

DELL RAPIDS SCHOOL DISTRICT NO. 49-3

AUDIT REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
TABLE OF CONTENTS

	Page
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	1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3
Schedule of Prior Audit Findings and Questioned Costs	5
Schedule of Current Audit Findings and Questioned Costs.....	6
Independent Auditor's Report	8
Management's Discussion and Analysis (MD&A).....	10
 Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22
 Fund Financial Statements:	
Governmental Funds	
Balance Sheet	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Statement of Revenues, Expenditures and Changes in Fund Balances.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	28
 Proprietary Funds	
Statement of Net Position	29
Statement of Revenues, Expenses and Changes in Fund Net Position	30
Statement of Cash Flows	31

Fiduciary Funds

Statement of Fiduciary Net Position.....	32
Notes to the Financial Statements	33
Required Supplementary Information Other than MD&A:	
Budgetary Comparison Schedule – Budgetary Basis – General Fund.....	50
Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund	53
Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund	55
Notes to Required Supplementary Information.....	56
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	58
Corrective Action Plan	59



KMWF & Associates, PC

Certified Public Accountants

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
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3, South Dakota (School District), as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 5, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2014-1 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 finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. 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 entity'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.

KMWF + Associates, PC

Dell Rapids, South Dakota
March 5, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Dell Rapids School District No. 49-3
Dell Rapids, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Dell Rapids School District No. 49-3, South Dakota (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Dell Rapids School District No. 49-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2014-1 to be a material weakness.

The School District's response to the internal control compliance finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

KMWF + Associates, PC

Dell Rapids, South Dakota
March 5, 2015

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

PRIOR FEDERAL AUDIT FINDINGS:

Prior Finding Number 2013-1:

A deficiency in controls existed due to a lack of segregation of duties. This finding has not been corrected and is restated as finding number 2014-1.

PRIOR OTHER AUDIT FINDINGS:

The lack of segregation of duties discussed above in finding number 2013-1 is the only prior other audit finding.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2014-1.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the allowable cost/cost principles compliance requirement category as discussed in finding number 2014-1.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a) except for a material weakness resulting from a lack of segregation of duties as discussed in finding number 2014-1.
- g. The federal awards tested as major programs were:
 - Special Education Cluster:
 - 84.027 Special Education – Grants to States
 - 84.173 Special Education – Preschool Grants
 - 84.010 Title I Grants to Local Educational Agencies
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. Dell Rapids School District No. 49-3 did not qualify as a low-risk auditee.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Current Federal Audit Findings:

Internal Control-Related Findings - Material Weaknesses:

Finding Number 2014-1:

The major federal programs affected are the Special Education Cluster and Title I as noted on the previous page. This is the eleventh consecutive audit report in which this finding has appeared.

Criteria:

Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

Condition Found:

A deficiency in controls existed due to a lack of segregation of duties regarding the cash receipts, cash disbursements and payroll. This lack of segregation of duties could adversely affect the District's ability to record, process and report financial data and increases the risk of inaccurate financial statements and/or misappropriation of assets.

Questioned Costs:

There are no questioned costs.

Recommendation:

Implementation of compensating controls.

Corrective Action Plan:

The School District is aware of this problem, which is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 59.

Federal Compliance – Related Audit Findings and Questioned Costs:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

Internal Control – Related Findings – Material Weaknesses:

The lack of segregation of duties discussed in finding number 2014-1 is the only other current finding noted. The governing board's response is the same as noted above.



INDEPENDENT AUDITOR'S REPORT

School Board
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3, South Dakota, (School District) as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund,

and the aggregate remaining fund information of the Dell Rapids School District No. 49-3 as of June 30, 2014, and the respective changes in financial position and , where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules, on pages 10 through 20, and 50 through 57 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

KMWF + Associates, PC

Dell Rapids, South Dakota
March 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- During the year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$817,576.67 less than the \$10,682,304.46 in governmental and business-type program expenditures.
- The total cost of the District's programs increased by \$1,392,451.00. In FY2014, the old elementary school and its kitchen equipment were sold, and a loss of \$1,236,360.83 was expensed on the government-wide financial statements. In addition, unamortized debt issuance costs of \$206,130.19 were expensed in F2014. Other expenses had an overall decrease of \$50,040.02 due to savings in staff, supplies, and repair and maintenance costs.
- The general fund reported a \$50,278.84 current year surplus, primarily due to controlling expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. Proprietary funds operated by the school are the Food Service Operation and Other Enterprise Funds for fee based programs such as the Before/After School Program, summer drivers' education, and athletic camps.
 - Fiduciary fund statements provide information about the financial relationships - like student organization accounts - in which the District 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 District’s financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Dell Rapids School District’s Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the District operates similar to private businesses; such the food service operation, activity camps and drivers’ education	Instances in which the District 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 Net Position *Statement of Changes in Net Position
Account Basis and Measurement Focus	Accrual accounting and economic resource 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 District’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 good 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 District 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 District’s net position and how they have changed. Net position is one way to measure the District’s financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District'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 District are reported in two categories:
 - **Governmental Activities** - This category includes the District'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, declam, 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, activity camps, and summer drivers' education. The Food Service Fund and the Other Enterprise Funds are the only business-type activities of the District.

Fund Financial Statements

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

- State Law requires some of the funds, such as Capital Outlay and Special Education.
- The School Board may establish other funds to control and manage money for particular purposes (like a Scholarship Trust).

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District'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 the Other Enterprise Funds are the only proprietary funds maintained by the District.

- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s combined net position changed as follows:

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current and Other Assets	\$7,423,047.01	\$7,461,786.10	\$173,559.24	\$215,987.62	\$7,596,606.25	\$7,677,773.72	1.07%
Capital Assets (Net of Depreciation)	<u>22,753,047.79</u>	<u>20,621,156.31</u>	<u>116,771.17</u>	<u>105,033.21</u>	<u>22,869,818.96</u>	<u>20,726,189.52</u>	-9.37%
Total Assets	\$30,176,094.80	\$28,082,942.41	\$290,330.41	\$321,020.83	\$30,466,425.21	\$28,403,963.24	-6.77%
Long-Term Liabilities Outstanding	\$18,113,520.52	\$16,641,502.11	\$0.00	\$0.00	\$18,113,520.52	\$16,641,502.11	-8.13%
Other Liabilities	<u>581,506.16</u>	<u>608,263.35</u>	<u>4,137.68</u>	<u>19,385.00</u>	<u>585,643.84</u>	<u>627,648.35</u>	7.17%
Total Liabilities	\$18,695,026.68	\$17,249,765.46	\$4,137.68	\$19,385.00	\$18,699,164.36	\$17,269,150.46	-7.65%
Deferred Inflows of Resources - Taxes Levied for Future Period	<u>\$2,363,127.63</u>	<u>\$2,548,256.23</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$2,363,127.63</u>	<u>\$2,548,256.23</u>	7.83%
Total Deferred Inflows	\$2,363,127.63	\$2,548,256.23	\$0.00	\$0.00	\$2,363,127.63	\$2,548,256.23	7.83%
Net Position:							
Invested in Capital Assets, Net of Related Debt	\$4,675,803.79	\$4,023,416.04	\$116,771.17	\$105,033.21	\$4,792,574.96	\$4,128,449.25	-13.86%
Restricted	3,187,665.04	3,163,966.19	0.00	0.00	3,187,665.04	3,163,966.19	-0.74%
Unrestricted	<u>1,254,471.66</u>	<u>1,097,538.49</u>	<u>169,421.56</u>	<u>196,602.62</u>	<u>1,423,893.22</u>	<u>1,294,141.11</u>	-9.11%
Total Net Position	\$9,117,940.49	\$8,284,920.72	\$286,192.73	\$301,635.83	\$9,404,133.22	\$8,586,556.55	-8.69%
Beginning Net Position	<u>\$8,835,660.75</u>	<u>\$9,117,940.49</u>	<u>\$155,228.12</u>	<u>\$286,192.73</u>	<u>\$8,990,888.87</u>	<u>\$9,404,133.22</u>	
Increase (Decrease) in Net Position	<u>\$282,279.74</u>	<u>(\$833,019.77)</u>	<u>\$130,964.61</u>	<u>\$15,443.10</u>	<u>\$413,244.35</u>	<u>(\$817,576.67)</u>	
Percentage of Increase (Decrease) in Net Position	<u>3.19%</u>	<u>-9.14%</u>	<u>84.37%</u>	<u>5.40%</u>	<u>4.60%</u>	<u>-8.69%</u>	

Total assets decreased by \$2,062,461.97 between June 30, 2013 and June 30, 2014; however, current assets increased by \$81,167.47, while capital assets decreased by \$2,143,629.44. The decrease in capital assets is mainly attributed to depreciation and disposal of the surplus old elementary school.

Total liabilities decreased by \$1,430,013.90. Long-Term Liabilities Outstanding decreased by \$1,472,018.41, mainly due to Debt Service payments, including the retirement of crossover refunding certificates. Other Liabilities increased by \$42,004.51, mainly due to increases in accounts payable, salaries and benefits payable, and unearned revenue.

Deferred Inflows increased by \$185,128.60, due to increases in future period property taxes and utility taxes.

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

Changes in Net Position

The School's total revenues (excluding special items) totaled \$9,864,727.79. (See Table A-2)

Approximately one-half of the District's revenue comes from property and other taxes, and approximately 30% comes from state aid. (See Figure A-2)

The District's expenses cover a range of services, encompassing instruction, support services and food services. The total cost of all programs and services for FY2014 was \$10,682,304.46. Approximately 41% of the total expenses were for instruction, and approximately 25% were for support services. Nonprogrammed charges increased from .22% of total expenses to 11.73% of total expenses, due to sale of the old elementary school at a loss. (See Figure A-3)

Figure A-2
 Dell Rapids School District
 Sources of Revenues for Fiscal Year 2014

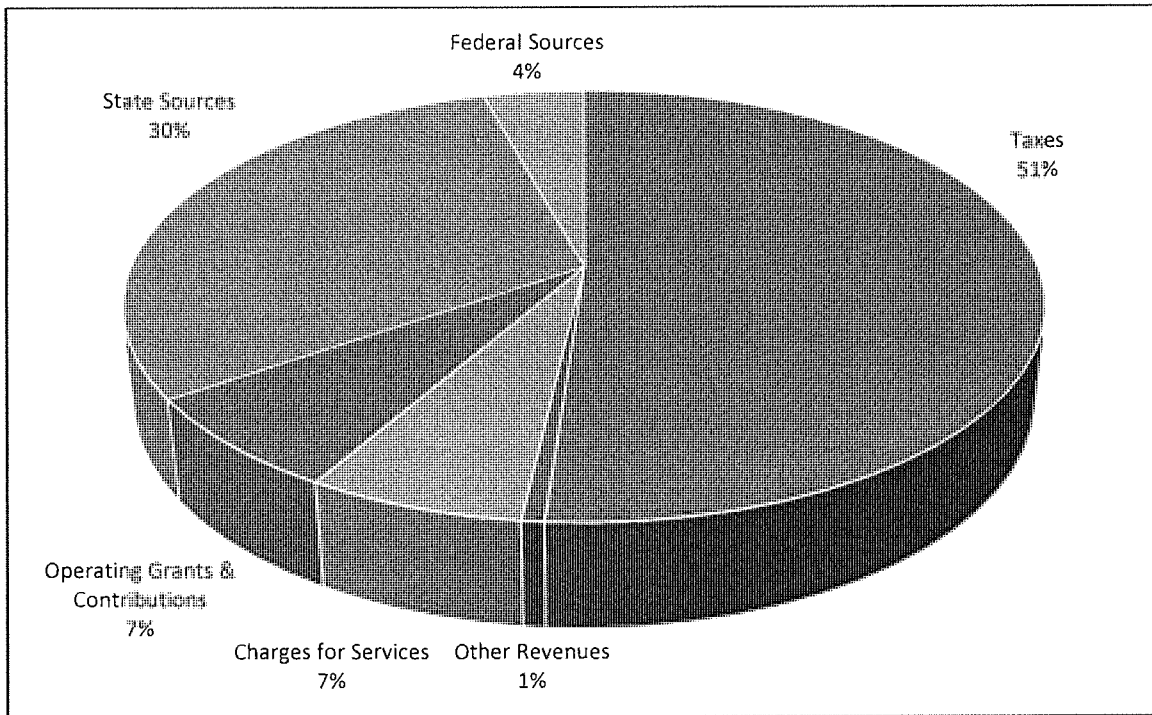
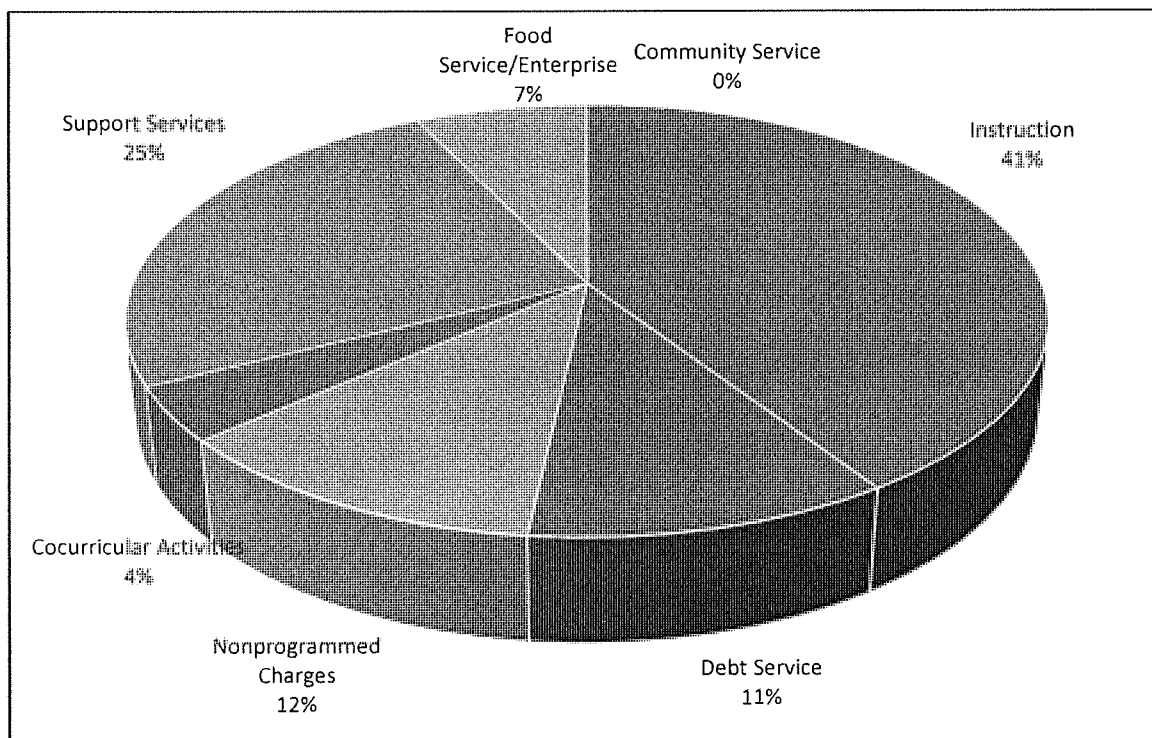


Figure A-3
 Dell Rapids School District
 Functional Expenses for Fiscal Year 2014



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
Dell Rapids School District 49-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Revenues							
Program Revenues							
Charges for Services	\$90,207.06	\$80,408.29	\$575,262.13	\$560,115.25	\$665,469.19	\$640,523.54	-3.75%
Operating Grants and Contributions	435,252.29	483,268.68	244,170.90	210,135.84	679,423.19	693,404.52	2.06%
Capital Grants and Contributions	29,673.41	0.00			29,673.41	0.00	-100.00%
General Revenues							
Taxes	4,814,718.51	5,047,979.87			4,814,718.51	5,047,979.87	4.84%
Revenue State Sources	3,005,652.10	3,001,841.63			3,005,652.10	3,001,841.63	-0.13%
Revenue Federal Sources	87.77	79.11			87.77	79.11	-9.87%
Revenue Intermediate Sources	54,886.54	48,296.43			54,886.54	48,296.43	-12.01%
Revenue Local Sources	17,790.39	11,610.59			17,790.39	11,610.59	-34.74%
Unrestricted Investment Earnings	6,042.17	5,724.99	1,350.11	1,088.54	7,392.28	6,813.53	-7.83%
Federal Interest Reimbursement	428,004.43	414,178.57			428,004.43	414,178.57	-3.23%
Total Revenues	\$8,882,314.67	\$9,093,388.16	\$820,783.14	\$771,339.63	\$9,703,097.81	\$9,864,727.79	1.67%
Expenses							
Instruction	\$4,451,778.76	\$4,362,309.74			\$4,451,778.76	\$4,362,309.74	-2.01%
Support Services	2,705,253.13	2,707,682.90			2,705,253.13	2,707,682.90	0.09%
Community Services	10,224.48	4,071.84			10,224.48	4,071.84	-60.18%
Nonprogrammed Charges	34,708.68	1,252,819.89			34,708.68	1,252,819.89	3509.53%
Debt Service	985,034.43	1,165,873.66			985,034.43	1,165,873.66	18.36%
Cocurricular Activities	413,035.45	433,649.90			413,035.45	433,649.90	4.99%
Food Service			476,039.56	510,712.46	476,039.56	510,712.46	7.28%
Other Enterprise			213,778.97	245,184.07	213,778.97	245,184.07	14.69%
Total Expenses	\$8,600,034.93	\$9,926,407.93	\$689,818.53	\$755,896.53	\$9,289,853.46	\$10,682,304.46	14.99%
Excess (Deficiency) Before Special Items and Transfers	\$282,279.74	(\$833,019.77)	\$130,964.61	\$15,443.10	\$413,244.35	(\$817,576.67)	-297.84%
Transfers	0.00	0.00	0.00	0.00	0.00	0.00	
Increase (Decrease) in Net Position	\$282,279.74	(\$833,019.77)	\$130,964.61	\$15,443.10	\$413,244.35	(\$817,576.67)	-297.84%
Net Position, Beginning	\$8,835,660.75	\$9,117,940.49	\$155,228.12	\$286,192.73	\$8,990,888.87	\$9,404,133.22	4.60%
Net Position, Ending	\$9,117,940.49	\$8,284,920.72	\$286,192.73	\$301,635.83	\$9,404,133.22	\$8,586,556.55	-8.69%

GOVERNMENTAL ACTIVITIES

Revenues from governmental activities increased by \$211,073.49, or 2.38%. The main contributing factors were:

- Increased revenue from the per pupil allocation (property taxes and state aid) of \$90,345.00.
- Increased Pension Fund and Capital Outlay Fund property tax revenue of approximately \$78,000.00 due to more taxable valuation.
- Increased grant revenue of approximately \$18,000.00.

Expenditures from governmental activities increased by \$1,326,373.00. The main contributing factors were:

- Loss on the sale of the old elementary school of \$1,236,360.83.
- Increase in Debt Service expenditures of \$180,839.23.
- Reduction in instructional costs of approximately \$90,000.00.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service and Enterprise) decreased by approximately 6% to \$771,339.63 and expenses increased by approximately 9.58% to \$755,896.53. Factors contributing to these results included:

- A one-time donation by a community foundation to the Before/After School Program increased FY2013 revenues.
- A FY2014 price increase, in accordance with federal pricing equity requirements, resulted in a food service revenue increase.
- Increased participation in the Before/After School Program resulted in a FY2014 revenue increase.
- Purchased service expense for the food service management contract increased by the cost of living index.
- There was an increase in salaries for school staff providing service in food service.
- Expenses for Before/After School Program salaries, supplies, training, and field trips increased due to expansion of the program and increased participation.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General, Special Education and Pension Funds did not have any significant change in fund balance for the year.

The ending FY2014 Capital Outlay fund balance decreased by \$344,772.33. \$933,019.47 in escrow was used to retire a refunded debt issue with a crossover date of June 2014, budgeted expenditures for payment of utilities were shifted to the General Fund, expenditures for equipment and infrastructure improvements were less than budgeted, and the old elementary school was sold for \$266,572.50.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget four times.

Supplemental budgets were approved to reflect revenue from grants, contributions, and donations and related expenditures for the purchase of supplies and equipment.

Supplemental revenue budgets were approved for unanticipated increases in state apportionment revenue and bank franchise tax revenue.

A supplemental appropriation was approved for the payment of additional utility expense from the General Fund.

No contingency transfers were made in FY2014.

Favorable budget variances existed in various functional areas due to changes in personnel and their benefit elections, tuition savings from selling the high school's slots at the CTE Academy, transportation fuel savings, and reduction in expenses for repairs, maintenance, and supplies.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2014, the District had invested \$20,726,189.52 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$2,143,629.44, or 9.37%, over last year, resulting mainly from the sale of the old elementary school and annual depreciation.

Table A-3

**DELL RAPIDS SCHOOL DISTRICT - Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percent Change
	2013	2014	2013	2014	2013-2014	2013-2014
Land	\$484,615.75	\$484,615.75			\$0.00	0.00%2
Buildings and Construction Work in Progress	20,976,516.32	18,860,911.96			-\$2,115,604.36	-10.09%
Improvements	579,443.26	524,385.19			-\$55,058.07	-9.50%
Machinery and Equipment	<u>712,472.46</u>	<u>751,243.41</u>	<u>\$116,771.17</u>	<u>\$105,033.21</u>	<u>\$27,032.99</u>	<u>3.26%</u>
Total Capital Assets	\$22,753,047.79	\$20,621,156.31	\$116,771.17	\$105,033.21	-\$2,143,629.44	-9.37%

This year's capital asset purchases were two 71 passenger school buses, a garden tractor, and library books.

The \$266,572.50 sale of the old elementary school and its kitchen equipment, which had a book value of \$1,502,933.33, generated a loss of \$1,236,360.83.

LONG-TERM DEBT

At year-end, the District had \$16,641,502.11 in General Obligation Bonds, Capital Outlay Certificates, and other long-term obligations. This is a decrease of 8.85%, as shown on Table A-4 below.

Table A-4

Dell Rapids School District 49-3 Outstanding Debt and Obligations

Table A-4
DELL RAPIDS SCHOOL DISTRICT 49-3 - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2013	2014	2013	2014	2013-2014	2013-2014
Bonds	\$11,780,000.00	\$11,415,000.00			-\$365,000.00	-3.20%
Capital Outlay Certificates	6,297,244.00	5,082,244.00			-\$1,215,000.00	-23.91%
Installment Purchase Contracts	0.00	100,496.27			\$100,496.27	100.00%
Early Retirement	21,395.83	21,618.68			\$222.85	1.03%
Accrued Leave	14,880.69	22,143.16			\$7,262.47	32.80%
Total Outstanding Debt and Obligations	\$18,113,520.52	\$16,641,502.11	\$0.00	\$0.00	-\$1,472,018.41	-8.85%

The District paid \$1,580,000.00 in principal and \$953,138.33 in interest for Crossover Refunding Capital Outlay Certificates (\$910,000.00 principal paid from escrow), Capital Outlay Certificates, General Obligation Bonds, and Qualified School Construction Bonds. In addition, \$294,446.00 (annual obligation) was put into a Debt Service sinking fund for payment of Qualified School Construction Bond principal at maturity in 2025.

Two 71 passenger school buses were purchased under an installment contract. \$51,775.73 was paid when the buses were received in FY2014. \$100,496.27 principal and \$3,055.19 interest will be paid in the next two years.

The District is liable for accrued annual vacation leave earned by full-time support staff.

The District maintains an early retirement plan, which allows teachers meeting certain qualifications to retire early and receive 35% of their last year's teaching salary in equal payments spread over the next three years. This plan allows the District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown some change. The School experienced an increase in total property valuation (2013 valuation for taxes payable in 2014) of \$29,712,478.00, or 6.77% from the prior year. During calendar year 2014, additional revenue of approximately \$89,000.00 will be generated for Capital Outlay Fund, and additional revenue of approximately \$8,900.00 will be generated for the Pension Fund, due to the increase in valuation. The total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the District is based on a per student allocation from the State of South Dakota. The state aid formula ensures that property taxes plus state aid equal the per student allocation. Per pupil allocations from FY2011 through FY2015 are:

FY2015	\$4,781.14 (3.36% increase)
FY2014	\$4,625.65 (2.32% increase)
FY2013	\$4,490.07, plus a one-time \$30.73 additional allocation (.75% increase)
FY2012	\$4,389.95, plus a one-time \$97.00 additional allocation (6.61% reduction)
FY2011	\$4,804.60

In FY2012, when the per pupil allocation was reduced by 6.61%, two contract days were eliminated and staff reductions were made to reduce expenditures.

The District's student count has remained fairly stable for five years, with state aid payments based on enrollment ranging from 919.72 in FY2011 to 919.18 in FY2014 and 916.27 in FY2015. Even with the slight decrease in enrollment, the FY2015 per pupil allocation will result in the District receiving about \$129,000.00 additional revenue.

There are currently no capital projects budgeted.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Dell Rapids School District 49-3, 1216 North Garfield Avenue, Dell Rapids, SD 57022.

Dell Rapids School District 49-3
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	\$ 4,751,043.83	\$ 212,807.50	\$ 4,963,851.33
Taxes Receivable	2,434,139.83		2,434,139.83
Other Assets	276,602.44	3,180.12	279,782.56
Capital Assets:			
Land and Construction in Progress	484,615.75		484,615.75
Other Capital Assets, Net of Depreciation	20,136,540.56	105,033.21	20,241,573.77
TOTAL ASSETS	\$ 28,082,942.41	\$ 321,020.83	\$ 28,403,963.24
LIABILITIES:			
Accounts Payable	\$ 62,584.64	\$ 8,627.31	\$ 71,211.95
Other Current Liabilities	545,678.71	10,757.69	556,436.40
Noncurrent Liabilities:			
Due Within One Year	667,638.88		667,638.88
Due in More than One Year	15,973,863.23		15,973,863.23
TOTAL LIABILITIES	17,249,765.46	19,385.00	17,269,150.46
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	2,548,256.23		2,548,256.23
TOTAL DEFERRED INFLOWS OF RESOURCES	2,548,256.23		2,548,256.23
NET POSITION:			
Net Investment in Capital Assets	4,023,416.04	105,033.21	4,128,449.25
Restricted for:			
Capital Outlay	1,516,635.47		1,516,635.47
Special Education	51,349.47		51,349.47
Pension	4,366.23		4,366.23
Debt Service	1,591,615.02		1,591,615.02
Unrestricted	1,097,538.49	196,602.62	1,294,141.11
TOTAL NET POSITION	\$ 8,284,920.72	\$ 301,635.83	\$ 8,586,556.55

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

Dell Rapids School District 49-3
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 Expenses	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 4,362,309.74	\$ -	\$ 374,765.14	\$ -	\$ (3,987,544.60)	\$ -	\$ (3,987,544.60)
Support Services	2,707,682.90	32,034.04	86,299.79		(2,589,349.07)		(2,589,349.07)
Community Services	4,071.84				(4,071.84)		(4,071.84)
Nonprogrammed Charges	1,252,819.89				(1,252,819.89)		(1,252,819.89)
* Interest on Long-term Debt	1,165,873.66		414,178.57		(751,695.09)		(751,695.09)
Cocurricular Activities	433,649.90	48,374.25	22,203.75		(363,071.90)		(363,071.90)
Total Governmental Activities	9,926,407.93	80,408.29	897,447.25	-	(8,948,552.39)		(8,948,552.39)
Business-type Activities:							
Food Service	510,712.46	349,665.40	175,146.94			14,099.88	14,099.88
Before/After School Programs	209,943.06	178,284.85	34,988.90			3,330.69	3,330.69
Drivers' Education	12,606.73	11,160.00				(1,446.73)	(1,446.73)
Athletic Camps	22,634.28	21,005.00				(1,629.28)	(1,629.28)
Total Business-type Activities:	755,896.53	560,115.25	210,135.84	-	-	14,354.56	14,354.56
Total Primary Government	\$ 10,682,304.46	\$ 640,523.54	\$ 1,107,583.09	\$ -	\$ (8,948,552.39)	\$ 14,354.56	\$ (8,934,197.83)
General Revenues:							
Taxes:							
					4,858,266.15		4,858,266.15
					189,713.72		189,713.72
Revenue from State Sources:							
					2,733,936.00		2,733,936.00
					267,905.63		267,905.63
					5,724.99	1,088.54	6,813.53
					59,986.13		59,986.13
					8,115,532.62	1,088.54	8,116,621.16
					(833,019.77)	15,443.10	(817,576.67)
					9,117,940.49	286,192.73	9,404,133.22
					\$ 8,284,920.72	\$ 301,635.83	\$ 8,586,556.55

* 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 statement.

Dell Rapids School District 49-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 1,536,410.28	\$ 1,491,572.07	\$ 109,903.16	\$ 583,439.95	\$ 884,288.88	\$ 145,429.49	\$ 4,751,043.83
Taxes Receivable--Current	919,506.96	673,033.36	348,631.25	311,101.93		156,207.01	2,408,480.51
Taxes Receivable--Delinquent	12,148.52	6,173.61	2,895.58	3,010.06		1,431.55	25,659.32
Accounts Receivable, Net	283.83						283.83
Due from Other Government	236,850.82	18,889.79	20,578.00				276,318.61
TOTAL ASSETS	\$ 2,705,200.41	\$ 2,189,668.83	\$ 482,007.99	\$ 897,551.94	\$ 884,288.88	\$ 303,068.05	\$ 7,461,786.10
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 52,835.38	\$ -	\$ 9,749.26	\$ -	\$ -	\$ -	\$ 62,584.64
Contracts Payable	379,312.30		57,647.44				436,959.74
Payroll Deductions and Withholdings and Employer Matching Payable	94,088.40		14,630.57				108,718.97
Total Liabilities	526,236.08	-	82,027.27	-	-	-	608,263.35
Deferred Inflows of Resources:							
Taxes Levied for Future Period	1,059,282.68	673,033.36	348,631.25	311,101.93		156,207.01	2,548,256.23
Unavailable Revenue - Property Taxes	12,148.52	6,173.61	2,895.58	3,010.06		1,431.55	25,659.32
Total Deferred Inflows of Resources	1,071,431.20	679,206.97	351,526.83	314,111.99	-	157,638.56	2,573,915.55
Fund Balances:							
Restricted:							
Capital Outlay		1,510,461.86					1,510,461.86
Special Education			48,453.89				48,453.89
Pension						25,334.24	25,334.24
Debt Service				583,439.95	884,288.88	120,095.25	1,587,824.08
Assigned	139,290.00						139,290.00
Unassigned	968,243.13						968,243.13
Total Fund Balances	1,107,533.13	1,510,461.86	48,453.89	583,439.95	884,288.88	145,429.49	4,279,607.20
TOTAL LAIBILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,705,200.41	\$ 2,189,668.83	\$ 482,007.99	\$ 897,551.94	\$ 884,288.88	\$ 303,068.05	\$ 7,461,786.10

23

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

Dell Rapids School District No. 49-3
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 June 30, 2014

Total Fund Balances - Governmental Funds \$ 4,279,607.20

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	\$ 27,725,107.00 <u>(7,103,950.69)</u>	20,621,156.31
---	--	---	---------------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	Bonds CO Certificates Installment Contracts Early Retirement Accrued Leave Net	\$ (11,415,000.00) (5,082,244.00) (100,496.27) (21,618.68) <u>(22,143.16)</u>	(16,641,502.11)
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Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. 25,659.32

Net Position - Governmental Funds	<u><u>\$ 8,284,920.72</u></u>
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The notes to the financial statements are an integral part of this statement.

Dell Rapids School District 49-3
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 1,830,348.74	\$ 1,357,270.36	\$ 671,410.24	\$ 637,246.55	\$ -	\$ 312,024.65	\$ 4,808,300.54
Prior Years' Ad Valorem Taxes	16,625.72	10,571.57	4,935.17	5,123.68		2,369.90	39,626.04
Utility Taxes	189,713.72						189,713.72
Penalties and Interest on Taxes	3,191.47	2,193.62	1,037.13	1,047.72		509.90	7,979.84
Tuition and Fees:							
Regular Day School Transportation Fees	13,526.50						13,526.50
Other Transportation Fees	18,507.54						18,507.54
Earnings on Investments and Deposits	854.23	1,002.49	8.64	573.72	587.66	193.11	3,219.85
Cocurricular Activities:							
Admissions	47,024.25						47,024.25
Other Pupil Activity Income	1,350.00						1,350.00
Other Revenue from Local Sources:							
Rentals	3,083.00						3,083.00
Contributions and Donations	21,730.52	29,359.64					51,090.16
Refund of Prior Years' Expenditures	1,367.91						1,367.91
Charges for Services	29,555.02		20,608.43				50,163.45
Other	7,129.68						7,129.68
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	48,296.43						48,296.43
Revenues from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	2,699,363.63						2,699,363.63
Restricted Grants-in-Aid	3,500.00	24,280.00	298,978.00				326,758.00
Other State Revenue			1,000.00				1,000.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	79.11						79.11
Restricted Grants-in-Aid Received from Federal Government Through the State	138,363.00	18,889.79	199,482.28				356,735.07
Other Federal Revenue		211,929.50		202,249.07			414,178.57
Total Revenue	5,073,610.47	1,655,496.97	1,197,459.89	846,240.74	587.66	315,097.56	9,088,493.29

Dell Rapids School District 49-3
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:							
Instruction:							
Regular Programs:							
Elementary	\$ 945,436.99	\$ 89,746.61	\$ -	\$ -	\$ -	\$ 40,000.00	\$ 1,075,183.60
Middle/Junior High	806,687.38	55,165.15				33,000.00	894,852.53
High School	924,300.14	86,878.53				39,250.00	1,050,428.67
Special Programs:							
Programs for Special Education		1,769.49	825,031.13				826,800.62
Culturally Different	10,169.92						10,169.92
Educationally Deprived	80,686.18						80,686.18
Support Services:							
Pupils:							
Attendance and Social Work	2,560.00						2,560.00
Guidance	88,164.19						88,164.19
Health	46,526.99		6,545.00				53,071.99
Psychological			47,691.88				47,691.88
Speech Pathology			119,713.66				119,713.66
Student Therapy Services			73,686.96				73,686.96
Support Services - Instructional Staff:							
Improvement of Instruction	16,165.04		609.85				16,774.89
Educational Media	216,535.58	62,266.10					278,801.68
Support Services - General Administration:							
Board of Education	37,850.46						37,850.46
Executive Administration	151,347.81	928.99					152,276.80
Support Services - School Administration:							
Office of the Principal	318,576.94						318,576.94
Other	1,071.88						1,071.88
Support Services - Business:							
Fiscal Services	106,067.80	10,428.58					116,496.38
Facilities Acquisitions and Construction		35,091.73					35,091.73
Operation and Maintenance of Plant	805,010.44	1,947.60					806,958.04
Pupil Transportation	183,184.67	5,251.00					188,435.67
Internal Services	1,356.16	9,900.00					11,256.16
Support Services - Central:							
Staff	1,324.94						1,324.94
Other	12,014.03						12,014.03
Support Services - Special Education:							
Administrative Costs			13,999.04				13,999.04
Transportation Costs			94,704.38				94,704.38
Other Special Education Costs			2,348.20				2,348.20
Community Services:							
Nonpublic School	4,071.84						4,071.84

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonprogrammed Charges:							
Early Retirement Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,080.15	\$ 16,080.15
Debt Services		1,521,183.98		844,031.85		172,022.50	2,537,238.33
Cocurricular Activities:							
Male Activities	67,788.18						67,788.18
Female Activities	50,042.19						50,042.19
Transportation	48,392.73						48,392.73
Combined Activities	97,999.15	15,183.42					113,182.57
Capital Outlay		177,180.89					177,180.89
Total Expenditures	<u>5,023,331.63</u>	<u>2,072,922.07</u>	<u>1,184,330.10</u>	<u>844,031.85</u>	<u>-</u>	<u>300,352.65</u>	<u>9,424,968.30</u>
Excess of Revenue Over (Under) Expenditures	<u>50,278.84</u>	<u>(417,425.10)</u>	<u>13,129.79</u>	<u>2,208.89</u>	<u>587.66</u>	<u>14,744.91</u>	<u>(336,475.01)</u>
Other Financing Sources:							
Transfers In					294,446.00		294,446.00
Transfers Out		(294,446.00)					(294,446.00)
General Long-Term Debt Issued		100,496.27					100,496.27
Sale of Surplus Property		266,602.50					266,602.50
Total Other Financing Sources (Uses)	<u>-</u>	<u>72,652.77</u>	<u>-</u>	<u>-</u>	<u>294,446.00</u>	<u>-</u>	<u>367,098.77</u>
Net Changes in Fund Balances	<u>50,278.84</u>	<u>(344,772.33)</u>	<u>13,129.79</u>	<u>2,208.89</u>	<u>295,033.66</u>	<u>14,744.91</u>	<u>30,623.76</u>
Fund Balance - Beginning	<u>1,057,254.29</u>	<u>1,855,234.19</u>	<u>35,324.10</u>	<u>581,231.06</u>	<u>589,255.22</u>	<u>130,684.58</u>	<u>4,248,983.44</u>
FUND BALANCE - ENDING	<u>\$ 1,107,533.13</u>	<u>\$ 1,510,461.86</u>	<u>\$ 48,453.89</u>	<u>\$ 583,439.95</u>	<u>\$ 884,288.88</u>	<u>\$ 145,429.49</u>	<u>\$ 4,279,607.20</u>

Dell Rapids School District 49-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 30,623.76

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 177,180.89

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (805,982.98)

In the statement of activities, gains (\$0.00) and losses (\$1,236,516.89) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds (\$266,572.50) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (1,503,089.39)

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.

Bond	\$	365,000.00	
CO Certificate	\$	1,215,000.00	
Other Long-Term		51,775.73	1,631,775.73

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.

Other Long-Term		(152,272.00)	(152,272.00)
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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 the funds' statements differs from the accounting in the government wide statement 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". 2,359.73

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

Vacation Leave	\$	(7,262.47)	
Early Retirement		(222.85)	(7,485.32)

Bond discounts and issuance costs are deferred and amortized over the life of the bonds. This amount of amortization is recognized on the statement of activities as part of the interest expense. (206,130.19)

Change in Net Assets of Governmental Activities \$ (833,019.77)

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

Dell Rapids School District No.49-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 92,080.77	\$ 120,726.73	\$ 212,807.50
Due from Other Government		1,252.69	1,252.69
Accrued Interest on Investments Purchased		1,927.43	1,927.43
Total Current Assets	<u>92,080.77</u>	<u>123,906.85</u>	<u>215,987.62</u>
Noncurrent Assets:			
Machinery and Equipment - Local Funds	132,555.90		132,555.90
Less: Accumulated Depreciation	<u>(27,522.69)</u>		<u>(27,522.69)</u>
Total Noncurrent Assets	<u>105,033.21</u>	<u>-</u>	<u>105,033.21</u>
TOTAL ASSETS	<u><u>\$ 197,113.98</u></u>	<u><u>\$ 123,906.85</u></u>	<u><u>\$ 321,020.83</u></u>
LIABILITIES:			
Accounts Payable	\$ -	\$ 8,627.31	\$ 8,627.31
Unearned Revenues	<u>7,307.69</u>	<u>3,450.00</u>	<u>10,757.69</u>
TOTAL LIABILITIES	<u><u>\$ 7,307.69</u></u>	<u><u>\$ 12,077.31</u></u>	<u><u>\$ 19,385.00</u></u>
NET POSITION:			
Net Investment in Capital Assets	\$ 105,033.21	\$ -	\$ 105,033.21
Unrestricted Net Position	<u>84,773.08</u>	<u>111,829.54</u>	<u>196,602.62</u>
Total Net Position	<u>189,806.29</u>	<u>111,829.54</u>	<u>301,635.83</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 197,113.98</u></u>	<u><u>\$ 123,906.85</u></u>	<u><u>\$ 321,020.83</u></u>

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

Dell Rapids School District No. 49-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Operating Revenue:			
Sales:			
Student	\$ 338,795.01	\$ 2,900.08	\$ 341,695.09
Adults	10,870.39		10,870.39
Other Charges for Goods and Services		197,001.55	197,001.55
Total Operating Revenue	<u>349,665.40</u>	<u>199,901.63</u>	<u>549,567.03</u>
Operating Expenses:			
Food Service:			
Salaries	13,448.37	158,277.19	171,725.56
Employee Benefits	2,324.34	27,838.68	30,163.02
Purchased Services	437,509.90	32,685.43	470,195.33
Supplies	5,735.58	18,901.62	24,637.20
Cost of Sales - Purchased		4,481.15	4,481.15
Cost of Sales - Donated	39,956.31		39,956.31
Other		3,000.00	3,000.00
Depreciation - Local Funds	9,902.88		9,902.88
Total Operating Expenses	<u>508,877.38</u>	<u>245,184.07</u>	<u>754,061.45</u>
Operating Income (Loss)	<u>(159,211.98)</u>	<u>(45,282.44)</u>	<u>(204,494.42)</u>
Nonoperating Revenue:			
Investment Earnings	99.90	988.64	1,088.54
Other Local Revenue		30,615.45	30,615.45
State Grants	2,310.40	10,548.22	12,858.62
Federal Grants	132,880.23	4,373.45	137,253.68
Donated Food	39,956.31		39,956.31
Nonoperating Expenses:			
Loss on Sale of Capital Assets	1,835.08		1,835.08
Total Nonoperating Revenue (Expense)	<u>173,411.76</u>	<u>46,525.76</u>	<u>219,937.52</u>
Change in Net Position	<u>14,199.78</u>	<u>1,243.32</u>	<u>15,443.10</u>
Net Position - Beginning	<u>175,606.51</u>	<u>110,586.22</u>	<u>286,192.73</u>
NET POSITION - ENDING	<u>\$ 189,806.29</u>	<u>\$ 111,829.54</u>	<u>\$ 301,635.83</u>

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

Dell Rapids School District No. 49-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 356,973.09	\$ 203,351.63	\$ 560,324.72
Payments to Employees for Services	(15,772.71)	(186,115.87)	(201,888.58)
Payments to Suppliers of Goods and Services	(443,245.48)	(54,578.57)	(497,824.05)
Net Cash (Used)/Provided by Operating Activities	(102,045.10)	(37,342.81)	(139,387.91)
Cash Flows from Noncapital Financing Activities:			
Donations and Fundraising Activities	-	30,615.45	30,615.45
Operating Grants	135,190.63	14,488.58	149,679.21
Net Cash Flows from Noncapital Financing Activities	135,190.63	45,104.03	180,294.66
Cash Flows from Investing Activities:			
Interest Earnings	99.90	52.91	152.81
Net Increase in Cash and Cash Equivalents	\$ 33,245.43	\$ 7,814.13	\$ 41,059.56
Cash and Cash Equivalents at Beginning of Year	\$ 58,835.34	\$ 112,912.60	\$ 171,747.94
Cash and Cash Equivalents at End of Year	92,080.77	120,726.73	212,807.50
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 33,245.43	\$ 7,814.13	\$ 41,059.56
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$(159,211.98)	\$ (45,282.44)	\$(204,494.42)
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	9,902.88	-	9,902.88
Value of Donated Commodities Used	39,956.31		39,956.31
Change in Assets and Liabilities:			
Accounts Payable		4,489.63	4,489.63
Unearned Revenue	7,307.69	3,450.00	10,757.69
Net Cash Provided (Used) by Operating Activities	\$(102,045.10)	\$ (37,342.81)	\$(139,387.91)
Noncash Investing, Capital and Financing Activities:			
Loss on Disposal of Capital Assets Not Affecting			
Operating Income	\$ 1,835.00		\$ 1,835.00
Value of Commodities Received	\$ 39,956.31		\$ 39,956.31

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

Dell Rapids School District No. 49-3
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 62,248.70
Investments, at Fair Value	<u>46,834.48</u>
TOTAL ASSETS	<u>\$ 109,083.18</u>
LIABILITIES:	
Amounts Held for Others	<u>\$ 109,083.18</u>
NET POSITION:	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 109,083.18</u>

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
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 Dell Rapids School District No. 49-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net Position are displayed in three components, as applicable, net 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 programs revenues, including all taxes, are presented as general revenues.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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 not a major fund.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

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

Bond Redemption Fund - a fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. Three Bond Redemption Funds are maintained by the School District – the Elementary School Bond Redemption Fund, the Middle School Bond Redemption Fund and the Qualified School Construction Bond Fund. The Elementary School Bond Redemption Fund and the Qualified School Construction Bond Fund are major funds. The Middle School Bond Redemption Fund is not a major fund.

Proprietary Funds:

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

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

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

Other Enterprise Fund – a fund used to account for fee based programs such as before/after school programs, drivers' education and athletic camps. This is not a major fund.

Fiduciary Funds:

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

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets in a trustee capacity for various classes, clubs, and clearing accounts.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Perkins grant reimbursement receivable	\$ 1,534.00
IDEA reimbursement receivable	\$ 20,578.00
Rural electric utility taxes receivable	\$ 62,856.10
Schwebach Insurance refund receivable	\$ 283.83
CACFP reimbursement receivable	\$ 1,252.69
Homeland Security reimbursement receivable	\$ 18,889.79

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

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 fund types 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. 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, or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. As of June 30, 2014, the School District did not have any investments.

e. Capital Assets

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

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

Government-Wide Financial 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. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2014 balance of capital assets for governmental activities includes approximately ten percent for which the costs were determined by estimates of the original cost. The total June 30, 2014 balance of capital assets for business-type activities are valued at original cost.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All Land	----N/A----	----N/A----
Improvements other than Buildings	\$ 15,000.00	Straight-line	20 yrs.
Buildings	\$ 50,000.00	Straight-line	50 yrs.
Building Improvements	\$ 25,000.00	Straight-line	20 yrs.
Machinery and Equipment	\$ 5,000.00	Straight-line	10-15 yrs.
Food Service Equipment	\$ 3,000.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities

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

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

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

g. Program Revenues

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications

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

i. Cash and Cash Equivalents

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

j. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

k. 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.

l. Fund Balance Classification Policies and Procedures

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board or 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 Governing Board committed the following fund balance types by taking the following action:

The General Fund Assigned Fund Balance as authorized by the Governing Board is comprised of the following:

Assigned for the Subsequent Year's Budget	\$139,290.00
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The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdraft of the expenditures compared to appropriations:

	Year Ended
	<u>6/30/14</u>
Capital Outlay Fund	\$374,469.43

The budget overdraft is a result of the 2012 crossover refunding of the 2009 Capital Outlay Certificates which had a crossover date of June 17, 2014. The Governing Board approved the crossover refunding in 2012 and the funds were held by an escrow agent until the crossover date.

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

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

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

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

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. There were no investments held as of June 30, 2014.

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

The actual bank balances at June 30, 2014 are as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 641,420.41
Uninsured, collateral jointly held by state's/School's agent in the name of the state and the pledging financial institution.	
Uninsured, uncollateralized	4,445,811.36
Total Deposits	\$ 5,087,231.77

The School District's carrying amount of deposits at June 30, 2014 was \$5,072,934.51.

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.

4. 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. No allowances for estimated uncollectibles have been established.

5. INVENTORY

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is current cost, First-In, First-Out (FIFO) basis. Donated commodities are valued based on the USDA price list at date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The district's inventory of consumable supplies at June 30, 2014 was not material to the financial statements.

6. PROPERTY TAXES

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

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
<i>Governmental Activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$484,615.75			\$484,615.75
Total, not being depreciated	484,615.75	0.00	\$0.00	484,615.75
<i>Capital assets, being depreciated:</i>				
Improvements	1,062,223.16		42,919.52	1,019,303.64
Buildings	29,233,409.91		4,510,559.95	24,722,849.96
Machinery and Equipment	1,361,374.86	192,180.89	55,218.10	1,498,337.65
Total, being depreciated	31,657,007.93	192,180.89	4,608,697.57	27,240,491.25
<i>Less accumulated depreciation for:</i>				
Improvements	482,779.90	55,058.07	42,919.52	494,918.45
Buildings	8,256,893.59	614,506.11	3,009,461.70	5,861,938.00
Machinery and Equipment	648,902.40	136,418.80	38,226.96	747,094.24
Total accumulated depreciation	9,388,575.89	805,982.98	3,090,608.18	7,103,950.69
Total capital assets, being depreciated, net	22,268,432.04	(613,802.09)	1,518,089.39	20,136,540.56
Governmental activity capital assets, net	<u>\$ 22,753,047.79</u>	<u>\$ (613,802.09)</u>	<u>\$ 1,518,089.39</u>	<u>\$ 20,621,156.31</u>

** Depreciation expense was charged to functions as follows:

<i>Governmental activities:</i>	
Instruction	\$ 424,188.22
Support Services	227,550.53
Co-curricular Activities	154,244.23
Total depreciation expense - governmental activities	<u>\$ 805,982.98</u>

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
<i>Business-type activities:</i>				
<i>Capital assets, being depreciated:</i>				
Machinery and Equipment	\$ 164,402.58	\$ -	\$ 31,846.68	\$ 132,555.90
<i>Less accumulated depreciation for:</i>				
Machinery and Equipment	47,631.41	9,902.88	30,011.60	27,522.69
Total capital assets, being depreciated, net	116,771.17	(9,902.88)	1,835.08	105,033.21
Business-type activity capital assets, net	<u>\$ 116,771.17</u>	<u>\$ (9,902.88)</u>	<u>\$ 1,835.08</u>	<u>\$ 105,033.21</u>

**Depreciation expense was charged to functions as follows:

<i>Business-type activities:</i>	
Food Service - Current Year Depreciation	<u>\$ 9,902.88</u>

There was no Construction Work in Progress on June 30, 2014.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 11,780,000.00	\$ -	\$ 365,000.00	\$ 11,415,000.00	\$ 395,000.00
Capital Outlay Certificates	6,297,244.00	-	1,215,000.00	5,082,244.00	190,000.00
Installment Contracts	-	152,272.00	51,775.73	100,496.27	49,745.70
Total Debt	<u>18,077,244.00</u>	<u>152,272.00</u>	<u>1,631,775.73</u>	<u>16,597,740.27</u>	<u>634,745.70</u>
Early Retirement Payable-					
Governmental Funds	21,395.83	16,303.00	16,080.15	21,618.68	10,750.02
Accrued Compensated Absences-					
Governmental Funds	14,880.69	41,149.25	33,886.78	22,143.16	22,143.16
Total Governmental Activities	<u>\$ 18,113,520.52</u>	<u>\$ 209,724.25</u>	<u>\$ 1,681,742.66</u>	<u>\$ 16,641,502.11</u>	<u>\$ 667,638.88</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Annual payments of \$294,446.00 are being made into a Sinking Fund for the payment of QSCB certificate principal at maturity in 2025.

On May 10, 2012 the District issued \$960,000 in Limited Tax General Obligation Refunding Certificates. The certificate issuance was a crossover refunding of the Series 2009 Capital Outlay Certificates. The new certificates had an average interest rate of 1.30% compared to a 3.72% average interest rate of the old certificates. The net proceeds of \$910,000 (after \$18,065 in issuance costs and a refund of \$3,818.13 in contingency funds) plus \$28,116.87 in accrued interest were deposited in an irrevocable trust with an escrow agent to provide for debt service requirements on the refunded issuance that was called on June 17, 2014 (crossover date). The crossover refunding resulted in reduced debt service payments over the next ten years of \$30,539.38 and an economic gain (difference between the present values of the old and new debt service payments) of \$29,324.06.

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

Primary Government:

Governmental Activities:

Bonds Payable – Payable from Bond Redemption Fund

Series 2010A-2; Build America Bonds; Maturity – 6/30/2035; Interest Rate – 3.073% to 6.407%
Series 2010B; Maturity – 7/1/2019; Interest Rate - .9% to 3.3%

Total \$11,415,000.00

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Capital Outlay Certificates – Payable from Capital Outlay Fund

2009; Maturity – 7/15/2019; Interest Rate – 1.5% to 4%
2010; Qualified School Construction Bonds; Maturity – 6/1/2025; Interest Rate – 6.05%
2012; Refunding Certificates; Maturity – 7/15/2019; Interest Rate - .75% to 1.7%

Total \$5,082,244.00

Installment Contract Payable – Capital Lease

2013 Bus Purchase; Maturity – 10/2015; Interest Rate – 2%

Total \$100,496.27

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 152,272.00
Interest	<u>3,055.19</u>
Total	<u>\$ 155,327.19</u>

Early Retirement Benefits Payable

Teachers retiring between the ages of 55 and 62, with 20 years of service in the District, may elect to apply for a retirement incentive. Up to three teachers per year may take the retirement incentive. Each teacher granted the retirement incentive receives an employer contribution to a 403(b) on-ERISA employer funded plan of 35% of his/her last year's teaching salary. The benefit is paid in three equal annual installments, beginning the year following retirement. Because the retirement is limited to three teachers per year, the maximum number of teachers receiving payment in any given school year is nine.

The amount payable in July 2014 for two retired teachers is \$10,750.02. \$5,434.33 is payable in July 2015 and in July 2016 for one teacher.

Total \$ 21,618.68

Compensated Absences

Accrued vacation leave for full-time employees from General Fund.

Total \$ 22,143.16

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Primary Government:

Governmental Activities:

The annual debt service requirements to maturity, except for compensated absences of \$22,143.16 for all debt outstanding as of June 30, 2014 are as follows:

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

Year Ending June 30,	Capital Outlay Certificates		General Obligation Bonds		Installment Contracts		Early Retirement Benefits Payable		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	190,000	260,953	395,000	639,238	49,746	2,030	10,750		645,496	902,221
2016	190,000	259,528	420,000	626,707	50,751	1,025	5,434		666,185	887,260
2017	190,000	257,723	460,000	611,648			5,434		655,434	869,371
2018	195,000	255,538	485,000	593,742					680,000	849,280
2019	195,000	252,711	510,000	573,574					705,000	826,285
2020-2024		1,246,979	2,030,000	2,541,179					2,030,000	3,788,158
2025-2029	4,122,244	249,396	2,730,000	1,843,643					6,852,244	2,093,039
2030-2034			3,555,000	857,898					3,555,000	857,898
2035			830,000	26,589					830,000	26,589
TOTALS	\$ 5,082,244	\$ 2,782,828	\$ 11,415,000	\$ 8,314,218	\$ 100,497	\$ 3,055	\$ 21,618	\$ -	\$ 16,619,359	\$ 11,100,101

9. OPERATING LEASES

The District leases two copier/printers for each of the three school buildings.

The District has a four-year lease for six Savin MP6002 copier/printers that began in July 2013, with a monthly payment of \$856.00 from the Capital Outlay Fund. Total lease expenditures for the fiscal year ended June 30, 2014 were \$9,900.00.

The following are the minimum payments required for existing operating leases:

Year	Capital Outlay Fund Amount
FY2015	\$9,900.00
FY2016	\$9,900.00
FY2017	\$9,900.00

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2014 was as follows:

Fund	Restricted By	Amount
Special Education	Law	\$ 51,349.47
Capital Outlay	Law	1,516,635.47
Pension	Law	4,366.23
Debt Service	Debt Covenants	1,591,615.02
Total Restricted Net Position		<u>\$ 3,163,966.19</u>

These balances are restricted due to federal grant and statutory requirements.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

11. INTERFUND TRANSFERS

There was one interfund transfer for the year ended June 30, 2014.

A transfer for \$294,446.00 was made from the Capital Outlay Fund to a Debt Service Fund. The purpose of the transfer was to make the third of fourteen payments into a sinking fund for the 2025 redemption of \$4,122,244.00 in Qualified School Construction bond principal.

12. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, 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% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$238,058.74, \$242,992.28, and \$239,855.19, respectively, equal to the required contributions each year.

13. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN

The School District pays a set rate toward medical insurance premiums for current employees.

Eligible retirees and their qualified dependents are allowed to continue with the School District's group medical and/or dental insurance coverage until age 65. An eligible retiree must qualify for benefits under the South Dakota Retirement System Rule of 85 and have been a participant in the insurance plan for the 12 months immediately prior to retirement. Retirees continuing with the School District's group medical or health insurance coverage pay 100% of the insurance premium.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

14. JOINT VENTURES

The School District participates in the joint venture known as Prairie Lakes Educational Cooperative 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:

Colman - Egan	4.69%
Chester	5.00%
Tri-Valley	15.04%
Baltic	7.81%
Garretson	6.07%
Flandreau	15.63%
Dell Rapids	16.07%
Howard	8.57%
Madison Central	16.43%
Oldham - Ramona	2.59%
Rutland	2.10%

The Prairie Lakes Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture'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 joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2014, this joint venture had total assets of \$119,442.70, total liabilities of \$65,646.81 and a net position of \$53,795.89.

15. 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:

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. Four coverage plans are offered with deductibles ranging from \$500 per person/\$1,000 per family up to \$2,000 per person/\$4,000 per family. The plans also provide for coinsurance of 80 percent with a maximum of \$7,500 per person/\$15,000 per family. The coverage also includes a \$2,000,000.00 annual maximum payment per person.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage during the past three years.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Liability Insurance

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

Worker's Compensation

The school district purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

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

The school district has Unassigned Fund Balance in the General Fund in the amount of \$22,837.32 for the payment of future unemployment benefits.

During the year ended June 30, 2014, no claims for unemployment benefits were paid. At June 30, 2014, \$2,500.00 had been budgeted for unemployment benefits that may be filed in the next fiscal year.

16. SIGNIFICANT CONTINGENCIES - LITIGATION

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

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events to March 5, 2015, the date which the financial statements were available to be issued, and determined that no events occurring subsequent to the end of the fiscal year merit recognition or disclosure in these statements.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,778,985.00	\$ 1,778,985.00	\$ 1,830,348.74	\$ 51,363.74
Prior Years' Ad Valorem Taxes			16,625.72	16,625.72
Utility Taxes	183,000.00	183,000.00	189,713.72	6,713.72
Penalties and Interest on Taxes	4,000.00	4,000.00	3,191.47	(808.53)
Tuition and Fees:				
Regular Day School Transportation Fees	12,000.00	12,000.00	13,526.50	1,526.50
Other Transportation Fees	15,000.00	15,000.00	18,507.54	3,507.54
Earning Investments and Deposits	1,500.00	1,500.00	854.23	(645.77)
Cocurricular Activities:				
Admissions	53,500.00	53,500.00	47,024.25	(6,475.75)
Other Pupil Activity Income	250.00	250.00	1,350.00	1,100.00
Other Revenue from Local Sources:				
Rentals	1,200.00	1,200.00	3,083.00	1,883.00
Contributions and Donations	15,500.00	21,204.76	21,730.52	525.76
Refund of Prior Years' Expenditures			1,367.91	1,367.91
Charges for Services	30,000.00	30,000.00	29,555.02	(444.98)
Other	1,500.00	1,500.00	7,129.68	5,629.68
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	60,000.00	60,000.00	48,296.43	(11,703.57)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,668,493.00	2,747,493.00	2,699,363.63	(48,129.37)
Restricted Grants-in-Aid			3,500.00	3,500.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	100.00	100.00	79.11	(20.89)
Restricted Grants-in-Aid Received from Federal Government Through the State	142,044.00	142,044.00	138,363.00	(3,681.00)
Total Revenue	\$ 4,967,072.00	\$ 5,051,776.76	\$ 5,073,610.47	\$ 21,833.71

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 951,313.00	\$ 951,766.14	\$ 945,436.99	\$ 6,329.15
Middle/Junior High	859,314.00	859,347.83	806,687.38	52,660.45
High School	989,127.00	992,193.92	924,300.14	67,893.78
Special Programs:				
Culturally Different	18,645.00	18,645.00	10,169.92	8,475.08
Educationally Deprived	82,660.00	82,660.00	80,686.18	1,973.82
Support Services:				
Pupils:				
Attendance and Social Work	2,560.00	2,560.00	2,560.00	-
Guidance	102,236.00	102,236.00	88,164.19	14,071.81
Health	46,651.00	46,651.00	46,526.99	124.01
Support Services - Instructional Staff:				
Improvement of Instruction	20,732.00	20,732.00	16,165.04	4,566.96
Educational Media	233,607.00	233,607.00	216,535.58	17,071.42
Support Services - General Administration:				
Board of Education	44,544.00	45,229.00	37,850.46	7,378.54
Executive Administration	155,622.00	155,622.00	151,347.81	4,274.19
Support Services - School Administration:				
Office of the Principal	318,714.00	318,714.00	318,576.94	137.06
Other	2,200.00	2,200.00	1,071.88	1,128.12
Support Services - Business:				
Fiscal Services	109,807.00	109,807.00	106,067.80	3,739.20
Operation and Maintenance of Plant	662,078.00	862,078.00	805,010.44	57,067.56
Pupil Transportation	207,600.00	207,600.00	183,184.67	24,415.33
Internal Services	4,700.00	4,700.00	1,356.16	3,343.84
Support Services - Central:				
Staff	1,450.00	1,450.00	1,324.94	125.06
Other	19,440.00	19,440.00	12,014.03	7,425.97
Community Services:				
Nonpublic School	7,219.00	7,219.00	4,071.84	3,147.16
Nonprogrammed Charges:				
Payments to State - Unemployment	7,500.00	7,500.00	-	7,500.00

REQUIRED SUPPLEMENTARY INFORMATION
 Dell Rapids School District 49-3
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Favorable (Unfavorable)
Cocurricular Activities:				
Male Activities	\$ 70,829.00	\$ 70,829.00	\$ 67,788.18	\$ 3,040.82
Female Activities	52,783.00	52,783.00	50,042.19	2,740.81
Transportation	51,825.00	51,825.00	48,392.73	3,432.27
Combined Activities	94,056.00	95,521.87	97,999.15	(2,477.28)
Contingencies	50,000.00	50,000.00		50,000.00
Total Expenditures	5,167,212.00	5,372,916.76	5,023,331.63	349,585.13
Excess of Revenue Over (Under) Expenditures	(200,140.00)	(321,140.00)	50,278.84	371,418.84
Fund Balance - Beginning	1,057,254.29	1,057,254.29	1,057,254.29	-
FUND BALANCE - ENDING	<u>\$ 857,114.29</u>	<u>\$ 736,114.29</u>	<u>\$ 1,107,533.13</u>	<u>\$ 371,418.84</u>

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay 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	\$ 1,316,106.00	\$ 1,316,106.00	\$ 1,357,270.36	\$ 41,164.36
Prior Years' Ad Valorem Taxes			10,571.57	10,571.57
Penalties and Interest on Taxes	1,500.00	1,500.00	2,193.62	693.62
Earning Investments and Deposits	1,500.00	1,500.00	1,002.49	(497.51)
Other Revenue from Local Sources:				
Contributions and Donations		29,359.64	29,359.64	-
Revenue from State Sources:				
Restricted Grants-in-Aid		24,280.00	24,280.00	-
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State			18,889.79	18,889.79
Other Federal Revenue	212,614.00	251,609.00	211,929.50	(39,679.50)
Total Revenue	\$ 1,531,720.00	\$ 1,624,354.64	\$ 1,655,496.97	\$ 31,142.33
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 75,850.00	\$ 100,130.00	\$ 89,746.61	\$ 10,383.39
Middle/Junior High	78,750.00	78,750.00	55,165.15	23,584.85
High School	82,650.00	96,270.00	86,878.53	9,391.47
Special Programs:				
Programs for Special Education	4,500.00	4,500.00	1,769.49	2,730.51
Support Services - Instructional Staff:				
Educational Media	89,740.00	89,740.00	72,422.58	17,317.42
Support Services - General Administration:				
Executive Administration	375.00	375.00	928.99	(553.99)
Support Services - School Administration:				
Office of the Principal	1,125.00	1,125.00	-	1,125.00
Other	375.00	375.00	-	375.00
Support Services - Business:				
Fiscal Services	8,614.00	8,614.00	10,428.58	(1,814.58)
Facilities Acquisition and Construction	60,000.00	108,811.68	35,091.73	73,719.95
Operation and Maintenance of Plant	210,000.00	210,000.00	12,947.60	197,052.40
Pupil Transportation	81,000.00	81,000.00	161,275.41	(80,275.41)
Internal Services	10,278.00	10,278.00	9,900.00	378.00

REQUIRED SUPPLEMENTARY INFORMATION
 Dell Rapids School District 49-3
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 Capital Outlay Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Community Services Nonpublic School	10,000.00	10,000.00	-	10,000.00
Debt Services	882,561.00	882,561.00	1,521,183.98	(638,622.98)
Cocurricular Activities: Combined Activities	10,000.00	15,922.96	15,183.42	739.54
Total Expenditures	1,605,818.00	1,698,452.64	2,072,922.07	(374,469.43)
Excess of Revenue Over (Under) Expenditures	(74,098.00)	(74,098.00)	(417,425.10)	(343,327.10)
Other Financing Sources:				
Transfers Out			(294,446.00)	(294,446.00)
Proceeds of General Long-Term Liabilities			100,496.27	100,496.27
Sale of Surplus Property		270,000.00	266,602.50	(3,397.50)
Total Other Financial Sources (Uses)		270,000.00	72,652.77	(197,347.23)
Net Change in Fund Balance	(74,098.00)	195,902.00	(344,772.33)	(540,674.33)
Fund Balance - Beginning	1,855,234.19	1,855,234.19	1,855,234.19	-
FUND BALANCE - ENDING	<u>\$ 1,781,136.19</u>	<u>\$ 2,051,136.19</u>	<u>\$ 1,510,461.86</u>	<u>\$ (540,674.33)</u>

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Special Education Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 680,866.00	\$ 680,866.00	\$ 671,410.24	\$ (9,455.76)
Prior Years' Ad Valorem Taxes			4,935.17	4,935.17
Penalties and Interest on Taxes	750.00	750.00	1,037.13	287.13
Earning Investments and Deposits	50.00	50.00	8.64	(41.36)
Other Revenue from Local Sources:				
Charges for Services	30,500.00	30,500.00	20,608.43	(9,891.57)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	332,464.00	332,464.00	298,978.00	(33,486.00)
Other State Revenue		1,000.00	1,000.00	-
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	217,884.00	217,884.00	199,482.28	(18,401.72)
Total Revenue	\$ 1,262,514.00	\$ 1,263,514.00	\$ 1,197,459.89	\$ (66,054.11)
Expenditures:				
Special Programs:				
Programs for Special Education	\$ 877,481.00	\$ 877,481.00	\$ 825,031.13	\$ 52,449.87
Support Services:				
Pupils:				
Health	10,000.00	10,000.00	6,545.00	3,455.00
Psychological	49,266.00	49,266.00	47,691.88	1,574.12
Speech Pathology	150,063.00	151,063.00	119,713.66	31,349.34
Student Therapy Services	102,000.00	102,000.00	73,686.96	28,313.04
Support Services - Instructional Staff:				
Improvement of Instruction	1,500.00	1,500.00	609.85	890.15
Support Services - Special Education:				
Administrative Costs	15,362.00	15,362.00	13,999.04	1,362.96
Transportation Costs	100,095.00	100,095.00	94,704.38	5,390.62
Other Special Education Costs			2,348.20	(2,348.20)
Total Expenditures	1,305,767.00	1,306,767.00	1,184,330.10	122,436.90
Excess of Revenue Over (Under) Expenditures	(43,253.00)	(43,253.00)	13,129.79	56,382.79
Fund Balance - Beginning	35,324.10	35,324.10	35,324.10	-
FUND BALANCE - ENDING	\$ (7,928.90)	\$ (7,928.90)	\$ 48,453.89	\$ 56,382.79

The notes to the required supplementary schedules are an integral part of this schedule.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and each major Special Revenue Fund with a legally required budget.

1. Budgets and Budgetary Accounting:

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

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

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. There is no effect on the net change in fund balance.

**DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures Amount FY 2014
US Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	N/A	\$ 39,956.31
Cash Assistance:			
School Breakfast Program (Note 2)	10.553	N/A	16,445.84
National School Lunch Program (Note 2)	10.555	N/A	116,434.39
Child and Adult Care Food Program	10.558	N/A	4,373.45
Total US Department of Agriculture			<u>177,209.99</u>
US Department of the Interior:			
Pass-Through Minnehaha County:			
Payments in Lieu of Taxes (Note 2) - Federal Wetlands	15.226	N/A	79.11
Total US Department of the Interior			<u>79.11</u>
US Department of Education:			
Pass-Through the SD Department of Education:			
Special Education Cluster:			
Special Education - Grants to States (Notes 2 &3)	84.027	N/A	184,284.00
Special Education - Preschool Grants (Note 3)	84.173	N/A	10,628.00
Title I Grants to Local Educational Agencies (Note 3)	84.010	N/A	86,276.00
Career and Technical Education - Basic Grants to States	84.048	N/A	8,681.00
Special Education - Grants for Infants and Families	84.181	N/A	4,570.28
Improving Teacher Quality State Grants	84.367	N/A	43,406.00
Total US Department of Education			<u>337,845.28</u>
US Department of Homeland Security:			
Pass-Through the SD Department of Public Safety - Office of Homeland Security:			
Homeland Security Grant	97.067	N/A	18,889.79
Grand Total			<u>\$ 534,024.17</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the school and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

NOTE 3: This represents a major federal financial assistance program.

Dell Rapids School District

Member of North Central Association

Administration

Board of Education

Tom Morris, Pres.
Steve Stofferahn, V, Pres.
Troy Randall
Matthew Weiland
Jody Schumaker

"Home of the Quarriers"

Summer Schultz, Supt.
Kimberly Kludt, 9-12 Prin.
Fran Ruesink, 5-8 Prin.
Jay Nelson, K-4 Prin.
Jeff Krumm, Tech. Dir.
Jeff Dvorak, Activities Dir.
Barb Littel, Bus. Mgr.
Jennifer Ruesink, 7-12 Counselor
Jodi Robertson, K-6 Counselor

March 5, 2015

To Whom It May Concern:

This letter is in response to the following audit finding:

Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

This reportable condition exists due to a lack of segregation of duties in the Dell Rapids School District. It is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Compensating controls and separation of related functions by employees is implemented to the extent possible with limited staff. It is not cost beneficial to take corrective action that would remove this comment as an audit finding.



Barbara Littel
Business Manager

Our Mission:

"We promote spirited thinking, responsible citizenship and lifelong learning"

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