public Enterprise Fund	Total Enterprise Funds
Cash flows from:			
Operating activities:			
Receipts from customers	27,853		27,853
Cash paid to employees	(12,785)		(12,785)
Payments to suppliers	(35,252)		(35,252)
Net cash provided (used) by operating activities	----- (20,184)	----- 0	----- (20,184)
Noncapital financing activities:			
Grant reimbursements - state	489		489
Grant reimbursements - federal	19,929		19,929
Capital financing activities:			
None	0	0	0
Investing activities:			
Interest earnings	31	1	32
Net increase (decrease) in cash and cash equivalents	----- 265	----- 1	----- 266
Cash and cash equivalents:			
July 1, 2012	12,825	214	13,039
June 30, 2013	----- 13,090	----- 215	----- 13,305
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(23,813)	0	(23,813)
Value of donated commodities used	3,213		3,213
Depreciation	572		572
Change in operating accounts:			
Inventory - supplies	(106)		(106)
Inventory - purchased	210		210
Contracts and benefits payable	(260)		(260)
Net cash provided (used) by operating activities	----- (20,184)	----- 0	----- (20,184)
Noncash investing, capital and financing activities:			
Value of donated commodities received in FY13:	3,490		

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
AS OF JUNE 30, 2014

ASSETS	
Cash	31,405
Savings	0

Total assets	31,405
	=====

LIABILITIES	
Amounts held for others	31,405

Total liabilities	31,405
	=====

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Hoven School District's (School District) Board of Education.

The School District's officials at June 30, 2014 are:

Board Members:	Superintendent:
Mark Weber, President	Pat Jones
Cliff Keller	
Sue Rausch	Business Manager:
Terry Reuer	Amy Arbach
Eric Stuwe	
	Attorney:
	David VonWald

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Hoven School District does not have any component units.

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

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements 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 good and 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 is displayed in three components, as applicable: net invested 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 function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:

Governmental Funds

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

Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:

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 and is a major fund.

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

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

Enterprise Funds

Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise funds:

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

Public enterprise fund - a fund used to record financial transactions related to the School District's driver's education program. This fund is financed by user charges and is a major fund.

Fiduciary Funds

Fiduciary are never considered to be major funds.

Agency fund type - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets in a trustee capacity for building homecoming floats, class projects or class trips and for money raised to support payments for contests, conventions and travel.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:

In the 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 School District's availability period for accruing and recording revenues is 15 days. The revenues which are accrued at June 30, 2014 are grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

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. However, the Hoven School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2014 balance of capital assets for governmental activities include approximately 5% 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 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 35.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/improvements	25,000	Straight-line	20-85
Equipment	5,000	Straight-line	10-20
Equipment - food service	1,000	Straight-line	12

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of early retirement and compensated absences obligations.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

1. Equity Classifications:

Government-wide Financial Statements:

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

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, 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 does not meet the criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", 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 a purpose.

m. Fund Balance Classification Policies and Procedures:

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

- * **Nonspendable** - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * **Committed** - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at 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 School Board, Superintendent, or Business Manager.
- * **Unassigned** - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Hoven School District fund balance classifications are made up of:

<u>Fund Balance Classification</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Capital Outlay	Statute	260,830
	Special Education	Statute	217,359
	Pension	Statute	38,430
Committed	None		0
Assigned	None		0
Unassigned	General		886,128

			1,402,747

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

The School District does not have a formal minimum fund balance policy.

The purpose of each special revenue fund and revenue source is:

Major Special Revenue Fund	Revenue Source (see page 13 and 15)
* Capital Outlay	Property taxes, state grant
* Special Education	Property taxes, Medicaid services reimbursements, and federal grants
* Pension	Property taxes

n. 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 which can be charged to either restricted or unrestricted net position.

o. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

p. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated cost of certain assets and service lives
- * Insurance settlement - estimated insurance recovery from fire loss

2. DEPOSITS, INVESTMENTS AND RISK

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

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 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 better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at June 30, 2014 were as follows: Insured \$290,896, Collateralized ** \$1,260,779, for a total of \$1,551,675.

** Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2014 was \$1,542,278, which equals \$1,510,873 on the government-wide statement of net position plus \$31,405 on the fiduciary funds statement of net position.

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

For the two years ending June 30, 2014 the School District had no investments.

Cash Equivalents - Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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

Custodial Credit Risk (Deposits) - The risk that, in the event of a 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. At June 30, 2014, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in Plains Commerce Bank.

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 (1) interest from the food service fund which retains its investment income, (2) interest from the Lebanon Equity in a fiduciary fund is deposited in the FFA fiduciary fund and (3) interest in the special education fund for the two years ending June 30, 2014 is retained in the special education fund.

U.S.GAAP, however, requires income from deposits and investments to be reported in the fund whose assets generated the 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 (ie: general fund) is reported. Accordingly, in the fund financial statements, inter-fund 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 transfers are not violations of the statutory restrictions on interfund transfers.

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. Allowances for estimated uncollectible accounts are not material to these financial statements.

4. DUE FROM OTHER GOVERNMENTS

At June 30, 2014 gross receipts taxes of \$77,472 is owed to the School District.

5. INVENTORY

Government-wide Statements: (consumption method)

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are used. Inventory of supplies and small tools is recorded at cost.

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. There is no inventory at June 30, 2014 because it was lost in the fire.

Fund Financial Statements: (consumption method)

In the fund financial statements, inventories of the general fund and special revenue funds (if any) consist of expendable supplies held for consumption. The cost is recorded as an asset and charged to expense as they are consumed. Any reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

In the fund financial statements, inventory of the enterprise fund is stated at the lower of cost or market. The cost valuation method is first-in first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. Inventories of the food service fund are initially recorded as an asset and charged to expense as they are consumed.

6. CHANGES IN CAPITAL ASSETS (see schedule one, page 35)

A summary of changes in capital assets for the two years ending June 30, 2014 is found on schedule one at the end of these footnotes.

There is no construction-in-progress at June 30, 2014.

7. CHANGES IN LONG-DEBT (see schedule two, page 36)

A summary of changes in long-term debt for the two years ending June 30, 2014 is found on schedule two at the end of these footnotes.

The School District has no short-term debt or conduit debt.

8. RESTRICTED NET POSITION

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

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Law	260,953	
Special education	Law	217,579	
Pension	Law	38,492	
		-----	-----
Total restricted net position		\$ 517,024	\$ 0

9. INTERFUND TRANSFERS

See also note 2. Net transfers "in" and "(out)" between funds are:

For the year ending June 30, 2014:

	Governmental	Enterprise	Purpose
General	771		Interest transfer
Capital outlay	(653)		Interest transfer
Pension	(118)		Interest transfer
	-----	-----	
	0	0	

For the year ending June 30, 2013:

	Governmental	Enterprise	Purpose
General	1,294		Interest transfer
Capital outlay	(1,099)		Interest transfer
Pension	(195)		Interest transfer
	-----	-----	
	0	0	

10. RETIREMENT PLAN

All employees, except for part-time employees, 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. 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. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or 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. The District's share of contributions to SDRS for the years ending June 30, 2014, 2013, and 2012 were \$51,000, \$50,435, and \$54,372 (employer's share) respectively, equal to the required contribution each year.

11. SPECIAL TERMINATION BENEFITS

The School District also has an early retirement policy in which an employee must meet the following criteria: Employee is 55 before September 1 of the next school year, but no more than 62, has eleven or more years of employment with the Hoven School District and has not been dismissed by the school board according to SDCL 13-43-15. Early retirement is based on 80% of the applicant's salary at retirement or 80% of the applicant's last full-time contract after July 1993 - whichever is higher. Fifty percent will be made in one lump sum and the remainder will be paid as a social security bridge per year each September until age 62 or in no less than three annual payments.

12. PROPERTY TAXES

Property taxes are levied on or before 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 revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 12, 14, and 16.

13. JOINT VENTURE -- OAHE SPECIAL EDUCATIONAL COOPERATIVE

Oahe Special Education Cooperative
P.O. Box 97, Java, South Dakota 57452
605.649.6296

The School participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2014, the School's percentage of participation in the co-op is 1/7th, the same as the other school districts in the coop.

The co-op's governing board has one representative from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office at P.O. Box 97, Java, South Dakota 57452. At June 30, 2014 this co-op had total UNAUDITED fund equity of \$307,256 and no long-term debt.

14. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the two years ending June 30, 2014, the Hoven School District managed its risks as follows:

Health:

The School District does not purchase health insurance for its employees. Instead employees are given a stipend per the teacher's negotiated agreement or an employee contract.

Liability and Property:

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

Worker's Compensation:

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

Unemployment Benefits:

The School District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. In FY13 the School District paid unemployment claims of \$1,335. In FY14 no unemployment claims were paid. In FY15 no unemployment claims are expected to be paid.

15. OTHER DISCLOSURES

At June 30, 2014 the School District was not a party to litigation.

In May 2014 the high school building was lost in a fire. The School is estimating an insurance settlement of \$5,000,000. The book value of property lost in the fire is \$110,602. The School will use the Holy Infant Hospital building for classes in FY15 and St. Anthony's church basement for food services. In September 2014 the School Board let a contract for \$102,250 to demolish the high school building.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING JUNE 30, 2014

	Beginning 6-30-13	Book Adjustments	Additions	Deletions	Ending 6-30-14	Accumulated Depreciation 6-30-13	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-14	Remaining Cost 6-30-14
Governmental capital assets:											
Land	14,105				14,105	0				0	14,105
Buildings	1,307,153			(225,428)	1,081,725	(553,829)		(27,661)	182,313	(399,177)	682,548
Improvements	102,663			(70,908)	31,755	(46,519)		(10,266)	25,030	(31,755)	0
Equipment	493,426			(172,714)	320,712	(380,170)		(22,397)	153,989	(248,578)	72,134
Totals	<u>1,917,347</u>	<u>0</u>	<u>0</u>	<u>(469,050)</u>	<u>1,448,297</u>	<u>(980,518)</u>	<u>0</u>	<u>(60,324)</u>	<u>361,332</u>	<u>(679,510)</u>	<u>768,787</u>

(1)

(1)

Governmental depreciation
 is allocated as follows:

Instruction	15,791
Support	37,733
Co-curricular	6,800
	<u>60,324</u>

(1) Fire loss

	Beginning 6-30-12	Book Adjustments	Additions	Deletions	Ending 6-30-13	Accumulated Depreciation 6-30-12	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-13	Remaining Cost 6-30-13
Enterprise fund:											
Food service fund:											
Equipment	35,828			(35,828)	0	(32,372)		(572)	32,944	0	0
Totals	<u>35,828</u>	<u>0</u>	<u>0</u>	<u>(35,828)</u>	<u>0</u>	<u>(32,372)</u>	<u>0</u>	<u>(572)</u>	<u>32,944</u>	<u>0</u>	<u>0</u>

(1)

(1)

Governmental depreciation
 is allocated as follows:

Instruction	16,435
Support	37,733
Co-curricular	6,800
	<u>60,968</u>

Food service fund:											
Equipment	35,828				35,828	(31,800)		(572)		(32,372)	3,456
Totals	<u>35,828</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,828</u>	<u>(31,800)</u>	<u>0</u>	<u>(572)</u>	<u>0</u>	<u>(32,372)</u>	<u>3,456</u>

HOVEN SCHOOL DISTRICT No. 53-2

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING JUNE 30, 2014

	Beginning 6-30-12	FY13 Additions (Deletions)	FY14 Additions (Deletions)	Governmental Ending 6-30-14	Principal Due in FY15
	-----	-----	-----	-----	-----
GOVERNMENTAL					
Early Retirement:					
Paid from pension fund:					
Affected employees - 1	33,990	(16,995)	(2,832)	14,163	2,832
Accrued leave liability:					
Sick leave paid from the fund that payroll expenditures are charged to	5,985	441	(1,571)	4,855	4,855
	<u>39,975</u>	<u>(16,554)</u>	<u>(4,403)</u>	<u>19,018</u>	<u>7,687</u>

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2014

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals			Final
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	1,092,800			1,092,800	1,122,412	29,612
Prior year ad valorem taxes				0	1,747	1,747
Gross receipts	62,000			62,000	31,163	(30,837)
Penalties and interest	2,000			2,000	2,175	175
Interest earned	2,000			2,000	1,891	(109)
Cocurricular activities:						
Admissions	7,200			7,200	6,809	(391)
Other activity income	20,600			20,600	1,300	(19,300)
Other revenue from local sources:						
Rentals				0	100	100
Donations				0	528	528
Medicaid				0	8,688	8,688
Other				0	13,614	13,614
Intermediate sources:						
County apportionment	10,000			10,000	12,207	2,207
Revenue in lieu of taxes				0	303	303
State sources:						
Unrestricted grants-in-aid	126,500			126,500	164,225	37,725
Federal sources:						
Restricted grants-in-aid	77,400			77,400	59,795	(17,605)
Total revenues	1,400,500	0	0	1,400,500	1,426,957	26,457
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	416,900			416,900	380,769	36,131
Middle school	92,300			92,300	78,086	14,214
High school	372,100			372,100	368,720	3,380
Music				0	681	(681)
Special programs:						
Educ. deprived (Title I)	40,200			40,200	28,208	11,992
Support services:						
Pupils:						
Guidance	12,700			12,700	4,323	8,377
Instruction:						
Improvement of instruction	10,700			10,700	6,443	4,257
Technology	51,300			51,300	46,156	5,144
General administration:						
Board of Education	14,500			14,500	11,468	3,032
Executive administration	127,400			127,400	124,024	3,376
School administration:						
Multi-service coop	800			800	300	500
Business:						
Fiscal services	54,800			54,800	50,570	4,230
Operations and maintenance	116,100			116,100	95,501	20,599
Pupil transportation	19,300			19,300	12,625	6,675
Food service	29,600			29,600	28,924	676
Cocurricular activities:						
Transportation	22,000			22,000	21,574	426
Combined activities	40,800	2,900		43,700	43,648	52
Contingencies:	40,000			40,000		40,000
Amount transferred		(2,900)		(2,900)		(2,900)
Total expenditures	1,461,500	0	0	1,461,500	1,302,020	159,480
Excess of rev over (under) exp	(61,000)	0	0	(61,000)	124,937	185,937
Other financial sources:						
Transfer in	1,400			1,400	771	(629)
Sale of surplus property				0	250	250
Fund balance:						
July 1, 2013	760,170			760,170	760,170	0
June 30, 2014	700,570	0	0	700,570	886,128	185,558

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2013

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals			Final
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	1,031,000			1,031,000	1,003,207	(27,793)
Prior year ad valorem taxes				0	869	869
Gross receipts	62,000			62,000	89,625	27,625
Penalties and interest	2,000			2,000	1,862	(138)
Interest earned	2,000			2,000	2,379	379
Cocurricular activities:						
Admissions	8,200			8,200	5,798	(2,402)
Other activity income	20,600			20,600	1,323	(19,277)
Other revenue from local sources:						
Rentals				0	100	100
Donations				0	416	416
Medicaid				0	9,394	9,394
Other				0	6,782	6,782
Intermediate sources:						
County apportionment	10,000			10,000	22,105	12,105
Revenue in lieu of taxes				0	423	423
State sources:						
Unrestricted grants-in-aid	127,000			127,000	166,322	39,322
Federal sources:						
Restricted grants-in-aid	75,000			75,000	74,000	(1,000)
Total revenues	1,337,800	0	0	1,337,800	1,384,605	46,805
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	377,300			377,300	359,252	18,048
Middle school	97,200			97,200	87,120	10,080
High school	321,600			321,600	304,917	16,683
Music	51,900			51,900	47,807	4,093
Special programs:						
Educ. deprived (Title I)	42,600			42,600	42,540	60
Other special programs	25,800			25,800	25,482	318
Support services:						
Pupils:						
Guidance	12,600			12,600	9,579	3,021
Instruction:						
Improvement of instruction	12,900			12,900	10,072	2,828
Technology	31,800			31,800	28,385	3,415
General administration:						
Board of Education	14,600			14,600	12,075	2,525
Executive administration	124,600			124,600	121,168	3,432
School administration:						
Multi-service coop	800			800	357	443
Business:						
Fiscal services	59,600			59,600	57,920	1,680
Operations and maintenance	116,700			116,700	78,476	38,224
Pupil transportation	29,700			29,700	24,717	4,983
Food service	27,200			27,200	25,560	1,640
Cocurricular activities:						
Transportation	21,500			21,500	20,574	926
Combined activities	42,000			42,000	33,803	8,197
Contingencies:	40,000			40,000		40,000
Amount transferred				0		0
Total expenditures	1,450,400	0	0	1,450,400	1,289,804	160,596
Excess of rev over (under) exp	(112,600)	0	0	(112,600)	94,801	207,401
Other financial sources:						
Transfer in	1,400			1,400	1,294	(106)
Sale of surplus property				0	340	340
Fund balance:						
July 1, 2012	663,735			663,735	663,735	0
June 30, 2013	552,535	0	0	552,535	760,170	207,635

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2014

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	93,900		93,900	85,653	(8,247)
Prior year ad valorem taxes			0	66	66
Penalties and interest	300		300	171	(129)
Interest earned	3,500		3,500	653	(2,847)
Donations	3,500		3,500		(3,500)
Other	3,500		3,500		(3,500)
County Sources:					
Revenue in lieu of taxes			0	29	29
State Sources:					
Restricted grants-in-aid			0	24,991	24,991
Total revenue	104,700	0	104,700	111,563	6,863
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	55,200		55,200	40,514	14,686
High school	117,100		117,100	106,814	10,286
Support services:					
General administration:					
Executive administration	1,100		1,100	799	301
Business:					
Fiscal services	2,600		2,600	2,550	50
Operations and maintenance	15,000		15,000	7,673	7,327
Cocurricular activities:					
Combined activities	3,000		3,000	1,973	1,027
Total expenditures	194,000	0	194,000	160,323	33,677
Excess of rev over (under) exp	(89,300)	0	(89,300)	(48,760)	40,540
Other financial sources:					
Transfer (out)	(1,200)		(1,200)	(653)	547
Fund balance:					
July 1, 2013	310,243		310,243	310,243	0
June 30, 2014	219,743	0	219,743	260,830	41,087

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2013

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	84,800		84,800	83,522	(1,278)
Prior year ad valorem taxes			0	56	56
Penalties and interest	300		300	158	(142)
Interest earned	1,200		1,200	1,099	(101)
Donations			0	10,000	10,000
Other			0	1,624	1,624
County Sources:					
Revenue in lieu of taxes			0	32	32
Total revenue	86,300	0	86,300	96,491	10,191
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	34,500		34,500	28,124	6,376
High school	36,700		36,700	31,077	5,623
Music	2,000		2,000	1,774	226
Support services:					
Business:					
Fiscal services	2,400		2,400	2,400	0
Operations and maintenance	60,000		60,000	8,064	51,936
Cocurricular activities:					
Combined activities	3,000	1,500	4,500	4,434	66
Total expenditures	138,600	1,500	140,100	75,873	64,227
Excess of rev over (under) exp	(52,300)	(1,500)	(53,800)	20,618	74,418
Other financial sources:					
Transfer (out)	(1,200)		(1,200)	(1,099)	101
Fund balance:					
July 1, 2012	290,724		290,724	290,724	0
June 30, 2013	237,224	(1,500)	235,724	310,243	74,519

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2014

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	163,800		163,800	165,776	1,976
Prior year ad valorem taxes			0	133	133
Penalties and interest	500		500	336	(164)
Interest earned	600		600	483	(117)
Donations			0	50	50
Medicaid	2,500		2,500	2,559	59
County Sources:					
Revenue in lieu of taxes			0	57	57
Federal Sources:					
Restricted grants-in-aid	31,000		31,000	23,921	(7,079)
Total revenue	198,400	0	198,400	193,315	(5,085)
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	124,400		124,400	100,565	23,835
Support services:					
Pupils:					
Special education	60,500		60,500	49,654	10,846
Special education administrative	18,300	2,800	21,100	16,666	4,434
Total expenditures	203,200	2,800	206,000	166,885	39,115
Excess of rev over (under) exp	(4,800)	(2,800)	(7,600)	26,430	34,030
Other financial sources:					
None			0		0
Fund balance:					
July 1, 2013	190,929		190,929	190,929	0
June 30, 2014	186,129	(2,800)	183,329	217,359	34,030

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2013

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	170,400		170,400	169,052	(1,348)
Prior year ad valorem taxes			0	103	103
Penalties and interest	500		500	330	(170)
Interest earned	600		600	612	12
Medicaid	2,300		2,300	2,627	327
County Sources:					
Revenue in lieu of taxes			0	68	68
Federal Sources:					
Restricted grants-in-aid	33,000		33,000	29,419	(3,581)
Total revenue	206,800	0	206,800	202,211	(4,589)
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	134,300	1,300	135,600	115,955	19,645
Support services:					
Pupils:					
Special education	52,000	5,300	57,300	51,771	5,529
Special education administra	20,500	1,900	22,400	12,929	9,471
Total expenditures	206,800	8,500	215,300	180,655	34,645
Excess of rev over (under) exp	0	(8,500)	(8,500)	21,556	30,056
Other financial sources:					
None			0		0
Fund balance:					
July 1, 2012	169,373		169,373	169,373	0
June 30, 2013	169,373	(8,500)	160,873	190,929	30,056

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2014

PENSION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	50,100		50,100	51,562	1,462
Prior year ad valorem taxes			0	29	29
Penalties and interest	100		100	91	(9)
Interest earned	200		200	118	(82)
County Sources:					
Revenue in lieu of taxes			0	15	15
Total revenue	50,400	0	50,400	51,815	1,415
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	16,000		16,000	14,719	1,281
Middle school	4,500		4,500	3,618	882
High school	13,500		13,500	13,167	333
Support services:					
Pupils:					
Guidance	600		600	172	428
Instruction:					
Technology	1,300		1,300	1,234	66
General administration:					
Executive administration	6,000		6,000	5,734	266
Business:					
Fiscal services	2,200		2,200	2,165	35
Operations and maintenance	2,500		2,500	2,400	100
Food service	1,700		1,700	1,500	200
Debt service:					
Early retirement	2,900		2,900	2,832	68
Cocurricular activities:					
Combined activities	600		600	214	386
Total expenditures	51,800	0	51,800	47,755	4,045
Excess of rev over (under) exp	(1,400)	0	(1,400)	4,060	5,460
Other financial sources:					
Transfer (out)	(200)		(200)	(118)	82
Fund balance:					
July 1, 2013	34,488		34,488	34,488	0
June 30, 2014	32,888	0	32,888	38,430	5,542

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2013

PENSION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	36,800		36,800	37,296	496
Prior year ad valorem taxes			0	24	24
Penalties and interest	100		100	54	(46)
Interest earned	200		200	195	(5)
County Sources:					
Revenue in lieu of taxes			0	11	11
Total revenue	37,100	0	37,100	37,580	480
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	15,000		15,000	14,421	579
Middle school	5,000		5,000	4,023	977
High school	12,000		12,000	10,086	1,914
Music	2,200		2,200	2,093	107
Support services:					
Pupils:					
Guidance	600		600	447	153
Instruction:					
Technology	1,300		1,300	1,281	19
General administration:					
Executive administration	6,000		6,000	5,584	416
Business:					
Fiscal services	2,200		2,200	2,128	72
Operations and maintenance	2,300		2,300	2,004	296
Food service	1,700		1,700	1,479	221
Debt service:					
Early retirement	17,200		17,200	16,995	205
Cocurricular activities:					
Combined activities	600		600	369	231
Total expenditures	66,100	0	66,100	60,910	5,190
Excess of rev over (under) exp	(29,000)	0	(29,000)	(23,330)	5,670
Other financial sources:					
Transfer (out)	(200)		(200)	(195)	5
Fund balance:					
July 1, 2012	58,013		58,013	58,013	0
June 30, 2013	28,813	0	28,813	34,488	5,675

NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2014

1. Budgets and Budgetary Accounting:

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

- a. 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.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. 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 1h below.
- g. 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.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See pages 37-44.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2014.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 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 service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

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

Governing Board
Hoven School District No. 53-2
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District (School District), Potter County, South Dakota, as of June 30, 2014 and for each of the fiscal years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated May 7, 2015 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hoven School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note a minor matter involving compliance that I reported to the governing body and management of the Hoven School District in a separate Letter of Comments dated May 7, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Hoven School District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

However, I identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of current audit findings and responses as item 2014-01 that I consider to be significant deficiency in internal control over financial reporting.

The Hoven School District's response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. The School District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

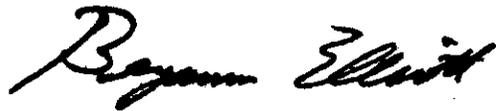
I did note minor matters involving internal control that I reported to the governing body and management of the Hoven School District in a separate Letter of Comments dated May 7, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the School District's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hoven School District's compliance and internal control over financial reporting. 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



May 7, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Audit Findings:

2010-01 (Lack of Proper Segregation of Duties): Repeated below as 2014-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2014-01: Segregation of Duties
(internal control)

Criteria:

The management of the School District is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the segregation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Hoven School District.

Questioned Cost:

None could be identified regarding this finding.

Effect:

Inadequate segregation of duties can lead to misappropriation of funds.

Recommendation:

I recommend the Hoven School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

Management Response:

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Hoven School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Hoven School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.