

LEOLA SCHOOL DISTRICT NO. 44-2

**Financial Statements With
Independent Auditor's Reports
As Of June 30, 2014 And
For The Year Then Ended**

**SCHOOL DISTRICT OFFICIALS
June 30, 2014**

School Board:

ReEtta Sieh, President
Kristi Spitzer, Vice-President
Brian Hoffman
Brenda Merkel
Richard Westpahl

Superintendent:

Julie Nikolas

Business Manager:

Deb Weiszhaar

**LEOLA SCHOOL DISTRICT NO. 44-2
 FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS
 AS OF JUNE 30, 2014 AND FOR THE YEAR THEN ENDED
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board
Leola School District No. 44-2
McPherson County, South Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2, McPherson County, South Dakota as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Leola School District No. 44-2's basic financial statements and have issued my report thereon dated August 15, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Leola School District No. 44-2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Leola School District No. 44-2's internal control. Accordingly, I do not express an opinion on the effectiveness of the Leola School District No. 44-2's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Prior and Current Audit Findings and Response, I identified certain deficiencies in internal control that I consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Leola School District No. 44-2's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Prior and Current Audit Findings and Response as item number 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Leola School District No. 44-2'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*.

Leola School District No. 44-2's Response to Finding

The Leola School District No. 44-2's response to the finding identified in my audit is described in the accompanying Schedule of Prior and Current Audit Findings and Response. The Leola School District No. 44-2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Leola School District No. 44-2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Leola School District No. 44-2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Laws 4-11-11, this report is a matter of public record and its distribution is not limited.



Ronald L. Schur
Certified Public Accountant
Aberdeen, South Dakota
August 15, 2015

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND RESPONSE
AS OF JUNE 30, 2014 AND FOR THE YEAR THEN ENDED**

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSE

Prior Audit Other Audit Findings:

Finding Number 2012-01 and Finding Number 2013-001

Internal control over financial reporting and compliance is not adequate.

Corrective Action Plan Response

Due to staff size it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSE

Finding Number 2014-001:

Internal control over financial reporting and compliance is not adequate.

Analysis:

This condition is the result of an inadequate segregation of duties that may result in financial reporting misstatements or noncompliance with applicable requirements of laws, regulations, contracts and grants in amounts that may be material in relation to the financial statements occurring and not being detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

I recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness.

Corrective Action Plan Response

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result. Ms. Deb Weiszhaar, Business Manager is the contact person regarding the corrective action plan for this matter.

INDEPENDENT AUDITOR'S REPORT

School Board
Leola School District No. 44-2
McPherson County, South Dakota

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2, McPherson County, South Dakota as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Leola School District No. 44-2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion 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 standards 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Leola School District No. 44-2'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 Leola School District No. 44-2'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 have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 dated August 15, 2015, on my consideration of the Leola School District No. 44-2's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Leola School District No. 44-2's internal control over financial reporting and compliance.


Ronald L. Schur
Certified Public Accountant
Aberdeen, South Dakota
August 15, 2015



**LEOLA SCHOOL DISTRICT NO. 44-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
As Of June 30, 2014 And For The Year Then Ended**

This section of Leola School District No. 44-2's annual financial report presents a discussion and analysis of the school district's performance during the year ended on June 30, 2014. Please read it in conjunction with the school district's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

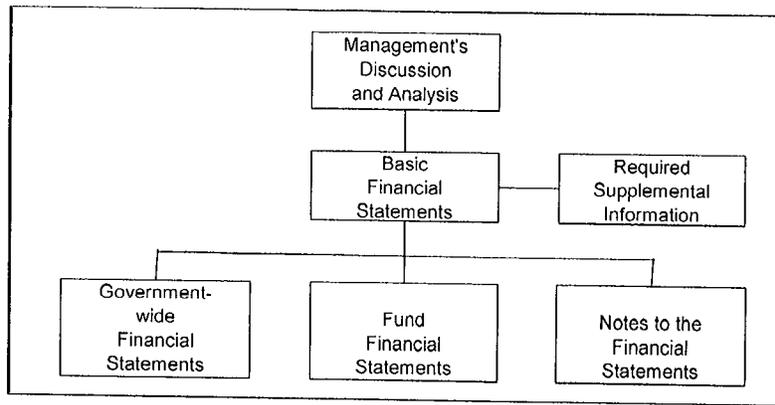
- During the year, the school's revenues generated from general and program revenues of the governmental and business-type programs were \$141,910 more than the \$2,964,095 governmental and business-type program expenditures.
- The total costs of the school district's programs increased by approximately 6% from the year ended June 30, 2013 to the year ended June 30, 2014.
- Regarding business-type activities, operating revenues of the school's business-type activities decreased 2.4% and, operating expenses increase 6.1%.
- Government-wide changes in net position reflected a decrease from that of the prior year, including the net effects of both governmental activities and business-type activities of 44.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The following summarizes the major features of the school's financial statements, including the portion of the school government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

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

Government-wide Statements

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

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

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

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

- **Governmental Activities** – This category includes the school's basic instructional services, such as elementary and high school educational program, support services (guidance counselors, executive administration, board of education, fiscal services, etc.), debt services payments, extracurricular activities (sports, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants, cocurricular gate revenue and interest earnings finance most of these activities.
- **Business-type Activities** – The school charges a fee to help cover the costs of providing meal and driver's education services.

Fund Financial Statements

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

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

The School has three kinds of funds:

- **Governmental Funds** – Most of the school's basic services are included in the governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the school charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-and long-term financial information. The Food Service Fund and the Driver's Education Fund (types of proprietary funds) are the same as the business-type activities but provide more detail and additional information such as cash flows.
- **Fiduciary Funds** – The school is the trustee, or fiduciary, for various external and internal parties. The school is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the school's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the school's government-wide financial statements because the school cannot use these assets to finance the operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The school's combined net position, presented on the economic resources measurement focus and accrual basis of accounting, changed as indicated in the following table as of June 30, 2014 and June 30, 2013:

	June 30, 2014			June 30, 2013			Percentage of Change in Yearly Totals
	Governmental Activities	Business-Type Activities	Total Activities	Governmental Activities	Business-Type Activities	Total Activities	
Current and Other Assets	\$ 2,421,408.57	\$ 63,249.46	\$ 2,484,658.03	\$ 4,761,826.35	\$ 55,426.40	\$ 4,817,252.75	-48.42%
Capital Assets	4,376,374.13	63,663.85	4,440,037.98	2,517,875.07	31,721.08	2,549,596.15	74.15%
Total Assets	\$ 6,797,782.70	\$ 126,913.31	\$ 6,924,696.01	\$ 7,279,701.42	\$ 87,147.48	\$ 7,366,848.90	-6.00%
Long-Term Debt Outstanding	\$ 3,705,623.89	\$	\$ 3,705,623.89	\$ 3,933,756.71	\$	\$ 3,933,756.71	-5.80%
Other Liabilities	133,712.92	28,408.27	162,121.19	491,952.00	26,099.52	518,051.52	-68.71%
Total Liabilities	\$ 3,839,336.81	\$ 28,408.27	\$ 3,867,745.08	\$ 4,425,708.71	\$ 26,099.52	\$ 4,451,808.23	-13.12%
Net Position							
Net Investment in Capital Assets	\$ 681,374.13	\$ 63,663.85	\$ 745,037.98	\$ 1,318,297.23	\$ 31,721.08	\$ 1,350,018.31	-44.81%
Restricted	963,489.32		963,489.32	2,873,595.97	29,326.88	2,902,922.85	-66.81%
Unrestricted	1,313,582.44	34,841.19	1,348,423.63	(1,337,900.49)		(1,337,900.49)	200.79%
Total Net Position	\$ 2,958,445.89	\$ 98,505.04	\$ 3,056,950.93	\$ 2,853,992.71	\$ 61,047.96	\$ 2,915,040.67	4.87%
Beginning Net Position	\$ 2,853,992.71	\$ 61,047.96	\$ 2,915,040.67	\$ 2,610,236.16	\$ 47,989.85	\$ 2,658,226.01	9.66%
Increase (Decrease) in Net Position	\$ 104,453.18	\$ 37,457.08	\$ 141,910.26	\$ 243,756.55	\$ 13,058.11	\$ 256,814.66	-44.74%
Percentage Increase (Decrease) in Net Position for the Year	4%	61%	5%	9%	27%	10%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components, the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, early retirement benefits payable and limited tax general obligation certificates payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

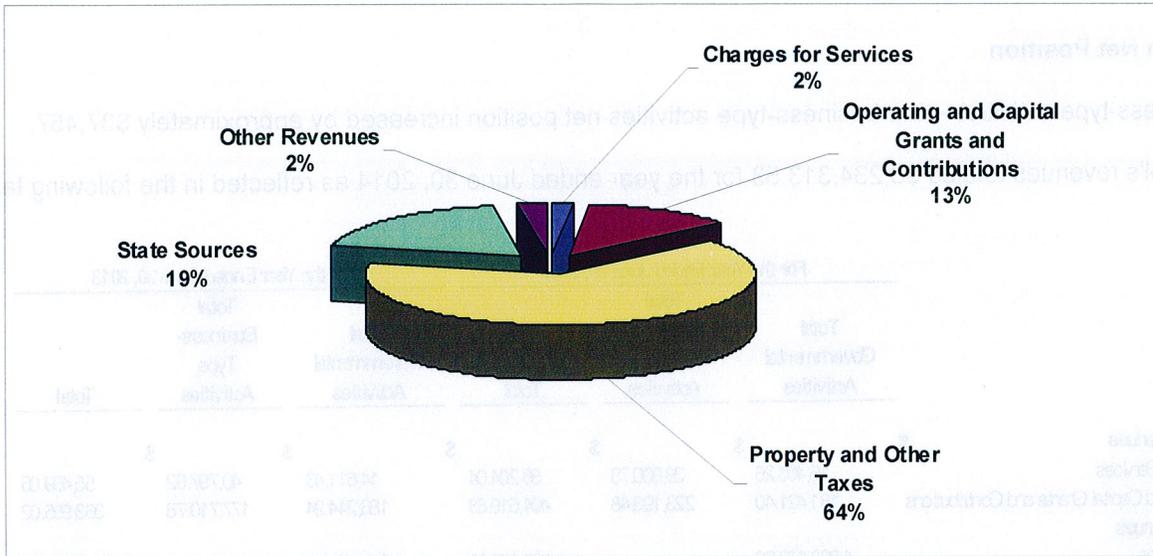
Change in Net Position

The business-type activities – the business-type activities net position increased by approximately \$37,457.

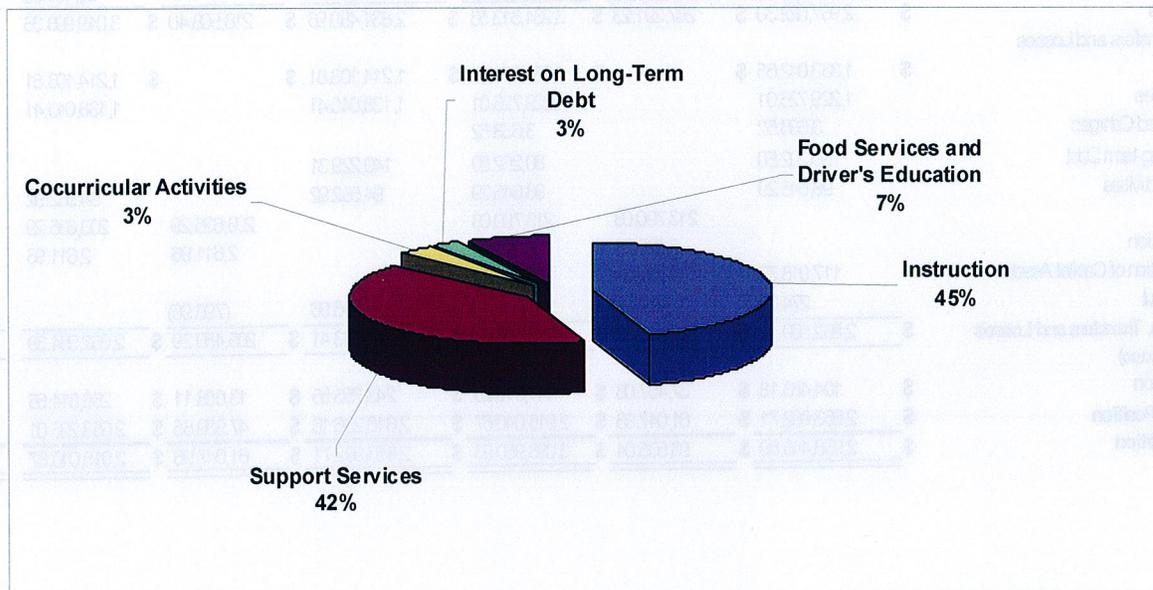
The school's revenues totaled \$3,234,313.53 for the year ended June 30, 2014 as reflected in the following table.

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013			Percentage of Change in Yearly Totals
	Total Governmental Activities	Total Business-Type Activities	Total	Total Governmental Activities	Total Business-Type Activities	Total	
Revenues							
Program Revenues	\$	\$	\$	\$	\$	\$	
Charges for Services	16,403.26	39,800.78	56,204.04	14,611.43	40,797.62	55,409.05	1.43%
Operating and Capital Grants and Contributions	181,421.40	223,198.48	404,619.88	186,244.24	177,710.78	363,955.02	11.17%
General Revenues							
Property Taxes	1,803,179.89		1,803,179.89	1,620,978.36		1,620,978.36	11.24%
Gross Receipts Taxes	269,942.33		269,942.33	132,667.21		132,667.21	103.47%
Revenue State Sources	620,352.97		620,352.97	812,145.84		812,145.84	-23.62%
Revenue Intermediate Sources	14,935.94		14,935.94	12,725.19		12,725.19	17.37%
Unrestricted Investment Earnings	956.59		956.59	1,666.33		1,666.33	-42.25%
Other General Revenues	59,829.92	4,291.97	64,121.89	50,461.36		50,461.36	27.07%
Total Revenues	\$ 2,967,022.30	\$ 267,291.23	\$ 3,234,313.53	\$ 2,831,489.96	\$ 218,508.40	\$ 3,049,998.36	6.04%
Expenses, Transfers and Losses							
Instruction	\$ 1,333,042.65		\$ 1,333,042.65	\$ 1,214,103.81		\$ 1,214,103.81	9.80%
Support Services	1,229,726.01		1,229,726.01	1,138,040.41		1,138,040.41	8.06%
Nonprogrammed Charges	3,658.52		3,658.52				
Interest on Long-term Debt	80,202.50		80,202.50	140,229.31			
Cocumular Activities	98,646.29		98,646.29	94,562.92		94,562.92	4.32%
Food Service		213,790.08	213,790.08		203,636.29	203,636.29	4.99%
Driver's Education		5,029.38	5,029.38		2,611.96	2,611.96	92.55%
Loss on Disposition of Capital Assets	117,018.77	11,289.07	128,307.84				
Transfers (In) Out	274.38	(274.38)		796.96	(796.96)		
Total Expenses, Transfers and Losses	\$ 2,862,569.12	\$ 229,834.15	\$ 3,092,403.27	\$ 2,587,733.41	\$ 206,450.29	\$ 2,652,954.39	16.56%
Increase (Decrease) in Net Position	\$ 104,453.18	\$ 37,457.08	\$ 141,910.26	\$ 243,756.55	\$ 13,058.11	\$ 256,814.66	-44.74%
Beginning Net Position	\$ 2,853,992.71	\$ 61,047.96	\$ 2,915,040.67	\$ 2,610,236.16	\$ 47,989.85	\$ 2,658,226.01	9.66%
Ending Net Position	\$ 2,958,445.89	\$ 98,505.04	\$ 3,056,950.93	\$ 2,853,992.71	\$ 61,047.96	\$ 2,915,040.67	4.87%

Approximately 64% of the school's revenue comes from property and other taxes, and approximately another 19% coming from state sources as reflected below.



The school district's expenses cover a range of services, primarily encompassing instruction, support services, cocurricular activities, interest on long-term debt, and, food and driver's education services as reflected below.



BUSINESS-TYPE ACTIVITIES

Operating revenues of the school's business-type activities decreased 2.4% and, operating expenses increase 6.1%.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund had a net change in fund balance decrease of \$150,311.02 (representing approximately 37% of ending fund balance) due in part to unanticipated administrative personnel costs. The Capital Outlay Fund had a net change in fund balance increase of \$67,286.61. The Special Education Fund had an increase in fund balance of \$3,197.20. The change in fund balance of the Pension Fund was an increase of \$10,198.27.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the school board supplemented the school district General Fund budget once and made contingency transfers to provide spending authority for unanticipated expenditures.

CAPITAL ASSET ADMINISTRATION

By the end of 2014, the school district had invested \$5,758,118.56 in a broad range of capital assets, including land, construction work in progress, buildings, improvements other than buildings, and various machinery and equipment as indicated below. This amount represents a net increase after consideration for depreciation provisions of 74.15%. The following reflects the investment in capitalized assets as of June 30, 2014 and June 30, 2013:

	Governmental Activities		Business-Type Activities		Total Amount of Change 6/30/13 to 6/30/14	Total Percentage of Change 6/30/13 to 6/30/14
	6/30/13	6/30/14	6/30/13	6/30/14		
Land	\$ 18,000.00	\$ 18,000.00	\$	\$	\$ 0.00	0.00%
Construction Work in Progress	1,286,338.84	65,899.60			(1,220,439.24)	-94.88%
Buildings	725,438.02	3,695,453.91			2,970,015.89	409.41%
Improvements Other Than Buildings	1,005,612.00	887,782.00			(117,830.00)	-11.72%
Machinery and Equipment	936,548.31	992,983.57	84,849.53	97,999.48	69,585.21	6.81%
Total Capital Assets	\$ 3,971,937.17	\$ 5,660,119.08	\$ 84,849.53	\$ 97,999.48	\$ 1,701,331.86	41.94%
Less: Accumulated Depreciation	(1,454,062.10)	(1,283,744.95)	(53,128.45)	(34,335.63)	189,109.97	-12.55%
Total Capital Assets - Net of Accumulated Depreciation	\$ 2,517,875.07	\$ 4,376,374.13	\$ 31,721.08	\$ 63,663.85	\$ 1,890,441.83	74.15%

This year's capital asset additions were primarily comprised of capitalized costs for construction work in progress regarding facilities construction and renovation and equipment.

LONG-TERM DEBT

At year-end, the school district had \$3,705,623.89 in long-term obligations. This is a decrease of 5.8% as shown below. The following reflects outstanding long-term debt and obligations as of June 30, 2014 and June 30, 2013:

	Governmental Activities		Total Amount of Change 6/30/13 to 6/30/14	Total Percentage of Change 6/30/13 to 6/30/14
	6/30/13	6/30/14		
Compensated Absences	\$ 14,364.59	\$ 9,332.09	\$ (5,032.50)	-35.03%
Early Retirement Benefits	4,392.12	1,291.80	(3,100.32)	-70.59%
Limited Tax General Obligation Certificates, Series 2012	3,915,000.00	3,695,000.00	(220,000.00)	-5.62%
Total Outstanding Long-Term Debt and Obligations	\$ 3,933,756.71	\$ 3,705,623.89	\$ (228,132.82)	-5.80%

The school is liable for payments for staff qualifying for accrued sick leave from the fund, which the employee is generally compensated. The increase is due to normal accumulations less the consumption of leave balances.

Debt regarding the Limited Tax General Obligation Certificates, Series 2012 is the result of a facilities construction and renovation project. This represents over 99% of the outstanding long-term debt as of June 30, 2014.

ECONOMIC FACTORS

School district taxable property valuations in McPherson County increased from \$237,969,926 in 2012 (relating to taxes to be paid in 2013) to \$274,638,668 in 2013 (relating to taxes to be paid in 2014) or approximately 15.4% due primarily to increases in valuation and growth. The total amount, which can be levied, is limited by the State of South Dakota. One of the primary sources of revenue to the school is based on a per student allocation they received from the State of South Dakota. The state aid formula for year ended June 30, 2014 ensures that General Fund property taxes plus state aid will equal \$4,625.65 per pupil. The school district experienced a decrease of approximately 3% in student membership for the current year in comparison with the prior year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Leola School District No. 44-2 Business Office, 820 Leola Avenue, Leola, South Dakota 57456.

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,129,641.04	\$ 16,205.92	\$ 1,145,846.96
Investments	160,114.84		160,114.84
Taxes Receivable	939,564.89		939,564.89
Accounts Receivable	47,684.57	395.19	48,079.76
Due from Other Governments	123,001.23	39,173.88	162,175.11
Inventories	21,402.00	7,474.47	28,876.47
Capital Assets:			
Land and Construction Work In Progress	83,899.60		83,899.60
Other Capital Assets, Net of Accumulated Depreciation	4,292,474.53	63,663.85	4,356,138.38
TOTAL ASSETS	\$ 6,797,782.70	\$ 126,913.31	\$ 6,924,696.01
Liabilities:			
Trade Accounts Payable	\$ 39,898.67	\$ 27,425.50	\$ 67,324.17
Payroll Contracts and Deductions/Matching Payable	90,706.80		90,706.80
Construction Contracts Payable-Retained Percentage	3,107.45		3,107.45
Unearned Revenue		982.77	982.77
Noncurrent Liabilities:			
Due Within One Year	225,994.24		225,994.24
Due in More than One Year	3,479,629.65		3,479,629.65
TOTAL LIABILITIES	\$ 3,839,336.81	\$ 28,408.27	\$ 3,867,745.08
Net Position:			
Net Investment in Capital Assets	\$ 681,374.13	\$ 63,663.85	\$ 745,037.98
Restricted for:			
Capital Outlay	651,788.24		651,788.24
Special Education	174,592.55		174,592.55
Pension	137,108.53		137,108.53
Unrestricted (Deficit)	1,313,582.44	34,841.19	1,348,423.63
TOTAL NET POSITION	\$ 2,958,445.89	\$ 98,505.04	\$ 3,056,950.93
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 6,797,782.70	\$ 126,913.31	\$ 6,924,696.01

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

**LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$ 1,333,042.65		\$ 121,517.90		\$ (1,211,524.75)		\$ (1,211,524.75)
Support Services	1,229,726.01		52,705.50		(1,177,020.51)		(1,177,020.51)
Nonprogrammed Charges	3,658.52				(3,658.52)		(3,658.52)
Interest on Long-term Debt*	80,202.50				(80,202.50)		(80,202.50)
Cocurricular Activities	98,646.29	16,403.26		7,198.00	(75,045.03)		(75,045.03)
Total Governmental Activities	\$ 2,745,275.97	\$ 16,403.26	\$ 174,223.40	\$ 7,198.00	\$ (2,547,451.31)		\$ (2,547,451.31)
Business-Type Activities:							
Food Service	\$ 213,790.08	\$ 35,045.78	\$ 174,813.03	\$ 48,385.45		\$ 44,454.18	\$ 44,454.18
Driver's Education	5,029.38	4,755.00				(274.38)	(274.38)
Total Business-Type Activities	\$ 218,819.46	\$ 39,800.78	\$ 174,813.03	\$ 48,385.45		\$ 44,179.80	\$ 44,179.80
Total Primary Government	\$ 2,964,095.43	\$ 56,204.04	\$ 349,036.43	\$ 55,583.45	\$ (2,547,451.31)	\$ 44,179.80	\$ (2,503,271.51)
General Revenues:							
Taxes:							
Property Taxes					\$ 1,803,179.89		\$ 1,803,179.89
Gross Receipts Taxes					269,942.33		269,942.33
Revenue from State Sources:							
State aid					588,507.00		588,507.00
Other					31,845.97		31,845.97
Revenue from Intermediate Sources							
Unrestricted Investment Earnings					956.59		956.59
Other General Revenues					59,829.92	4,291.97	64,121.89
Transfers In (Out)					(274.38)	274.38	0.00
Net Gain (Loss) on Disposal of Capital Assets					(117,018.77)	(11,289.07)	(128,307.84)
Total General Revenues, Special Items, Extraordinary Items and Transfers					\$ 2,651,904.49	\$ (6,722.72)	\$ 2,645,181.77
Changes in Net Position					\$ 104,453.18	\$ 37,457.08	\$ 141,910.26
Net Position - Beginning					\$ 2,853,992.71	\$ 61,047.96	\$ 2,915,040.67
NET POSITION - ENDING					\$ 2,958,445.89	\$ 98,505.04	\$ 3,056,950.93

* The school district does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

LEOLA SCHOOL DISTRICT NO. 44-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 199,203.89	\$ 685,897.87	\$ 107,694.95	\$ 136,844.33	\$ 1,129,641.04
Investments	104,638.39		55,476.45		160,114.84
Taxes Receivable - Current	388,714.19	419,320.55	82,051.67	41,875.67	931,962.08
Taxes Receivable - Delinquent	5,216.85	1,704.99	456.67	224.30	7,602.81
Accounts Receivable	47,684.57				47,684.57
Due from Other Governments	105,915.23		17,086.00		123,001.23
Inventories	21,402.00				21,402.00
TOTAL ASSETS	<u>\$ 872,775.12</u>	<u>\$ 1,106,923.41</u>	<u>\$ 262,765.74</u>	<u>\$ 178,944.30</u>	<u>\$ 2,421,408.57</u>
Liabilities:					
Accounts Payable	\$ 10,213.09	\$ 29,685.58			\$ 39,898.67
Payroll Contracts and Deductions/Matching Payable	84,526.37		6,180.43		90,706.80
Construction Contracts Payable-Retained Percentage		3,107.45			3,107.45
TOTAL LIABILITIES	<u>\$ 94,739.46</u>	<u>\$ 32,793.03</u>	<u>\$ 6,180.43</u>		<u>\$ 133,712.92</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	\$ 377,108.77	\$ 422,342.14	\$ 81,992.76	\$ 41,835.77	\$ 923,279.44
Fund Equity:					
Fund Balance:					
Nonexpendable (Inventory)	\$ 21,402.00				\$ 21,402.00
Restricted for Capital Outlay		651,788.24			651,788.24
Restricted for Special Education			174,592.55		174,592.55
Restricted for Pension				137,108.53	137,108.53
Unassigned	379,524.89				379,524.89
TOTAL FUND BALANCES	<u>\$ 400,926.89</u>	<u>\$ 651,788.24</u>	<u>\$ 174,592.55</u>	<u>\$ 137,108.53</u>	<u>\$ 1,364,416.21</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 872,775.12</u>	<u>\$ 1,106,923.41</u>	<u>\$ 262,765.74</u>	<u>\$ 178,944.30</u>	<u>\$ 2,421,408.57</u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds	\$	1,364,416.21
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,376,374.13
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(3,705,623.89)
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Governmental funds report property tax revenue on the modified accrual basis of accounting recognizing revenue in the period for which the levy was made subject to meeting availability criteria which results in deferral of some revenue recognition while the statement of net assets recognizes property tax revenue in the period for which it was levied without regard to availability criteria.		923,279.44
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Net Position - Governmental Funds	\$	<u><u>2,958,445.89</u></u>
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The notes to the financial statements are an integral part of this statement.

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Facility Construction and Rehabilitation Capital Project Fund	Total Governmental Funds
Revenue:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 718,431.17	\$ 763,592.77	\$ 147,256.33	\$ 76,281.50		\$ 1,705,561.77
Prior Years' Ad Valorem Taxes	7,638.72	7,184.27	1,515.06	814.65		17,152.70
Gross Receipts Taxes	269,942.33					269,942.33
Penalties and Interest on Taxes	3,608.71	3,852.90	772.00	410.32		8,643.93
Earnings on Investments and Deposits	500.81	82.02	117.60		256.16	956.59
Cocurricular Activities - Admissions	16,403.26					16,403.26
Other Revenue from Local Sources:						
Contributions and Donations	10,000.00	8,299.00				18,299.00
Refund of Prior Years' Expenditures	20,206.53					20,206.53
Medicaid Direct Services			2,613.31			2,613.31
Medicaid Indirect Administrative Services	8,910.32		806.00			9,716.32
Other	8,733.76	261.00				8,994.76
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	14,665.42					14,665.42
Revenue in Lieu of Taxes	266.97		3.55			270.52
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	620,352.97					620,352.97
Restricted Grants-in-Aid	1,750.00					1,750.00
Other State Revenue		13,267.98				13,267.98
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through State	113,948.42		45,257.00			159,205.42
TOTAL REVENUE	\$ 1,815,359.39	\$ 796,539.94	\$ 198,340.85	\$ 77,506.47	\$ 256.16	\$ 2,888,002.81
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	535,438.01	44,852.00		24,874.45		605,164.46
Junior High	98,678.07	5,243.26		4,355.78		108,277.11
High School	326,713.09	19,955.40		12,864.95		359,533.44
Special Programs:						
Programs for Special Education Educationally Deprived	88,484.25		79,011.16			88,484.25
Support Services:						
Pupils:						
Guidance	615.97					615.97
Health	1,163.50					1,163.50
Psychological			8,000.00			8,000.00
Speech Pathology Services			25,524.55			25,524.55
Student Therapy Services			2,298.56			2,298.56
Instructional Staff:						
Improvement of Instruction	26,589.32					26,589.32
Educational Media	64,416.51	46,608.10		1,453.07		112,477.68
General Administration:						
Board of Education	55,104.82					55,104.82
Executive Administration	207,085.97	4,300.00		9,879.53		221,265.50
School Administration:						
Office of the Principal	127,184.09	2,000.00		2,966.40		132,150.49
Title I Program Administration	4,825.52					4,825.52
Other	298.01					298.01
Business:						
Fiscal Services	92,246.30	3,936.00		3,873.99		100,056.29
Facilities Acquisition and Construction		26,217.38				26,217.38
Operation and Maintenance of Plant	171,021.13	127,096.67		3,355.99		301,473.79
Pupil Transportation	85,546.23	3,673.34		373.86		89,593.43
Central - Staff Services	1,384.00					1,384.00
Special Education:						
Administrative Costs			59,309.99			59,309.99
Other			20,999.39			20,999.39
Nonprogrammed Charges:						
Unemployment	650.00					650.00
Early Retirement Payments	1,200.00			1,808.52		3,008.52
Debt Services		300,202.50				300,202.50
Cocurricular Activities:						
Male Activities	25,068.41	865.00		217.74		26,151.15
Female Activities	23,216.04	864.99		959.33		25,040.36
Transportation	16,696.19			324.59		17,020.78
Combined Activities	11,770.60					11,770.60
Capital Outlay		230,199.72			1,904,283.86	2,134,483.58
TOTAL EXPENDITURES	\$ 1,965,396.03	\$ 816,014.36	\$ 195,143.65	\$ 67,308.20	\$ 1,904,283.86	\$ 4,948,146.10
Excess of Revenue Over (Under) Expenditures	\$ (150,036.64)	\$ (19,474.42)	\$ 3,197.20	\$ 10,198.27	\$ (1,904,027.70)	\$ (2,060,143.29)
Other Financing Sources and (Uses):						
Transfers In (Out)	\$ (274.38)	\$ 86,761.03			\$ (86,761.03)	\$ (274.38)
Net Changes in Fund Balances	\$ (150,311.02)	\$ 67,286.61	\$ 3,197.20	\$ 10,198.27	\$ (1,990,788.73)	\$ (2,060,417.67)
Change in Nonspendable Fund Balance	15,843.00					15,843.00
Fund Balance - Beginning	\$ 535,394.91	\$ 584,501.63	\$ 171,395.35	\$ 126,910.26	\$ 1,990,788.73	\$ 3,408,990.88
FUND BALANCE - ENDING	\$ 400,926.89	\$ 651,788.24	\$ 174,592.55	\$ 137,108.53	\$ 0.00	\$ 1,364,416.21

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

LEOLA SCHOOL DISTRICT NO. 44-2
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (2,060,417.67)

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 2,134,483.58

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (166,163.75)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 220,000.00

Governmental funds report property tax revenue on the modified accrual basis of accounting, but the statement of activities reflects property tax revenue on the full accrual basis of accounting. 65,496.29

The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. 7,198.00

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (117,018.77)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early. 5,032.50

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. This amount represents the "change in" inventory of supplies. 15,843.00

Change in Net Position of Governmental Activities \$ 104,453.18

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Totals
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 16,205.92	\$	\$ 16,205.92
Accounts Receivable (Net)	395.19		395.19
Due From Federal Government	39,173.88		39,173.88
Inventory of Supplies	453.43		453.43
Inventory of Stores Purchased for Resale	1,846.36		1,846.36
Inventory of Donated Food	5,174.68		5,174.68
Total Current Assets	63,249.46	0.00	63,249.46
Noncurrent Assets:			
Machinery and Equipment - Local Funds	97,999.48		97,999.48
Less: Accumulated Depreciation	(34,335.63)		(34,335.63)
Total Noncurrent Assets	63,663.85	0.00	63,663.85
TOTAL ASSETS	\$ 126,913.31	\$ 0.00	\$ 126,913.31
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 27,425.50	\$	\$ 27,425.50
Unearned Revenue	982.77		982.77
Total Current Liabilities	\$ 28,408.27	\$ 0.00	\$ 28,408.27
TOTAL LIABILITIES	\$ 28,408.27	\$ 0.00	\$ 28,408.27
Net Position:			
Net Investment in Capital Assets	\$ 63,663.85	\$	\$ 63,663.85
Unrestricted Net Position	34,841.19		34,841.19
TOTAL NET POSITION	\$ 98,505.04	\$ 0.00	\$ 98,505.04
TOTAL LIABILITIES AND NET POSITION	\$ 126,913.31	\$ 0.00	\$ 126,913.31

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

**LEOLA SCHOOL DISTRICT NO. 44-2
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Totals
Operating Revenue:			
Sales:			
Pupils	\$ 31,642.03	\$	\$ 31,642.03
Adults	3,403.75		3,403.75
Other Charges for Goods and Services		4,755.00	4,755.00
Total Operating Revenue	<u>\$ 35,045.78</u>	<u>\$ 4,755.00</u>	<u>\$ 39,800.78</u>
Operating Expenses:			
Salaries	\$ 38,089.78	\$ 3,495.00	\$ 41,584.78
Employee Benefits	4,543.42	576.03	5,119.45
Purchases Services	100,310.51		100,310.51
Supplies	4,808.06	958.35	5,766.41
Cost of Sales - Purchased Food	39,977.20		39,977.20
Cost of Sales - Donated Food	10,566.65		10,566.65
Other	5,603.46		5,603.46
Depreciation - Local Funds	9,891.00		9,891.00
Total Operating Expenses	<u>\$ 213,790.08</u>	<u>\$ 5,029.38</u>	<u>\$ 218,819.46</u>
Operating Income (Loss)	<u>\$ (178,744.30)</u>	<u>\$ (274.38)</u>	<u>\$ (179,018.68)</u>
Nonoperating Revenue (Expense):			
State Sources:			
Cash Reimbursement	\$ 632.88		632.88
Federal Sources:			
Cash Reimbursement	166,268.45		166,268.45
Donated Food	7,911.70		7,911.70
Other	4,291.97		4,291.97
(Loss) on Disposal of Capital Assets	<u>(11,289.07)</u>		<u>(11,289.07)</u>
Total Nonoperating Revenue (Expense)	<u>\$ 167,815.93</u>		<u>\$ 167,815.93</u>
Income Before Contributions, Special Items, Extraordinary Items and Transfers	<u>\$ (10,928.37)</u>	<u>\$ (274.38)</u>	<u>\$ (11,202.75)</u>
Capital Contributions	48,385.45		48,385.45
Transfers In		274.38	274.38
Changes in Net Position	<u>\$ 37,457.08</u>	<u>\$ 0.00</u>	<u>\$ 37,457.08</u>
Net Position - Beginning	<u>61,047.96</u>	<u>0.00</u>	<u>61,047.96</u>
NET POSITION - ENDING	<u><u>\$ 98,505.04</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 98,505.04</u></u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Totals
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 35,578.71	\$ 4,755.00	\$ 40,333.71
Payments to Suppliers	(149,155.21)	(958.35)	(150,113.56)
Payments to Employees	(42,633.20)	(4,071.03)	(46,704.23)
Net Cash Provided (Used) By Operating Activities	\$ (156,209.70)	\$ (274.38)	\$ (156,484.08)
Cash Flows from Noncapital Financing Activities:			
Transfers In		274.38	274.38
Operating Subsidies	150,947.02		150,947.02
Other	4,267.77		4,267.77
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(4,737.39)		(4,737.39)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (5,732.30)	\$ 0.00	\$ (5,732.30)
Cash and Cash Equivalents at Beginning of Year	\$ 21,938.22	\$ 0.00	\$ 21,938.22
Cash and Cash Equivalents at End of Year	16,205.92	0.00	16,205.92
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (5,732.30)	\$ 0.00	\$ (5,732.30)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (178,744.30)	\$ (274.38)	\$ (179,018.68)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Value of Commodities Used	10,566.65		10,566.65
Depreciation Expense	9,891.00		9,891.00
Changes in Assets and Liabilities:			
Decrease in Receivables	81.21		81.21
(Increase) in Inventories	(313.01)		(313.01)
Increase in Accounts Payable	1,857.03		1,857.03
Increase in Deferred Revenue	451.72		451.72
Net Cash Provided (Used) by Operating Activities	\$ (156,209.70)	\$ (274.38)	\$ (156,484.08)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 7,911.70		\$ 7,911.70
Equipment Purchased by Capital Projects Fund	\$ 48,385.45		\$ 48,385.45
Loss on Disposal of Capital Assets Not Affecting Operating Income	\$ 11,289.07		\$ 11,289.07

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trust Funds	Agency Funds
	<hr/>	<hr/>
Assets:		
Cash and Cash Equivalents	\$ 653.06	\$ 23,060.82
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 653.06</u>	<u>\$ 23,060.82</u>
Liabilities:		
Amounts Held for Others		\$ 23,060.82
		<hr/>
TOTAL LIABILITIES		<u>\$ 23,060.82</u>
Net Position:		
Net Position Held in Trust for Scholarships and Awards	\$ 653.06	
	<hr/>	
TOTAL NET POSITION	<u>\$ 653.06</u>	
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 653.06</u>	<u>\$ 23,060.82</u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Contributions and Donations	\$ 301.48
Total Additions	\$ 301.48
DEDUCTIONS:	
Trust Deductions for Scholarships and Awards	\$ 400.00
Total Deductions	\$ 400.00
Changes in Net Position	\$ (98.52)
Net Position - Beginning	\$ 751.58
NET POSITION - ENDING	\$ 653.06

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

**LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND FOR THE YEAR THEN ENDED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the school district conform to accounting principles generally accepted in the United States of America.

a. Financial Reporting Entity:

The reporting entity of the school district consists of the primary government (which includes all of the funds organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and, other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The school district participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the school district.

b. Basis of Presentation:

Government-wide Financial Statements

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net Position are 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 segment of the business-type activities of the school district and for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

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

The funds and respective fund types of the school district financial reporting entity are described below:

Governmental Funds:

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

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

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

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

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

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Facility Construction and Rehabilitation Capital Project Fund – A fund established to account for major construction associated with the construction and rehabilitation of a facility. This is a major fund.

Proprietary Funds:

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

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

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

Driver's Education Fund – A fund used to record financial transactions related to driver's education operations. This fund is primarily financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The school district maintains the following private-purpose trust fund used for the purpose indicated below:

- **Jean Scholarship Fund** – A fund used to provide scholarships for students of the school district.

Agency Funds – Agency funds are used to account for resources held by the school district in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The school district maintains agency funds primarily for the purposes of club and class related activities.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting:

Government-wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the year that they can be used to pay the bills of the current period. The accrual period for the school district is generally considered to be 60 days. The revenues, which were accrued at June 30, 2014, were primarily comprised of grant reimbursements and proceeds; and, charges for services receivable. Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and expenses are recognized when incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statement

In the process of aggregating data for the government-wide financial statements, some amounts, when existing, reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified 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, if and when any exist, 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, when existing, are presented as Internal Balances.

e. **Deposits and Investments:**

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at the date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents, when existing. Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at the date of acquisition exceeded three months, and/or those types of investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. **Capital Assets:**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statement

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

Construction period interest costs incurred during the construction of governmental type activities is not capitalized while for capital assets used in business-type activities, construction period interest is capitalized in accordance with accounting principles generally accepted in the United States of America.

The total June 30, 2014 balance of capital assets for governmental activities includes approximately 12% for which the costs were determined by estimates of the original costs. The total balance of capital assets for business-type activities includes approximately 9% for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets were established by reviewing applicable historical costs and basing the estimations thereon.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000.00	Not Applicable	Not Applicable
Buildings	50,000.00	Straight-Line	50 Years
Improvements	15,000.00	Straight-Line	12-60 Years
Machinery and Equipment - Governmental Activities	5,000.00	Straight-Line	5-20 Years
Machinery and Equipment - Business-Type Activities	1,000.00	Straight-Line	12 Years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statement

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

g. **Long-Term Liabilities:**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities

at June 30, 2014 consisted of compensated absences payable, early retirement benefits payable, and capital outlay certificates payable. In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

h. Program Revenues:

In the government-wide Statement of Activities, reported program revenues are those derived 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:

- **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.
- **Program-Specific Operating Grants and Contributions** – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- **Program-Specific Capital Grants and Contributions** – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

l. Application of Net Position:

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

m. 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. Nonspendable Fund Balances is comprised of inventory as a segregated portion of fund balance as inventory does not represent expendable available financial resources.
- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- **Unassigned** – includes positive fund balances within the General Fund which has not been classified within the above mentioned categories.

The school district uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the 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 major special revenue fund and the fund’s primary revenue source(s) are as follows:

<u>Major Special Revenue Fund / Purpose</u>	<u>Primary Revenue Source(s)</u>
Capital Outlay	Property Taxes and Donations
Special Education	Property Taxes and Grants
Pension	Property Taxes

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The school is prohibited by statute from spending in excess of appropriated amounts at the fund level. The Special Education Fund expenditures for the year ended June 30, 2014 exceeded appropriations by \$7,797.65. School officials intend to monitor these matters more closely to avoid this in the future.

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Credit Risk – State law limits eligible investments for school districts as discussed above. The school district has no investment policy that would further limit its investment choices. As of June 30, 2014, the school district had investments, stated at fair value, in the SDFIT (South Dakota Public Fund Investment Trust) external investment pool Government Cash Reserve Money Market (GCR) in the fair value amount of \$907,050.63. The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk – The school district places no limit on the amount that may be invested in any one issuer. All investments are in the SDFIT external investment pool.

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 generally credit all income from investments to the fund making the investment.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in the accompanying financial statements. The school district anticipates all material receivables to be collected within one year. Appropriate allowances for estimated uncollectibles are established when necessary.

5. INVENTORY

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

Government-wide Financial Statement

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

Fund Financial Statements

In the fund financial statements, inventory in the governmental fund(s), when materially existing, consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported material inventories, are equally offset by a Nonspendable Fund Balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAX

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the school district's property taxes and remits them to the school district. School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, have been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

7. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 18,000.00	\$	\$	\$ 18,000.00
Construction Work in Progress	1,286,338.84	1,991,389.32	(3,211,828.56)	65,899.60
Total Capital Assets Not Being Depreciated	\$ 1,304,338.84	\$ 1,991,389.32	\$ (3,211,828.56)	\$ 83,899.60
Capital Assets Being Depreciated:				
Buildings	\$ 725,438.02	\$ 3,211,828.56	\$ (241,812.67)	\$ 3,695,453.91
Improvements Other Than Buildings	1,005,612.00	19,366.00	(137,196.00)	887,782.00
Machinery and Equipment	936,548.31	130,926.26	(74,491.00)	992,983.57
Total Capital Assets Being Depreciated	\$ 2,667,598.33	\$ 3,362,120.82	\$ (453,499.67)	\$ 5,576,219.48
Less Accumulated Depreciation for:				
Buildings	\$ 725,436.02	\$ 64,236.57	\$ (241,812.67)	\$ 547,859.92
Improvements Other Than Buildings	180,177.85	25,284.21	(28,594.62)	176,867.44
Machinery and Equipment	548,448.23	76,642.97	(66,073.61)	559,017.59
Total Accumulated Depreciation	\$ 1,454,062.10	\$ 166,163.75	\$ (336,480.90)	\$ 1,283,744.95
Total Capital Assets Being Depreciated, Net	\$ 1,213,536.23	\$ 3,195,957.07	\$ (117,018.77)	\$ 4,292,474.53
Total Governmental Activities	\$ 2,517,875.07	\$ 5,187,346.39	\$ (3,328,847.33)	\$ 4,376,374.13
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 84,849.53	\$ 53,122.84	\$ (39,972.89)	\$ 97,999.48
Total Capital Assets Being Depreciated	\$ 84,849.53	\$ 53,122.84	\$ (39,972.89)	\$ 97,999.48
Less Accumulated Depreciation for:				
Machinery and Equipment	53,128.45	9,891.00	(28,683.82)	34,335.63
Total Accumulated Depreciation	\$ 53,128.45	\$ 9,891.00	\$ (28,683.82)	\$ 34,335.63
Total Capital Assets Being Depreciated, Net	\$ 31,721.08	\$ 43,231.84	\$ (11,289.07)	\$ 63,663.85
Total Business-Type Activities	\$ 31,721.08	\$ 43,231.84	\$ (11,289.07)	\$ 63,663.85

Depreciation was charged to the functions of government as follows:

	Amount
Governmental Activities:	
Instruction	\$ 88,179.41
Support Services	59,320.94
Cocurricular Activities	18,663.40
Total Governmental Activities	\$ 166,163.75
Business-Like Activities:	
Food Service	\$ 9,891.00

Construction Work in Progress at June 30, 2014 is composed of the following:

Project Name	Project Authorization As of 6/30/2014	Expended Through 6/30/2014	Required Future Financing
Elementary Improvements	\$ 290,750.60	\$ 65,899.60	\$ 224,851.00

8. LONG-TERM LIABILITIES-PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES

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

	Debt Payable 7/1/13	New Issues - Additions	Retirements - Deletions	Debt Payable 6/30/14	Due Within One Year
Primary Government:					
Governmental Activities:					
Compensated Absences	\$ 14,364.59	\$ 2,206.38	\$ (7,238.88)	\$ 9,332.09	\$ 4,702.44
Early Retirement Benefits	4,392.12		(3,100.32)	1,291.80	1,291.80
Limited Tax General Obligation Certificates, Series 2012	3,915,000.00		(220,000.00)	3,695,000.00	220,000.00
Total Governmental Activities	\$ 3,933,756.71	\$ 2,206.38	\$ (230,339.20)	\$ 3,705,623.89	\$ 225,994.24
Total Primary Government	\$ 3,933,756.71	\$ 2,206.38	\$ (230,339.20)	\$ 3,705,623.89	\$ 225,994.24

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

Compensated Absences:

Payments for accrued sick leave generally paid from the fund from which the employee's most recent compensation had been paid. \$ 9,332.09

Early Retirement Benefits:

Payments to qualified individuals electing early retirement to be paid in the remaining year ending June 30, 2015 anticipated to be paid the Pension Fund and/or the General Fund. (Generally, teaching staff, who have been employed by the school district for a period of at least 15 years and who have passed the age of 55 but before the age of 62 may elect early retirement subject to application and approval provisions. Benefits generally are paid in part by lump sum based on the number of year's service to the school district plus a monthly specified amount through the last day of the month the employee reaches their 62 birthday. \$ 1,291.80

Limited Tax General Obligation Certificates, Series 2012

Debt issued in July, 2012 at interest rates ranging from .5% to 3.5% with payments to be made from the Capital Outlay Fund. The final payment is scheduled to be made in December 2031. \$ 3,695,000.00

The annual requirements to amortize debt outstanding as of June 30, 2014, excluding compensated absences and early retirement benefits are as follows:

Year Ending June 30,	Limited Tax General Obligation Certificates, Series 2012		
	Principal	Interest	Total
2015	\$ 220,000.00	\$ 78,937.50	\$ 298,937.50
2016	225,000.00	77,322.50	302,322.50
2017	225,000.00	75,410.00	300,410.00
2018	225,000.00	73,103.75	298,103.75
2019	230,000.00	70,200.00	300,200.00
2020-2024	1,015,000.00	291,615.00	1,306,615.00
2025-2029	925,000.00	177,117.50	1,102,117.50
2030-2032	630,000.00	33,117.50	663,117.50
Total	\$ <u>3,695,000.00</u>	\$ <u>876,823.75</u>	\$ <u>4,571,823.75</u>

9. RESTRICTED NET POSITION

Restricted Net Position as shown on the Statement of Net Position as of June 30, 2014 was as follows:

Purpose	Source of Restriction	Amount of Restriction
Capital Outlay	Law	\$ 651,788.24
Special Education	Law	174,592.55
Pension	Law	137,108.53
Total Restricted Net Position		\$ <u>963,489.32</u>

10. INTERFUND TRANSFERS

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

Transfers From	Transfers To	
	Driver's Education Fund	Capital Outlay Fund
General Fund	\$ 274.38	
Facility Construction and Rehabilitation Capital Project Fund		\$ 86,761.03

The transfer from the General Fund to the Driver's Education Fund was to provide operating resources for the Driver's Education Fund. The transfer from the Facility Construction and Rehabilitation Capital Project Fund to the Capital Outlay Fund was to return resources to the Capital Outlay Fund for project related expenditures that were initially paid by the Capital Outlay Fund. These interfund transfers have not been considered as a violation of the statutory restrictions on interfund transfers.

11. RETIREMENT PLAN

All employees, except for temporary workers and those working less than twenty hours per week, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution on the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The school's share of contributions to the SDRS for the years ended June 30, 2014, 2013, and 2012 was \$65,075, \$68,649, and \$69,976, respectively, equal to the required contributions each year.

12. JOINT VENTURES

Northern High Tech Modules Consortium

The school district participates in the Northern High Tech Modules Consortium formed for the purpose of providing technological equipment to the member school districts. Each member district's has an equal interest in the consortium (unaudited). The members of the co-op are as follows:

Edmunds Central School District No. 22-5
Eureka School District No. 44-1
Groton School District No. 6-3
Ipswich School District No. 22-3
Leola School District No. 44-2
Selby Area School District No. 62-5
Warner School District No. 6-5

The consortium's governing board is composed of one representative from each member school district, who is the superintendent. The board is responsible for adopting the consortium's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the Net Position of the consortium, but does have a responsibility of fund deficits of the consortium. Separate financial statements for this joint venture are available from the Northern High Tech Modules Consortium. At June 30, 2014, based upon unaudited financial information, this joint venture had total assets of \$133,054, no long-term liabilities and net position of \$131,342.

13. RISK MANAGEMENT

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

Employee Health Insurance

The school district purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The school district joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The school district's responsibility is to promptly report to the cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the school district.

The school district pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The school district pays an annual premium to the pool to provide coverage for covered interests including, but not limited to buildings, personal property, general liability, accounts receivable, valuable papers, fine arts, property in transit, ordinance or law, school board errors and omissions and cost of defense, crime; and, boiler and machinery. The agreement with the ASBSD-PLF provides that the above coverage's will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The school district has various deductibles for differing types of insurance coverage. The school district does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The school district's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The school district pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident. The school district does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded to liability coverage over the past three years.

Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The school district appropriates an amount each year in the General Fund to provide resources for potential claims for unemployment benefits. During the year ended June 30, 2014 one claim was paid for unemployment benefits. The school district does not anticipate that any substantive additional claims will be paid in the subsequent fiscal year.

14. CLASSROOM RENTAL AGREEMENT

The school district entered into an agreement with the Long Lake Colony to lease a building for classroom purposes. The agreement was entered into in June 2012. The school district agreed to payments totaling \$10,000 per year for two years in June 2013 and June 2014; and, payments of \$5,384 for each year from June 2015 to June 2027.

REQUIRED SUPPLEMENTARY INFORMATION
LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgetary Amount		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 655,128.00	\$ 655,128.00	\$ 718,431.17	\$ 63,303.17
Prior Years' Ad Valorem Taxes	3,500.00	3,500.00	7,638.72	4,138.72
Gross Receipts Taxes	298,000.00	298,000.00	269,942.33	(28,057.67)
Penalties and Interest on Taxes	2,500.00	2,500.00	3,608.71	1,108.71
Earnings on Investments and Deposits	3,938.00	3,938.00	500.81	(3,437.19)
Cocurricular Activities:				
Admissions	11,350.00	11,350.00	16,403.26	5,053.26
Other Revenue from Local Sources:				
Contributions and Donations	0.00	0.00	10,000.00	10,000.00
Refund of Prior Years' Expenditures	0.00	0.00	20,206.53	20,206.53
Medicaid Indirect Administrative Services	0.00	0.00	8,910.32	8,910.32
Other	8,000.00	8,000.00	8,733.76	733.76
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	6,300.00	6,300.00	14,665.42	8,365.42
Revenue in Lieu of Taxes	880.00	880.00	266.97	(613.03)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	627,716.00	627,716.00	620,352.97	(7,363.03)
Restricted Grants-in-Aid	0.00	0.00	1,750.00	1,750.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Directly from Federal Government	0.00	0.00		0.00
Restricted Grants-in-Aid Received from Federal Government Through State	100,087.00	100,087.00	113,948.42	13,861.42
TOTAL REVENUE	\$ 1,717,399.00	\$ 1,717,399.00	\$ 1,815,359.39	\$ 97,960.39
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 579,935.00	\$ 579,935.00	\$ 535,438.01	\$ 44,496.99
Junior High	92,916.00	92,916.00	98,678.07	(5,762.07)
High School	326,634.00	326,634.00	326,713.09	(79.09)
Special Programs - Educationally Deprived	86,421.00	86,421.00	88,484.25	(2,063.25)
Support Services:				
Pupils:				
Guidance	0.00	0.00	615.97	(615.97)
Health	1,500.00	1,500.00	1,163.50	336.50
Instructional Staff:				
Improvement of Instruction	25,054.00	25,054.00	26,589.32	(1,535.32)
Educational Media	57,125.00	60,825.00	64,416.51	(3,591.51)
General Administration:				
Board of Education	46,200.00	55,637.00	55,104.82	532.18
Executive Administration	105,365.00	215,418.77	207,085.97	8,332.80
School Administration:				
Office of the Principal	90,285.00	132,590.49	127,184.09	5,406.40
Title I Program Administration	0.00	0.00	4,825.52	(4,825.52)
Other	0.00	0.00	298.01	(298.01)
Business:				
Fiscal Services	88,876.00	93,281.00	92,246.30	1,034.70
Operation and Maintenance of Plant	191,910.00	191,910.00	171,021.13	20,888.87
Pupil Transportation	84,810.00	84,810.00	85,546.23	(736.23)
Staff Services:				
Recruitment and Placement Services	250.00	1,297.50	1,384.00	(86.50)
Nonprogrammed Charges:				
Unemployment	1,000.00	1,000.00	650.00	350.00
Early Retirement Payments	1,300.00	1,300.00	1,200.00	100.00
Cocurricular Activities:				
Male Activities	18,592.50	20,092.50	25,068.41	(4,975.91)
Female Activities	23,305.50	23,305.50	23,216.04	89.46
Transportation	17,765.00	17,765.00	16,696.19	1,068.81
Combined Activities	10,655.00	10,655.00	11,770.60	(1,115.60)
Contingencies	25,000.00	4,910.50	0.00	4,910.50
TOTAL EXPENDITURES	\$ 1,874,899.00	\$ 2,027,258.26	\$ 1,965,396.03	\$ 61,862.23
Excess of Revenue Over (Under) Expenditures	\$ (157,500.00)	\$ (309,859.26)	\$ (150,036.64)	\$ 159,822.62
Other Financing Sources and (Uses):				
Transfers (Out)	0.00	0.00	(274.38)	(274.38)
Net Changes in Fund Balances	\$ (157,500.00)	\$ (309,859.26)	\$ (150,311.02)	\$ 159,548.24
Change in Nonspendable Fund Balance	0.00	0.00	15,843.00	15,843.00
Fund Balance - Beginning	\$ 157,500.00	\$ 309,859.26	\$ 535,394.91	\$ 225,535.65
FUND BALANCE - ENDING	\$ 0.00	\$ 0.00	\$ 400,926.89	\$ 400,926.89

**REQUIRED SUPPLEMENTARY INFORMATION
LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgetary Amount</u>		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 713,895.00	\$ 713,895.00	\$ 763,592.77	\$ 49,697.77
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	7,184.27	4,184.27
Penalties and Interest on Taxes	500.00	500.00	3,852.90	3,352.90
Earnings on Investments and Deposits	0.00	0.00	82.02	82.02
Other Revenue from Local Sources:				
Contributions and Donations	0.00	200.00	8,299.00	8,099.00
Other	0.00	0.00	261.00	261.00
Revenue from State Sources:				
Other State Revenue	<u>13,843.56</u>	<u>13,843.56</u>	<u>13,267.98</u>	<u>(575.58)</u>
TOTAL REVENUE	\$ <u>731,238.56</u>	\$ <u>731,438.56</u>	\$ <u>796,539.94</u>	\$ <u>65,101.38</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 0.00
Junior High	10,714.00	10,714.00	10,713.26	0.74
High School	23,430.00	23,430.00	19,955.40	3,474.60
Support Services:				
Instructional Staff:				
Educational Media	94,343.56	94,543.56	94,595.36	(51.80)
General Administration:				
Executive Administration	4,500.00	4,500.00	4,300.00	200.00
School Administration:				
Office of the Principal	2,000.00	2,000.00	2,000.00	0.00
Business:				
Fiscal Services	4,029.00	4,029.00	3,936.00	93.00
Facilities Acquisition and Construction	40,000.00	40,000.00	44,839.02	(4,839.02)
Operation and Maintenance of Plant	332,717.00	356,067.10	263,799.49	92,267.61
Pupil Transportation	54,305.00	54,305.00	3,673.34	50,631.66
Debt Services	97,200.00	300,202.50	300,202.50	0.00
Cocurricular Activities:				
Male Activities	4,000.00	4,000.00	4,000.00	0.00
Female Activities	<u>4,000.00</u>	<u>6,002.00</u>	<u>3,999.99</u>	<u>2,002.01</u>
TOTAL EXPENDITURES	\$ <u>731,238.56</u>	\$ <u>959,793.16</u>	\$ <u>816,014.36</u>	\$ <u>143,778.80</u>
Excess of Revenue Over (Under) Expenditures	<u>0.00</u>	<u>(228,354.60)</u>	<u>(19,474.42)</u>	<u>208,880.18</u>
Other Financing Sources and (Uses):				
Transfers In	<u>0.00</u>	<u>0.00</u>	<u>86,761.03</u>	<u>86,761.03</u>
Net Changes in Fund Balances	<u>0.00</u>	<u>(228,354.60)</u>	<u>67,286.61</u>	<u>295,641.21</u>
Fund Balance - Beginning	<u>0.00</u>	<u>228,354.60</u>	<u>584,501.63</u>	<u>356,147.03</u>
FUND BALANCE - ENDING	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>651,788.24</u>	\$ <u>651,788.24</u>

**REQUIRED SUPPLEMENTARY INFORMATION
LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgetary Amount</u>		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 135,589.00	135,589.00	\$ 147,256.33	\$ 11,667.33
Prior Years' Ad Valorem Taxes	500.00	500.00	1,515.06	1,015.06
Penalties and Interest on Taxes	500.00	500.00	772.00	272.00
Earnings on Investments and Deposits	0.00	0.00	117.60	117.60
Other Revenue from Local Sources:				
Medicaid Direct Services	0.00	0.00	2,613.31	2,613.31
Medicaid Indirect Administrative Services	0.00	0.00	806.00	806.00
Revenue from Intermediate Sources:				
County Sources:				
Revenue in Lieu of Taxes	0.00	0.00	3.55	3.55
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through State	50,757.00	50,757.00	45,257.00	(5,500.00)
TOTAL REVENUE	\$ 187,346.00	\$ 187,346.00	\$ 198,340.85	\$ 10,994.85
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	\$ 78,366.00	\$ 78,366.00	\$ 79,011.16	\$ (645.16)
Support Services:				
Pupils:				
Psychological	8,000.00	8,000.00	8,000.00	0.00
Speech Pathology Services	22,460.00	22,460.00	25,524.55	(3,064.55)
Student Therapy Services	3,000.00	3,000.00	2,298.56	701.44
Special Education:				
Administrative Costs	55,847.00	55,847.00	59,309.99	(3,462.99)
Transportation Costs	2,000.00	2,000.00	0.00	2,000.00
Other	17,673.00	17,673.00	20,999.39	(3,326.39)
TOTAL EXPENDITURES	\$ 187,346.00	\$ 187,346.00	\$ 195,143.65	\$ (7,797.65)
Excess of Revenue Over (Under) Expenditures	\$ 0.00	\$ 0.00	\$ 3,197.20	\$ 3,197.20
Net Changes in Fund Balances	\$ 0.00	\$ 0.00	\$ 3,197.20	\$ 3,197.20
Fund Balance - Beginning	\$ 0.00	\$ 0.00	\$ 171,395.35	\$ 171,395.35
FUND BALANCE - ENDING	\$ 0.00	\$ 0.00	\$ 174,592.55	\$ 174,592.55

**REQUIRED SUPPLEMENTARY INFORMATION
LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgetary Amount</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 71,391.00	\$ 71,391.00	\$ 76,281.50	\$ 4,890.50
Prior Years' Ad Valorem Taxes	375.00	375.00	814.65	439.65
Penalties and Interest on Taxes	125.00	125.00	410.32	285.32
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	0.00	0.00		0.00
TOTAL REVENUE	<u>\$ 71,891.00</u>	<u>\$ 71,891.00</u>	<u>\$ 77,506.47</u>	<u>\$ 5,615.47</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 26,970.00	\$ 26,970.00	\$ 24,874.45	\$ 2,095.55
Junior High	4,000.00	4,000.00	4,355.78	(355.78)
High School	19,650.00	19,650.00	12,864.95	6,785.05
Support Services:				
Instructional Staff:				
Educational Media	2,207.00	2,207.00	1,453.07	753.93
Support Services:				
General Administration:				
Executive Administration	3,700.00	3,700.00	9,879.53	(6,179.53)
School Administration:				
Office of the Principal	2,400.00	2,400.00	2,966.40	(566.40)
Business:				
Fiscal Services	4,084.00	4,084.00	3,873.99	210.01
Operation and Maintenance of Plant	3,000.00	3,000.00	3,355.99	(355.99)
Pupil Transportation	350.00	350.00	373.86	(23.86)
Nonprogrammed Charges:				
Early Retirement Payments	4,000.00	4,000.00	1,808.52	2,191.48
Cocurricular Activities:				
Male Activities	640.00	640.00	217.74	422.26
Female Activities	690.00	690.00	959.33	(269.33)
Transportation	0.00	0.00	324.59	(324.59)
Combined Activities	200.00	200.00	0.00	200.00
TOTAL EXPENDITURES	<u>\$ 71,891.00</u>	<u>\$ 71,891.00</u>	<u>\$ 67,308.20</u>	<u>\$ 4,582.80</u>
Excess of Revenue Over (Under) Expenditures	\$ 0.00	\$ 0.00	\$ 10,198.27	\$ 10,198.27
Net Changes in Fund Balances	\$ 0.00	\$ 0.00	\$ 10,198.27	\$ 10,198.27
Fund Balance - Beginning	<u>0.00</u>	<u>0.00</u>	<u>126,910.26</u>	<u>126,910.26</u>
FUND BALANCE - ENDING	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 137,108.53</u>	<u>\$ 137,108.53</u>

**LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
AS OF JUNE 30, 2014 AND FOR THE YEAR THEN ENDED**

The Budgetary Comparison Schedules present comparisons of the original budget and legally revised final budget with actual amounts for the General Fund and each Special Revenue Fund and cost center for which budgets are to be legally adopted. Also presented is a column that reflects the variance between the final budget amount and actual amount. A positive variance reflects unused budget and a negative variance reflects an over expended budget. The Budgetary Comparison Schedules have been prepared on the current financial resources measurement focus and the modified accrual basis of accounting. Also, the Budgetary Comparison Schedules present capital assets acquisitions as expenditures while the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds presents expenditures for capital assets as a separate function.

The school district followed these procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. 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.
2. 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 4.
3. 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.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2014.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds, are adopted utilizing the current financial resources measurement focus applied on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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LEGISLATIVE AUDIT