

**GREATER HOYT
SCHOOL DISTRICT NO. 61-4**

AUDIT REPORT

JUNE 30, 2010

GREATER HOYT SCHOOL DISTRICT NO. 61-4

SCHOOL OFFICIALS

JUNE 30, 2010

School Board

Audrey Ericson

Greg Heeren

Lynn Johnson

Lance Nielsen

Steve Liebetrau

Business Manager

Jean Brown

GREATER HOYT SCHOOL DISTRICT NO. 61-4
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QUAM & BERGLIN

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

School Board
Greater Hoyt School District No. 61-4
Union County, South Dakota

We have audited the financial statements of the governmental activities and each major fund of Greater Hoyt School District No. 61-4, Union County, South Dakota, as of June 30, 2010 and for the year then ended, which collectively comprise Greater Hoyt School District's basic financial statements and have issued our report thereon dated February 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

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

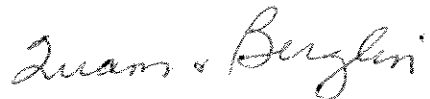
Compliance and Other Matters

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

The School District did not respond to the audit findings.

We noted certain other matters that were reported to management of the School District in a separate communication date February 1, 2011.

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



Quam and Berglin
Certified Public Accountants

February 1, 2011

**GREATER HOYT SCHOOL DISTRICT NO. 61-4
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2010**

PRIOR AUDIT FINDINGS:

Internal Control-Related Findings - Material Weakness:

Audit Finding Number 2009-01:

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

Compliance Related Findings:

Audit Finding Number 2009-02:

The School District utilized a depository outside the state of South Dakota, in violation of SDCL 13-16-15. This finding has been corrected.

Audit Finding Number 2009-03:

The expenditures paid from the Capital Outlay Fund exceeded the total amounts budgeted for fiscal year 2009 in violation of SDCL 13-11-2. This finding has been corrected.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weakness:

Audit Finding Number 2010-01:

There is a material weakness resulting from lack of segregation of duties for revenues and expenditures.

Criteria:

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

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

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

GREATER HOYT SCHOOL DISTRICT NO. 61-4
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
(Continued)
JUNE 30, 2010

Compliance Related Findings:

Audit Finding Number 2010-02:

The School District's Board authorized transfer of Special Education money to the General Fund.

Criteria:

There is no provision in SDCL for transfer of these funds to the General Fund.

Condition, Cause and Effect:

The District cleared the remaining Special Education fund balance to the General Fund. SDCL 13-16-26 does not make a provision for transferring Special Education money to the General Fund during reorganization.

Recommendation:

We recommend that the South Dakota Department of Education provide additional guidance in the reorganization plans of future consolidating districts.

Audit Finding Number 2010-03:

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

Criteria:

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

Condition, Cause and Effect:

The Greater Hoyt School District transferred \$34,778.53 of Special Education funds to the Elk Point – Jefferson School District. The Elk Point – Jefferson School District is tasked to distribute the money to the Sioux Valley, Richland, Spink, and Big Springs Townships which are non-educational governmental entities.

Recommendation:

We recommend that the South Dakota Department of Education provide additional guidance in the reorganization plans of future consolidating districts.

QUAM & BERGLIN

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INDEPENDENT AUDITOR'S REPORT

School Board
Greater Hoyt School District No. 61-4
Union County, South Dakota

We have audited the accompanying financial statements of the governmental activities of Greater Hoyt School District No. 61-4, Union County, South Dakota, as of June 30, 2010 for the year then ended, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Greater Hoyt School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greater Hoyt School District No. 61-4 as of June 30, 2010 and the respective change in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, Greater Hoyt School District 61-4 ceased to exist effective July 1, 2010 as a result of the reorganization plan approved by the voters of the district.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control

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

The budgetary comparison schedules on pages 21 through 23 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.

A handwritten signature in cursive script, appearing to read "Quam and Berglin".

Quam and Berglin
Certified Public Accountants

February 1, 2011

GREATER HOYT SCHOOL DISTRICT NO. 61-4
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ <u>6.27</u>
 TOTAL ASSETS	 <u>6.27</u>
 LIABILITIES :	
Due to Other Governments	<u>6.27</u>
 TOTAL LIABILITIES	 <u>6.27</u>
 NET ASSETS:	
Unrestricted (Deficit)	<u>0.00</u>
 TOTAL NET ASSETS	 <u>\$ 0.00</u>

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

**GREATER HOYT SCHOOL DISTRICT NO. 61-4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Primary Government Governmental Activities</u>
Primary Government:			
Governmental Activities:			
Instruction	\$ 443,430.76	\$ 11,188.00	\$(432,242.76)
Support Services	87,523.79		(87,523.79)
Total Governmental Activities	530,954.55	11,188.00	(519,766.55)
Total Primary Government	<u>\$ 530,954.55</u>	<u>\$ 11,188.00</u>	<u>(519,766.55)</u>

General Revenues:

Taxes:

 Property Taxes 243,004.29

 Gross Receipt Taxes 8,838.69

Revenue from State Sources:

 State Aid 150,583.01

Unrestricted Investment Earnings 2,408.29

Other General Revenues 14,705.88

Extraordinary Items:

 Transfer of Funds - Elk Point Jefferson (58,596.38)

Total General Revenues and

 Extraordinary Items 360,943.78

Change in Net Assets (158,822.77)

Net Assets - Beginning 158,822.77

NET ASSETS - ENDING \$ 0.00

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

**GREATER HOYT SCHOOL DISTRICT NO. 61-4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 6.27	\$ 6.27
TOTAL ASSETS	<u>6.27</u>	<u>6.27</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Due to Other Governments	6.27	6.27
Total Liabilities	<u>6.27</u>	<u>6.27</u>
Fund Balances:		
Unreserved Fund Balances:		
Undesignated	0.00	0.00
Total Fund Balances	<u>0.00</u>	<u>0.00</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6.27</u>	<u>\$ 6.27</u>

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

**GREATER HOYT SCHOOL DISTRICT NO. 61-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balances - Governmental Funds	\$ 0.00
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

There are no reconciliation items	<u>0.00</u>
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Net Assets - Governmental Funds	<u>\$ 0.00</u>
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The notes to the financial statements are an integral part of this statement

GREATER HOYT SCHOOL DISTRICT NO. 61-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$181,047.10	\$ 23,986.24	\$ 38,579.03	\$ 243,612.37
Prior Years' Ad Valorem Taxes	168.50	18.67	46.68	233.85
Gross Receipts Taxes	8,838.69			8,838.69
Earnings on Investments and Deposits	2,408.29			2,408.29
Other Revenue from Local Sources:				
Bank Franchise Tax	4,262.04			4,262.04
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	10,443.84			10,443.84
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	150,583.01			150,583.01
Revenues from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through State	11,188.00			11,188.00
Total Revenue	<u>368,939.47</u>	<u>24,004.91</u>	<u>38,625.71</u>	<u>431,570.09</u>
Expenditures:				
Instruction:				
Regular Programs:				
Other Regular Programs	358,752.18			358,752.18
Special Programs:				
Programs for Special Education			28,377.08	28,377.08
Other		56,301.50		56,301.50
Support Services - General Administration:				
Board of Education	41,352.07			41,352.07
Support Services - Business:				
Fiscal Services	2,500.00			2,500.00
Transportation	43,671.72			43,671.72
Total Expenditures	<u>446,275.97</u>	<u>56,301.50</u>	<u>28,377.08</u>	<u>530,954.55</u>
Excess of Revenue Over (Under)				
Expenditures	(77,336.50)	(32,296.59)	10,248.63	(99,384.46)
Other Financing Sources (Uses):				
Transfers In (Out)	16,776.99	18,001.54	(34,778.53)	
Total Other Financing Sources (Uses):	<u>16,776.99</u>	<u>18,001.54</u>	<u>(34,778.53)</u>	
Extraordinary Items:				
Transfer of Funds - Elk Point-Jefferson	(58,596.38)			(58,596.38)
Net Change in Fund Balances	(119,155.89)	(14,295.05)	(24,529.90)	(157,980.84)
Fund Balance - July 1, 2009	119,155.89	14,295.05	24,529.90	157,980.84
FUND BALANCE - JUNE 30, 2010	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

**GREATER HOYT SCHOOL DISTRICT NO. 61-4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (157,980.84)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned.

<u>(841.93)</u>

Change in Net Assets of Governmental Activities	\$ <u>(158,822.77)</u>
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The notes to the financial statements are an integral part of this statement.

GREATER HOYT SCHOOL DISTRICT NO. 61-4
NOTES TO THE 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 of the United States of America.

a. Financial Reporting Entity

The reporting entity of Greater Hoyt School District No. 61-4, 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).

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. The statements report governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

The Statement of Activities presents a comparison for each function of the 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 the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary – Greater Hoyt's financials are comprised only of governmental funds. 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 Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Greater Hoyt School District No. 61-4, the length of that cycle is 60 days.

Under the modified basis of accounting, receivables may be measurable but not available. Available means collectable 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.

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

Fund Financial Statements:

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

e. Capital Assets

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

f. Long-Term Liabilities:

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

g. 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, 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.

h. Proprietary Funds Revenue and Expense Classifications:

The School District has no proprietary funds.

i. Equity Classifications

Government-wide Statements:

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

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

Fund Financial Statements:

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

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.

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. Some of the school’s deposits are made in Iowa banks which are covered by the Federal Deposit Insurance Corporation (FDIC). Such deposits are not in accordance with SDCL 13-16-15.

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indi-

rectly; 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.

Custodial Credit Risk- Deposits –The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2010 the District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - The school district places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2010.

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 General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, interfund transfers of investment earnings are to be reported. All investment earnings were credited directly to the General Fund. Investment earnings attributable to the other funds were amounts which were immaterial to those funds.

NOTE 3 – PROPERTY TAXES

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

NOTE 4 – TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>General Fund</u>	<u>Capital Outlay Fund</u>
Major Funds:		
General	\$	\$ 18,001.54
Capital Outlay		
Special Education	34,778.53	

The Greater Hoyt School District transferred funds from the General Fund to the Capital Outlay Fund and from the Special Education Fund to the General Fund in order to facilitate the dissolution of the Greater Hoyt School District. There is no provision in the SDCL for transferring Special Education funds to the General Fund. This has been reported as a finding.

The Greater Hoyt School District transferred their remaining assets to the Elk Point - Jefferson School District in accordance with their dissolution plan.

NOTE 5 – RISK MANAGEMENT

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

Liability Insurance

The school district purchases liability insurance for risks related to torts; theft 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.

NOTE 6 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2010, the school district was not involved in any litigation.

NOTE 7 – SUBSEQUENT EVENT

Voters in the Greater Hoyt District approved the plan to be annexed by the Elk Point-Jefferson School District effective June 30, 2010. Boundary changes were initiated by resolution of intent according to SDCL 13-6-84.2. The Greater Hoyt School District submitted the plans to the Department of Education for approval. As a result of the plan, the Greater Hoyt School District ceased to exist effective July 1, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION
GREATER HOYT SCHOOL DISTRICT NO. 61-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$290,000.00	\$290,000.00	\$ 181,047.10	\$(108,952.90)
Prior Years' Ad Valorem Taxes			168.50	168.50
Gross Receipts Taxes			8,838.69	8,838.69
Earnings on Investments and Deposits	4,000.00	4,000.00	2,408.29	(1,591.71)
Other Revenue from Local Sources:				
Bank Franchise Tax	6,000.00	6,000.00	4,262.04	(1,737.96)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	30,000.00	30,000.00	10,443.84	(19,556.16)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	154,000.00	154,000.00	150,583.01	(3,416.99)
Revenues from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid			11,188.00	11,188.00
Total Revenue	<u>484,000.00</u>	<u>484,000.00</u>	<u>368,939.47</u>	<u>(115,060.53)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Other Regular Programs	370,000.00	370,000.00	358,752.18	11,247.82
Support Services - General Administration:				
Board of Education	2,500.00	4,510.00	41,352.07	(36,842.07)
Support Services - Business:				
Fiscal Services	2,500.00	2,500.00	2,500.00	
Operations	70,000.00	70,000.00		70,000.00
Transportation	35,000.00	35,000.00	43,671.72	(8,671.72)
Contingency	<u>4,000.00</u>	<u>4,000.00</u>		<u>4,000.00</u>
Total Expenditures	<u>484,000.00</u>	<u>486,010.00</u>	<u>446,275.97</u>	<u>39,734.03</u>
Excess of Revenue Over (Under)				
Expenditures	<u>0.00</u>	<u>(2,010.00)</u>	<u>(77,336.50)</u>	<u>(75,326.50)</u>
Other Financing Sources (Uses):				
Transfers In (Out)			16,776.99	16,776.99
Total Other Financing Sources (Uses)			<u>16,776.99</u>	<u>16,776.99</u>
Extraordinary Items:				
Transfer of Fundsto Elk Point Jefferson			<u>(58,596.38)</u>	<u>(58,596.38)</u>
Net Change in Fund Balances	0.00	(2,010.00)	(119,155.89)	(117,145.89)
Fund Balance - July 1, 2009	<u>119,155.89</u>	<u>119,155.89</u>	<u>119,155.89</u>	
FUND BALANCE - JUNE 30, 2010	<u>\$119,155.89</u>	<u>\$117,145.89</u>	<u>\$ 0.00</u>	<u>\$(117,145.89)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
GREATER HOYT SCHOOL DISTRICT NO. 61-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 60,000.00	\$ 60,000.00	\$ 23,986.24	\$ (36,013.76)
Prior Years' Ad Valorem Taxes			18.67	18.67
Total Revenue	<u>60,000.00</u>	<u>60,000.00</u>	<u>24,004.91</u>	<u>(35,995.09)</u>
Expenditures:				
Expenditures:				
Instruction:				
Special Programs:				
Other	<u>60,000.00</u>	<u>60,000.00</u>	<u>56,301.50</u>	<u>3,698.50</u>
Total Expenditures	<u>60,000.00</u>	<u>60,000.00</u>	<u>56,301.50</u>	<u>3,698.50</u>
Excess of Revenue Over (Under) Expenditures	<u>0.00</u>	<u>0.00</u>	<u>(32,296.59)</u>	<u>(32,296.59)</u>
Other Financing Sources (Uses):				
Transfers In (Out)			<u>18,001.54</u>	<u>18,001.54</u>
Total Other Financing Sources (Uses)			<u>18,001.54</u>	<u>18,001.54</u>
Net Change in Fund Balances	0.00	0.00	(14,295.05)	(14,295.05)
Fund Balance - July 1, 2009	<u>14,295.05</u>	<u>14,295.05</u>	<u>14,295.05</u>	
FUND BALANCE - JUNE 30, 2010	<u>\$ 14,295.05</u>	<u>\$ 14,295.05</u>	<u>\$ 0.00</u>	<u>\$ (14,295.05)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
GREATER HOYT SCHOOL DISTRICT NO. 61-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 35,000.00	\$ 35,000.00	\$ 38,579.03	\$ 3,579.03
Prior Years' Ad Valorem Taxes			46.68	46.68
Total Revenue	<u>35,000.00</u>	<u>35,000.00</u>	<u>38,625.71</u>	<u>3,625.71</u>
Expenditures:				
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	<u>35,000.00</u>	<u>35,000.00</u>	<u>28,377.08</u>	<u>6,622.92</u>
Total Expenditures	<u>35,000.00</u>	<u>35,000.00</u>	<u>28,377.08</u>	<u>6,622.92</u>
Excess of Revenue Over (Under)				
Expenditures			<u>10,248.63</u>	<u>10,248.63</u>
Other Financing Sources (Uses):				
Transfers In (Out)			<u>(34,778.53)</u>	<u>(34,778.53)</u>
Total Other Financing Sources (Uses)			<u>(34,778.53)</u>	<u>(34,778.53)</u>
Net Change in Fund Balances	0.00	0.00	(24,529.90)	(24,529.90)
Fund Balance - July 1, 2009	<u>24,529.90</u>	<u>24,529.90</u>	<u>24,529.90</u>	
FUND BALANCE - JUNE 30, 2010	<u>\$ 24,529.90</u>	<u>\$ 24,529.90</u>	<u>\$ 0.00</u>	<u>\$ (24,529.90)</u>

GREATER HOYT SCHOOL DISTRICT NO. 61-4
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

a. Basis of Presentation

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedule presents expenditures for capital outlay purposes within function while the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances presents capital outlay expenditures as a separate function.

b. BUDGETARY LEGAL REQUIREMENTS

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 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 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.
8. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
11. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).