

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

FINANCIAL REPORT

JUNE 30, 2014

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

SCHOOL DISTRICT OFFICIALS

June 30, 2014

BOARD MEMBERS

Casey Knuppe – President
Paul Richter – Vice President

Roger Bills
David Flint
Pat Tisdale

SUPERINTENDENT

Jeff Marlette

BUSINESS MANAGER

Irene K. Madsen

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

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Teresa A. Biggs, CPA

Lonnie J. Hosman, CPA
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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
New Underwood School District No. 51-3
Pennington County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Underwood School District No. 51-3, South Dakota (School District), as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 13, 2015

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2014-001 to be a material weakness.

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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 (continued)

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

D. Smit and B. J. J. J.
August 13, 2015

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Financial Statement Findings:

2013-01

Internal Control Over Revenues, Expenditure, and Payroll.

A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for the revenues, expenditure and payroll functions.

Corrective Action Plan:

The School Board President is the contact person responsible for the corrective action plan for these comments. These comments are the result of the size of New Underwood School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. New Underwood School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, expenditures and payroll. New Underwood School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist and is restated under the current audit finding as finding number 2014-001.

2013-02: Provide oversight of the Financial Reporting Process

A significant deficiency was reported in controls to provide oversight of the financial reporting process.

Corrective Action Plan:

Management accepts the degree of risk associated with this condition because of the cost or other considerations. The significant deficiency continues to exist and is restated under the current audit findings as finding number 2014-002.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

SCHEDULE OF CURRENT AUDIT FINDINGS

Internal Control over Revenues, Expenditure, and Payroll

Finding Number 2014-001

A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for the revenues, expenditure and payroll functions.

Analysis:

For the revenues, expenditure and payroll functions there is a lack of segregation of duties because one or two persons perform a major portion of the procedures with few checks and balances. This may affect the completeness and existence of transactions. Lack of segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consisted with management assertions.

Recommendation:

1. We recommend the New Underwood School District No. 51-3 officials be cognizant of this lack of segregation of duties for revenues, expenditures and payroll and attempt to provide compensating internal controls whenever and wherever possible and practical.

Corrective Action Plan

The school board president is the contact person responsible for the corrective action plan for these comments. These comments are the result of the size of New Underwood School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. New Underwood School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, expenditures and payroll. New Underwood School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

Finding Number 2014-002: Provide oversight of the Financial Reporting Process

A significant deficiency in controls to provide oversight of the financial reporting process was disclosed by our audit. School District's management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). We noted the absence of appropriate internal controls in the following areas:

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

Finding Number 2014-002 (continued)

- The School does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles. As such, managements requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in school of your size and is a result of management's cost benefit decision to use our accounting expertise rather than to incur internal resource costs. Management reviewed the adjustments and also reviewed, approved, and accepted responsibility for those financial statements prior to their issuance. Also it is your responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost of other consideration.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration.

Response:

Management accepts the degree of risk associated with this condition because of cost or other considerations.



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INDEPENDENT AUDITOR'S REPORT

School Board
New Underwood School District No. 51-3
Pennington County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Underwood School District No. 51-3, South Dakota, (School District) as of June 30, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such

INDEPENDENT AUDITOR'S REPORT (continued)

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 financial statement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Underwood School District No. 51-3 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), the Budgetary Comparison Schedules, and the Schedule of Funding Progress on pages 8 through 16 and 50 through 55 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

D. Smith and Beggs, LLP
August 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of New Underwood School District 51-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2014. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Net Position for government wide funds increased by \$73,472 in large part due to an increase in valuation which resulted in an increase in taxes for all funds and also expenditures were less than budgeted. Expenses increased approximately .88% and revenues decreased approximately 2.5%. The district received a decrease in state aid funds of \$19,902 due to decreased enrollment and state budget increases and a slight decrease in overall federal grants due to the change in expenses in the third year of the SIG grant and decreases in school lunch funding due to a decrease in student participation. Expenses increased over last year due to cost of living expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School'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 only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School acts solely as a trustee or agent 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.

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of New Underwood School's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds and the fiduciary component units)	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 Position *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 programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

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 or on the subsequent page, that explains the relationship (or difference) 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 Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the School.
- 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 position and a statement of changes in fiduciary net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School’s combined net position increased (decreased) as follows:

Table A-1
New Underwood School
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2013-2014
	2013	2014	2013	2014	2013	2014	
Current and Other Assets	\$ 1,886,296.70	\$ 2,002,586.73	\$ 6,966.61	\$ 15,916.10	\$ 1,893,263.31	\$ 2,018,502.83	6.62%
Capital Assets (Net of Depreciation)	2,246,935.35	2,193,731.71	1,419.11	1,261.43	2,248,354.46	2,194,993.14	-2.37%
Total Assets	4,133,232.05	4,196,318.44	8,385.72	17,177.53	4,141,617.77	4,213,495.97	1.74%
Long-Term Liabilities Outstanding	538,538.21	493,715.87	2,847.70	2,184.86	541,385.91	495,900.73	-8.40%
Other Liabilities	586,577.00	621,013.46	0.03	0.03	586,577.03	621,013.49	5.87%
Total Liabilities	1,125,115.21	1,114,729.33	2,847.73	2,184.89	1,127,962.94	1,116,914.22	-0.98%
Net Position							
Net Invested in Capital Assets	1,776,935.35	1,768,731.71	1,419.11	1,261.43	1,778,354.46	1,769,993.14	-0.47%
Restricted	561,240.37	767,517.13	4,118.91	13,731.21	565,359.28	781,248.34	38.19%
Unrestricted	669,941.12	545,340.27	-	-	669,941.12	545,340.27	-18.60%
Total Net Position	3,008,116.84	3,081,589.11	5,538.02	14,992.64	3,013,654.86	3,096,581.75	2.75%
Beginning Net Position	2,837,877.40	3,008,116.84	6,726.39	5,538.02	2,844,603.79	3,013,654.86	
Increase (Decrease) in Net Position	\$ 170,239.44	\$ 73,472.27	\$ (1,188.37)	\$ 9,454.62	\$ 169,051.07	\$ 82,926.89	
Percentage of Increase (Decrease) in Net Position	6.00%	2.44%	-17.67%	170.72%	5.94%	2.75%	

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 general obligation bonds, capital outlay certificates payable, compensated absences payable and early retirement benefits 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.

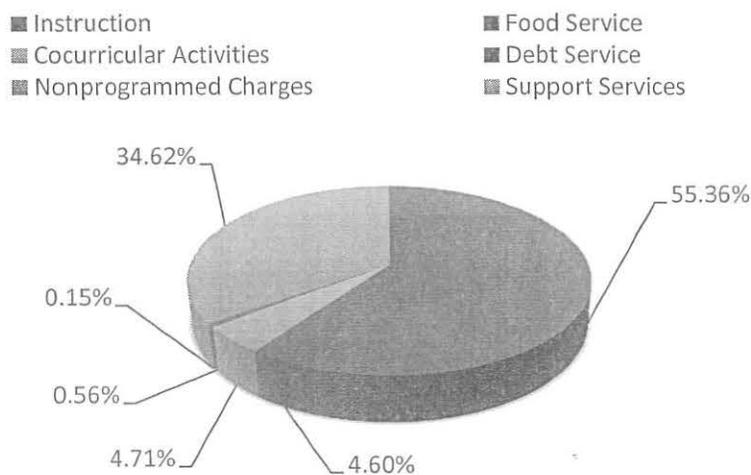
Changes in Net Position

The School’s total revenues totaled \$2,505,718. Approximately 35% of the School’s revenue comes from property and other taxes, with approximately 45% coming from state sources, 15% from program grants and federal revenues, and the balance from other sources. This is similar to the prior year’s percentages.

The School’s expenses cover a range of services, encompassing instruction, support services and food services.

Instruction	\$ 1,341,186	55.36%
Support Services	\$ 838,794	34.62%
Nonprogrammed Charges	\$ 3,772	0.15%
Debt Service	\$ 13,581	0.56%
Cocurricular Activities	\$ 114,016	4.71%
Food Service	\$ 111,441	4.60%
Total Expense	\$ 2,422,791	100.00%

**Figure A-3, New Underwood School,
Functional Expenses for Fiscal Year 2014**



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

New Underwood School District Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Revenues							
Program Revenues							
Charges for Services	\$ 30,693.21	\$ 31,606.83	\$ 59,948.09	\$ 63,252.78	90,641.30	\$ 94,859.61	4.65%
Operating Grants and Contributions	396,401.44	311,407.32	41,714.49	47,642.98	438,115.93	359,050.30	-18.05%
Capital Grants and Contributions	6,700.00	1,600.00	-	-	6,700.00	1,600.00	-76.12%
General Revenues							
Taxes	829,518.18	883,112.72	-	-	829,518.18	883,112.72	6.46%
Revenue State Sources	1,157,748.41	1,137,846.73	-	-	1,157,748.41	1,137,846.73	-1.72%
Revenue Federal Sources	20,926.00	16,143.00	-	-	20,926.00	16,143.00	-22.86%
Revenue Intermediate Sources	-	-	-	-	-	-	0.00%
Revenue Local Sources	-	-	-	-	-	-	0.00%
Unrestricted Investment Earnings	2,664.22	1,963.36	-	-	2,664.22	1,963.36	-26.31%
Other General Revenues	24,423.49	11,141.84	-	-	24,423.49	11,141.84	-54.38%
Total Revenues	2,469,074.95	2,394,821.80	101,662.58	110,895.76	2,570,737.53	2,505,717.56	-2.53%
Expenses							
Instruction	1,308,739.88	1,341,186.08	-	-	1,308,739.88	1,341,186.08	2.48%
Support Services	865,855.88	838,793.76	-	-	865,855.88	838,793.76	-3.13%
Nonprogrammed Charges	3,833.00	3,772.00	-	-	3,833.00	3,772.00	-1.59%
Debt Service	14,368.75	13,581.25	-	-	14,368.75	13,581.25	-5.48%
Cocurricular Activities	95,461.21	114,016.44	-	-	95,461.21	114,016.44	19.44%
Capital Outlay	-	-	-	-	-	-	0.00%
Food Service	-	-	113,427.74	111,441.14	113,427.74	111,441.14	-1.75%
Depreciation (Unallocated)	-	-	-	-	-	-	0.00%
Total Expenses	2,288,258.72	2,311,349.53	113,427.74	111,441.14	2,401,686.46	2,422,790.67	0.88%
Excess (Deficiency) Before Special Items and Transfers	180,816.23	83,472.27	(11,765.16)	(545.38)	169,051.07	82,926.89	-50.95%
Transfers and Special Items	(10,576.79)	(10,000.00)	10,576.79	10,000.00	-	-	0.00%
Increase (Decrease) in Net Position	170,239.44	73,472.27	(1,188.37)	9,454.62	169,051.07	82,926.89	-50.95%
Beginning Net Position	2,837,877.40	3,008,116.84	6,726.39	5,538.02	2,844,603.79	3,013,654.86	5.94%
Ending Net Position	\$ 3,008,116.84	\$ 3,081,589.11	\$ 5,538.02	\$ 14,992.64	\$ 3,013,654.86	\$ 3,096,581.75	2.75%

GOVERNMENTAL ACTIVITIES

The governmental activities – There was an increase of approximately \$53,595 in tax revenue due to increased valuations. We had an overall decrease in state revenue of \$19,902 largely due to the decrease in state aid funds. We had an overall decrease in program grants of \$79,066 largely due to decreased expenses for the SIG grant and decreased national school lunch reimbursement due to decreased student participation. Increases in expenses were largely due to cost of living expenses.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund fund balance decreased by \$91,330 which is a result of spending down our surplus funds; Capital Outlay fund balance increased by \$174,071; Pension Fund fund balance decreased by \$3,839; Bond Redemption fund balance increased by \$9,959. These additional resources are anticipated to be needed in future periods. Special Education fund balance increased by \$43,957.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget. These amendments fall into this category:

- Contingency transfers and budget supplements approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.

No significant budget changes were made in the budgets for the year.

CAPITAL ASSET ADMINISTRATION

By the end of 2014, the School had invested \$2,194,993 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$53,361 over last year resulting from depreciation, net library book purchases/discards, technology purchases, and equipment purchases.

Table A-3
New Underwood School District - Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2013	2014	2013	2014	2013-2014	2013-2014
Land	\$ 34,500.00	\$ 34,500.00	\$ -	\$ -	\$ -	0.00%
Buildings	1,642,438.14	1,614,542.40	-	-	(27,895.74)	-1.70%
Improvements Other Than Buildings	-	-	-	-	-	0.00%
Machinery and Equipment	569,997.21	544,689.31	1,419.11	1,261.43	(25,465.58)	-4.46%
Total Capital Assets (Net)	\$ 2,246,935.35	\$ 2,193,731.71	\$ 1,419.11	\$ 1,261.43	\$ (53,361.32)	-2.37%

LONG-TERM DEBT

At year-end the School had \$495,901 in General Obligation Bonds and other long-term obligations. This is a decrease of 8.40% as shown on Table A-4 below.

Table A-4
New Underwood School District - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2013	2014	2013	2014	2013-2014	2013-2014
General Obligation Bonds	\$ 470,000.00	\$ 425,000.00	\$ -	\$ -	\$ (45,000.00)	-9.57%
Net OPEB Obligations	25,541.78	29,313.78	-	-	3,772.00	14.77%
Early Retirement	-	-	-	-	-	0.00%
Compensated Absences	42,996.43	39,402.09	2,847.67	2,184.86	(4,257.15)	-9.29%
Total Outstanding Debt and Obligations	<u>\$ 538,538.21</u>	<u>\$ 493,715.87</u>	<u>\$ 2,847.67</u>	<u>\$ 2,184.86</u>	<u>\$ (45,485.15)</u>	<u>-8.40%</u>

The School has a policy whereby all employees who leave employment with the district may be paid for unused sick leave.

The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 100% of their last year's salary in equal payments spread over the next three, four, five or six years. This plan allows the school to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers. No additional teachers exercised this option at the end of the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown some change. The School's total property valuation has increased \$9.6 million from the prior year. The amount which can be levied is limited by the State of South Dakota. The amount not received in property taxes for the general fund is made up in state aid received on a need based on dollars per pupil enrolled.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the next year ensures that property taxes plus state aid will equal \$5,486.99 per pupil which is an increase of approximately \$153.38 per pupil. The allocation for subsequent years is to increase by 3% or the CPI whichever is less. The school experienced an decrease in ADM this year of 6 pupils so our enrollment has not been constant. The state aid formula was revised to be based on enrollment as of a set count day in September each year rather than average daily membership throughout the year.

The school's enrollment for the last two years has been as follows:

2012-2013	270
2013-2014	264

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 New Underwood School's Business Office, 300 East Ash St., PO Box 128, New Underwood, SD 57761.

EXHIBIT I - STATEMENT OF NET POSITION

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT I - STATEMENT OF NET POSITION

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$1,493,114.82	\$ 8,906.07	\$1,502,020.89
Taxes receivable	420,381.64	-	420,381.64
Accounts receivable	972.00	52.75	1,024.75
Inventory	-	6,957.28	6,957.28
Other assets	88,118.27	-	88,118.27
Capital assets:			
Land, land improvements and construction in progress	34,500.00	-	34,500.00
Other capital assets, net of depreciation	<u>2,159,231.71</u>	<u>1,261.43</u>	<u>2,160,493.14</u>
Total Assets	<u>\$4,196,318.44</u>	<u>\$ 17,177.53</u>	<u>\$4,213,495.97</u>

Liabilities:			
Accounts payable	\$ 11,202.54	\$ -	\$ 11,202.54
Other current liabilities	198,207.63	0.03	198,207.66
Noncurrent Liabilities:			
Due within one year	50,000.00	-	50,000.00
Due in more than one year	<u>443,715.87</u>	<u>2,184.86</u>	<u>445,900.73</u>
Total Liabilities	<u>703,126.04</u>	<u>2,184.89</u>	<u>705,310.93</u>
Deferred Inflows of Resources			
Property taxes levied for future period	<u>411,603.29</u>	<u>-</u>	<u>411,603.29</u>
Net Position:			
Net invested in capital assets	1,768,731.71	1,261.43	1,769,993.14
Restricted for:			
Capital Outlay	563,504.62	-	563,504.62
Special Education	87,346.70	-	87,346.70
Debt service	7,146.99	-	7,146.99
Pension	109,518.82	-	109,518.82
Unrestricted	<u>545,340.27</u>	<u>13,731.21</u>	<u>559,071.48</u>
Total Net Position	<u>\$3,081,589.11</u>	<u>\$ 14,992.64</u>	<u>\$3,096,581.75</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT II - STATEMENT OF ACTIVITIES

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT II - 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	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental activities:							
Instruction	\$1,341,186.08	\$ 14,297.43	\$ 233,925.83	\$ -	\$(1,092,962.82)		\$(1,092,962.82)
Support services	838,793.76	-	77,481.49	1,000.00	(760,312.27)		(760,312.27)
Nonprogrammed charges	3,772.00	-	-	-	(3,772.00)		(3,772.00)
*Interest on long-term debt	13,581.25	-	-	-	(13,581.25)		(13,581.25)
Cocurricular activities	<u>114,016.44</u>	<u>17,309.40</u>	<u>-</u>	<u>600.00</u>	<u>(96,107.04)</u>		<u>(96,107.04)</u>
Total governmental activities	2,311,349.53	31,606.83	311,407.32	1,600.00	(1,966,735.38)		(1,966,735.38)
Business-type Activities:							
Food service	<u>111,441.14</u>	<u>63,252.78</u>	<u>47,642.98</u>	<u>-</u>	<u>-</u>	<u>(545.38)</u>	<u>(545.38)</u>
Total primary government	<u>\$ 2,422,790.67</u>	<u>\$ 94,859.61</u>	<u>\$ 359,050.30</u>	<u>\$ 1,600.00</u>	<u>(1,966,735.38)</u>	<u>(545.38)</u>	<u>(1,967,280.76)</u>

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

General Revenues:

Taxes:

Property taxes

809,802.39

-

809,802.39

Utility taxes

73,310.33

-

73,310.33

Revenue from State Sources:

State aid

1,137,846.73

-

1,137,846.73

Revenue from Federal sources	16,143.00	-	16,143.00
Unrestricted investment earnings	1,963.36	-	1,963.36
Other general revenues	11,141.84	-	11,141.84
Transfers	<u>(10,000.00)</u>	<u>10,000.00</u>	<u>-</u>
Total General Revenues	<u>2,040,207.65</u>	<u>10,000.00</u>	<u>2,050,207.65</u>
Change in Net Position	73,472.27	9,454.62	82,926.89
Net Position-Beginning	<u>3,008,116.84</u>	<u>5,538.02</u>	<u>3,013,654.86</u>
Net Position - Ending	<u>\$ 3,081,589.11</u>	<u>\$ 14,992.64</u>	<u>\$ 3,096,581.75</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT III - BALANCE SHEET - GOVERNMENTAL FUNDS

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT III - BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Pension Fund	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 731,800.63	\$547,571.59	\$ 97,997.39	\$108,859.15	\$ 6,886.06	\$1,493,114.82
Taxes receivable--current	163,445.07	137,179.70	64,291.63	32,969.07	13,717.82	411,603.29
Taxes receivable--delinquent	4,029.83	2,608.96	1,218.96	659.67	260.93	8,778.35
Accounts receivable, net	972.00	-	-	-	-	972.00
Due from Federal government	70,071.95	18,046.32	-	-	-	88,118.27
Total Assets	<u>\$ 970,319.48</u>	<u>\$705,406.57</u>	<u>\$ 163,507.98</u>	<u>\$142,487.89</u>	<u>\$20,864.81</u>	<u>\$2,002,586.73</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable	\$ 5,932.79	\$ 4,722.25	\$ 547.50	\$ -	\$ -	\$ 11,202.54
Contracts payable	141,354.29	-	6,947.70	-	-	148,301.99
Payroll deductions and withholdings and employer matching payable	48,247.56	-	1,649.55	-	-	49,897.11
Compensated absences payable	8.53	-	-	-	-	8.53
Total Liabilities	<u>195,543.17</u>	<u>4,722.25</u>	<u>9,144.75</u>	<u>-</u>	<u>-</u>	<u>209,410.17</u>
Deferred Inflows of Resources:						
Unavailable revenue property taxes	4,029.83	2,608.96	1,218.96	659.67	260.93	8,778.35
Property taxes levied for future period	163,445.07	137,179.70	64,291.63	32,969.07	13,717.82	411,603.29
Total Deferred Inflows of Resources	<u>167,474.90</u>	<u>139,788.66</u>	<u>65,510.59</u>	<u>33,628.74</u>	<u>13,978.75</u>	<u>420,381.64</u>

Fund Balances:

Restricted						
Capital Outlay	-	560,895.66	-	-	-	560,895.66
Special Education	-	-	88,852.64	-	-	88,852.64
Bond Redemption	-	-	-	108,859.15	-	108,859.15
Pension	-	-	-	-	6,886.06	6,886.06
Assigned - Budget	295,276.00	-	-	-	-	295,276.00
Unassigned	<u>312,025.41</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,025.41</u>
 Total Fund Balances	 <u>607,301.41</u>	 <u>560,895.66</u>	 <u>88,852.64</u>	 <u>108,859.15</u>	 <u>6,886.06</u>	 <u>1,372,794.92</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 970,319.48</u>	 <u>\$705,406.57</u>	 <u>\$ 163,507.98</u>	 <u>\$142,487.89</u>	 <u>\$20,864.81</u>	 <u>\$2,002,586.73</u>

The accompanying notes are an integral part of
these financial statements.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014

Total Fund Balances - Governmental Funds \$ 1,372,794.92

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$3,917,460.04 and the accumulated depreciation is \$1,723,728.33. 2,193,731.71

Property taxes receivable will be collected this year but not available soon enough to pay the current periods expenditures, and therefore are deferred in the government fund. 8,778.35

Long-term liabilities, applicable to the School's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position

Balance at June 30, 2014 were:

2010 General Obligation

Refunding bond

\$ 425,000.00

Other post employment benefits

29,313.78

Accrued leave payable

39,402.09

(493,715.87)

Net Position - Governmental Funds

\$ 3,081,589.11

The accompanying notes are integral part of these financial statements.

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT IV 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	Bond Redemption Fund	Pension Fund	Total Governmental Funds
Revenues:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	\$ 314,235.05	\$262,545.42	\$122,887.09	\$ 63,974.15	\$ 26,254.56	\$ 789,896.27
Prior years' ad valorem taxes	32,998.71	12,516.51	5,846.04	3,535.99	1,251.57	56,148.82
Utility taxes	73,310.33	-	-	-	-	73,310.33
Penalties and interest on taxes	8,592.89	3,304.02	1,542.95	951.98	330.38	14,722.22
Earnings on investments and deposits	1,067.20	600.98	108.91	148.98	37.29	1,963.36
Cocurricular activities:						
Admissions	16,879.22	-	-	-	-	16,879.22
Rentals	240.00	-	-	-	-	240.00
Other pupil activity income	190.18	-	-	-	-	190.18
Other revenue from local sources:						
Rentals	140.00	-	-	-	-	140.00
Contributions and donations	600.00	1,000.00	-	-	-	1,600.00
Refund of prior years' expenditures	2,616.00	-	-	-	-	2,616.00
Charges for services	12,796.43	-	1,501.00	-	-	14,297.43
Other local sources	8,276.45	-	-	-	-	8,276.45
Revenue from intermediate sources:						
County sources:						
County apportionment	9,793.39	-	-	-	-	9,793.39
Revenue in lieu of taxes	1,919.88	321.07	150.27	78.25	32.11	2,501.58
Revenue from State sources:						

Grants-in-aid:						
Unrestricted grants-in-aid	1,137,846.73	-	-	-	-	1,137,846.73
Restricted grants-in-aid	2,000.00	-	116,506.00	-	-	118,506.00
Other state revenue	-	-	-	-	-	-
Revenue from Federal sources:						
Grants-in-aid:						
Unrestricted grants-in-aid received						
from Federal government through state	16,143.00	-	-	-	-	16,143.00
Restricted grants-in-aid received from						
Federal government through the state	88,790.00	39,064.00	47,001.00	-	-	174,855.00
Other federal revenue	-	18,046.32	-	-	-	18,046.32
Total Revenue	<u>1,728,435.46</u>	<u>337,398.32</u>	<u>295,543.26</u>	<u>68,689.35</u>	<u>27,905.91</u>	<u>2,457,972.30</u>
Expenditures:						
Instruction:						
Regular programs:						
Elementary	404,956.52	10,380.99	-	-	21,217.78	436,555.29
Middle/Junior High	100,275.06	7,540.54	-	-	-	107,815.60
High school	386,373.54	20,105.21	-	-	10,490.00	416,968.75
Special programs:						
Programs for special education	-	-	197,597.15	-	-	197,597.15
Culturally different	11,058.70	-	-	-	-	11,058.70
Educationally deprived	66,883.48	-	-	-	-	66,883.48
Adult continuing education programs:						
Other adult continuing education programs	800.00	-	-	-	-	800.00
Support services:						
Pupils:						
Guidance	22,814.58	422.60	-	-	-	23,237.18
Health	1,380.00	-	-	-	-	1,380.00

The accompanying notes are an integral part of these financial statements.

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT IV STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Pension Fund	Total Governmental Funds
Expenditures: (continued)						
Support services: (continued)						
Pupils (continued):						
Psychological	\$ -	\$ -	\$ 5,076.34	\$ -	\$ -	\$ 5,076.34
Speech pathology	-	-	40,900.00	-	-	40,900.00
Student therapy services	-	-	6,786.00	-	-	6,786.00
Support services - instructional staff:						
Improvement of instruction	22,799.60	-	-	-	-	22,799.60
Educational media	88,579.47	-	-	-	-	88,579.47
Support services - general administration:						
Board of education	41,493.30	-	-	-	-	41,493.30
Executive administration	57,606.32	1,550.96	-	-	-	59,157.28
Support services - school administration:						
Office of the principal	143,053.24	2,681.93	-	-	-	145,735.17
Title I program administration	1,769.01	-	-	-	-	1,769.01
Other	439.00	-	-	-	-	439.00
Support services - business:						
Fiscal services	120,423.42	2,728.96	-	-	-	123,152.38
Facilities acquisition and construction	-	5,445.50	-	-	-	5,445.50
Operation and maintenance of plant	221,485.31	23,089.45	-	-	-	244,574.76
Pupil transportation	14,233.74	-	-	-	-	14,233.74
Food service	-	-	-	-	-	-
Support services - special education:						
Transportation	-	-	1,117.67	-	-	1,117.67

Debt services	-	-	-	58,581.25	-	58,581.25
Cocurricular activities:						
Transportation	20,218.67	-	-	-	-	20,218.67
Combined activities	84,018.56	-	-	-	-	84,018.56
Capital outlay	<u>-</u>	<u>90,316.48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,316.48</u>
Total Expenditures	<u>1,810,661.52</u>	<u>164,262.62</u>	<u>251,477.16</u>	<u>58,581.25</u>	<u>31,707.78</u>	<u>2,316,690.33</u>
Excess of Revenue Over (Under) Expenditures	<u>(82,226.06)</u>	<u>173,135.70</u>	<u>44,066.10</u>	<u>10,108.10</u>	<u>(3,801.87)</u>	<u>141,281.97</u>
Other Financing Sources (Uses):						
Transfers in	896.16	-	-	-	-	896.16
Transfers out	(10,000.00)	(600.98)	(108.91)	(148.98)	(37.29)	(10,896.16)
Sale of surplus property	-	1,345.00	-	-	-	1,345.00
Compensation for loss of General Capital Assets	<u>-</u>	<u>191.52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191.52</u>
Total Other Financing Sources (Uses)	<u>(9,103.84)</u>	<u>935.54</u>	<u>(108.91)</u>	<u>(148.98)</u>	<u>(37.29)</u>	<u>(8,463.48)</u>
Net Change in Fund Balances	(91,329.90)	174,071.24	43,957.19	9,959.12	(3,839.16)	132,818.49
Fund Balance - Beginning	<u>698,631.31</u>	<u>386,824.42</u>	<u>44,895.45</u>	<u>98,900.03</u>	<u>10,725.22</u>	<u>1,239,976.43</u>
Fund Balance - Ending	<u>\$ 607,301.41</u>	<u>\$560,895.66</u>	<u>\$ 88,852.64</u>	<u>\$108,859.15</u>	<u>\$ 6,886.06</u>	<u>\$1,372,794.92</u>

The accompanying notes are an integral part of
these financial statements.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities

For the Year Ended June 30, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 132,818.49
Amounts reported for governmental activities in the statement of activities are different because:	
In the statement of activities, gains and losses of 12,185.58 on disposal of capital assets are reported, where as, in the governmental funds, the proceeds \$1,536.52 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(13,722.10)
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$129,798.02) exceeds capital outlays (\$90,316.48) in the period.	(39,481.54)
Governmental Funds report property taxes as revenue in the period for which the tax is levied, subject to 'Availability', but the Statement of Activities includes the property taxes as revenue in the period for which the taxes are levied, regardless of when collection occurs.	(50,964.92)
Repayment of bond payable, capital outlay certificates and capital lease payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	45,000.00
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	3,594.34
Government funds do not reflect the change in Other Post Employment Benefits ("OPEB"), but the Statement of Activities reflects the change in OPEB through expenditures.	<u>(3,772.00)</u>
Change in Net Position of Governmental Activities	<u>\$ 73,472.27</u>

The accompanying notes are an integral part of these financial statements.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT V- STATEMENT OF NET POSITION
 PROPRIETARY FUND

June 30, 2014

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 8,906.07
Accounts receivable	52.75
Inventory of supplies	550.14
Inventory of stores purchased for resale	2,194.33
Inventory of donated food	4,212.81
Total current assets	<u>15,916.10</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment--local funds	5,151.79
Less: accumulated depreciation (credit)	<u>(3,890.36)</u>
Total noncurrent assets	<u>1,261.43</u>
Total Assets	<u>\$17,177.53</u>
Liabilities:	
Current liabilities:	
Compensated absences payable	<u>0.03</u>
Total current liabilities	<u>0.03</u>
Noncurrent liabilities:	
Accrued leave payable	<u>2,184.86</u>
Total noncurrent liabilities	<u>2,184.86</u>
Net Position:	
Invested in capital assets	1,261.43
Unrestricted net position	<u>13,731.21</u>
Total Net Position	<u>14,992.64</u>
Total Liabilities and Net Position	<u>\$17,177.53</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT VI - STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT VI - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND

For the Year Ended June 30, 2014

	<u>Enterprise Fund</u> Food Service Fund
Operating Revenue:	
Sales:	
To pupils	\$ 56,700.55
To adults	6,515.60
Miscellaneous	36.63
Total Operating Revenue	<u>63,252.78</u>
Operating Expenses:	
Food service:	
Salaries	36,782.66
Employee benefits	17,218.36
Purchased services	552.45
Supplies	3,018.34
Cost of sales - purchased food	39,586.56
Cost of sales - donated food	14,084.84
Miscellaneous	40.25
Depreciation	157.68
Total Operating Expenses	<u>111,441.14</u>
Operating Income (Loss)	<u>(48,188.36)</u>

The accompanying notes are an integral part of
 these financial statements.

	<u>Enterprise Fund</u>
	Food Service
	<u>Fund</u>
Nonoperating Revenue (Expense):	
State sources:	
Cash reimbursements	\$ 512.27
Federal sources:	
Cash reimbursements	31,651.38
Donated food	<u>15,479.33</u>
Total Nonoperating Revenue (Expense)	<u>47,642.98</u>
Income (Loss) Before Contributions and Transfers	(545.38)
Capital Contributions	-
Transfers In	<u>10,000.00</u>
Change in Net Position	9,454.62
Net Position - Beginning	<u>5,538.02</u>
Net Position - Ending	<u>\$ 14,992.64</u>

EXHIBIT VII - STATEMENT OF CASH FLOWS
PROPRIETARY FUND

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT VII - STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended June 30, 2014

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 63,163.40
Other operating cash receipts	36.63
Cash payments to employees for services	(54,663.83)
Cash payments to suppliers of goods or services	(42,428.93)
Other operating cash payments	<u>(40.25)</u>
Net Cash Used by Operating Activities	<u>(33,932.98)</u>
Cash Flows from Noncapital Financing Activities:	
Cash reimbursement - state sources	512.27
Cash reimbursement - federal sources	31,651.38
Transfer in-General Fund	<u>10,000.00</u>
Net Cash Provided by Noncapital Financing Activities	<u>42,163.65</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 8,230.67</u>
Cash and Cash Equivalents at Beginning of Year	\$ 675.40
Cash and Cash Equivalents at End of Year	<u>8,906.07</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 8,230.67</u>

The accompanying notes are an integral part of these financial statements.

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating income (loss)	\$(48,188.36)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation expense	157.68
Value of donated commodities used	14,084.84
Change in assets and liabilities:	
Accounts receivable	(52.75)
Inventories	728.42
Accrued leave payable	<u>(662.81)</u>
Net cash used by operating activities	<u>\$(33,932.98)</u>
Noncash Investing, Capital and Financing Activities:	
Value of commodities received	<u>\$ 15,479.33</u>

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT VIII - STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ 40,536.62
Investment at fair value	<u>4,690.86</u>	<u>-</u>
Total Assets	<u>\$ 4,690.86</u>	<u>\$ 40,536.62</u>
Liabilities		
Amounts held for others	<u>\$ -</u>	<u>\$ 40,536.62</u>
Total Liabilities	<u>-</u>	<u>40,536.62</u>
Net Position		
Held in trust for scholarships	<u>4,690.86</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 4,690.86</u>	<u>\$ 40,536.62</u>

The accompanying notes are an integral part of
these financial statements.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

EXHIBIT IX - STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2014

	<u>Private-Purpose Trust Funds</u>
Additions:	
Other additions	<u>\$ 5.62</u>
Total Additions	<u>5.62</u>
Deductions:	
Scholarships paid	<u>300.00</u>
Total deductions	<u>300.00</u>
Change in net position	(294.38)
Net Position - Beginning	<u>4,985.24</u>
Net Position - Ending	<u><u>\$ 4,690.86</u></u>

The accompanying note are integral part of
these financial statements.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Financial Reporting Entity:

The reporting entity of New Underwood School District No. 51-3 (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.

Basis of Presentation:

Government-wide Financial Statements:

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued):

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued):

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

Debt Service Fund Type – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School. 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 financed by user charges and grants. This is a major fund.

The Food Service Fund is the only enterprise fund maintained by the School.

Fiduciary Funds:

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

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

New Underwood School District No. 51-3 maintains the C.L. Jacoby Scholarship and the Elaine Tisdale Scholarship.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued):

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 to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

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).

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued):

Fund Financial Statements:

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

Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months.

Capital Assets:

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)Capital Assets (continued):

Government-Wide Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. The amount of donated assets included in the capital assets is \$12,445.00.

For governmental activities Capital Assets, construction period interest is not capitalized, in accordance with U.S. GAAP, while for capital assets used in business-type activities/proprietary funds operations, construction period interest is capitalized in accordance with U.S. GAAP.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	----N/A-----	----N/A-----
Buildings	\$50,000	Straight-line	100 yrs.
Machinery and Equipment	\$5,000	Straight-line	10-23 yrs.
Enterprise Fund Machinery and Equipment	\$1,000	Straight-line	10-23 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences and general obligation bond.

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

Program Revenues:

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

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

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents:

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

Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is 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.

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.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance Classification Policies and Procedures:

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

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

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

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

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

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

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Revenue Fund	Property taxes, investment earnings, grants from state and federal government
Pension Fund	Property taxes

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Subsequent Events:

In preparing the financial statements the School District has evaluated events and transactions for potential recognition or disclosure through August 13, 2015, the date the financial statements were available.

Note 2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 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.

The meaning of investments in this note differs from the meaning of the caption investments in the basic financial statements. Certificates of deposit are considered deposits, but certificates of deposit with a term to maturity of greater than 90 days or more are considered investments in the basic financial statements.

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

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk (continued)

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restriction on interfund transfers.

Note 3. Receivables and Payables

The School District aggregates receivables and payables in the financial statements. Detail of the significant components is as follows:

Receivables at June 30, 2014, were as follows:

	Taxes	Accounts	Due from Other Governments	Total Receivables
Governmental Activities:				
General Fund	\$ 167,474.90	\$ 972.00	\$ 70,071.95	\$ 238,518.85
Capital Outlay Fund	139,788.66	-	18,046.32	157,834.98
Special Education Fund	65,510.59	-	-	65,510.59
Bond Redemption Fund	33,628.74	-	-	33,628.74
Pension Fund	13,978.75	-	-	13,978.75
Total - Governmental Activities	<u>\$ 420,381.64</u>	<u>\$ 972.00</u>	<u>\$ 88,118.27</u>	<u>\$ 509,471.91</u>

Payables at June 30, 2014 were as follows:

	Accounts	Accrued Wages	Other Payables	Total Payables
Governmental Activities:				
General Fund	\$ 5,932.79	\$ 141,354.29	\$ 48,256.09	\$ 195,543.17
Capital Outlay Fund	4,722.25	-	-	4,722.25
Special Education Fund	547.50	6,947.70	1,649.55	9,144.75
Total - Governmental Activities	<u>\$ 11,202.54</u>	<u>\$ 148,301.99</u>	<u>\$ 49,905.64</u>	<u>\$ 209,410.17</u>
Business-Type Activities:				
Food Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.03</u>	<u>\$ 0.03</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Inventory

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.

Inventory is valued at the lower of cost or market.

Food Service Fund inventories for resale are valued at cost using the first-in first-out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the governmental fund financial statements, the purchase method is applied for inventory items in the General Fund and Special Revenue Funds. The cost is recorded as an expenditure at the time individual inventory items are purchased. No material inventory of supplies existed at June 30, 2014 in the governmental funds.

Note 5. Property Taxes

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations, and therefore is not susceptible to accrual, has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 6. Changes in Capital Assets

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

Primary Government

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 34,500.00	\$ -	\$ -	\$ 34,500.00
Total, not being depreciated	<u>34,500.00</u>	<u>-</u>	<u>-</u>	<u>34,500.00</u>
Capital assets, being depreciated:				
Buildings	2,789,574.17	-	-	2,789,574.17
Machinery and equipment	<u>1,063,058.22</u>	<u>90,316.48</u>	<u>(59,988.83)</u>	<u>1,093,385.87</u>
Total, being depreciated	<u>3,852,632.39</u>	<u>90,316.48</u>	<u>(59,988.83)</u>	<u>3,882,960.04</u>
Less accumulated depreciation for:				
Buildings	(1,147,136.03)	(27,895.74)	-	(1,175,031.77)
Machinery and equipment	<u>(493,061.01)</u>	<u>(101,902.28)</u>	<u>46,266.73</u>	<u>(548,696.56)</u>
Total accumulated depreciation	<u>(1,640,197.04)</u>	<u>(129,798.02)</u>	<u>46,266.73</u>	<u>(1,723,728.33)</u>
Total capital assets, being depreciated, net	<u>2,212,435.35</u>	<u>(39,481.54)</u>	<u>(13,722.10)</u>	<u>2,159,231.71</u>
Governmental activities capital assets, net	<u>\$ 2,246,935.35</u>	<u>\$ (39,481.54)</u>	<u>\$ (13,722.10)</u>	<u>\$ 2,193,731.71</u>

**Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 103,627.81
Support Services	16,391.00
Co-curricular Activities	<u>9,779.21</u>

Total depreciation expense-governmental activities \$ 129,798.02

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 6. Changes in Capital Assets (continued)

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Business-type activities:				
Capital assets, being depreciated				
Machinery and equipment	\$ 5,151.79	\$ -	\$ -	\$ 5,151.79
Less accumulated depreciation for:				
Machinery and equipment	(3,732.68)	(157.68)	-	(3,890.36)
Buisness-type activities capital assets, net	<u>\$ 1,419.11</u>	<u>\$ (157.68)</u>	<u>\$ -</u>	<u>\$ 1,261.43</u>

* * Depreciation expense was charged to functions as follows:

Business-type activities:	
Food Services	<u>\$ 157.68</u>

Note 7. Long-Term Liabilities

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

Primary Government:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014	Due Within One Year
Governmental activities:					
Bonds Payable:					
General Obligation Refunding Bonds					
Series 2010	\$ 470,000.00	\$ -	\$ 45,000.00	\$ 425,000.00	\$ 50,000.00
Total Debt	470,000.00	-	45,000.00	425,000.00	50,000.00
Accrued Compensated Absences	42,996.43	17,082.61	20,676.95	39,402.09	-
OPEB Obligation	25,541.78	3,772.00	-	29,313.78	-
Total Governmental Activities	<u>538,538.21</u>	<u>20,854.61</u>	<u>65,676.95</u>	<u>493,715.87</u>	<u>50,000.00</u>
Business-Type Activities					
Accrued Compensated Absences	2,847.67	555.52	1,218.33	2,184.86	-
Total Business-Type Activities	<u>2,847.67</u>	<u>555.52</u>	<u>1,218.33</u>	<u>2,184.86</u>	<u>-</u>
Total Primary Government	<u>\$ 541,385.88</u>	<u>\$ 21,410.13</u>	<u>\$ 66,895.28</u>	<u>\$ 495,900.73</u>	<u>\$ 50,000.00</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the General Fund. See Note 11 for further discussion of OPEB liability.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (continued)

Compensated absences for business-type activities have been liquidated from the Food Service Fund.

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

Primary Government

Governmental Activities:

General Obligation Certificates:

General Obligation Refunding Bonds

Series 2010 - due in annual installments through
January 2022, bearing interest rates of 1.75% to 3.15%

Payable out of Bond Redemption Fund \$425,000.00

Compensated Absences:

Sick leave payable

Payable out of General Fund and Special Education Fund \$ 39,402.09

Business-type Activities:

Sick leave payable

Payable out of Food Service Fund \$ 2,184.86

The School maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 100% of their last year's salary in equal payments spread over the next three, four, five or six years. No additional teachers exercised this option at the end of the fiscal year.

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

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

Year Ending June 30,	General Obligation Refunding Bond Series 2010		Total	
	Principal	Interest	Principal	Interest
2015	50,000.00	12,250.00	50,000.00	12,250.00
2016	50,000.00	11,025.00	50,000.00	11,025.00
2017	50,000.00	9,450.00	50,000.00	9,450.00
2018	50,000.00	7,875.00	50,000.00	7,875.00
2019	55,000.00	6,221.25	55,000.00	6,221.25
2020-2022	170,000.00	8,032.50	170,000.00	8,032.50
Totals	<u>\$425,000.00</u>	<u>\$ 54,853.75</u>	<u>\$425,000.00</u>	<u>\$ 54,853.75</u>

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 8. Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$563,504.62
Special Education Purposes	Law	\$ 87,346.70
Debt Service Purposes	Law	\$109,518.82
Pension Purposes	Law	\$ 7,146.99

Note 9. Interfund Transfers

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

<u>Transfer From:</u>	<u>Transfers to:</u>	
	<u>General Fund</u>	<u>Food Service</u>
General Fund	\$ -	\$10,000.00
Capital Outlay Fund	600.98	-
Special Education Fund	108.91	-
Bond Redemption Fund	148.98	-
Pension Fund	37.29	-
	<u>\$ 896.16</u>	<u>\$10,000.00</u>

The School District typically uses transfers to transfer earnings on deposits and investments from special revenue and debt service funds to the general fund.

The School District typically uses transfers to transfer funds to help with the operations of the school lunch program which is the Food Service Fund.

Note 10. Retirement Plan

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

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Plan (continued)

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$86,275.66, \$84,914.01, and \$84,120.90, respectively, equal to the required contributions each year.

Note 11. Postemployment Healthcare Plan

Plan Description - Other Postemployment Benefits (OPEB) Plan is a single-employer defined benefit healthcare plan administered by New Underwood School District No. 51-3. The OPEB Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy - The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher or administrator, who retires from the District on or after the age of 55 with at least 10 years of consecutive service with the District and is currently participating in the group insurance plan at the time of retirement, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage. (The pay-as-you-go basis).

Annual OPEB Cost and Net OPEB Obligation - The entity's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

Annual required contribution (ARC)	\$ 4,174.00
Interest on net OPEB obligation	1,213.23
Adjustment to annual required contribution	
Annual OPEB cost	<u>(1,615.23)</u>
Annual net OPEB cost	3,772.00
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	3,772.00
Net OPEB obligation - beginning of year	<u>25,541.78</u>
Net OPEB obligation - end of year	<u>\$ 29,313.78</u>

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 11. Postemployment Healthcare Plan (continued)

The entity's annual OPEB cost data and OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	7,054.60	0.00%	21,708.78
June 30, 2013	3,833.00	0.00%	25,541.78
June 30, 2014	3,772.00	0.00%	29,313.78

Funded Status and Funding Process - As of July 1, 2012, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial accrued liability	\$ 32,456.00
Actuarial value of benefit assets	-
Unfunded actuarial accrued liability	<u>\$ 32,456.00</u>
Funded ratio	0.0%
Covered payroll	\$ 1,093,356.00
Unfunded actuarial accrued liability as a percentage of covered payroll	3.00%

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

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

In the New Underwood School District's actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.75% rate of return and an annual healthcare trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after six years. Both rates include a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was twenty-six years.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 12. Joint Ventures

The school district participates in joint venture known as the Black Hills Educational Benefits Plan, a cooperative educational service unit (co-op) formed for the purpose of providing health insurance services to the employees of its member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

	<u>Number of Employees</u>	<u>Percentage</u>
Belle Fourche School District	107	20.8
Custer School District	81	15.8
New Underwood School District	10	1.9
Oelrichs School District	16	3.1
Wall School District	30	5.8
Black Hills Special Services Cooperative	270	52.6

The co-op's governing board is composed of one representative from each member school district, who are school board members. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Black Hills Educational Benefits Plan.

At June 30, 2013, this joint venture had total assets of \$4,430,726.26, total liabilities of \$297,473.00 and net position of \$4,133,253.62.

Note 13. Risk Management

The School is exposed to various risks of loss related to torts; theft, damage to, or 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 participates in the Black Hills Educational Benefits Plan, a cooperative educational service unit formed for the purpose of providing health and welfare benefits. The School District pays an annual premium to the co-op to provide coverage for health insurance.

Under this agreement the co-op provides coverage for up to a maximum of \$60,000 per individual and \$107,009.28 aggregate coverage for a year. The co-op has purchased additional insurance coverage for claims in excess of the above coverage.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (continued)

Liability Insurance

The School District joined Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the member and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with 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 pays an annual premium to the pool to provide coverage for property and boiler and machinery, general liability, automobile, crime, employee benefits and school board errors and omissions.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$7,159,991 limit for property, and a \$2,000,000 aggregate limit for general liability, \$2,000,000 limit for automobile, \$2,000,000 limit for employee benefits liability, \$2,000,000 limit for school board errors and various limits for crime. 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 for general liability, automobile, and employee benefits liability, school board errors and \$10,000 for crime. The School District carries a \$10,000 deductible for the school board errors and \$5,000 deductible for crime coverage.

The ASBSD-PLF also provides an excess aggregate property coverage which will provide an additional \$242,840,009 in excess of the \$7,159,991 primary limit for property. The property and boiler and machinery coverage is \$250,000,000 with a boiler and machinery limit of \$50,000,000 and deductible of \$500 for property and \$5,000 for boiler.

The Associated School Boards of South Dakota also provides an excess liability coverage, which will provide an additional \$2,000,000 coverage over and above the upper limits for property, general, automobile, and crime. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$10,000,000.

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (continued)

Worker'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 Workers' Compensation Fund Pool which provided 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 an additional \$1,000,000 per individual per incident.

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

Unemployment Benefits

The School provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ -	\$ 44,995.00	\$ 44,995.00	0%	\$ 1,151,431.00	3.90%
7/1/2012	\$ -	\$ 32,456.00	\$ 32,456.00	0%	\$ 1,093,356.00	3.00%

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 290,910.00	\$ 290,910.00	\$ 314,235.05	\$ 23,325.05
Prior years' ad valorem taxes	6,500.00	6,500.00	32,998.71	26,498.71
Utility taxes	45,000.00	45,000.00	73,310.33	28,310.33
Penalties and interest on taxes	1,635.00	1,635.00	8,592.89	6,957.89
Earnings on investments and deposits	2,400.00	2,400.00	1,067.20	(1,332.80)
Cocurricular activities:				
Admissions	17,650.00	17,650.00	16,879.22	(770.78)
Rentals	150.00	150.00	240.00	90.00
Other pupil activity income	115.00	115.00	190.18	75.18
Other revenue from local sources:				
Rentals	300.00	300.00	140.00	(160.00)
Contributions and donations	-	-	600.00	600.00
Refund of prior years' expenditures	-	-	2,616.00	2,616.00
Charges for services	13,000.00	13,000.00	12,796.43	(203.57)
Other local sources	3,305.00	3,305.00	8,276.45	4,971.45
Revenue from intermediate sources:				
County sources:				
County apportionment	18,000.00	18,000.00	9,793.39	(8,206.61)
Revenue in lieu of taxes	1,245.00	1,245.00	1,919.88	674.88

Revenue from State sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,129,375.00	1,129,375.00	1,137,846.73	8,471.73
Restricted grants-in-aid	7,580.00	7,580.00	2,000.00	(5,580.00)
Other state revenue	-	-	-	-
Revenue from Federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid				
Received from Federal Government through state	11,025.00	11,025.00	16,143.00	5,118.00
Restricted grants-in-aid				
Received from Federal Government through state	75,200.00	85,365.00	88,790.00	3,425.00
Other federal revenue	-	-	-	-
Total Revenue	<u>1,623,390.00</u>	<u>1,633,555.00</u>	<u>1,728,435.46</u>	<u>94,880.46</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	433,335.00	433,335.00	404,956.52	28,378.48
Middle/Junior High	109,725.00	109,725.00	100,275.06	9,449.94
High school	411,810.00	411,810.00	386,373.54	25,436.46
Special programs:				
Culturally different	15,405.00	15,405.00	11,058.70	4,346.30
Educationally deprived	52,050.00	67,215.00	66,883.48	331.52
Adult continuing education programs:				
Adult continuing education programs	2,000.00	2,000.00	800.00	1,200.00
Support Services:				
Pupils				
Guidance	23,535.00	23,535.00	22,814.58	720.42
Health	2,170.00	2,170.00	1,380.00	790.00

See the accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND (CONTINUED)

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND BUDGETARY BASIS (CONTINUED)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued):				
Support Services (Continued)				
Support services - instructional staff:				
Improvement of instruction	\$ 35,040.00	\$ 35,040.00	\$ 22,799.60	\$ 12,240.40
Educational media	93,865.00	93,865.00	88,579.47	5,285.53
Support services - general administration:				
Board of education	48,900.00	48,900.00	41,493.30	7,406.70
Executive administration	62,000.00	62,000.00	57,606.32	4,393.68
Support Services - school administration:				
Office of the principal	148,870.00	148,870.00	143,053.24	5,816.76
Title I program administration	1,775.00	1,775.00	1,769.01	5.99
Other	1,200.00	1,200.00	439.00	761.00
Support services - business:				
Fiscal services	122,780.00	122,780.00	120,423.42	2,356.58
Operation and maintenance of plant	243,300.00	243,300.00	221,485.31	21,814.69
Pupil transportation	17,350.00	17,350.00	14,233.74	3,116.26
Cocurricular activities:				
Transportation	29,600.00	29,600.00	20,218.67	9,381.33
Combined activities	101,106.00	101,106.00	84,018.56	17,087.44
Contingencies	5,000.00	5,000.00	-	5,000.00
Amount transferred	-	(5,000.00)	-	(5,000.00)

Total Expenditures	<u>1,960,816.00</u>	<u>1,970,981.00</u>	<u>1,810,661.52</u>	<u>160,319.48</u>
Excess of Revenue Over (Under) Expenditures	<u>(337,426.00)</u>	<u>(337,426.00)</u>	<u>(82,226.06)</u>	<u>255,199.94</u>
Other Financing Sources (Uses):				
Transfers in	2,000.00	2,000.00	896.16	(1,103.84)
Transfers out	<u>(21,650.00)</u>	<u>(21,650.00)</u>	<u>(10,000.00)</u>	<u>11,650.00</u>
Total Other Financing Sources (Uses)	<u>(19,650.00)</u>	<u>(19,650.00)</u>	<u>(9,103.84)</u>	<u>10,546.16</u>
Net Change in Fund Balances	(357,076.00)	(357,076.00)	(91,329.90)	265,746.10
Fund Balance - Beginning	<u>698,631.31</u>	<u>698,631.31</u>	<u>698,631.31</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 341,555.31</u>	<u>\$ 341,555.31</u>	<u>\$ 607,301.41</u>	<u>\$ 265,746.10</u>

See the accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 243,870.00	\$243,870.00	\$262,545.42	\$ 18,675.42
Prior years' ad valorem taxes	1,150.00	1,150.00	12,516.51	11,366.51
Penalties and interest on taxes	600.00	600.00	3,304.02	2,704.02
Earnings on investments and deposits	1,300.00	1,300.00	600.98	(699.02)
Other revenue from local sources:				
Contributions and donations	1,000.00	1,000.00	1,000.00	-
Revenue from intermediate sources:				
Revenue in lieu of taxes	100.00	100.00	321.07	221.07
Revenue from Federal sources:				
Grants-in-aid:				
Restricted grants-in-aid				
Received from Federal Government				
through the State	40,000.00	40,000.00	39,064.00	(936.00)
Other federal revenue	20,000.00	20,000.00	18,046.32	(1,953.68)
Total Revenue	<u>308,020.00</u>	<u>308,020.00</u>	<u>337,398.32</u>	<u>29,378.32</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	21,495.00	21,495.00	18,303.13	3,191.87
Middle/Junior High	28,440.00	28,440.00	22,266.35	6,173.65
High School	98,305.00	98,305.00	40,460.50	57,844.50
Special programs:				

Educationally deprived	-	-	39,064.38	(39,064.38)
Support services:				
Pupils:				
Guidance	1,085.00	1,085.00	729.26	355.74
Support services - instructional staff:				
Educational media	6,315.00	6,315.00	6,306.66	8.34
Support services - general administration:				
Executive administration	2,940.00	2,940.00	2,368.73	571.27
Support services - school administration:				
Office of the principal	4,240.00	4,240.00	3,499.70	740.30
Support services - business:				
Fiscal services	4,100.00	4,100.00	2,728.96	1,371.04
Facilities acquisition and construction	3,000.00	5,450.00	5,445.50	4.50
Operation and maintenance of plant	40,225.00	40,225.00	23,089.45	17,135.55
Food services	6,000.00	6,000.00	-	6,000.00
Total Expenditures	<u>216,145.00</u>	<u>218,595.00</u>	<u>164,262.62</u>	<u>54,332.38</u>
Excess of Revenue Over (Under) Expenditures	<u>91,875.00</u>	<u>89,425.00</u>	<u>173,135.70</u>	<u>83,710.70</u>
Other Financing Sources (Uses):				
Transfers out	(1,300.00)	(1,300.00)	(600.98)	699.02
Sale of surplus property	-	-	1,345.00	1,345.00
Compensation for loss of General Capital Assets	-	-	191.52	191.52
Total Other Financing Sources (Uses)	<u>(1,300.00)</u>	<u>(1,300.00)</u>	<u>935.54</u>	<u>2,235.54</u>
Net Change in Fund Balance	90,575.00	88,125.00	174,071.24	85,946.24
Fund Balance - Beginning	<u>386,824.42</u>	<u>386,824.42</u>	<u>386,824.42</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 477,399.42</u>	<u>\$ 474,949.42</u>	<u>\$ 560,895.66</u>	<u>\$ 85,946.24</u>

See the accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 113,950.00	\$ 113,950.00	\$ 122,887.09	\$ 8,937.09
Prior years' ad valorem taxes	1,100.00	1,100.00	5,846.04	4,746.04
Penalties and interest on taxes	300.00	300.00	1,542.95	1,242.95
Earnings on investments and deposits	130.00	130.00	108.91	(21.09)
Other revenue from local sources:				
Charges for services	1,200.00	1,200.00	1,501.00	301.00
Revenue from intermediate sources:				
Revenue in lieu of taxes	130.00	130.00	150.27	20.27
Revenue from state sources:				
Grants-in-aid:				
Restricted grants-in-aid	129,849.00	129,849.00	116,506.00	(13,343.00)
Revenue from Federal sources:				
Grants-in-aid:				
Restricted grants-in-aid				
Received from Federal Government				
through the state	47,355.00	47,355.00	47,001.00	(354.00)
Total Revenue	<u>294,014.00</u>	<u>294,014.00</u>	<u>295,543.26</u>	<u>1,529.26</u>

Expenditures:				
Instruction:				
Special programs:				
Programs for special education	203,080.00	211,915.00	197,597.15	14,317.85
Support Services:				
Pupils:				
Psychological	5,250.00	5,250.00	5,076.34	173.66
Speech pathology	43,000.00	43,000.00	40,900.00	2,100.00
Student therapy services	11,000.00	11,000.00	6,786.00	4,214.00
Support services - instructional staff:				
Improvement of instruction	1,175.00	1,175.00	-	1,175.00
Support services - special education:				
Transportation	<u>2,905.00</u>	<u>2,905.00</u>	<u>1,117.67</u>	<u>1,787.33</u>
Total Expenditures	<u>266,410.00</u>	<u>275,245.00</u>	<u>251,477.16</u>	<u>23,767.84</u>
Excess of Revenue Over (Under) Expenditures	<u>27,604.00</u>	<u>18,769.00</u>	<u>44,066.10</u>	<u>25,297.10</u>
Other Financing Sources (Uses):				
Transfers out	<u>(130.00)</u>	<u>(130.00)</u>	<u>(108.91)</u>	<u>21.09</u>
Total Other Financing Sources (Uses)	<u>(130.00)</u>	<u>(130.00)</u>	<u>(108.91)</u>	<u>21.09</u>
Net Change in Fund Balance	27,474.00	18,639.00	43,957.19	25,318.19
Fund Balance - Beginning	<u>44,895.45</u>	<u>44,895.45</u>	<u>44,895.45</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 72,369.45</u>	<u>\$ 63,534.45</u>	<u>\$ 88,852.64</u>	<u>\$ 25,318.19</u>

See the accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - PENSION FUND

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - PENSION FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 24,100.00	\$ 24,100.00	\$ 26,254.56	\$ 2,154.56
Prior years' ad valorem taxes	-	-	1,251.57	1,251.57
Penalties and interest on taxes	-	-	330.38	330.38
Earnings on investments and deposits	100.00	100.00	37.29	(62.71)
Revenue from intermediate sources:				
Revenue in lieu of taxes	-	-	32.11	32.11
Total Revenue	<u>24,200.00</u>	<u>24,200.00</u>	<u>27,905.91</u>	<u>3,705.91</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	21,610.00	21,610.00	21,217.78	392.22
High school	<u>10,490.00</u>	<u>10,490.00</u>	<u>10,490.00</u>	<u>-</u>
Total Expenditures	<u>32,100.00</u>	<u>32,100.00</u>	<u>31,707.78</u>	<u>392.22</u>
Excess of Revenue Over (Under) Expenditures	<u>(7,900.00)</u>	<u>(7,900.00)</u>	<u>(3,801.87)</u>	<u>4,098.13</u>

Other Financing Sources (Uses):				
Transfers out	<u>(100.00)</u>	<u>(100.00)</u>	<u>(37.29)</u>	<u>62.71</u>
Total Other Financing Sources (Uses)	<u>(100.00)</u>	<u>(100.00)</u>	<u>(37.29)</u>	<u>62.71</u>
Net Change in Fund Balance	(8,000.00)	(8,000.00)	(3,839.16)	4,160.84
Fund Balance - Beginning	<u>10,725.22</u>	<u>10,725.22</u>	<u>10,725.22</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,725.22</u>	<u>\$ 2,725.22</u>	<u>\$ 6,886.06</u>	<u>\$ 4,160.84</u>

See the accompanying notes to the
required supplementary information.

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting

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

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

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 2. GAAP/Budgetary Accounting Basis Differences

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

	CFDA Number	Amount
U.S. Department of Agriculture:		
Indirect Federal Funding:		
SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	
Cash Assistance:		
National School Lunch Program (Note 3)	10.555	
Total U.S. Department of Agriculture		-
U.S. Department of the Interior:		
Indirect Federal Funding		
SD Department of Education:		
Taylor Grazing (Note 2)	15.206	
National Mineral Leasing (Note 2)	15.207	
Total U.S. Department of the Interior		-
U.S. Department of Education:		
Direct Federal Funding:		
Rural Education	84.358	
Funds for the Improvement of Education	84.215F	
Indirect Federal Funding:		
SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	
Funds for the Improvement of Education	84.215S	
Education Technology State Grants (Title II Part D)	84.318	
Improving Teacher Quality State Grant	84.367	
School Improvement Grants, Recovery Act (Note 4)	84.388	
State Fiscal Stabilization Funds-Education State Grants (Recovery Act)	84.394	
Education Jobs Fund Program (Note 4)	84.410	

Special Education Cluster:

Special Education - Grants to States (IDEA Part B, P.L. 102-119) (Note 2)	84.027
Special Education - Grants to States (IDEA, Part B, Section 619, P.L. 102-119) (Note 2)	84.173
Special Education - Grants to States, Recovery Act (Note 2)	84.391

Three Rivers County:

Special Education-Grants to States (IDEA Part B, P.L. 102-119)	84.027
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Total U.S. Department of Education	-
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U.S. Department of Health and Human Services

Indirect Federal Funding:

SD Department of Social Services:

School Absenteeism Reporting Grant	93.069
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Total U.S. Department of Health and Human Services	-
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Grand Total	\$ -
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Note 1: The accompanying schedule of expenditures of federal awards included the federal grant activity of the school and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursements for specific expenditures.

Note 4: This represents a major federal financial assistance program.