

**GEDDES SCHOOL DISTRICT NO. 11-2
OF CHARLES MIX COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2006 TO JUNE 30, 2007

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

GEDDES SCHOOL DISTRICT NO. 11-2

GEDDES SCHOOL DISTRICT NO. 11-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2007

BOARD MEMBERS:

Larry Johnson – President
Jay Johnson – Vice-President
Jerry Horst
Mary Beth Kok
Dave Kriz
Bill Millar
Mike Slaba

CEO:

Sandra Gant

BUSINESS MANAGER:

Scott Westerhuis

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

School Board
Geddes School District No. 11-2
Charles Mix County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Geddes School District No. 11-2, South Dakota (School District), as of June 30, 2007, and for the year then ended which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 27, 2007, which was qualified for the governmental activities because of inadequate general capital asset records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2007-01 and 2007-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-01 and 2007-02 to be material weaknesses.

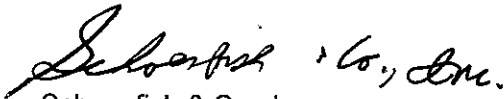
Compliance and Other Matters

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

Geddes School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. We did not audit the School District's responses and, accordingly, we express no opinions on them.

We also noted certain additional matters that we have reported to the management of the School District in a separate communication dated September 27, 2007.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Geddes School District No. 11-2, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
September 27, 2007

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR OTHER AUDIT FINDINGS:Finding Number 2006-01:

A reportable condition and material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2007-01.

Finding Number 2006-02:

Deficiencies existed in internal accounting control procedures and record-keeping resulting in a diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This comment has not been corrected and is restated as current audit finding number 2007-02.

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SCHEDULE OF CURRENT AUDIT FINDINGSFinding Number 2007-01:

A significant deficiency and material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the ninth consecutive audit in which Recommendation No. 1 has been noted.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Business Manager processes all revenue transactions from beginning to end. The Business Manager also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

RECOMMENDATION:

1. We recommend that the Geddes School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Geddes School District Board President, Larry Johnson, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Geddes School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

Finding Number 2007-02:

Deficiencies existed in internal accounting control procedures and record-keeping resulting in a diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is the nineteenth consecutive audit in which Recommendation No. 2 has been noted.

Criteria:

The School Accounting Manual states in part, "It is critical that those who manage the affairs of school districts have information they can understand and rely upon. The annual financial statements will be prepared on the modified accrual or full accrual basis of accounting, depending upon the fund type."

Condition:

The following deficiencies in internal accounting control procedures and record-keeping existed:

- a. Records of general capital assets have not been maintained in sufficient detail.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Effect:

Internal accounting control and record-keeping deficiencies diminish reasonable assurances that transactions are properly executed and that assets are properly safeguarded.

RECOMMENDATION:

2. We recommend that records of general capital assets be maintained in sufficient detail.

Management's Response:

The Geddes School District Board President, Larry Johnson, is the contact person responsible for the corrective action plan for this comment. Continuing efforts are being made to improve the record keeping of the School District.

CLOSING CONFERENCE

The audit was discussed with the Business Manager during the course of the audit and on September 27, 2007.

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT

School Board
Geddes School District No. 11-2
Charles Mix County, South Dakota

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 Geddes School District No. 11-2, Charles Mix County, South Dakota, as of June 30, 2007, and for the year ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Geddes School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Due to the nature of the records, we were unable to verify the accuracy of amounts reported for general capital assets and we did not consider it practical to apply adequate alternate procedures regarding these accounts.

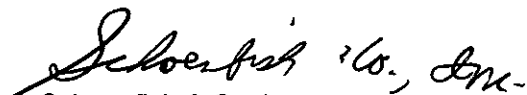
In our opinion, except for the effects, if any, of inadequate capital assets records for the governmental activities as noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental activities of Geddes School District No. 11-2 as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Geddes School District No. 11-2 as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007, on our consideration of Geddes School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of

that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules on pages 34 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The School District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Schoenfish & Co. Inc.
Certified Public Accountants
September 27, 2007

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57386

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	1,175,971.21	104.26	1,176,075.47
Investments	160,204.62		160,204.62
Taxes Receivable	325,102.53		325,102.53
Other Assets	11,404.70	694.00	12,098.70
Inventories		940.24	940.24
Capital Assets:			
Land	885.00		885.00
Other Capital Assets, Net of Depreciation	157,489.31	5,875.56	163,364.87
TOTAL ASSETS	1,831,057.37	7,614.06	1,838,671.43
LIABILITIES :			
Other Current Liabilities	2,054.29	128.76	2,183.05
Deferred Revenue	325,102.53		325,102.53
TOTAL LIABILITIES	327,156.82	128.76	327,285.58
NET ASSETS:			
Invested in Capital Assets	158,374.31	5,875.56	164,249.87
Restricted for:			
Capital Outlay	587,546.33		587,546.33
Special Education	227,031.25		227,031.25
Pension	60,995.94		60,995.94
Food Service		1,609.74	1,609.74
Unrestricted	469,952.72		469,952.72
TOTAL NET ASSETS	1,503,900.55	7,485.30	1,511,385.85
TOTAL LIABILITIES AND NET ASSETS	1,831,057.37	7,614.06	1,838,671.43

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

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Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	618,364.59		92,326.20		(526,038.39)		(526,038.39)
Support Services	323,594.50		19,040.10		(304,554.40)		(304,554.40)
Community Services	7,558.38		6,286.48		(1,271.90)		(1,271.90)
Cocurricular Activities	28,647.96	11,875.59			(16,772.37)		(16,772.37)
Total Governmental Activities	978,165.43	11,875.59	117,652.78	0.00	(848,637.06)		(848,637.06)
Business-type Activities:							
Food Service	45,398.66	17,168.95	12,074.04			(16,155.67)	(16,155.67)
Total Primary Government	1,023,564.09	29,044.54	129,726.82	0.00	(848,637.06)	(16,155.67)	(864,792.73)
General Revenues:							
Taxes:							
Property Taxes							
					694,385.45		694,385.45
Gross Receipts Taxes							
					27,927.97		27,927.97
Revenue from State Sources:							
State aid							
					174,790.23		174,790.23
Other							
					2,943.61		2,943.61
Revenue from Federal Sources							
					9,655.00		9,655.00
Unrestricted Investment Earnings							
					14,076.83		14,076.83
Other General Revenues							
					18,942.72		18,942.72
Transfers							
					(20,200.00)	20,200.00	0.00
Total General Revenues, Special Items, Extraordinary Items and Transfers							
					922,521.81	20,200.00	942,721.81
Change in Net Assets							
					73,884.75	4,044.33	77,929.08
Net Assets - Beginning							
					1,430,015.80	3,440.97	1,433,456.77
NET ASSETS - ENDING							
					1,503,900.55	7,485.30	1,511,385.85

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

GEDDES SCHOOL DISTRICT NO. 11-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	404,834.70	482,444.02	225,196.55	60,995.94	1,173,471.21
Advanced Payments	2,500.00				2,500.00
Investments	55,102.31	105,102.31			160,204.62
Taxes Receivable--Current	218,379.93	26,177.54	59,108.84	12,665.94	316,332.25
Taxes Receivable--Delinquent	6,606.10	1,347.38	685.26	131.54	8,770.28
Due from State Government	9,570.00		1,834.70		11,404.70
TOTAL ASSETS	696,993.04	615,071.25	286,825.35	73,793.42	1,672,683.06
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Contracts Payable	1,559.36				1,559.36
Payroll Deductions and Withholdings and Employer Matching Payable	494.93				494.93
Deferred Revenue	224,986.03	27,524.92	59,794.10	12,797.48	325,102.53
Total Liabilities	227,040.32	27,524.92	59,794.10	12,797.48	327,156.82
Fund Balances:					
Unreserved Fund Balances:					
Undesignated	469,952.72	587,546.33	227,031.25	60,995.94	1,345,526.24
Total Fund Balances	469,952.72	587,546.33	227,031.25	60,995.94	1,345,526.24
TOTAL LIABILITIES AND FUND BALANCES	696,993.04	615,071.25	286,825.35	73,793.42	1,672,683.06

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

GEDDES SCHOOL DISTRICT NO. 11-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds	<u>1,345,526.24</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>158,374.31</u>
Net Assets- Governmental Funds	<u><u>1,503,900.55</u></u>

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Impact Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	274,344.18	126,950.82	108,763.01	23,360.33		533,418.34
Prior Years' Ad Valorem Taxes	1,066.45	526.95	268.26	57.48		1,919.14
Tax Deed Revenue	1,878.73	173.04	390.80			2,442.57
Gross Receipts Taxes	27,927.97					27,927.97
Other Taxes	153,960.91					153,960.91
Penalties and Interest on Taxes	1,275.70	839.42	436.16	93.21		2,644.49
Earnings on Investments and Deposits	9,360.83	4,716.00				14,076.83
Cocurricular Activities:						
Admissions	5,522.80					5,522.80
Pupil Organization Memberships	1,135.00					1,135.00
Other Pupil Activity Income	5,217.79					5,217.79
Other Revenue from Local Sources:						
Rentals	2,387.50					2,387.50
Other	10,126.33					10,126.33
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	5,146.01					5,146.01
Other	1,282.88					1,282.88
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	174,790.23					174,790.23
Other State Revenue	2,943.61					2,943.61
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received						
Directly from Federal Government					9,655.00	9,655.00
Restricted Grants-in-Aid Received from						
Federal Government Through the State	97,136.98		20,515.80			117,652.78
Total Revenue	775,503.90	133,206.23	130,374.03	23,511.02	9,655.00	1,072,250.18

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Impact Aid Fund</u>	<u>Total Governmental Funds</u>
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	241,065.47	1,795.38				242,860.85
High School	289,535.47	664.00				290,199.47
Special Programs:						
Programs for Special Education			30,360.31			30,360.31
Educationally Deprived	45,629.73					45,629.73
Support Services:						
Pupils:						
Attendance and Social Work	1,488.00					1,488.00
Guidance	993.32					993.32
Psychological			7,052.33			7,052.33
Speech Pathology			17,290.17			17,290.17
Student Therapy Services			5,459.15			5,459.15
Instructional Staff:						
Improvement of Instruction	38,261.25					38,261.25
Educational Media	24,606.12	7,945.00				32,551.12
General Administration:						
Board of Education	36,157.48					36,157.48
Executive Administration	19,348.41					19,348.41
School Administration:						
Office of the Principal	2,012.47					2,012.47
Other	803.00					803.00
Business:						
Fiscal Services	39,301.14	7,377.79				46,678.93
Operation and Maintenance of Plant	70,207.65	8,936.02				79,143.67
Pupil Transportation	19,462.24	14,340.00				33,802.24
Community Services:						
Custody and Care of Children	7,558.38					7,558.38

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Impact Aid Fund</u>	<u>Total Governmental Funds</u>
Expenditures (Cont.):						
Cocurricular Activities:						
Male Activities	3,763.44					3,763.44
Female Activities	4,737.21					4,737.21
Transportation	5,082.65					5,082.65
Combined Activities	14,424.66					14,424.66
Total Expenditures	864,438.09	41,058.19	60,161.96	0.00	0.00	965,658.24
Excess of Revenue Over (Under)						
Expenditures	(88,934.19)	92,148.04	70,212.07	23,511.02	9,655.00	106,591.94
Other Financing Sources:						
Transfers In	9,655.00					9,655.00
Transfers Out	(20,200.00)				(9,655.00)	(29,855.00)
Total Other Financing Sources	(10,545.00)	0.00	0.00	0.00	(9,655.00)	(20,200.00)
Net Change in Fund Balances	(99,479.19)	92,148.04	70,212.07	23,511.02	0.00	86,391.94
Fund Balance - Beginning	569,431.91	495,398.29	156,819.18	37,484.92	0.00	1,259,134.30
FUND BALANCE - ENDING	469,952.72	587,546.33	227,031.25	60,995.94	0.00	1,345,526.24

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

GEDDES SCHOOL DISTRICT NO. 11-2
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	<u>86,391.94</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures	<u>(12,507.19)</u>
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 of depreciation in the current period.	
Change in Net Assets of Governmental Activities	<u><u>73,884.75</u></u>

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

GEDDES SCHOOL DISTRICT NO. 11-2
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2007

	<u>Enterprise Funds</u> <u>Food Service</u> <u>Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	104.26
Accounts Receivable, Net	541.60
Due from State Government	152.40
Inventory of Supplies	299.68
Inventory of Stores Purchased for Resale	404.98
Inventory of Donated Food	235.58
Total Current Assets	<u>1,738.50</u>
Capital Assets:	
Machinery and Equipment--Local Funds	24,327.47
Machinery and Equipment--Federal Assistance	4,111.00
Less: Accumulated Depreciation	(22,562.91)
Total Noncurrent Assets	<u>5,875.56</u>
TOTAL ASSETS	<u><u>7,614.06</u></u>
LIABILITIES:	
Current Liabilities:	
Contracts Payable	97.84
Payroll Deductions and Withholdings and Employer Matching Payable	30.92
Total Current Liabilities	<u>128.76</u>
NET ASSETS:	
Invested in Capital Assets	5,875.56
Unrestricted Net Assets	1,609.74
Total Net Assets	<u>7,485.30</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>7,614.06</u></u>

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	<u>Enterprise Funds</u>
	<u>Food Service</u>
	<u>Fund</u>
Operating Revenue:	
Food Sales:	
Student	13,100.95
Adults	3,629.40
Ala Carte	438.60
Total Operating Revenue	17,168.95
Operating Expenses:	
Salaries	28,718.83
Supplies	2,550.01
Cost of Sales - Purchased	9,308.72
Cost of Sales - Donated	3,045.54
Depreciation	1,775.56
Total Operating Expenses	45,398.66
Operating Income (Loss)	(28,229.71)
Nonoperating Revenue:	
State Grants	152.40
Federal Grants	9,729.83
Donated Food	2,191.81
Total Nonoperating Revenue	12,074.04
Income (Loss) Before Transfers	(16,155.67)
Transfers In	20,200.00
Change in Assets	4,044.33
Net Assets - Beginning	3,440.97
NET ASSETS - ENDING	7,485.30

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Enterprise Funds Food Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Customers	16,627.35
Cash Payments to Employees for Services	(29,812.72)
Cash Payments to Suppliers of Goods and Services	(11,412.36)
Net Cash Provided (Used) by Operating Activities	(24,597.73)
Cash Flows from Noncapital Financing Activities:	
Transfers from General Fund	20,200.00
Operating Grants	9,939.39
Due to General Fund	(5,437.40)
Net Cash Provided (Used) from Noncapital Financing Activities	24,701.99
Net Increase (Decrease) in Cash and Cash Equivalents	104.26
Cash and Cash Equivalents at Beginning of Year	0.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	104.26
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(28,229.71)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,775.56
Value of Donated Commodities Used	3,045.54
Change in Assets and Liabilities:	
Receivables	(541.60)
Inventories	446.37
Accrued Wages Payable	(1,093.89)
Net Cash Provided (Used) by Operating Activities	(24,597.73)
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	2,191.81

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

GEDDES SCHOOL DISTRICT NO. 11-2
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	Private- Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	1,992.29	7,554.20
Investments, at Fair Value	27,700.87	
TOTAL ASSETS	<u>29,693.16</u>	<u>7,554.20</u>
LIABILITIES:		
Amounts Held for Others	0.00	7,554.20
NET ASSETS:		
Held in Trust for Scholarships	29,693.16	0.00
TOTAL LIABILITIES AND NET ASSETS	<u>29,693.16</u>	<u>7,554.20</u>

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

GEDDES SCHOOL DISTRICT NO.11-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and Donations	500.00
Other Additions	<u>761.78</u>
Total Additions	<u>1,261.78</u>
DEDUCTIONS:	
Trust Deductions for Scholarships	<u>1,500.00</u>
Total Deductions	<u>1,500.00</u>
Change in Net Assets	<u>(238.22)</u>
Net Assets - Beginning	<u>29,931.38</u>
NET ASSETS - ENDING	<u><u>29,693.16</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Geddes School District No. 11-2 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets 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 Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, 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 District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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.

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NOTES TO THE FINANCIAL STATEMENTS
(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 District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

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

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 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.

Impact Aid Fund - A fund established by SDCL 13-16-30 and 13-16-31 to account for receipt of federal funds under the provisions of P.L. 103-382, Title VII for basic support. No expenditures may be directly charged to this fund. This is a major fund.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Proprietary Funds:

Enterprise Fund Types - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues, earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

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

The Scholarship Fund is the only private-purpose trust fund.

Agency Fund Types - 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 District maintains agency funds for the following purposes:

Funds for student activities and organizations in the District.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Geddes School District No. 11-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2007, are grants from the State of South Dakota.

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.

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. 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.

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.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

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 Assets.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000.00	-----N/A-----	-----N/A-----
Improvements	\$ 5,000.00	Straight-line	25 yrs.
Buildings	\$ 5,000.00	Straight-line	75-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	10-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

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NOTES TO THE FINANCIAL STATEMENTS
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Fund Financial Statements

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

f. Program Revenues:

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

1. Charges for services - These arise from charges to customers, applications, 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.

g. 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 and expenses.

h. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

i. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components.

1. Invested in capital assets, net of related debt - 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.

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. 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 assets held in trust for other purposes.

j. Application of Net Assets:

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

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATION 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 as follows:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

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 investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The District expects all receivables to be collected within one year.

4. INVENTORY

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

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

In the fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material supply inventories existed at June 30, 2007.

5. PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are 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."

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NOTES TO THE FINANCIAL STATEMENTS
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6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007, is as follows:

Primary Government

	Balance 07/01/06	Increases	Decreases	Balance 06/30/07
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	885.00	-	-	885.00
Capital Assets, being depreciated:				
Improvements	16,269.61	-	-	16,269.61
Buildings	252,842.77	-	-	252,842.77
Machinery & Equipment	109,686.21	-	-	109,686.21
Total, being depreciated	378,798.59	-	-	378,798.59
Less Accumulated Depreciation for:				
Improvements	(4,535.98)	(650.78)	-	(5,186.76)
Buildings	(147,885.56)	(3,082.10)	-	(150,967.66)
Machinery & Equipment	(56,380.55)	(8,774.31)	-	(65,154.86)
Total Accumulated Depreciation	(208,802.09)	(12,507.19)	-	(221,309.28)
Total Capital Assets, being depreciated, net	169,996.50	(12,507.19)	-	157,489.31
Governmental Activity Capital Assets, Net	170,881.50	(12,507.19)	-	158,374.31

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	9,314.23
Support Services	2,552.96
Co-curricular Activities	640.00
Total Depreciation Expense - Governmental Activities	12,507.19

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NOTES TO THE FINANCIAL STATEMENTS
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	Balance 07/01/06	Increases	Decreases	Balance 06/30/07
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	28,438.47	-	-	28,438.47
Total, being depreciated	28,438.47	-	-	28,438.47
Less Accumulated Depreciation for:				
Machinery & Equipment	(20,787.35)	(1,775.56)	-	(22,562.91)
Total Accumulated Depreciation	(20,787.35)	(1,775.56)	-	(22,562.91)
Business-Type Activity Capital Assets, Net	7,651.12	(1,775.56)	-	5,875.56

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	1,775.56
Total Depreciation Expense - Business-Type Activities	1,775.56

7. RESTRICTED NET ASSETS

Restricted net assets for the fiscal year ended June 30, 2007 were as follows:

Purpose	Restricted By	Amount
Major Funds:		
Capital Outlay	Law	\$ 587,546.33
Special Education	Law	227,031.25
Pension	Law	60,995.94
Food Service	Federal Regulation	1,609.74
		<u>\$ 877,183.26</u>

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 were as follows:

	Transfers To:		
Transfers From:	General Fund	Food Service Fund	Total
General Fund	\$ -	\$ 20,200.00	\$ 20,200.00
Impact Aid Fund	9,655.00		9,655.00
Total	<u>\$ 9,655.00</u>	<u>\$ 20,200.00</u>	<u>\$ 29,855.00</u>

The School District typically uses transfers to transfer operating monies from the General Fund to the Food Service Fund and from the Impact Aid Fund to the General Fund.

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NOTES TO THE FINANCIAL STATEMENTS
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9. RETIREMENT PLAN

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2007, 2006 and 2005, were \$35,482.33, \$28,925.90, and \$28,181.40, respectively, equal to the required contributions each year.

10. JOINT VENTURES

The School District participates in the South Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

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

Andes Central School District No. 11-1	11.63%
Avon School District No. 4-1	8.91%
Bonsteel/Fairfax School District No. 26-5	5.99%
Bon Homme School District No. 4-2	18.31%
Geddes School District No. 11-2	4.47%
Menno School District No. 33-2	10.36%
Scotland School District No. 4-3	9.66%
Tripp/Delmont School District No. 33-5	9.16%
Wagner School District No. 11-4	21.51%

The co-op's governing board is composed of two representatives from each member school district, who are the Superintendent of the school, who serves on an advisory board and one School Board Member who serves on the governing board. 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 the South Central Cooperative.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

At June 30, 2007, this joint venture had total fund equity of \$657,962.21 and no long-term debt.

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2007, the School District managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

Worker's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides worker's 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 \$300,000 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 limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

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

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

During the year ended June 30, 2007, no claims for unemployment benefits were paid. At June 30, 2007, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

12. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2007, the School District was involved in one lawsuit. No determination can be made at this time regarding the potential outcome of this lawsuit. However, as discussed in the Risk Management note, the School District has liability coverage for itself and its employees with a commercial carrier. Therefore, no material effects are anticipated to the School District as a result of the potential outcome of these lawsuits.

13. SUBSEQUENT EVENTS

During fiscal year 2007, the taxpayers of the Geddes Community School District and the Platte Community School District voted to consolidate into the Platte-Geddes Community School District No. 11-5. The new school district began operations on July 1, 2007.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

REQUIRED SUPPLEMENTARY INFORMATION
GEDDES SCHOOL DISTRICT 11-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	248,990.00	248,990.00	274,344.18	25,354.18
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	1,066.45	(433.55)
Tax Deed Revenue	0.00	0.00	1,878.73	1,878.73
Gross Receipts Taxes	25,000.00	25,000.00	27,927.97	2,927.97
Other Taxes	150,000.00	150,000.00	153,960.91	3,960.91
Penalties and Interest on Taxes	1,300.00	1,300.00	1,275.70	(24.30)
Earnings on Investments and Deposits	3,000.00	3,000.00	9,360.83	6,360.83
Cocurricular Activities:				
Admissions	7,800.00	7,800.00	5,522.80	(2,277.20)
Pupil Organization Memberships	0.00	0.00	1,135.00	1,135.00
Other Pupil Activity Income	3,000.00	3,000.00	5,217.79	2,217.79
Other Revenue from Local Sources:				
Rentals	2,700.00	2,700.00	2,387.50	(312.50)
Other	15,000.00	15,000.00	10,126.33	(4,873.67)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	6,500.00	6,500.00	5,146.01	(1,353.99)
Revenue in Lieu of Taxes	1,000.00	1,000.00	0.00	(1,000.00)
Other	0.00	0.00	1,282.88	1,282.88
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	200,340.00	200,340.00	174,790.23	(25,549.77)
Other State Revenue	0.00	0.00	2,943.61	2,943.61
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	73,079.00	73,079.00	97,136.98	24,057.98
Other Federal Revenue	4,100.00	4,100.00	0.00	(4,100.00)
Total Revenue	743,309.00	743,309.00	775,503.90	32,194.90
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	274,593.31	274,593.31	241,065.47	33,527.84
High School	255,780.73	255,780.73	289,535.47	(33,754.74)
Special Programs:				
Educationally Deprived	46,208.05	46,208.05	45,629.73	578.32

REQUIRED SUPPLEMENTARY INFORMATION
GEDDES SCHOOL DISTRICT 11-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (cont.):				
Support Services:				
Pupils:				
Attendance and Social Work	2,265.90	2,265.90	1,488.00	777.90
Guidance	1,327.23	1,327.23	993.32	333.91
Instructional Staff:				
Improvement of Instruction	38,927.80	38,927.80	38,261.25	666.55
Educational Media	18,459.51	34,882.86	24,606.12	10,276.74
General Administration:				
Board of Education	38,339.97	41,068.71	36,157.48	4,911.23
Executive Administration	16,613.83	16,613.83	19,348.41	(2,734.58)
School Administration:				
Office of the Principal	5,790.65	5,790.65	2,012.47	3,778.18
Other	2,205.00	2,205.00	803.00	1,402.00
Business:				
Fiscal Services	38,462.13	39,405.05	39,301.14	103.91
Operation and Maintenance of Plant	83,300.30	83,300.30	70,207.65	13,092.65
Pupil Transportation	17,161.50	20,192.17	19,462.24	729.93
Central:				
Staff	315.00	315.00	0.00	315.00
Community Services:				
Custody and Care of Children	5,698.20	7,578.37	7,558.38	19.99
Cocurricular Activities:				
Male Activities	5,091.06	5,091.06	3,763.44	1,327.62
Female Activities	10,972.96	10,972.96	4,737.21	6,235.75
Transportation	8,147.76	8,147.76	5,082.65	3,065.11
Combined Activities	21,885.58	21,885.58	14,424.66	7,460.92
Contingencies	10,500.00	10,500.00		
Amount Transferred		(8,582.50)		1,917.50
Total Expenditures	902,046.47	918,469.82	864,438.09	54,031.73
Excess of Revenue Over (Under)				
Expenditures	(158,737.47)	(175,160.82)	(88,934.19)	86,226.63
Other Financing Sources (Uses):				
Transfers In	22,959.00	22,959.00	9,655.00	(13,304.00)
Transfers Out	(13,378.81)	(20,878.81)	(20,200.00)	678.81
Total Other Financing Sources (Uses)	9,580.19	2,080.19	(10,545.00)	(12,625.19)
Net Change in Fund Balances	(149,157.28)	(173,080.63)	(99,479.19)	73,601.44
Fund Balance - Beginning	569,431.91	569,431.91	569,431.91	0.00
FUND BALANCE - ENDING	420,274.63	396,351.28	469,952.72	73,601.44

REQUIRED SUPPLEMENTARY INFORMATION
 GEDDES SCHOOL DISTRICT 11-2
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	183,600.00	183,600.00	126,950.82	(56,649.18)
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	526.95	(3,473.05)
Tax Deed Revenue	0.00	0.00	173.04	173.04
Penalties and Interest on Taxes	750.00	750.00	839.42	89.42
Earnings on Investments and Deposits	2,200.00	2,200.00	4,716.00	2,516.00
Total Revenue	190,550.00	190,550.00	133,206.23	(57,343.77)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	2,100.00	2,100.00	1,795.38	304.62
High School	15,487.50	15,487.50	664.00	14,823.50
Support Services:				
Instructional Staff:				
Educational Media	15,750.00	15,750.00	7,945.00	7,805.00
Business:				
Fiscal Services	6,300.00	6,300.00	7,377.79	(1,077.79)
Operation and Maintenance of Plant	12,600.00	12,600.00	8,936.02	3,663.98
Pupil Transportation	18,375.00	18,375.00	14,340.00	4,035.00
Food Services	3,150.00	3,150.00	0.00	3,150.00
Cocurricular Activities:				
Combined Activities	5,775.00	5,775.00	0.00	5,775.00
Total Expenditures	79,537.50	79,537.50	41,058.19	38,479.31
Net Change in Fund Balances	111,012.50	111,012.50	92,148.04	(18,864.46)
Fund Balance - Beginning	495,398.29	495,398.29	495,398.29	0.00
FUND BALANCE - ENDING	606,410.79	606,410.79	587,546.33	(18,864.46)

REQUIRED SUPPLEMENTARY INFORMATION
GEDDES SCHOOL DISTRICT 11-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	93,450.00	93,450.00	108,763.01	15,313.01
Prior Years' Ad Valorem Taxes	250.00	250.00	268.26	18.26
Tax Deed Revenue	0.00	0.00	390.80	390.80
Penalties and Interest on Taxes	350.00	350.00	436.16	86.16
Earnings on Investments and Deposits	200.00	200.00	0.00	(200.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	17,000.00	17,000.00	20,515.80	3,515.80
Total Revenue	111,250.00	111,250.00	130,374.03	19,124.03
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	34,036.64	34,036.64	30,360.31	3,676.33
Support Services:				
Pupils:				
Psychological	9,240.00	9,240.00	7,052.33	2,187.67
Speech Pathology	15,750.00	15,750.00	17,290.17	(1,540.17)
Student Therapy Services	5,250.00	5,250.00	5,459.15	(209.15)
Total Expenditures	64,276.64	64,276.64	60,161.96	4,114.68
Net Change in Fund Balances	46,973.36	46,973.36	70,212.07	23,238.71
Fund Balance - Beginning	156,819.18	156,819.18	156,819.18	0.00
FUND BALANCE - ENDING	203,792.54	203,792.54	227,031.25	23,238.71

REQUIRED SUPPLEMENTARY INFORMATION
GEDDES SCHOOL DISTRICT 11-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	20,035.00	20,035.00	23,360.33	3,325.33
Prior Years' Ad Valorem Taxes	25.00	25.00	57.48	32.48
Penalties and Interest on Taxes	75.00	75.00	93.21	18.21
Earnings on Investments and Deposits	20.00	20.00	0.00	(20.00)
Total Revenue	20,155.00	20,155.00	23,511.02	3,356.02
Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	20,155.00	20,155.00	23,511.02	3,356.02
Fund Balance - Beginning	37,484.92	37,484.92	37,484.92	0.00
FUND BALANCE - ENDING	57,639.92	57,639.92	60,995.94	3,356.02

REQUIRED SUPPLEMENTARY INFORMATION
GEDDES SCHOOL DISTRICT 11-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
IMPACT AID FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received				
Directly from Federal Government	0.00	0.00	9,655.00	9,655.00
Total Revenue	0.00	0.00	9,655.00	9,655.00
Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under)				
Expenditures	0.00	0.00	9,655.00	9,655.00
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(9,655.00)	(9,655.00)
Total Other Financing Sources (Uses)	0.00	0.00	(9,655.00)	(9,655.00)
Net Change in Fund Balances	0.00	0.00	0.00	0.00
Fund Balance - Beginning	0.00	0.00	0.00	0.00
FUND BALANCE - ENDING	0.00	0.00	0.00	0.00

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONJune 30, 2007

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 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 trust and agency 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 by 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.
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 special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences

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