

**SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
OF SANBORN COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2013, TO JUNE 30, 2014

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

BOARD OF EDUCATION:

Rick Miller, President
Troy Olson, Vice-President
Clayton Dean
Brenda Schmit
Murray VanLaecken

SUPERINTENDENT:

Linda Whitney

BUSINESS MANAGER:

Gayle Bechen

Schoenfish & Co., Inc.

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

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Schedule of Prior Audit Findings	3
Schedule of Current Audit Findings	4
Independent Auditor's Report	5-6
Management's Discussion and Analysis (MD&A)	7-14
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes In Fund Balance	19-21
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities	22
Proprietary Funds:	
Statement of Net Position	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	24
Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Financial Statements	28-42

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TABLE OF CONTENTS
(Continued)

Required Supplementary Information Other than MD&A:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund	43-44
Capital Outlay Fund	45
Special Education Fund	46
Pension Fund	47
Notes to the Required Supplementary Information – Budgetary Comparison Schedules	48

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-1441
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

School Board
Sanborn Central School District No. 55-5
Forestburg, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sanborn Central School District No. 55-5, South Dakota (School District), as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2014, which was qualified for the governmental activities because the School District did not record their OPEB liabilities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
December 22, 2014

Schoenfish & Co., Inc.

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

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2014-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2014-001.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Findings – Material Weaknesses:

Finding Number 2014-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the second audit in which a similar deficiency has occurred.

Criteria:

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

Condition:

A limited number of employees process 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 Sanborn Central 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 Sanborn Central School District Board President, Rick Miller, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Sanborn Central 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.

CLOSING CONFERENCE

The audit was discussed with the board president and the business manager of Sanborn Central School District No. 55-5 on January 14, 2015.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Phone: 605-928-7241

FAX No.: 605-928-1441

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

School Board
Sanborn Central School District No. 55-5
Forestburg, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sanborn Central School District No. 55-5, South Dakota, (School District) as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The School District does not record the liability for other post-employment benefits. The amount of this liability could not be determined beyond the fact that this is a material amount.

Qualified Opinion

In our opinion, except as noted in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Sanborn Central School District No. 55-5 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 the Sanborn Central School District No. 55-5 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules on pages 7 through 14, and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Schedule of Funding Progress that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
December 22, 2014

Schoenfish & Co., Inc.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Sanborn Central School District 55-5's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2014. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$4,949 more than the \$2,326,564 governmental and business-type program expenses.
- The total cost of the School's programs increased by approximately 3 percent, which primarily was due to an increase in staff, payroll and benefits.
- The capital outlay fund did report a current year surplus of \$52,678.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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

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

Government-wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular

activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

- Business-type Activities - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund and the Drivers Education Fund are the business-type activities of the School.

Fund Financial Statements

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

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

The School has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position decreased as follows:

Table A-1
Sanborn Central School
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Current & Other Assets	3,382,273	3,264,411	27,738	4,311	3,410,011	3,268,722
Capital Assets, Net of Depr.	2,957,512	2,923,687	18,172	16,380	2,975,684	2,940,067
Total Assets	6,339,785	6,188,098	45,910	20,691	6,385,695	6,208,789
Deferred Inflows of Resources						
-Deferred Charge on Refunding		10,260				10,260
Long-Term Debt Outstanding	861,294	684,134			861,294	684,134
Other Liabilities	901,239	210,238	7,442	8,578	908,681	218,816
Total Liabilities	1,762,533	894,372	7,442	8,578	1,769,975	902,950
Deferred Outflows of Resources						
-Property Taxes		702,640				702,640
Net Investment in Capital Assets	2,122,596	2,248,687	18,172	16,380	2,140,768	2,265,067
Restricted	1,680,241	1,587,099			1,680,241	1,587,099
Unrestricted	774,415	765,560	20,296	(4,267)	794,711	761,293
Total Net Position	4,577,252	4,601,346	38,468	12,113	4,615,720	4,613,459
Beginning Net Position	5,050,300	4,577,252	75,677	38,468	5,125,977	4,615,720
Prior Period Adjustment		(7,210)			-	(7,210)
Adjusted Beginning Net Position	5,050,300	4,570,042	75,677	38,468	5,125,977	4,608,510
Change in Net Position	(473,048)	31,304	(37,209)	(26,355)	(510,257)	4,949
% Change in Net Position	-9.4%	0.7%	-49.2%	-68.5%	-10.0%	0.1%

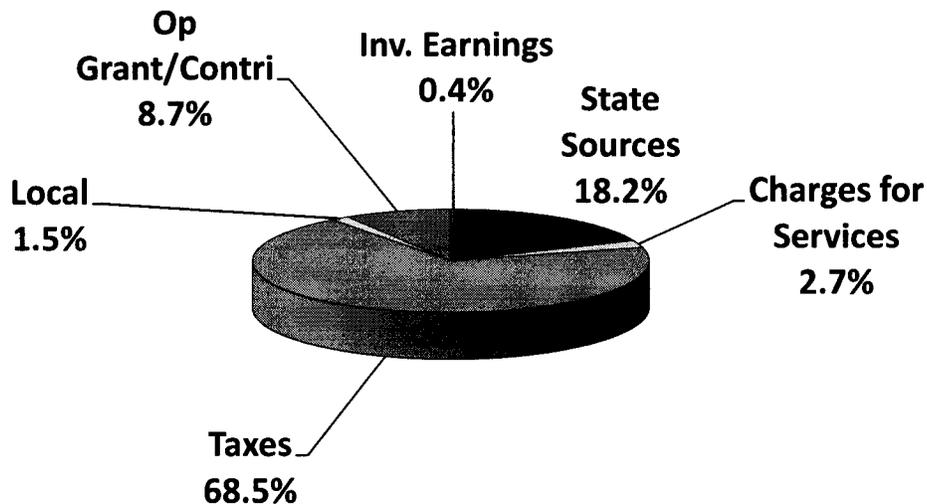
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due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

Changes in Net Position

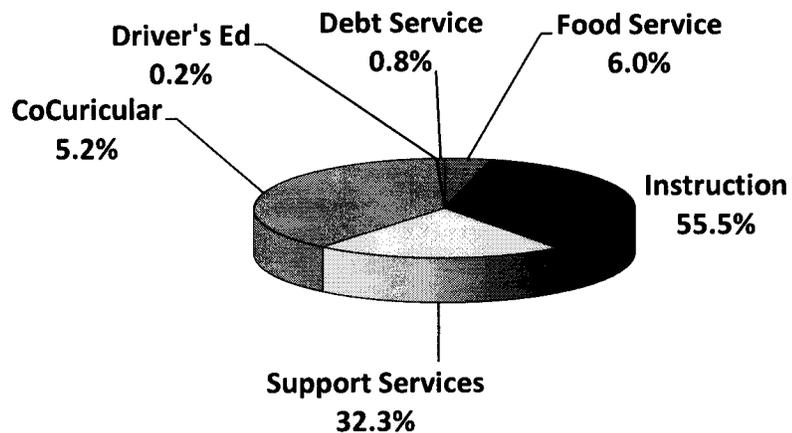
The School's total revenues totaled \$2,331,513. (See Table A-2.) A little less than three-fourth of the School's revenue comes from property and other taxes, and less than a fourth coming from state aid. (See Figure A-3).

The School's expenses cover a range of services, encompassing instruction, support services, co-curricular, debt service, driver's education, and food services. (See Figure A-4).

**Fig A-3, Sanborn Central School
Sources of Revenue Fiscal Year 2014**



**Fig A-4, Sanborn Central School
Functional Expenses Fiscal Year 2014**



GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows considers the operations of the governmental activities.

Table A-2
SANBORN CENTRAL SCHOOL DISTRICT 55-2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2013	2014	2013	2014	2013	2014
Program Revenues:						
Charges for Services	12,325	10,126	45,781	53,056	58,106	63,182
Operating Grants & Contr.	157,367	146,411	64,361	55,966	221,728	202,377
Capital Grants & Contr.	7,476				7,476	-
General Revenues:						
Property taxes	936,668	1,598,941			936,668	1,598,941
Revenue from State Sources	487,735	423,884			487,735	423,884
Grants & Contr. Not Restricted	8,000				8,000	-
Unrestricted Investment Earnings	12,064	8,616	160	2	12,224	8,618
Other General Revenue	24,128	34,511			24,128	34,511
Total Revenues	1,645,763	2,222,489	110,302	109,024	1,756,065	2,331,513
Expenses:						
Instruction	1,067,217	1,290,291			1,067,217	1,290,291
Support Services	927,446	751,337			927,446	751,337
Debt Service	25,726	21,238			25,726	21,238
Cocurricular Activities	97,267	120,193			97,267	120,193
Food Service			146,136	138,146	146,136	138,146
Driver's Ed			2,530	5,359	2,530	5,359
Total Expenses	2,117,656	2,183,059	148,666	143,505	2,266,322	2,326,564
Excess (deficiency) before Transfers & Special Items	(471,893)	39,430	(38,364)	(34,481)	(510,257)	4,949
Transfers	(1,155)	(8,126)	1,155	8,126	-	-
Change in Net Position	(473,048)	31,304	(37,209)	(26,355)	(510,257)	4,949
Prior Period Adjustment		(7,210)				(7,210)
Net Position - Ending	4,577,252	4,601,346	38,468	12,113	4,615,720	4,613,459

The governmental activities – general fund did show an increase in Instruction due to a pay increase.

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities decreased by approximately 1% to \$109,024 and expenses remained reasonably the same. Factor contributing to this result included:

- The decrease in revenue is based on less federal cash reimbursements.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The Capital Outlay had an increase in fund balance for the year of \$52,678, while the General Fund, Special Education Fund, and Pension Fund had decreases in fund balances of \$18,595, \$108,366 and \$27,228, respectively.

BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget two times. These amendments fall into two categories:

- Supplemental appropriations and surplus funds approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by surplus funds, to prevent budget overruns.

	Original	Final
Revenue	1,529,279	1,529,279
Expenditures	1,691,262	1,763,172
Variance	161,983	233,893

CAPITAL ASSET ADMINISTRATION

By the end of the 2014 school year, the School had invested \$2,940,067 in a broad range of capital assets, including, land, buildings, library books, improvements other than buildings, various machinery and equipment. (See Table A-3.)

Table A-3
SANBORN CENTRAL SCHOOL DISTRICT 55-5 - Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities	
	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>
Land	51,100	51,100		
Buildings	2,577,063	2,513,469		
Machinery and Equipment	264,623	274,826	18,172	16,380
Imp. Other than Bldgs	64,726	84,292		
Total Capital Assets (Net)	<u>2,957,512</u>	<u>2,923,687</u>	<u>18,172</u>	<u>16,380</u>

This year's capital assets were decreased primarily due to depreciation.

LONG-TERM DEBT

At year-end the School had \$684,134 in Capital Outlay Certificates and other long-term obligations. This is a decrease of 20 percent as shown on Table A-4 below. No long-term obligations existed for Business-type Activities.

Table A-4
SANBORN CENTRAL SCHOOL DISTRICT 55-2
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2013	2014	FY13-FY14	FY13-FY14
Compensated Absences	7,198	9,134	1,936	26.9%
Loan Payable	48,933	-	(48,933)	-100.0%
Capital Outlay Certificates	805,000	675,000	(130,000)	-16.1%
Total Outstanding Debt and Obligations	861,131	684,134	(176,997)	-20.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School did experience an increase in total property valuation, with the state recognized local effort from taxable valuation of \$65,377 or 10.11 percent from the prior year. The amount that can be levied is limited by the State of South Dakota. The School did opt out for \$250,000 for 7 years, 2011 payable 2012 to 2018.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,764.42 per pupil. The allocation for the next year is adjusted annually by the same rate as inflation (CPI) or 3 percent whichever is less. The school experienced an increase in average daily membership (ADM).

The school's enrollment for the last two years has been as follows: 2013: 201 2014: 205

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sanborn Central School District's Business Office, 40405 SD Hwy 34, Forestburg, SD 57314.

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF NET POSITION
As of June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	2,023,656.48	1,541.40	2,025,197.88
Investments	441,235.11		441,235.11
Taxes Receivable	717,272.53		717,272.53
Internal Balances	1,785.19	(1,785.19)	0.00
Inventories		4,555.27	4,555.27
Other Assets	80,462.10		80,462.10
Capital Assets:			
Land	51,100.00		51,100.00
Other Capital Assets, Net of Depreciation	2,872,587.40	16,379.68	2,888,967.08
TOTAL ASSETS	6,188,098.81	20,691.16	6,208,789.97
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	10,260.00		10,260.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,260.00	0.00	10,260.00
LIABILITIES :			
Other Current Liabilities	210,238.28	8,577.67	218,815.95
Noncurrent Liabilities:			
Due Within One Year	133,000.00		133,000.00
Due in More than One Year	551,133.78		551,133.78
TOTAL LIABILITIES	894,372.06	8,577.67	902,949.73
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Future Period	702,640.22		702,640.22
TOTAL DEFERRED INFLOWS OF RESOURCES	702,640.22	0.00	702,640.22
NET POSITION:			
Net Investment in Capital Assets	2,248,687.40	16,379.68	2,265,067.08
Restricted for:			
Capital Outlay Purposes	862,255.08		862,255.08
Special Education Purposes	701,382.52		701,382.52
Pension Purposes	23,461.49		23,461.49
Unrestricted (Deficit)	765,560.04	(4,266.19)	761,293.85
TOTAL NET POSITION	4,601,346.53	12,113.49	4,613,460.02

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	1,290,290.28		131,983.90		(1,158,306.38)		(1,158,306.38)
Support Services	751,337.38		14,427.40		(736,909.98)		(736,909.98)
*Interest on Long-Term Debt	21,238.27				(21,238.27)		(21,238.27)
Cocurricular Activities	120,193.30	10,126.28			(110,067.02)		(110,067.02)
Total Governmental Activities	2,183,059.23	10,126.28	146,411.30	0.00	(2,026,521.65)		(2,026,521.65)
Business-type Activities:							
Food Service	138,145.92	51,555.87	55,966.15			(30,623.90)	(30,623.90)
Driver's Education	5,358.60	1,500.00				(3,858.60)	(3,858.60)
Total Business-type Activities	143,504.52	53,055.87	55,966.15	0.00	0.00	(34,482.50)	(34,482.50)
Total Primary Government	2,326,563.75	63,182.15	202,377.45	0.00	(2,026,521.65)	(34,482.50)	(2,061,004.15)
General Revenues:							
Taxes:							
Property Taxes					1,534,006.87		1,534,006.87
Utility Taxes					64,934.10		64,934.10
Revenue from State Sources:							
State Aid					423,883.81		423,883.81
Unrestricted Investment Earnings					8,615.89	2.53	8,618.42
Other General Revenues					34,511.21		34,511.21
Transfers					(8,125.62)	8,125.62	0.00
Total General Revenues and Transfers					2,057,826.26	8,128.15	2,065,954.41
Change in Net Position					31,304.61	(26,354.35)	4,950.26
Net Position - Beginning					4,577,251.92	38,467.84	4,615,719.76
Adjustments:							
Prior Period Bond Issuance Costs					(7,210.00)		(7,210.00)
Adjusted Net Position - Beginning					4,570,041.92	38,467.84	4,608,509.76
NET POSITION - ENDING					4,601,346.53	12,113.49	4,613,460.02

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

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	839,950.13	858,434.51	296,526.09	23,245.75	2,018,156.48
Investments	28,692.42		412,542.69		441,235.11
Advanced Payments	5,500.00				5,500.00
Taxes Receivable--Current	441,805.97	240,455.77	6,777.96	13,600.52	702,640.22
Taxes Receivable--Delinquent	10,271.44	3,820.57	324.56	215.74	14,632.31
Due from Food Service Fund	1,785.19				1,785.19
Due From Other Government	69,171.10		11,291.00		80,462.10
TOTAL ASSETS	1,397,176.25	1,102,710.85	727,462.30	37,062.01	3,264,411.41
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Contracts Payable	153,149.27		14,895.52		168,044.79
Payroll Deductions and Withholdings and Employer Matching Payable	37,787.19		4,406.30		42,193.49
Total Liabilities	190,936.46	0.00	19,301.82	0.00	210,238.28
Deferred Inflows of Resources:					
Property Taxes Levied for a Future Period	441,805.97	240,455.77	6,777.96	13,600.52	702,640.22
Unavailable Revenue - Property Taxes	10,271.44	3,820.57	324.56	215.74	14,632.31
Total Deferred Inflows of Resources	452,077.41	244,276.34	7,102.52	13,816.26	717,272.53
Fund Balances:					
Restricted for Capital Outlay		858,434.51			858,434.51
Restricted for Special Education			701,057.96		701,057.96
Restricted for Pension				23,245.75	23,245.75
Assigned for Unemployment	28,692.42				28,692.42
Assigned for Next Year's Budget	372,380.53				372,380.53
Unassigned	353,089.43				353,089.43
Total Fund Balances	754,162.38	858,434.51	701,057.96	23,245.75	2,336,900.60
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,397,176.25	1,102,710.85	727,462.30	37,062.01	3,264,411.41

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds	<u>2,336,900.60</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,923,687.40</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(684,133.78)</u>
Unamortized discounts are reported as assets in the statement of net position, but are recorded as an expenditure in the funds.	<u>10,260.00</u>
Assets, such as taxes receivable--delinquent, that are not available to pay for current period expenditures, are deferred in the funds.	<u>14,632.31</u>
Net Position - Governmental Activities	<u><u>4,601,346.53</u></u>

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	936,992.18	543,735.45	13,982.11	27,952.74	1,522,662.48
Prior Years' Ad Valorem Taxes	4,230.06	1,934.40	98.46	97.43	6,360.35
Utility Taxes	64,934.10				64,934.10
Penalties and Interest on Taxes	1,919.71	1,065.30	38.06	51.43	3,074.50
Earnings on Investments and Deposits	935.00	357.15	7,295.89	27.85	8,615.89
Cocurricular Activities:					
Admissions	9,265.62				9,265.62
Other Pupil Activity Income	860.66				860.66
Other Revenue from Local Sources:					
Contributions and Donations	15,165.00				15,165.00
Charges for Services	13,317.40		1,110.00		14,427.40
Other	6,591.93		99.61		6,691.54
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	11,161.48				11,161.48
Revenue in Lieu of Taxes	306.19				306.19
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	423,883.81				423,883.81
Restricted Grants-in-Aid	3,500.00				3,500.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received from Federal Government Through the State	78,513.90		49,970.00		128,483.90
Total Revenue	1,571,577.04	547,092.30	72,594.13	28,129.45	2,219,392.92

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	480,249.77	24,452.76		19,329.00	524,031.53
Middle/Junior High	136,163.47	11,892.84		6,010.80	154,067.11
High School	250,328.98	15,664.24		12,102.91	278,096.13
Preschool Services	35,520.29	1,033.93		1,815.72	38,369.94
Special Programs:					
Programs for Special Education			129,889.39		129,889.39
Educationally Deprived	77,395.68				77,395.68
Support Services:					
Pupils:					
Guidance	26,877.58			516.36	27,393.94
Health	514.00				514.00
Psychological			3,652.00		3,652.00
Speech Pathology			26,650.34		26,650.34
Student Therapy Services			11,444.00		11,444.00
Instructional Staff:					
Improvement of Instruction	5,544.17				5,544.17
Educational Media	46,184.52	1,603.78		927.56	48,715.86
General Administration:					
Board of Education	13,528.56	1,463.00			14,991.56
Executive Administration	58,481.18			2,959.83	61,441.01
School Administration:					
Office of the Principal	107,722.79	729.00		5,195.64	113,647.43
Other	447.10				447.10
Business:					
Fiscal Services	57,103.98			2,388.94	59,492.92
Operation and Maintenance of Plant	112,836.68	71,523.91		1,814.42	186,175.01
Pupil Transportation	120,328.69	26,667.57		1,499.51	148,495.77
Food Services		3,849.62			3,849.62
Special Education:					
Administrative Costs			7,556.00		7,556.00

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Expenditures (Cont.):					
Debt Services		198,624.68			198,624.68
Cocurricular Activities:					
Male Activities	19,196.21	4,181.35			23,377.56
Female Activities	17,879.78	169.64			18,049.42
Transportation	1,644.62				1,644.62
Combined Activities	30,498.80	10,177.63		797.10	41,473.53
Capital Outlay		122,380.26			122,380.26
Total Expenditures	1,598,446.85	494,414.21	179,191.73	55,357.79	2,327,410.58
Excess of Revenue Over (Under) Expenditures	(26,869.81)	52,678.09	(106,597.60)	(27,228.34)	(108,017.66)
Other Financing Sources (Uses):					
Transfers In	12,487.48				12,487.48
Transfers Out	(5,400.00)		(12,487.48)		(17,887.48)
Sale of Surplus Property	1,187.00				1,187.00
Total Other Financing Sources (Uses)	8,274.48	0.00	(12,487.48)	0.00	(4,213.00)
Net Change in Fund Balances	(18,595.33)	52,678.09	(119,085.08)	(27,228.34)	(112,230.66)
Fund Balance - Beginning	772,757.71	805,756.42	820,143.04	50,474.09	2,449,131.26
FUND BALANCE - ENDING	754,162.38	858,434.51	701,057.96	23,245.75	2,336,900.60

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
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, 2014

Net Change in Fund Balances - Total Governmental Funds	<u>(112,230.66)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>(33,824.81)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>178,933.30</u>
This amount represents amortization of bond discount and debt issuance costs reported in the statement of activities which is not reported on the fund financial statements.	<u>(1,710.00)</u>
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however interest expense is recognized as the interest accrues.	<u>163.11</u>
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in fund statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	<u>1,909.54</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(1,935.87)</u>
Change in Net Position of Governmental Activities	<u><u>31,304.61</u></u>

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2014

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents		1,541.40	1,541.40
Inventory of Stores Purchased for Resale	2,346.90		2,346.90
Inventory of Donated Food	2,208.37		2,208.37
Total Current Assets	4,555.27	1,541.40	6,096.67
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	87,782.97		87,782.97
Less: Accumulated Depreciation	(71,403.29)		(71,403.29)
Total Noncurrent Assets	16,379.68	0.00	16,379.68
TOTAL ASSETS	20,934.95	1,541.40	22,476.35
LIABILITIES:			
Current Liabilities:			
Contracts Payable	5,609.06		5,609.06
Due to General Fund	1,785.19		1,785.19
Payroll Deductions and Withholdings and Employer Matching Payable	2,968.61		2,968.61
TOTAL LIABILITIES	10,362.86	0.00	10,362.86
NET POSITION:			
Net Investment in Capital Assets	16,379.68		16,379.68
Unrestricted Net Position	(5,807.59)	1,541.40	(4,266.19)
TOTAL NET POSITION	10,572.09	1,541.40	12,113.49

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Fund		Totals
	Food Service Fund	Driver's Education Fund	
Operating Revenue:			
Food Sales:			
Students	46,886.40		46,886.40
Adults	4,559.47		4,559.47
Ala Carte	110.00		110.00
Other Charges for Goods and Services		1,500.00	1,500.00
Total Operating Revenue	51,555.87	1,500.00	53,055.87
Operating Expenses:			
Salaries	49,314.99	4,715.00	54,029.99
Employee Benefits	25,132.14	643.60	25,775.74
Purchased Services	2,508.15		2,508.15
Supplies	2,287.41		2,287.41
Cost of Sales - Purchased	47,847.67		47,847.67
Cost of Sales - Donated	5,755.28		5,755.28
Other	127.75		127.75
Depreciation	5,172.53		5,172.53
Total Operating Expenses	138,145.92	5,358.60	143,504.52
Operating Income (Loss)	(86,590.05)	(3,858.60)	(90,448.65)
Nonoperating Revenue:			
Investment Earnings	2.53		2.53
State Grants	409.45		409.45
Federal Grants	49,266.21		49,266.21
Donated Food	6,290.49		6,290.49
Total Nonoperating Revenue (Expense)	55,968.68	0.00	55,968.68
Income (Loss) Before Contributions and Transfers	(30,621.37)	(3,858.60)	(34,479.97)
Capital Contributions	2,725.62		2,725.62
Transfers In		5,400.00	5,400.00
Change in Net Position	(27,895.75)	1,541.40	(26,354.35)
Net Position - Beginning	38,467.84	0.00	38,467.84
NET POSITION - ENDING	10,572.09	1,541.40	12,113.49

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Fund		
	Food Service Fund	Driver's Education Fund	Totals
Cash Flows from Operating Activities:			
Cash Receipts from Customers	51,555.87	1,500.00	53,055.87
Cash Payments to Employees for Services	(73,290.05)	(5,358.60)	(78,648.65)
Cash Payments to Suppliers for Goods or Services	(52,143.15)		(52,143.15)
Net Cash Provided (Used) by Operating Activities	<u>(73,877.33)</u>	<u>(3,858.60)</u>	<u>(77,735.93)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund		5,400.00	5,400.00
Interfund Loan	1,785.19		1,785.19
Operating Grants	49,675.66		49,675.66
Net Cash Provided (Used) from Noncapital Financing Activities	<u>51,460.85</u>	<u>5,400.00</u>	<u>56,860.85</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(654.42)		(654.42)
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(654.42)</u>	<u>0.00</u>	<u>(654.42)</u>
Cash Flows from Investing Activities:			
Cash Received for Interest	2.53		2.53
Net Cash Provided (Used) from Investing Activities	<u>2.53</u>	<u>0.00</u>	<u>2.53</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(23,068.37)</u>	<u>1,541.40</u>	<u>(21,526.97)</u>
Cash and Cash Equivalents at Beginning of Year	23,068.37	0.00	23,068.37
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>0.00</u>	<u>1,541.40</u>	<u>1,541.40</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(86,590.05)	0.00	(86,590.05)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	5,172.53	(3,858.60)	1,313.93
Value of Donated Commodities Used	5,755.28		5,755.28
Change in Assets and Liabilities:			
Inventories	649.41		649.41
Accounts and Other Payables	(21.58)		(21.58)
Accrued Wages Payable	1,157.08		1,157.08
Net Cash Provided (Used) by Operating Activities	<u>(73,877.33)</u>	<u>(3,858.60)</u>	<u>(77,735.93)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	6,290.49		6,290.49
Equipment Purchased by Capital Outlay Fund	2,725.62		2,725.62

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2014

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	<u>17,157.16</u>	<u>39,474.47</u>
TOTAL ASSETS	<u>17,157.16</u>	<u>39,474.47</u>
LIABILITIES:		
Amounts Held for Others	<u>0.00</u>	<u>39,474.47</u>
TOTAL LIABILITIES	<u>0.00</u>	<u>39,474.47</u>
NET POSITION		
Held in Trust for Scholarships	<u>17,157.16</u>	

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

SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
STATEMENT OF CHANGES IN FIDUCIARY NET POSITON
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and Donations	500.00
Earnings from Deposits and Investments	9.34
Total Additions	509.34
 DEDUCTIONS:	
Trust Deductions for Scholarships	1,500.00
Total Deductions	1,500.00
Change in Net Position	(990.66)
Net Position - Beginning	18,147.82
NET POSITON - ENDING	17,157.16

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 Sanborn Central School District No. 55-5 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

NOTES TO 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 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 School 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 School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Proprietary Funds:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

Driver's Education Fund – A fund used to record the financial transactions related to the Driver's Education Program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

A scholarship trust fund is maintained by the School District from funds donated by alumni and local citizens for scholarships for graduating students of the School who will be attending college or technical school. Recipients are selected independently and annual scholarships are paid out of these funds.

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 School District maintains agency funds in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:**Government-wide Financial Statements:**

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

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 fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 for the School District is 60 days. The revenues which are accrued at June 30, 2014, are grants from the State of South Dakota and gross receipts taxes.

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.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

In order to minimize the gross-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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets:

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

The accounting treatment 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 or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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

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

Depreciation of all exhaustible capital assets is not recorded as an expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 1.00	-----N/A-----	-----N/A-----
Improvements	\$ 5,000.00	Straight-line	10-30 yrs.
Buildings	\$ 5,000.00	Straight-line	30-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	10-20 yrs.
Equipment – Food Service	\$ 300.00	Straight-line	12 yrs.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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.

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, a loan payable and capital outlay certificates.

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

h. Program Revenues:

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

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

i. Deferred Inflows and Deferred Outflows of Resources:

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. 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.

k. Cash and Cash Equivalents:

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

l. Intangible Assets and Deferred Charges:

Costs associated with capital outlay certificate refunding have been capitalized and are being amortized over the life of the capital outlay certificates.

m. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

n. Application of Net Position:

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

o. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Capital Outlay Fund	Local Taxes
Special Education Fund	Local Taxes and Grants
Pension Fund	Local Taxes

2. DEPOSITS AND INVSETMENTS, 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 as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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. Investments are stated at fair value.

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

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

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 with the exception of Agency Funds where the interest is accumulated and credited to the General Fund annually.

3. RECEIVABLES AND PAYABLES

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

4. INVENTORY

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

expenditure at the time individual inventory items are consumed in the General Fund, special revenue funds, and the proprietary funds. No material supplies inventories were on hand at June 30, 2014 in the General Fund and special revenue funds.

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, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

6. CHANGES IN CAPITAL ASSETS

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

	Balance 07/01/2013	Increases	Decreases	Balance 06/30/2014
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	51,100.00			51,100.00
Total, not being depreciated	<u>51,100.00</u>	<u>0.00</u>	<u>0.00</u>	<u>51,100.00</u>
Capital Assets, being depreciated:				
Improvements	165,518.49	34,624.32		200,142.81
Buildings	3,139,979.24			3,139,979.24
Machinery & Equipment	1,440,421.43	87,755.94	(40,271.43)	1,487,905.94
Total, being depreciated	<u>4,745,919.16</u>	<u>122,380.26</u>	<u>(40,271.43)</u>	<u>4,828,027.99</u>
Less Accumulated Depreciation for:				
Improvements	(100,792.64)	(15,058.73)		(115,851.37)
Buildings	(562,916.43)	(63,593.66)		(626,510.09)
Machinery & Equipment	(1,175,797.88)	(77,552.68)	40,271.43	(1,213,079.13)
Total Accumulated Depreciation	<u>(1,839,506.95)</u>	<u>(156,205.07)</u>	<u>40,271.43</u>	<u>(1,955,440.59)</u>
Total Capital Assets, being depreciated, net	<u>2,906,412.21</u>	<u>(33,824.81)</u>	<u>0.00</u>	<u>2,872,587.40</u>
Governmental Activity Capital Assets, Net	<u>2,957,512.21</u>	<u>(33,824.81)</u>	<u>0.00</u>	<u>2,923,687.40</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	86,504.63
Support Services	34,052.27
Co-curricular Activities	<u>35,648.17</u>
Total Depreciation Expense - Governmental Activities	<u><u>156,205.07</u></u>

	Balance 07/01/2013	Increases	Decreases	Balance 06/30/2014
Business-type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	87,460.12	3,380.04	(3,057.19)	87,782.97
Total, being depreciated	<u>87,460.12</u>	<u>3,380.04</u>	<u>(3,057.19)</u>	<u>87,782.97</u>
Less Accumulated Depreciation for:				
Machinery & Equipment	(69,287.95)	(5,172.53)	3,057.19	(71,403.29)
Total Accumulated Depreciation	<u>(69,287.95)</u>	<u>(5,172.53)</u>	<u>3,057.19</u>	<u>(71,403.29)</u>
Total Capital Assets, being depreciated, net	<u>18,172.17</u>	<u>(1,792.49)</u>	<u>0.00</u>	<u>16,379.68</u>
Business-type Activity Capital Assets, Net	<u><u>18,172.17</u></u>	<u><u>(1,792.49)</u></u>	<u><u>0.00</u></u>	<u><u>16,379.68</u></u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	5,172.53
Total Depreciation Expense - Business-Type Activities	<u><u>5,172.53</u></u>

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

	Balance 07/01/2013	Amortization Expense	Balance 06/30/2014
Governmental Activities:			
Intangible Assets, being amortized:			
Bond Discounts	11,970.00	(1,710.00)	10,260.00
Total Intangible Assets, being amortized	<u>11,970.00</u>	<u>(1,710.00)</u>	<u>10,260.00</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Limited Tax General Obligation					
Refunding Certificates,					
Series 2010	805,000.00		130,000.00	675,000.00	130,000.00
Santel Note	48,933.30		48,933.30	0.00	0.00
Total Debt	<u>853,933.30</u>	<u>0.00</u>	<u>178,933.30</u>	<u>675,000.00</u>	<u>130,000.00</u>
Accrued Compensated					
Absences	7,197.91	4,092.05	2,156.15	9,133.81	3,000.00
Total Governmental Activities	<u>861,131.21</u>	<u>4,092.05</u>	<u>181,089.45</u>	<u>684,133.81</u>	<u>133,000.00</u>

Liabilities Payable at June 30, 2014, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Capital Outlay Certificates:

Limited Tax General Obligation Refunding Certificates, Series 2010 \$ 675,000.00
 Final Maturity Date on January 1, 2019,
 Fixed Interest Rates 0.75% to 2.90%,
 Paid by the Capital Outlay Fund.

Compensated Absences:

General Fund \$ 9,026.49
 Special Education Fund \$ 107.32
 Payment to be made by the fund that the payroll expenditures are charged to.

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

Annual Requirements to Maturity for Long-Term Debt June 30, 2014		
Year Ending June 30,	Limited Tax General Obligation Refunding Certificates - Series 2010	
	<u>Principal</u>	<u>Interest</u>
2015	130,000.00	8,240.00
2016	130,000.00	13,120.00
2017	135,000.00	9,807.50
2018	140,000.00	6,090.00
2019	140,000.00	2,030.00
Totals	<u>675,000.00</u>	<u>39,287.50</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. OPERATING LEASES

The District entered into an operating lease for copiers. The minimum monthly payments are \$683.79 and are paid from the Capital Outlay Fund.

<u>Year</u>	<u>Capital Outlay</u>
2015	\$ 8,205.48
2016	\$ 8,205.48
2017	\$ 8,205.48
2018	\$ 8,205.48
2019	\$ 3,418.95

9. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2014 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$1,785.19	
Food Service Fund		\$1,785.19

10. INTERFUND TRANSFERS

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

<u>Transfers from:</u>	Transfers to:		
	<u>Driver's Ed Fund</u>	<u>General Fund</u>	<u>TOTAL</u>
Major Funds:			
General Fund	\$ 5,400.00	\$ -	\$ 5,400.00
Special Education		12,487.48	12,487.48
Total	<u>\$ 5,400.00</u>	<u>\$ 12,487.48</u>	<u>\$ 17,887.48</u>

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt.

Transfers are used to conduct the indispensable functions of the School District.

11. RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

<u>FUND</u>	<u>Restricted By:</u>	<u>Amount</u>
Capital Outlay	Law	\$ 862,255.08
Special Education	Law	701,382.52
Pension	Law	23,461.49
Total Restricted Net Position		<u>\$ 1,587,099.09</u>

12. RETIREMENT PLAN

All employees, except for classified employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. 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, 2014, 2013 and 2012, were \$74,894.37, \$72,578.19, and \$74,076.39, respectively, equal to the required contributions each year.

13. JOINT VENTURES

The School District participates in the James Valley Education 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:

Mitchell School District	73.6%
Parkston School District	15.1%
Sanborn Central School District	5.3%
Woonsocket School District	6.0%

The James Valley Education Cooperative's governing board is composed of two representatives from each member school district, who are the Superintendent who serves on an advisory board and a 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 position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Separate financial statements for this joint venture are available from the James Valley Education Cooperative at 800 W. 10th Avenue in Mitchell, SD 57301.

At June 30, 2014, this joint venture had total assets of \$62,717.00, total liabilities of \$29,378.00, and net position of \$33,339.00.

14. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

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

Unemployment Benefits:

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

The School District has an assigned fund balance in the General Fund in the amount of \$28,692.42 for the payment of future unemployment benefits.

During the year ended June 30, 2014, no claims were paid for unemployment benefits. At June 30, 2014, no claims had been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2014, the School District was not involved in any significant litigation.

REQUIRED SUPPLEMENTARY INFORMATION
SANBORN CENTRAL SCHOOL DISTRICT 55-5
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	899,926.00	899,926.00	936,992.18	37,066.18
Prior Years' Ad Valorem Taxes	0.00	0.00	4,230.06	4,230.06
Utility Taxes	69,920.00	69,920.00	64,934.10	(4,985.90)
Penalties and Interest on Taxes	4,200.00	4,200.00	1,919.71	(2,280.29)
Earnings on Investments and Deposits	1,000.00	1,000.00	935.00	(65.00)
Cocurricular Activities:				
Admissions	10,000.00	10,000.00	9,265.62	(734.38)
Other Pupil Activity Income	1,000.00	1,000.00	860.66	(139.34)
Other Revenue from Local Sources:				
Contributions and Donations	0.00	0.00	15,165.00	15,165.00
Charges for Services	9,000.00	9,000.00	13,317.40	4,317.40
Other	9,500.00	9,500.00	6,591.93	(2,908.07)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	12,000.00	12,000.00	11,161.48	(838.52)
Revenue in Lieu of Taxes	0.00	0.00	306.19	306.19
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	436,781.80	436,781.80	423,883.81	(12,897.99)
Restricted Grants-in-Aid	0.00	0.00	3,500.00	3,500.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	75,951.00	75,951.00	78,513.90	2,562.90
Total Revenue	1,529,278.80	1,529,278.80	1,571,577.04	42,298.24
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	502,009.08	510,759.08	480,249.77	30,509.31
Middle/Junior High	138,680.00	145,200.00	136,163.47	9,036.53
High School	290,100.00	290,100.00	250,328.98	39,771.02
Preschool Services	36,630.00	37,230.00	35,520.29	1,709.71
Special Programs:				
Educationally Deprived	97,282.75	97,282.75	77,395.68	19,887.07

REQUIRED SUPPLEMENTARY INFORMATION
SANBORN CENTRAL SCHOOL DISTRICT 55-5
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Support Services:				
Pupils:				
Guidance	22,240.00	37,130.00	26,877.58	10,252.42
Health	900.00	900.00	514.00	386.00
Instructional Staff:				
Improvement of Instruction	3,000.00	3,000.00	5,544.17	(2,544.17)
Educational Media	29,380.00	49,860.00	46,184.52	3,675.48
General Administration:				
Board of Education	18,650.00	19,150.00	13,528.56	5,621.44
Executive Administration	62,710.00	63,770.00	58,481.18	5,288.82
School Administration:				
Office of the Principal	117,580.00	118,280.00	107,722.79	10,557.21
Other	700.00	700.00	447.10	252.90
Business:				
Fiscal Services	61,520.00	61,520.00	57,103.98	4,416.02
Operation and Maintenance of Plant	110,570.00	117,950.00	112,836.68	5,113.32
Pupil Transportation	114,280.00	122,600.00	120,328.69	2,271.31
Cocurricular Activities:				
Male Activities	23,025.80	23,885.80	19,196.21	4,689.59
Female Activities	22,747.20	23,607.20	17,879.78	5,727.42
Transportation	2,637.00	2,637.00	1,644.62	992.38
Combined Activities	36,620.00	37,610.00	30,498.80	7,111.20
Total Expenditures	1,691,261.83	1,763,171.83	1,598,446.85	164,724.98
Excess of Revenue Over (Under) Expenditures	(161,983.03)	(233,893.03)	(26,869.81)	207,023.22
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	12,487.48	12,487.48
Transfers Out	(24,460.46)	(24,460.46)	(5,400.00)	19,060.46
Sale of Surplus Property	0.00	0.00	1,187.00	1,187.00
Total Other Financing Sources (Uses)	(24,460.46)	(24,460.46)	8,274.48	32,734.94
Net Change in Fund Balances	(186,443.49)	(258,353.49)	(18,595.33)	239,758.16
Fund Balance - Beginning	772,757.71	772,757.71	772,757.71	0.00
FUND BALANCE - ENDING	586,314.22	514,404.22	754,162.38	239,758.16

REQUIRED SUPPLEMENTARY INFORMATION
SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	531,160.00	531,160.00	543,735.45	12,575.45
Prior Years' Ad Valorem Taxes	0.00	0.00	1,934.40	1,934.40
Penalties and Interest on Taxes	3,000.00	3,000.00	1,065.30	(1,934.70)
Earnings on Investments and Deposits	250.00	250.00	357.15	107.15
Total Revenue	<u>534,410.00</u>	<u>534,410.00</u>	<u>547,092.30</u>	<u>12,682.30</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	26,430.00	26,650.00	25,650.76	999.24
Middle/Junior High	27,920.00	27,920.00	11,892.84	16,027.16
High School	35,150.00	35,150.00	34,557.24	592.76
Preschool Services	500.00	1,078.00	1,033.93	44.07
Support Services:				
Instructional Staff:				
Educational Media	4,870.00	4,870.00	4,431.72	438.28
General Administration:				
Board of Education	1,500.00	1,500.00	1,463.00	37.00
School Administration:				
Office of the Principal	1,000.00	1,000.00	729.00	271.00
Business:				
Facilities Acquisition and Construction	25,000.00	34,630.00	34,624.32	5.68
Operation and Maintenance of Plant	79,210.00	79,210.00	78,552.91	657.09
Pupil Transportation	111,530.00	111,530.00	73,415.57	38,114.43
Food Services	0.00	3,860.00	3,849.62	10.38
Debt Service	<u>198,650.00</u>	<u>198,650.00</u>	<u>198,624.68</u>	<u>25.32</u>
Cocurricular Activities:				
Male Activities	12,650.00	21,180.00	9,711.35	11,468.65
Female Activities	5,000.00	10,530.00	5,699.64	4,830.36
Combined Activities	5,000.00	10,187.00	10,177.63	9.37
Total Expenditures	<u>534,410.00</u>	<u>567,945.00</u>	<u>494,414.21</u>	<u>73,530.79</u>
Net Change in Fund Balances	<u>0.00</u>	<u>(33,535.00)</u>	<u>52,678.09</u>	<u>86,213.09</u>
Fund Balance - Beginning	805,756.42	805,756.42	805,756.42	0.00
FUND BALANCE - ENDING	<u>805,756.42</u>	<u>772,221.42</u>	<u>858,434.51</u>	<u>86,213.09</u>

REQUIRED SUPPLEMENTARY INFORMATION
SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	12,655.55	12,655.55	13,982.11	1,326.56
Prior Years' Ad Valorem Taxes	0.00	0.00	98.46	98.46
Penalties and Interest on Taxes	1,000.00	1,000.00	38.06	(961.94)
Earnings on Investments and Deposits	150.00	150.00	7,295.89	7,145.89
Other Revenue from Local Sources:				
Charges for Services	700.00	700.00	1,110.00	410.00
Other	0.00	0.00	99.61	99.61
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State				
	49,970.00	49,970.00	49,970.00	0.00
Total Revenue	64,475.55	64,475.55	72,594.13	8,118.58
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	164,690.00	169,490.00	129,889.39	39,600.61
Support Services:				
Pupils:				
Psychological	4,000.00	4,000.00	3,652.00	348.00
Speech Pathology	26,019.25	27,069.25	26,650.34	418.91
Student Therapy Services	9,000.00	11,450.00	11,444.00	6.00
Special Education:				
Administrative Costs	5,590.00	7,570.00	7,556.00	14.00
Total Expenditures	209,299.25	219,579.25	179,191.73	40,387.52
Excess of Revenue Over (Under) Expenditures	(144,823.70)	(155,103.70)	(106,597.60)	(32,268.94)
Other Financing Sources:				
Transfers Out	0.00	0.00	(12,487.48)	12,487.48
Net Change in Fund Balances	(144,823.70)	(155,103.70)	(119,085.08)	(19,781.46)
Fund Balance - Beginning	820,143.04	820,143.04	820,143.04	0.00
FUND BALANCE - ENDING	675,319.34	665,039.34	701,057.96	(19,781.46)

REQUIRED SUPPLEMENTARY INFORMATION
SANBORN CENTRAL SCHOOL DISTRICT NO. 55-5
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	24,350.00	24,350.00	27,952.74	3,602.74
Prior Years' Ad Valorem Taxes	0.00	0.00	97.43	97.43
Penalties and Interest on Taxes	0.00	0.00	51.43	51.43
Earnings on Investments and Deposits	30.00	30.00	27.85	(2.15)
Total Revenue	24,380.00	24,380.00	28,129.45	3,749.45
Expenditures:				
Instruction:				
Elementary	19,329.00	19,329.00	19,329.00	0.00
Middle/Junior High	6,010.80	6,010.80	6,010.80	0.00
High School	12,894.78	12,894.78	12,102.91	791.87
Preschool Services	1,837.20	1,837.20	1,815.72	21.48
Support Services:				
Pupils:				
Guidance	516.60	516.60	516.36	0.24
Instructional Staff:				
Educational Media	927.56	927.56	927.56	0.00
General Administration:				
Executive Administration	2,972.36	2,972.36	2,959.83	12.53
School Administration:				
Office of the Principal	5,431.09	5,431.09	5,195.64	235.45
Business:				
Fiscal Services	2,401.16	2,401.16	2,388.94	12.22
Operation and Maintenance of Plant	1,814.42	1,814.42	1,814.42	0.00
Pupil Transportation	1,499.51	1,499.51	1,499.51	0.00
Cocurricular Activities:				
Combined Activities	797.10	797.10	797.10	0.00
Total Expenditures	56,431.58	56,431.58	55,357.79	1,073.79
Net Change in Fund Balances	(32,051.58)	(32,051.58)	(27,228.34)	4,823.24
Fund Balance - Beginning	50,474.09	50,474.09	50,474.09	0.00
FUND BALANCE - ENDING	18,422.51	18,422.51	23,245.75	4,823.24

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

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

Notes 1. Budgets and Budgetary Accounting:

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

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

Note 2. USGAAP/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.