

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2

AUDIT REPORT

JUNE 30, 2004

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BRANDON VALLEY SCHOOL DISTRICT 49-2

ADMINISTRATION CENTER

301 S. Splitrock Blvd., Brandon, SD 57005-1651

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Business Office (605) 582-2058

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George A. Gulson, Superintendent
Paul J. Lundberg, Business Manager
Todd R. Williams, Operations Manager

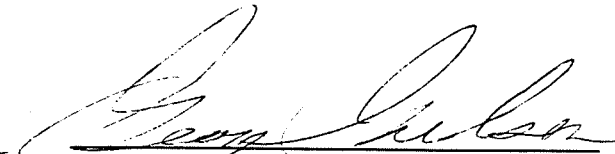
BOARD OF EDUCATION
Mike Klumpp, President
Kevin Thelen, Vice President
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Bonnie Duffy, Member
Todd Neuberger, Member

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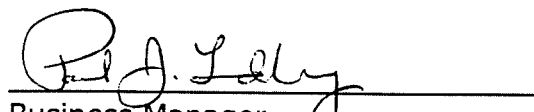
CORRECTIVE PLAN OF ACTION

Brandon Valley School District 49-2 has considered the lack of segregation of duties for the revenues. At this time it is not cost efficient for Brandon Valley School District 49-2 to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Brandon Valley School District 49-2 to decrease the likelihood that financial data is adversely affected.

Brandon Valley School District 49-2 will continue to monitor the necessity to have segregation of duties for revenues and implement such a segregation as budget dollars and board authority allows.



School Superintendent



Business Manager

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
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BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

NOTE 1: The accompanying Schedule of Expenditures of Federal awards include the federal grant activity of Brandon Valley School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, 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 on specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

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

NOTE 4: The amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

NOTE 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the school.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2004</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Food Distribution (Commodities Used)	10.550	N/A	\$ 48,762.28
Special Milk Program for Children (Note 2)	10.556	N/A	4,017.58
Child Nutrition Cluster:			
Breakfast Program	10.555	N/A	1,268.80
National School Lunch Program (Notes 3 & 4)	10.553	N/A	<u>132,467.49</u>
Total U.S. Department of Agriculture			<u>186,516.15</u>
Pass-Through the SD Department of Education:			
Promotion of the Arts - Partnership Agreements	45.025	N/A	<u>3,565.89</u>
Total National Foundation on the Arts and Humanities			
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	N/A	65,958.00
Special Education - Grants for Infants and Families with Disabilities - Idea Part C)	84.181	N/A	6,394.85
Safe and Drug Free Schools and Communities State Grant Title IV	84.186	N/A	18,244.88
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B, P.L. 102-119) (Notes 2 & 3)	84.027	N/A	354,301.37
Special Education-Preschool Grants (IDEA, Part B, Section 619, P.L. 102-119)(Note 3)	84.173	N/A	21,413.71
Innovative Education Program Strategies (Title VI)	84.298	N/A	29,173.00
Technology Literacy Challenge Fund Grants	84.318	N/A	2,926.00
English Language Acquisition State Grants (Title III)	84.365A	N/A	8,999.10
Improving Teacher Quality State Grants (Title II, Part A)	84.367A	N/A	<u>90,891.81</u>
Total U.S. Department of Education			<u>598,302.72</u>
Other Federal Assistance:			
Federal Surplus Property (Note 5)	39.003	N/A	<u>191.39</u>
Grand Total			<u>\$ 788,576.15</u>

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2004

School Board

Patricia Simmons

Bonnie Duffy

Casey Auch

John Whitelock

Mike Klumpp

Business Manager

Paul J. Lundberg

Superintendent

George A. Gulson

10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Projects Funds, and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and Special Revenue Funds of the School District only.

Brandon Valley School District No. 42-9
Notes to the Required Supplementary Information

1. BASIS OF PRESENTATION

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

2. BUDGETARY LEGAL REQUIREMENTS

South Dakota codified Law prescribes the budgetary procedures to be followed by the School District as follows:

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 15th each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1st of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the school board., the operating budget is legally binding at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows 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.

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**REQUIRED SUPPLEMENTARY INFORMATION
 BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
 BUDGETARY COMPARISON SCHEDULE
 PENSION FUND
 For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 140,000.00	\$ 140,000.00	\$ 141,364.51	\$ 1,364.51
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	554.44	(445.56)
Mobile Home Taxes	500.00	500.00	178.80	(321.20)
Penalties and Interest on Taxes	500.00	500.00	185.23	(314.77)
Total Revenue	<u>142,000.00</u>	<u>142,000.00</u>	<u>142,282.98</u>	<u>282.98</u>
Expenditures:				
Nonprogrammed Charges				
Early Retirement Payments	<u>80,200.00</u>	<u>80,200.00</u>	<u>80,145.43</u>	<u>54.57</u>
Total Expenditures	<u>80,200.00</u>	<u>80,200.00</u>	<u>80,145.43</u>	<u>54.57</u>
Net Change in Fund Balances	61,800.00	61,800.00	62,137.55	228.41
Fund Balance - July 1, 2003	<u>67,217.55</u>	<u>67,217.55</u>	<u>67,217.55</u>	
FUND BALANCE - JUNE 30, 2004	<u>\$ 129,017.55</u>	<u>\$ 129,017.55</u>	<u>\$ 129,355.10</u>	<u>\$ 228.41</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL EDUCATION FUND
 For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 905,000.00	\$ 905,000.00	\$ 918,511.29	\$ 13,511.29
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	10,722.61	4,722.61
Mobile Home Taxes	2,000.00	2,000.00	1,168.42	(831.58)
Penalties and Interest on Taxes	2,000.00	2,000.00	2,332.25	332.25
Transportation Fees			5,587.54	5,587.54
Revenue from State Sources:				
Restricted Grant in Aid	550,000.00	550,000.00	544,714.00	(5,286.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Federal Government through State	<u>357,000.00</u>	<u>357,000.00</u>	<u>397,056.84</u>	<u>40,056.84</u>
Total Revenue	<u>1,822,000.00</u>	<u>1,822,000.00</u>	<u>1,880,092.95</u>	<u>58,092.95</u>
Expenditures:				
Special Programs				
Programs for Special Education	1,400,300.00	1,400,300.00	1,439,686.99	(39,386.99)
Support Services				
Pupils:				
Psychological				
Speech Pathology				
Student Therapy Services				
Support Services - Instructional Staff				
Improvement of Instruction				
Support Services - Special Education				
Administrative Costs	111,700.00	111,700.00	111,904.47	(204.47)
Transportation Costs	5,000.00	5,000.00	2,782.47	2,217.53
Other	215,000.00	215,000.00	205,191.00	9,809.00
Nonprogrammed Charges:	<u>90,000.00</u>	<u>90,000.00</u>	<u>80,196.01</u>	<u>9,803.99</u>
Total Expenditures	<u>1,822,000.00</u>	<u>1,822,000.00</u>	<u>1,839,760.94</u>	<u>(17,760.94)</u>
 Net Change in Fund Balance	 -	 -	 40,332.01	 40,332.01
Fund Balance - July 1, 2003	<u>457,687.32</u>	<u>457,687.32</u>	<u>457,687.32</u>	<u> </u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 457,687.32</u>	<u>\$ 457,687.32</u>	<u>\$ 498,019.33</u>	<u>\$ 40,332.01</u>

QUAM & BERGLIN

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Brandon Valley School District No. 49-2
Minnehaha County, South Dakota

Compliance

We have audited the compliance of Brandon Valley School District No. 49-2, Minnehaha County, South Dakota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Brandon Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Brandon Valley School District's management. Our responsibility is to express an opinion on Brandon Valley School District's compliance based on our audit.

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-Profits 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 Brandon Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Brandon Valley School District's compliance with those requirements.

In our opinion, Brandon Valley School District No. 49-2 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Brandon Valley School District No. 49-2 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Brandon Valley School District's internal control over compliance with requirements that

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$2,075,000.00	\$ 2,075,000.00	\$ 2,075,068.76	\$. 68.76
Prior Years' Ad Valorem Taxes	10,000.00	10,000.00	24,608.49	14,608.49
Mobile Home Taxes	5,000.00	5,000.00	2,696.67	(2,303.33)
Penalties and Interest on Taxes	4,000.00	4,000.00	5,356.77	1,356.77
Other Revenue from Local Sources:				
Donations	10,000.00	10,000.00	12,109.81	2,109.81
Other	25,000.00	25,000.00	21,835.00	(3,165.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>28,000.00</u>	<u>28,000.00</u>	<u>29,173.00</u>	<u>1,173.00</u>
Total Revenue	<u>2,157,000.00</u>	<u>2,157,000.00</u>	<u>2,170,848.50</u>	<u>13,848.50</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	91,100.00	91,100.00	79,371.27	11,728.73
Middle/Junior High	18,100.00	18,100.00	17,440.02	659.98
High School	81,600.00	81,600.00	80,769.47	830.53
Special Programs:				
Gifted			1,754.73	(1,754.73)
Special Education	2,000.00	2,000.00	1,935.87	64.13
Basic Skills	28,000.00	28,000.00	29,041.65	(1,041.65)
Support Services-Pupils:				
Guidance	400.00	400.00	256.49	143.51
Support Services - Instructional Staff:				
Educational Media	26,500.00	26,500.00	27,657.22	(1,157.22)
Support Services - General Administration:	13,000.00	13,000.00	8,815.15	4,184.85
Support Services - School Administration:				
Office of the Principal	12,600.00	12,600.00	15,458.97	(2,858.97)
Other	9,300.00	9,300.00	2,829.00	6,471.00
Support Services - Business:				
Operation and Maintenance of Plant	481,300.00	481,300.00	611,028.76	(129,728.76)
Pupil Transportation	163,000.00	163,000.00	190,596.47	(27,596.47)
Debt Services	670,500.00	670,500.00	669,878.27	621.73
Cocurricular Activities	10,500.00	10,500.00	15,443.96	(4,943.96)
Total Expenditures	<u>1,607,900.00</u>	<u>1,607,900.00</u>	<u>1,752,277.30</u>	<u>(144,377.30)</u>
Net Change in Fund Balance	549,100.00	549,100.00	418,571.20	130,528.80
Fund Balance - July 1, 2003	<u>1,057,521.02</u>	<u>1,057,521.02</u>	<u>1,057,521.02</u>	
FUND BALANCE - JUNE 30, 2004	<u>\$ 1,606,621.02</u>	<u>\$ 1,606,621.02</u>	<u>\$ 1,476,092.22</u>	<u>\$ 130,528.80</u>

could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Brandon Valley School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 2004-01 to be a material weakness.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of the Brandon Valley School District No. 49-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin
Certified Public Accountants

September 21, 2004

**REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Support Services:				
Pupils:				
Guidance	250,500.00	250,500.00	246,321.24	4,178.76
Health	71,600.00	71,600.00	71,959.70	(359.70)
Support Services - Instructional Staff:				
Improvement of Instruction	357,700.00	357,700.00	347,369.90	10,330.10
Educational Media	311,200.00	311,200.00	308,803.35	2,396.65
Support Services - General Administration:				
Board of Education	85,600.00	85,600.00	86,269.80	(669.80)
Executive Administration	322,300.00	322,300.00	320,096.44	2,203.56
Support Services - School Administration:				
Office of the Principal	808,300.00	808,300.00	816,568.61	(8,268.61)
Other	50,300.00	50,300.00	44,755.61	5,544.39
Support Services - Business:				
Fiscal Services	184,100.00	184,100.00	181,036.49	3,063.51
Operation and Maintenance of Plant	1,769,100.00	1,769,100.00	1,790,155.37	(21,055.37)
Pupil Transportation	484,800.00	484,800.00	517,416.98	(32,616.98)
Community Services:				
Community Education	58,200.00	58,200.00	56,863.63	1,336.37
Non-Programmed Charges				
Cocurricular Activities:				
Male Activities	131,100.00	131,100.00	128,377.97	2,722.03
Female Activities	108,100.00	108,100.00	102,247.42	5,852.58
Transportation	41,200.00	41,200.00	33,822.82	7,377.18
Combined Activities	147,600.00	147,600.00	146,435.67	1,164.33
Total Expenditures	<u>12,125,500.00</u>	<u>12,125,500.00</u>	<u>12,090,432.50</u>	<u>35,067.50</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(54,500.00)</u>	<u>(54,500.00)</u>	<u>3,554.35</u>	<u>58,054.35</u>
Net Change in Fund Balances	(54,500.00)	(54,500.00)	3,554.35	58,054.35
Fund Balance - July 1, 2003	<u>2,043,878.84</u>	<u>2,043,878.84</u>	<u>2,043,878.84</u>	
FUND BALANCE - JUNE 30, 2004	<u>\$ 1,989,378.84</u>	<u>\$ 1,989,378.84</u>	<u>\$ 2,047,433.19</u>	<u>\$ 58,054.35</u>

QUAM & BERGLIN

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

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
Brandon Valley School District No. 49-2
Minnehaha County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brandon Valley School District No. 49-2, Minnehaha County, South Dakota, as of and for the year ended June 30, 2004, which collectively comprise Brandon Valley School District's basic financial statements and have issued our report thereon dated September 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brandon Valley School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment could adversely affect Brandon Valley School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current audit finding and questioned costs as item No. 2004-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions that are considered to be material weaknesses. However, we consider item No. 2004-1 to be a material weakness.

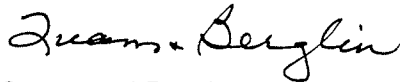
**REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,050,000.00	\$ 5,050,000.00	\$ 5,047,175.91	\$ (2,824.09)
Prior Years' Ad Valorem Taxes	50,000.00	50,000.00	66,146.68	16,146.68
Tax Deed Revenue	1,000.00	1,000.00		(1,000.00)
Gross Receipts Taxes	385,000.00	385,000.00	401,415.66	16,415.66
Mobile Home Taxes	10,000.00	10,000.00	7,444.98	(2,555.02)
Penalties and Interest on Taxes	15,000.00	15,000.00	14,253.43	(746.57)
Tuition and Fees:				
Regular Day School Tuition	30,000.00	30,000.00	48,312.0	18,312.00
Earnings on Investments and Deposits	55,000.00	55,000.00	33,833.48	(21,166.52)
Cocurricular Activities:				
Admissions	55,000.00	55,000.00	45,877.00	(9,123.00)
Other Pupil Activity Income	34,000.00	34,000.00	34,755.50	755.50
Other Revenue from Local Sources:				
Rentals	55,000.00	55,000.00	43,084.85	(11,915.15)
Bus Fees	35,000.00	35,000.00	47,562.50	12,562.50
Donations	5,000.00	5,000.00	2,814.61	(2,185.39)
Insurance and Judgements	5,000.00	5,000.00	3,723.89	(1,276.11)
Other	60,000.00	60,000.00	41,040.09	(18,959.91)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	145,000.00	145,000.00	135,286.41	(9,713.59)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	5,745,000.00	5,745,000.00	5,792,369.18	47,369.18
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants- in-Aid Received from Federal Government Through the State	<u>336,000.00</u>	<u>336,000.00</u>	<u>328,890.68</u>	<u>(7,109.32)</u>
Total Revenue	<u>12,071,000.00</u>	<u>12,071,000.00</u>	<u>12,093,986.85</u>	<u>22,986.85</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	2,995,500.00	2,995,500.00	2,995,847.72	(347.72)
Middle/Junior High	1,635,200.00	1,635,200.00	1,604,719.67	30,480.33
High School	2,063,000.00	2,063,000.00	2,055,816.47	7,183.53
Class Size Reduction Program	91,300.00	91,300.00	90,891.81	408.19
Educationally Deprived	109,700.00	109,700.00	96,120.62	13,579.38
Special Programs:				
Gifted and Talented	49,100.00	49,100.00	48,535.21	564.79

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brandon Valley 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 would 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 that are required to be reported under *Government Auditing Standards* except for Item No. 2004-02.

This report is intended solely for the information of the governing board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the intended parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin
Certified Public Accountants

September 21, 2004

NOTE 17 - JOINT VENTURES

The school district participates in the East Dakota Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational services to the member school districts.

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

Brandon Valley School District	43%
Lennox School District	28%
West Central School District	29%

The co-op'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 co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from East Dakota Educational Cooperative.

At June 30, 2004, this joint venture had total fund equity of \$493,244.61 and long-term debt of \$104,991.69.

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

An adjustment of \$55,000 was made to the Net Assets in the Statement of Activities on account of the payment made for the refunding of Series 1998 Capital Outlay Certificates in fiscal year 2003.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

Prior Finding Number 2003-01:

A reportable condition and material weakness was reported for a lack of proper segregation of duties for revenues, expenditures and payroll.

Corrective Action Plan:

This prior audit comment has been partially corrected for expenditure and payroll and the finding is restated for revenues under the current audit findings as finding number 2004-01.

PRIOR OTHER AUDIT FINDINGS:

Prior Finding Number 2003-01:

A reportable condition and material weakness was reported for a lack of proper segregation of duties for revenues, expenditures and payroll.

Corrective Action Plan:

This prior audit comment has been partially corrected for expenditures and payroll and the finding is restated for revenues under the current audit findings as finding number 2004-01.

NOTE 14 – RESTRICTED NET ASSETS

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets

<u>Fund</u>	<u>Restricted by</u>	<u>Amount</u>
General - Unemployment	Law	\$ 16,502.30
Capital Outlay	Law	2,521,077.79
Special Education	Law	982,333.14
Pension	Law	203,025.40
Debt Service	Debt Covenants	268,936.86
Food Service	Federal Regulations	261,814.18
Total Restricted Net assets		<u>\$ 4,253,689.67</u>

NOTE 15 - RISK MANAGEMENT

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2004, the school district managed its risks as follows:

Employee Health Insurance

The school district purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance

The school district purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

Workmen's Compensation

The school district purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits

The school has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The school has reserved equity in the General Fund in the amount of \$16,502.30 for the payment of future employment benefits.

During the year ended June 30, 2004, one claim for unemployment benefits was paid for a total of \$6.48. At June 30, 2004, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 16 - EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement within six years of attaining age 55 and have at least 15 years of continuous service with the district. Under the plan, the district will pay 100% of the employee's current annual salary, payable in 2-6 equal installments following retirement. The amount paid for such benefits during the year was \$80,145.43.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

- a. An unqualified opinion was issued on the financial statements.
- b. A reportable condition and material weakness was disclosed by our audit of the financial statements and for internal control over major federal programs for a lack of segregation of duties for revenues as discussed in finding number 2004-01.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.
- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. 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 the reportable condition and material weakness resulting from the lack of segregation of duties as discussed in finding number 2004-01.
- f. The federal awards tested as major programs included:
 - Special Education Cluster:
 - 84.027 Special Education – Grants to States
 - 84.173 Special Education – Preschool Grants
 - Child Nutrition Cluster:
 - 10.553 School Breakfast Program
 - 10.555 National School Lunch Program
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.00.
- h. Brandon Valley School District did not qualify as a low-risk entity.

CURRENT FEDERAL COMPLIANCE AUDIT FINDINGS:

Finding Number 2004-01:

A reportable condition and material weakness in internal controls was reported due to a lack of proper segregation of duties for revenues, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This applies to the major programs noted above.

Compensated Absences:

Vested annual leave; payments made from the General Fund

34,123.31

Governmental Activities

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2004 are as follows:

Annual Requirements to Maturity for Long Term Debt
June 30, 2004

Year	General Obligation Bonds		Capital Outlay Certificates		Early	Total								
	Ending	Principal	Interest	Principal	Interest	Retirement	Principal	Interest						
2005	\$	210,000.00	\$	387,723.75	\$	505,000.00	\$	165,380.00	\$	80,285.00	\$	795,285.00	\$	553,103.75
2006		235,000.00		382,951.25		495,000.00		145,771.25		35,572.95		765,572.95		528,722.50
2007		270,000.00		376,502.50		515,000.00		125,993.75		31,369.21		816,369.21		502,496.25
2008		300,000.00		368,200.00		540,000.00		105,015.00		20,819.51		860,819.51		473,215.00
2009		340,000.00		357,825.00		565,000.00		82,720.00		7,721.74		912,721.74		440,545.00
2010-2014		1,900,000.00		1,571,692.50		1,535,000.00		110,373.75		7,722.09		3,442,722.09		1,682,066.25
2015-2019		2,955,000.00		1,067,763.95		-		-		-		2,955,000.00		1,067,763.95
2020-2022		2,770,000.00		216,647.50		-		-		-		2,770,000.00		216,647.50
Totals	\$	8,980,000.00	\$	4,729,306.45	\$	4,155,000.00	\$	735,253.75	\$	183,490.50	\$	13,318,490.50	\$	5,464,560.20

NOTE 12- RETIREMENT PLAN

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

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. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$508,400.25, \$477,408.27, and \$377,169.63 respectively, equal to the required contributions each year.

NOTE 13 - LITIGATION

At June 30, 2004, the school district was not involved in any litigation.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

Analysis:

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

Recommendation:

We recommend that Brandon Valley School District officials be cognizant of this lack of segregation of duties for non-governmental revenues and attempt to provide compensating controls whenever, and wherever possible and practical.

Corrective Action Plan:

Paul Lundberg, Business Manager for Brandon Valley School District is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Brandon Valley School District is aware of this problem and is attempting to provide compensating controls.

CURRENT OTHER AUDIT FINDINGS:

Finding Number 2004-01:

The lack of segregation of duties discussed in finding number 2004-01 applies to all revenues of the school district.

Finding Number 2004-02:

Payment for leases of equipment were made from the General Fund. SDCL 13-16-6 requires that such lease payments be made from the Capital Outlay Fund.

Analysis:

Since July 1, 1996, leases of equipment have been required to be paid from the Capital Outlay Fund of a School District. Brandon Valley School District has been making the lease payments for certain copiers from the General Fund, which results in the understatement of the General Fund balances and overstatement of the Capital Outlay Fund balances.

Recommendation:

We recommend that the Brandon Valley School District make lease payments for the equipment leases from the Capital Outlay Fund.

Corrective Action Plan:

Brandon Valley School District is making such lease payments from the Capital Outlay Fund rather than the General Fund beginning in FY2005.

NOTE 11- LONG -TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2004 is as follows:

Governmental Activities	General Obligation Bonds	Capital Outlay Certificates	Early Retirement Benefits Payable	Compensated Absences	Totals
Liabilities Payable, July 1, 2003	\$ 9,180,000.00	\$4,570,000.00	\$ 164,914.42	\$ 31,514.44	\$ 13,946,428.86
New Issues			98,721.51		98,721.51
Increase (Decrease) in Compensated Absences				2,608.87	2,608.87
Change in Early Retirement Benefits Payable			(80,145.43)		(80,145.43)
Retired Amounts	<u>(200,000.00)</u>	<u>(415,000.00)</u>			<u>(615,000.00)</u>
LIABILITIES PAYABLE, JUNE 30, 2004	<u>\$ 8,980,000.00</u>	<u>\$4,155,000.00</u>	<u>\$ 183,490.50</u>	<u>\$ 34,123.31</u>	<u>\$ 13,352,613.81</u>
Due within One Year	<u>\$ 210,000.00</u>	<u>\$ 505,000.00</u>	<u>\$ 80,285.00</u>	<u>\$ 0.00</u>	<u>\$ 795,285.00</u>

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

Liabilities payable at June 30, 2004 are comprised of the following:

General Obligation Bonds:

Series 2001 – Refunding Bonds dated November 1, 2001; Varying interest rates ranging from 2.45% to 5%; final maturity is January 1, 2022; payments to be made from Debt Service Fund	\$ 7,860,000.00
Series 2003 – Refunding Bonds dated April 15, 2003; varying Interest rates ranging from 1.5% to 3.9%. Final maturity is July 15, 2011; payments to be made from Debt Service Fund.	1,120,000.00

Capital Outlay Certificates:

Series 1994 – Certificates dated March 1, 1994; varying interest rates of 3.2% to 4.9%; final maturity is August 1, 2004; payments made from the Capital Outlay Fund.	30,000.00
Series 2002 – Capital Outlay Refunding Certificates dated February 1, 2002; varying interest rates of 4.125% to 4.5%; final maturity is August 1, 2011; payments made from the Capital Outlay Fund.	3,410,000.00
Series 2003 – Certificates dated April 15, 2003; varying interest rates of 1.550% to 4.10%; final maturity is August 1, 2013; payments made from the Capital Outlay Fund.	715,000.00

Early Retirement:

Obligation to individuals who fall under the early retirement plan of the Brandon Valley School District. Payments are made to the retiree at the retiree's discretion Payments are made from the General Fund.	183,490.50
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QUAM & BERGLIN

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

School Board
Brandon Valley School District No. 49-2
Minnehaha County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brandon Valley School District No. 49-2, Minnehaha County, South Dakota, as of and for the year ended June 30, 2004, which collectively comprise Brandon Valley School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brandon Valley School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brandon Valley School District No. 49-2 as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2004 on our consideration of Brandon Valley 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 this 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and, should be considered in assessing the results of our audit.

Primary Government

	Balance July 1, 2003	Increases	Decrease	Balance June 30, 2004
Governmental Activities:				
Capital Asest, not being depreciated:				
Land	\$ 898,583.00			\$ 898,583.00
Work in Progress	<u>7,167,181</u>	<u>\$ 1,087,956</u>	<u>\$ (8,086,232)</u>	<u>168,905</u>
Capital Assets, being depreciated:				
Buildings	17,633,814	7,642,074		25,275,888
Improvements Other than Buildings	838,242	160,373		998,615
Machinery and Equipment	3,960,012	441,565		4,401,577
Library Books	<u>624,015</u>	<u>46,541</u>		<u>670,556</u>
Total Assets, being depreciated	<u>23,056,083</u>	<u>8,290,553</u>		<u>31,346,636</u>
Less Accumulated Depreciation:				
Buildings	(5,475,218)	(518,645)		(5,993,863)
Improvements Other than Buildings	(622,107)	(25,947)		812,295
Machinery and Equipment	(2,399,897)	(607,438)		(3,007,335)
Library Books	<u>(280,807)</u>	<u>(64,729)</u>		<u>(345,536)</u>
Total Accumulated Depreciation	<u>(8,778,029)</u>	<u>(1,216,759)</u>		<u>(9,994,788)</u>
Total Capital Assets, being depreciated, net	<u>14,278,054</u>	<u>7,073,794</u>		<u>21,351,848</u>
Governmental activity capital assets, net	<u>\$ 22,343,818</u>	<u>\$ 8,161,750</u>	<u>\$ (8,086,232)</u>	<u>\$ 22,419,336</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:		
Instruction		\$ 597,939
Support Services		603,821
Co-Curricular		<u>14,999</u>
Total Depreciation expense-governmental activites		<u>\$ 1,216,759</u>

Business - Type Activities:

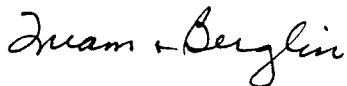
	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets, being depreciated:				
Machinery and Equipment	<u>\$ 556,563.22</u>	<u>\$ 9,765.66</u>		<u>\$ 566,328.88</u>
Totals	<u>\$ 556,563.22</u>	<u>\$ 9,765.66</u>		<u>\$ 566,328.88</u>
Less Accumulated Depreciation:				
Machinery and Equipment	<u>(350,182.57)</u>	<u>(49,135.28)</u>		<u>(399,317.85)</u>
Total Accumulated Depreciation	<u>\$ (350,182.57)</u>	<u>\$ (49,135.28)</u>		<u>(399,317.85)</u>
Business-type activity capital assets, net				<u>\$ 167,011.03</u>

**Depreciation expense was charged to functions as follows:

Business-type Activities		
Food Service		<u>\$ 49,135.28</u>

The management's discussion and analysis and budgetary comparison schedules listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brandon Valley School District's basic financial statements. The accompanying 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 the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.



Quam and Berglin, CPA's
Certified Public Accountants

September 21, 2004

NOTE 7 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations.

NOTE 8 – OPERATING LEASES

The district leases various copy machines. These operating leases include maintenance and repairs. The payments are made from the General Fund.

The following are the minimum payments on the existing operating leases:

<u>Year</u>	<u>Amount</u>
2005	\$ 57,690.00
2006	8,240.00

NOTE 9 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments include the following:

Due from the federal government through the State of South Dakota:

Title I	\$ 1,795.52
Title II A	7,209.05
Title IV A	4,612.60
Total	<u>\$ 13,617.17</u>

NOTE 10 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 is as follows:

**BRANDON VALLEY SCHOOL DISTRICT 49-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

As management of Brandon Valley School District 49-2 (District), we offer readers of the District's financial statement this narrative overview and analysis of the District's financial performance for the fiscal year ended on June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

- 1 The District's net assets from Governmental activities increased by \$395,100 primarily due to a decrease in liabilities (debt service).
- 2 The District continues to maintain an adequate financial position in all major operating funds. The ending fund balance in the General Fund remains near the 20% cap placed on school districts in prior years by the State's Legislature. The beginning fund balance of the General Fund was 17.9% and the ending fund balance is at 17.0%. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. The ending cash position of the General Fund on June 30, 2004 was \$2,969,038, which reflects a 5% (\$140,505) increase.
- 3 The Capital Outlay Fund had a very good year financially. The revenue exceeded the expenditures by \$418,571. This difference is mainly due to a projected revenue over expenditure budget of \$549,100. The District is accumulating cash in this fund to finance a \$1,800,000 transportation facility in the summer of 2004. The facility was started in May, 2004 and incurred expenditures of \$168,905 which were not budgeted. The ending cash position of the capital outlay fund on June 30, 2004 was \$1,543,525 which reflects an increase of \$486,004.
- 4 The Special Education Fund is another fund in which the State regulates the amount of allowable fund balance at year-end. The state imposed fund balance cap is also 20% with the district being allowed some adjustments related to the amount of Federal revenue included in the ending fund balance. The ending fund balance of \$498,109 when adjusted by Federal revenue, is just slightly over the mandated 20%. Therefore, the District will forego approximately \$40,000 of its full state aid allocation in 2004-05. The continued increases in Federal revenues will offset this loss.
- 5 Business-type activities had a decrease in net assets of \$43,060 during the 2003-04 school year primarily due to expenditures exceeding revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 1 The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- 2 The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

Receivables at June 30, 2004 were as follows:

	<u>Taxes</u>	<u>Other Governments</u>	<u>Total Receivables</u>
Governmental Activities:			
General Fund	\$ 2,566,935.86	\$ 13,617.17	\$ 2,580,553.03
Capital Outlay Fund	1,116,164.57		1,116,164.57
Special Education Fund	484,313.81		484,313.81
Pension Fund	73,670.30		73,670.30
Debt Service Fund	<u>357,669.94</u>		<u>357,669.94</u>
 Total - Governmental Activities	 <u>\$ 4,598,754.48</u>	 <u>\$ 13,617.17</u>	 <u>\$ 4,612,371.65</u>

Payables at June 30, 2004 were as follows:

	<u>Accounts</u>	<u>Accrued Wages</u>	<u>Other Payables</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$ 36,967.41	\$ 910,754.91		\$ 947,722.32
Capital Outlay Fund	67,432.37			67,432.37
Special Education Fund	12,730.09	138,086.16		150,816.25
Debt Service Fund			<u>\$ 264,806.00</u>	<u>264,806.00</u>
 Total - Governmental Activities	 <u>\$ 117,129.87</u>	 <u>\$ 1,048,841.07</u>	 <u>\$ 264,806.00</u>	 <u>\$ 1,430,776.94</u>
 Business -Type Activities				
Food Service Fund			<u>\$ 13,536.88</u>	<u>\$ 13,536.88</u>
 Total - Business - Type Activities			 <u>\$ 13,536.88</u>	 <u>\$ 13,536.88</u>

NOTE 5 - INVENTORY

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

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

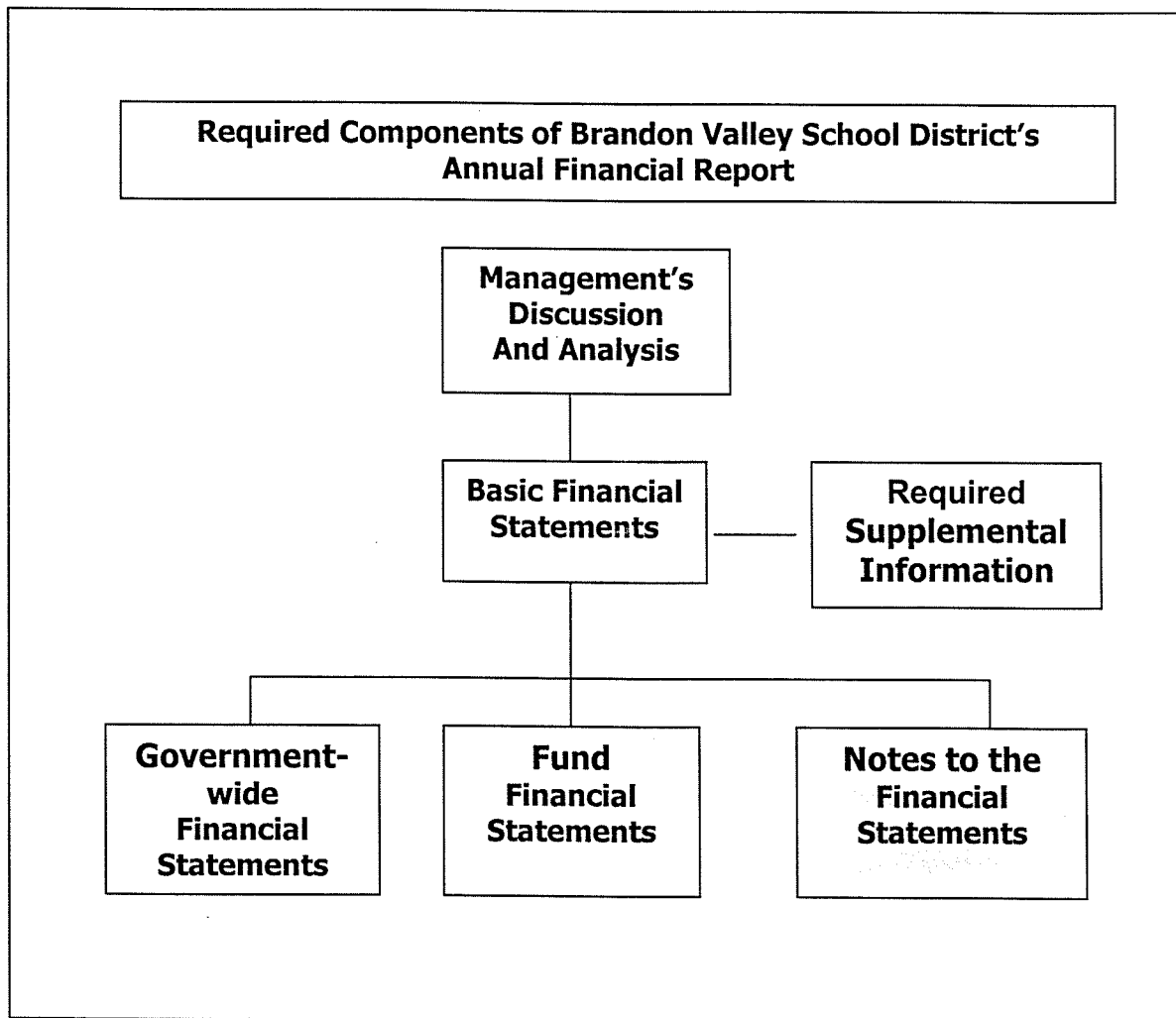
NOTE 6 - DEFERRED REVENUE

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.

- 3 The governmental funds statements tell how basic services, e.g., regular and special education, were financed in the short-term as well as what remains for future spending.
- 4 Proprietary fund statements offer short-term and long-term financial information about the activities that the school, operates like a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has one business-type activity, i.e., Food Service.
- 5 Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

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 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1



Reconciliation of deposits to Government-Wide Statements of Net Assets:

Cash and cash equivalents	\$ 3,491,271.09
Add: CD's over 90 day maturity	2,000,000.00
Add: Agency fund cash (not included in government-wide Statement of net assets)	<u>106,929.51</u>
Total Reconciled Deposits	<u>\$ 5,598,200.60</u>

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or 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 that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value.

The school's investments (except for mutual funds) are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or its trust department or agent but not in the entity's name.

The investments at June 30, 2004 were as follows:

	<u>Fair Value</u>
SDFIT-GCR	<u>\$ 7,478.74</u>
Total Investments	<u>\$ 7,478.74</u>

The South Dakota Public Funds Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

NOTE 4 – RECEIVABLES AND PAYABLES

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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Major Functions of the Government-wide and Fund Financial Statements				
	Government- Wide <u>Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and secondary education programs.	Activities the District operates similar to private businesses, e.g., food services.	Instances in which the District administers resources on behalf of someone else, e.g., scholarship programs and student activities monies.
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets, *Statement of revenues, expenses, and changes in net assets, *Statement of cash flows	*Statement of fiduciary net assets *Statement of changes in fiduciary assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, short term and long-term; funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless when cash is received or paid.

Capital Outlay Fund

Year Ended
06/30/04
\$ 144,377.30

The Governing Board plans to take the following actions to address these violations:

A supplemental appropriation will be adopted if the annual appropriation fails to provide enough funds to meet all lawful expenses and liabilities of the school district.

NOTE 3 – DEPOSITS AND INVESTMENTS

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.

Deposits are reported at cost plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund except for the Capital Projects Fund. USGAAP on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Since pooling was done to maximize cash management, the interest income from the various funds was directly recognized in the General fund. Such amounts were not material to the individual fund types.

The actual bank balances at June 30, 2004 were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 400,000.00
Uninsured, collateral jointly held by state's School's agent in the name of the state and the pledging financial institution	<u>5,250,282.36</u>
Total Deposits	<u>\$ 5,650,282.36</u>

The School District's carrying amount of deposits as June 30, 2004 was \$5,598,200.60.

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 assets includes all of the District'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 assets and how they have changed. Net assets, i.e., the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- 1 Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating.
- 2 To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base and changes in the state school aid funding formula, also need to be considered.

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

- 1 **Governmental Activities** – This category includes the District's basic instructional services, such as elementary, middle and high school educational programs, support services (guidance, executive administration, school board, fiscal services, etc.), debt service payments, extracurricular activities (sports, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- 2 **Business-type Activities** – The District charges a fee to students to help cover the costs of providing food services to all students. The Food Service Fund is the only business-type activity of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- 1 State law requires some funds.
- 2 The District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

The District has three generic fund types:

- 1 **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 the reader determine if 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, additional information is provided on a subsequent page that explains the relationship and reconciles the differences between the fund financial statements and the government-wide statements.
- 2 **Proprietary Funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short and long-term financial information. The District uses an enterprise fund (one type of proprietary fund) to report the activities of its Food Service Program, a business-type activity.

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. Proprietary Funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

j. Equity Classifications

Government-wide Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Reserved” and “Unreserved” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets

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

NOTE 2 - VIOLATIONS OF FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

- 3 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 fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF BRANDON VALLEY SCHOOL DISTRICT 49-2 AS A WHOLE

Net Assets

The District’s combined net assets changed as follows:

Table A-1
Brandon Valley School District 49-2
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY2003	FY2004	FY2003	FY2004	FY2003	FY2004
Current and Other Assets	10,227,299	10,020,519	112,981	108,340	10,340,280	10,128,859
Capital Assets	22,343,817	22,419,336	206,381	167,011	22,550,198	22,586,347
Total Assets	32,571,116	32,439,855	319,362	275,351	32,890,478	32,715,206
Long-Term Debt Outstanding	13,946,429	13,352,614	---	---	13,946,429	13,352,614
Other Liabilities	1,308,324	1,430,777	14,488	13,537	1,322,812	1,444,314
Total Liabilities	15,254,753	14,783,391	14,488	13,537	15,269,241	14,796,928
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	8,593,817	9,284,336	206,381	167,011	8,800,198	9,451,347
Restricted	4,216,270	3,991,875	---	---	4,216,270	3,991,875
Unrestricted	4,506,276	4,380,253	98,494	94,803	4,604,770	4,475,056
Total Net Assets	17,316,363	17,656,464	304,875	261,814	17,621,238	17,918,278
Beginning Net Assets	15,861,875	17,261,364	277,464	304,874	16,139,339	17,566,238
Increase(Decrease) in Net Assets	1,454,489	340,100	27,411	(43,060)	1,481,900	352,040
Percentage of Increase (Decrease) in Net Assets	9.2%	2.0%	9.9%	(14.1%)	9.2%	1.7%

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of construction bond and capital outlay certificate indebtedness, have been reported in this manner on the Statement of Net Assets. The difference between the District’s assets and liabilities is its net assets.

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Buildings	10,000.00	Straight Line	5-50 yrs.
Building Improvements	10,000.00	Straight Line	5-40 yrs.
Improvements other than Buildings	10,000.00	Straight Line	5-40 yrs.
Machinery and Equipment	1,000.00	Straight Line	5-15 yrs.
Electronics, Computers, Cameras etc	100.00	Straight Line	4 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

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 and general obligation bonds 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 District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follow consider the operations of the government-wide activities.

Table A-2
Brandon Valley School District 49-2
Changes in Net Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues						
Program Revenues						
Charges for Services	\$ 145,423	\$ 182,094	\$ 808,441	\$ 849,269	\$ 953,864	\$ 1,031,363
Operating Grants and Contributions	519,380	591,159	163,577	195,625	682,957	786,784
Capital Grants and Contributions	28,293	29,173			28,293	29,173
General Revenues						
Property Taxes	9,324,431	9,360,281			9,324,431	9,360,281
State Sources	5,829,397	6,471,872			5,829,397	6,471,872
Unrestricted Investment Earnings						
Other General Revenues	188,722	34,366	693	922	189,415	35,288
	<u>292,036</u>	<u>259,894</u>			<u>292,036</u>	<u>259,894</u>
	<u>16,327,682</u>	<u>16,928,839</u>	<u>972,711</u>	<u>1,045,816</u>	<u>17,300,393</u>	<u>17,974,655</u>
Expenses						
Instruction	7,963,194	8,616,871			7,963,194	8,616,871
Support Services	5,304,323	6,749,784			5,304,323	6,749,784
Community Service	54,444	56,863			54,444	56,863
Non-programmed Charges	56,140	98,721			56,140	98,721
Debt Service	649,284	576,283			649,284	576,283
Co-Curricular Activities	421,776	435,217			421,776	435,217
Depreciation (unallocated)	447,925				447,925	
Food Service			<u>945,300</u>	<u>1,088,876</u>	<u>945,300</u>	<u>1,088,876</u>
Total Expenses	<u>14,897,086</u>	<u>16,533,739</u>	<u>945,300</u>	<u>1,088,876</u>	<u>15,842,386</u>	<u>17,622,615</u>
Excess of Revenue Over (Under) Expenses	1,430,596	395,100	27,411	(43,060)	1,458,007	352,040
Prior Period Adjustment		(55,000)				(55,000)
Sale of General Fixed Assets	7,383				7,383	
Transfer In (Out)	<u>16,509</u>				<u>16,509</u>	
Total Special Items	<u>23,892</u>	<u>(55,000)</u>			<u>23,892</u>	<u>(55,000)</u>
Increase (Decrease) in Net Assets	<u>\$ 1,454,488</u>	<u>\$ 340,100</u>	<u>\$ 27,411</u>	<u>\$ (43,060)</u>	<u>\$ 1,481,899</u>	<u>\$ 297,040</u>
NET ASSETS-ENDING	<u>\$ 17,316,364</u>	<u>\$ 17,656,464</u>	<u>\$ 304,874</u>	<u>\$ 261,814</u>	<u>\$ 17,621,238</u>	<u>\$ 17,918,278</u>

The District's revenues totaled \$17,974,655 (See Table A-2). Over half of the District's revenue came from property taxes, with a third coming from state aid (See Figure A-3).

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

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. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets are not capitalized along with other capital assets.

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

Government-Wide Statements

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

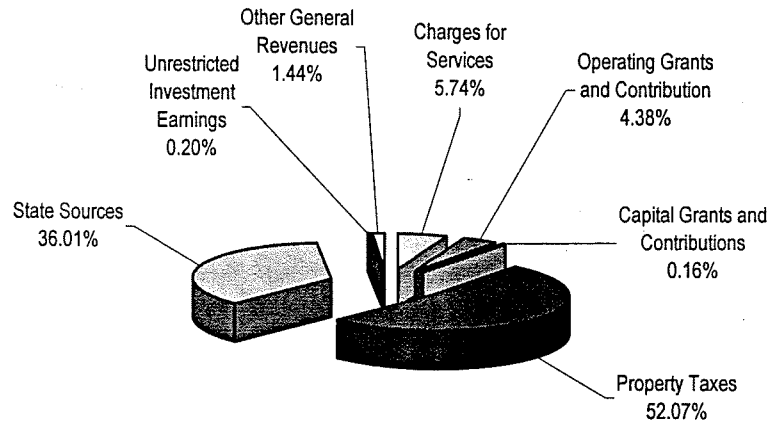
Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2004 balance of capital assets for governmental activities includes approximately 7.4 % percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by estimated historical costs.

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

Figure A-3

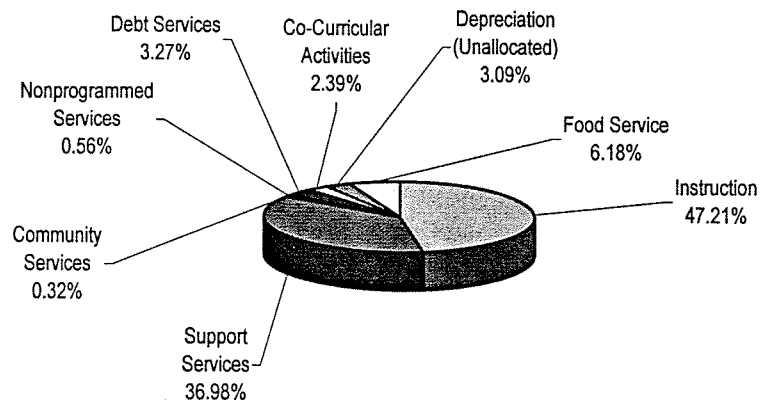
**Brandon Valley School District 49-2
FY2004 Revenues by Source**



The District's expenditures totaled \$17,622,615 (See Table A-2) and covered a range of services, including instruction, support services, community services, debt service, co-curricular activities and food services (See Figure A-4).

Figure A-4

**Brandon Valley School District 49-2
FY2004 Expenditures By Function**



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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds and similar fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Brandon Valley School District No. 49-2, the length of that cycle is 30 days. The revenues that were accrued at June 30, 2004 are amounts due from other governments for grants.

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 similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities, i.e., food services, increased by 7.5% from \$972,711 in FY2003 to \$1,045,816 in FY2004 and expenses increased by 15.2% from \$945,300 in FY2003 to \$1,088,876 in FY2004. Factors contributing to these results include the following:

- 1 The increase in revenue was due primarily to an increase in the number of type A lunches served and reimbursed. Meal prices were not raised in 2003-04. An increase is being planned for the 2004-05 school year.
- 2 Expenses increased significantly due to increased salary and benefit costs (\$71,000). A new elementary school was opened in 2003-04 and was staffed with additional kitchen help. In addition, a food service director was hired. The position had been open during the previous year. Cost of sales increased significantly also (\$45,000).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund balances changed as follows: General Fund increased \$3,554 as a result of revenues exceeding expenditures. Capital Outlay Fund increased \$418,571 due to revenues exceeding expenditures which is being planned to use for the construction of a \$1,800,000 transportation facility in 2004-05. Special Education Fund increased \$40,332 as a result of revenues exceeding expenditures. Pension Fund increased \$62,138 as a result of revenues exceeding expenditures. This was the second year that the District levied a tax in this fund. Bond Redemption Fund increased \$173,408 as the result of revenues exceeding expenditures. The Capital Projects Fund decreased \$918,519 as a result of expenditures exceeding revenues for this fiscal year. This fund was closed at June 30, 2004 as the elementary building project was completed.

BUDGETARY HIGHLIGHTS

The Board of Education was presented with a preliminary budget for their review and consideration on May 12, 2003 as prescribed by state statute. Following their review, the 2003-04 budget was adopted by the Board of Education on July 14, 2003 with a few minor modifications. There were no amendments, changes, or significant budgets variances for the 2003-04 fiscal year.

CAPITAL ASSET ADMINISTRATION

At the end of FY2004, the District had invested \$32,980,453 in a broad range of capital assets, including land, buildings, improvements other than buildings and equipment for governmental activities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$1,302,043 or 4.1%, over the previous year. The increase is due primarily to the final construction of a new elementary school. The new school was opened in August, 2003.

Capital Project Fund Types - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. The Robert Bennis Elementary School was the only capital project fund maintained by the school district during the year. This is a major fund.

Proprietary Funds:

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

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

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds

Private Purpose Trust Fund Types – Private Purpose Trust Funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The school district maintains the Michael Schultz Scholarship Fund, which is the only private purpose trust fund. It is used for the purpose of providing scholarships to students.

Agency Fund Types - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The District maintains agency funds for the following purposes: Science Clubs, Student Council, Drama Club, Choir, Language Clubs, FFA, Peer Helper, Class Funds and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Table A-3
Brandon Valley School District 49-2
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business Activities	
	FY2003	FY2004	FY2003	FY2004
Land	\$ 898,583	\$ 898,583		
Buildings	17,633,814	25,275,888		
Improvements other than Buildings	838,242	998,615		
Equipment	4,584,027	5,072,133		
Construction Work in Progress	7,167,181	168,905	556,563	566,329
Total Capital Assets	\$31,121,847	\$32,414,124	\$ 556,563	\$ 566,329
Accumulated Depreciation	(8,778,029)	(9,994,788)	(350,182)	(399,318)
Total All Capital Assets	\$22,343,818	\$22,419,336	\$ 206,381	\$ 167,011

LONG-TERM DEBT

At year-end, the District had \$13,352,614 in general obligation bonds, capital outlay certificates, and other long-term obligations. This is a decrease of 4.6% as shown on table A-4. The District does not expect to issue any long-term bonds in the near future.

Table A-4
Brandon Valley School District 49-2
Outstanding Debt and Obligations

	Governmental Activities		Business Type Activities		Total Dollar Change	Total Percentage Change
	FY2003	FY2004	FY2003	FY2004	FY2003-04	FY2003-04
Capital Outlay Certificates	4,625,000	4,155,000	---	---	(470,000)	-10.2%
General Obligation Bonds	9,180,000	8,980,000	---	---	(200,000)	-2.2%
Early Retirement & Accrued Leave Payable	196,429	217,614	---	---	21,185	10.8%
Total Outstanding Debt and Obligations	\$14,001,429	\$13,352,614	---	---	(648,815)	-4.6%

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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

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

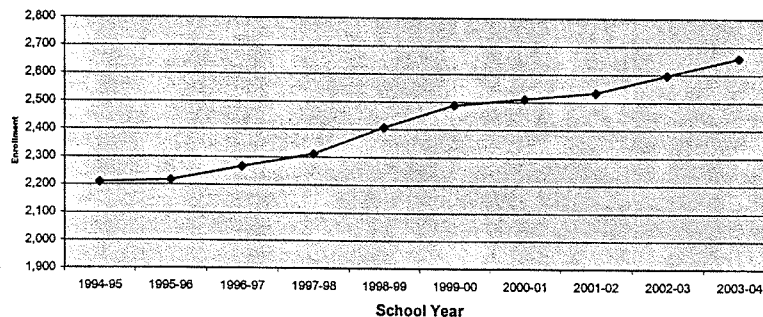
The Bond Redemption Fund – A fund established by SDCL 13-16-13 whereby taxes levied are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The 2003 and 2001 Refunding General Obligation Bond payments are made from Redemptionthis fund. This is a major fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial condition in the future:

- 1 The District experienced an increase in the 2005 assessed value of the District in the amount of \$62,494,164 or 8.6%. The Funds that receive financial support from property taxes except for the General fund and the Special Education fund will benefit from this increase in value. The manner in which the state aid formulas for the General fund and the Special Education fund eliminate the benefit of increased value for these funds. The state legislature annually sets the maximum dollars per 1,000 of assessed value a district can request in all taxing funds except the Debt Service fund which is established by an approved resolution voted upon by district patrons.
- 2 The State Aid formula for the General and Special Education funds are based on the District's average daily membership (ADM) and the number of special needs students being served in various need categories respectively. The 2003-04 general state aid is calculated on \$4,087 per average daily membership and increases annually by the lesser of the rate of inflation or three percent (3%). The state aid formula insures that the state aid and the amount the district can generate through property taxes will equal the per ADM Amount. The special education aid is calculated very similar with the use of six (6) different student categories, each having a varying value assigned to the category. Once again, the calculated student need of the Special Education fund is accommodated by the amount that can be generated locally through property taxes and state support. With the basic formula being: calculated student need amount less the amount raised locally through property taxes equaling the amount of state support, you can see that the District does not receive the financial advantage of increased assessed value in the General Fund or Special Education Fund.
- 3 The enrollment of the District has increased over the past ten years. This has allowed the District financial successes that have not been experienced by other school districts in the state of South Dakota. With a major portion of the District's state funding based on enrollment numbers, the financial impact of enrollment fluctuations is an important factor in the financial stability of the District. As long as enrollment continues this trend and proper management decisions over expenditures, the District should continue to experience good financial conditions. The following graph illustrates prior enrollment and potential trends.

Figure A-5
Enrollment ADM Last Ten Years



BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The reporting entity of Brandon Valley School District No 49-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments.

Government-wide Financial Statements:

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

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

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

- 1 The Federal mandate, known as No Child Left Behind, is in its infant stages and the full impact that it will have of the District is unknown. The Federal mandate comes to the State and District with limited/unknown financial support.
- 2 Annually the District negotiates the salary and benefits package of District employees. With approximately 82% of the General fund expenditures being salary and benefit costs, the outcome of negotiations has a major impact on the future financial status of the District.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, 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 regarding this report or need additional information, contact the Brandon Valley School District 49-2 Business Office, 301 S. Splitrock Blvd., Brandon, SD 57005.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2004

	Private-Purpose Trust Funds
ADDITIONS:	
Interest on Investments	\$ 150.97
Total Additions	150.97
DEDUCTIONS:	
Other Deductions	500.00
Total Deductions	500.00
Change in Net Assets	(349.03)
Net Assets - Beginning	11,452.28
NET ASSETS - ENDING	\$ 11,103.25

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	\$ 3,391,645.23	\$ 95,623.56	\$ 3,487,268.79
Investments	2,000,000.00		2,000,000.00
Taxes Receivable	4,598,754.48		4,598,754.48
Inventories		12,716.47	12,716.47
Other Assets	13,617.17		13,617.17
Restricted Cash	16,502.30		16,502.30
Capital Assets:			
Land, Improvements and Construction in Progress	1,067,487.50		1,067,487.50
Other Capital Assets, Net of Depreciation	21,351,848.00	167,011.03	21,518,859.03
TOTAL ASSETS	32,439,854.68	275,351.06	32,715,205.74
LIABILITIES :			
Accounts Payable	117,129.87		117,129.87
Other Current Liabilities	1,313,647.07	13,536.88	1,327,183.95
Noncurrent Liabilities:			
Due Within One Year	829,408.31		829,408.31
Due in More than One Year	12,523,205.50		12,523,205.50
TOTAL LIABILITIES	14,783,390.75	13,536.88	14,796,927.63
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	9,284,335.50		9,284,335.50
Restricted for:			
Unemployment	16,502.30		16,502.30
Capital Outlay	2,521,077.79		2,521,077.79
Special Education	982,333.14		982,333.14
Pension	203,025.40		203,025.40
Debt Service	268,936.86		268,936.86
Other Purposes		261,814.18	261,814.18
Unrestricted (Deficit)	4,380,252.94		4,380,252.94
TOTAL NET ASSETS	\$ 17,656,463.93	\$ 261,814.18	\$ 17,918,278.11

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	<u>\$ 11,103.25</u>	<u>\$ 83,326.26</u>
TOTAL ASSETS	<u><u>\$ 11,103.25</u></u>	<u><u>\$ 83,326.26</u></u>
LIABILITIES:		
Amounts Held for Others		<u>\$ 83,326.26</u>
Total Liabilities	_____	<u>83,326.26</u>
NET ASSETS		
Held in Trust for Scholarships	<u>\$ 11,103.25</u>	_____
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,103.25</u></u>	<u><u>\$ 83,326.26</u></u>

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ (8,616,870.82)	\$ 48,312.00	\$ 570,181.79	\$ 6,736.83	\$ (7,991,640.20)	\$ (7,991,640.20)	
Support Services	(6,749,784.00)	53,150.04	20,977.00	22,436.17	(6,653,220.79)	(6,653,220.79)	
Community Services	(56,863.63)				(56,863.63)	(56,863.63)	
Nonprogrammed Charges	(98,721.51)				(98,721.51)	(98,721.51)	
*Interest on Long-term Debt	(576,282.64)				(576,282.64)	(576,282.64)	
Co-curricular Activities	(435,216.84)	80,632.50			(354,584.34)	(354,584.34)	
Total Governmental Activities	(16,533,739.44)	182,094.54	591,158.79	29,173.00	(15,731,313.11)	(15,731,313.11)	
Business-type Activities:							
Food Service	(1,088,876.34)	849,269.01	195,625.49		\$ (43,981.84)	(43,981.84)	
Total Primary Government	\$ (17,622,615.78)	\$ 1,031,363.55	\$ 786,784.28	\$ 29,173.00	\$ (15,731,313.11)	\$ (15,775,294.95)	
General Revenues:							
Taxes:							
Property Taxes		\$ 9,360,280.67			\$ 9,360,280.67	\$ 9,360,280.67	
Revenue from State Sources:							
State aid		6,471,871.91			6,471,871.91	6,471,871.91	
Unrestricted Investment Earnings		34,366.08			34,366.08	35,287.76	
Other General Revenues		259,894.66			259,894.66	259,894.66	
Total General Revenues, Special Items, Sale of Surplus Property and Transfers		16,126,413.32			921.68	16,127,335.00	
Change in Net Assets					395,100.21	352,040.05	
Net Assets-Beginning					17,316,363.72	17,621,238.06	
Adjustments:							
Prior Period Adjustments					(55,000.00)	(55,000.00)	
Adjusted Net Assets- Beginning					17,261,363.72	17,566,238.06	
NET ASSETS - ENDING		\$ 17,656,463.93			\$ 261,814.18	\$ 17,918,278.11	

*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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Enterprise Funds
	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 843,433.54
Other Operating Cash Receipts	4,884.78
Payments to Suppliers for Goods and Services	(549,819.88)
Payments to Employees	<u>(441,686.40)</u>
Net Cash Provided (Used) by Operating Activities	<u>(143,187.96)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies and Transfers to Other Funds	<u>143,211.42</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(9,765.66)</u>
Cash Flows from Investing Activities:	
Interest Earnings	<u>921.68</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (8,820.52)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 104,444.08
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>95,623.56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(8,820.52)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (239,607.33)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	49,135.28
Change in Assets and Liabilities:	
Inventories	(527.50)
Accounts and Other Payables	(950.69)
Revenue Received in Advance	
Value of Commodities Used	<u>48,762.28</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (143,187.96)</u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	<u>\$ 52,414.07</u>

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 965,036.04	\$ 1,543,524.59	\$ 648,835.58	\$ 129,355.10	\$ 104,893.92	\$ 3,391,645.23
Investments	2,000,000.00					2,000,000.00
Taxes Receivable	2,566,935.86	1,116,164.57	484,313.81	73,670.30	357,669.94	4,598,754.48
Due from Other Governments	13,617.17					13,617.17
Restricted cash	16,502.30					16,502.30
TOTAL ASSETS	\$ 5,562,091.37	\$ 2,659,689.16	\$ 1,133,149.39	\$ 203,025.40	\$ 462,563.86	\$ 10,020,519.18
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 36,967.41	\$ 67,432.37	\$ 12,730.09			\$ 117,129.87
Contracts Payable	801,752.63		121,800.31			923,552.94
Payroll Deductions and Withholdings and Employer Matching Payable	109,002.28		16,285.85			125,288.13
Deferred Revenue	2,566,935.86	1,116,164.57	484,313.81	\$ 73,670.30	\$ 357,669.94	4,598,754.48
Total Liabilities	3,514,658.18	1,183,596.94	635,130.06	73,670.30	357,669.94	5,764,725.42
Fund Balances:						
Reserved for:						
Unemployment	16,502.30					16,502.30
Unreserved Fund Balances:						
Designated for Cash Flow	2,030,930.89	1,476,092.22	498,019.33	129,355.10	104,893.92	4,005,042.44
Undesignated	2,047,433.19	1,476,092.22	498,019.33	129,355.10	104,893.92	234,249.02
Total Fund Balances	\$ 5,562,091.37	\$ 2,659,689.16	\$ 1,133,149.39	\$ 203,025.40	\$ 462,563.86	\$ 10,020,519.18
TOTAL LIABILITIES AND FUND BALANCES						

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Enterprise Funds
	Food Service Fund
Operating Revenue:	
Sales:	
To Pupils	\$ 493,489.40
To Adults	20,606.25
A la Carte	330,288.58
Other	4,884.78
Total Operating Revenue	849,269.01
Operating Expenses:	
Food Service:	
Salaries	326,279.18
Employee Benefits	115,407.22
Purchased Services	24,439.72
Supplies	45,750.41
Cost of Sales-Purchased Food	478,599.25
Cost of Sales-Donated Food	48,762.28
Miscellaneous	503.00
Depreciation-Local Funds	49,135.28
Total Operating Expenses	1,088,876.34
Operating Income (Loss)	(239,607.33)
Nonoperating Revenue (Expense):	
Local Sources:	
Investment Earnings	921.68
State Sources:	
Cash Reimbursements	5,457.55
Federal Sources:	
Cash Reimbursements	137,753.87
Donated Food	52,414.07
Total Nonoperating Revenue (Expense)	196,547.17
Change in Net Assets	(43,060.16)
Net Assets - Beginning	304,874.34
NET ASSETS - ENDING	\$ 261,814.18

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total Fund Balances - Governmental Funds \$ 4,255,793.76

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$32,414,123.50 and the accumulated depreciation is \$9,994,788.00.

Beginning of year fixed assets	\$ 22,343,817.50	
Current year depreciation	(1,216,759.00)	
Additions and Deletions to fixed assets	<u>1,292,277.00</u>	22,419,335.50

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.
 Long-term liabilities at year-end consist of: (13,352,613.81)

Property taxes will be collected this year, but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds. 4,598,754.48

Accrued interest payable which is not accounted for in the modified accrual basis of accounting but is accounted for in the statement of net assets. (264,806.00)

Net Assets- Governmental Funds \$ 17,656,463.93

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 95,623.56
Inventory of Supplies	2,968.17
Inventory of Stores Purchased for Resale	4,479.95
Inventory of Donated Food	5,268.35
Total Current Assets	108,340.03
Capital Assets:	
Machinery and Equipment--Local Funds	564,652.63
Machinery and Equipment--Federal Assistance	1,676.25
Less: Accumulated Depreciation (Credit)	(399,317.85)
Total Noncurrent Assets	167,011.03
TOTAL ASSETS	\$ 275,351.06
LIABILITIES:	
Current Liabilities:	
Deposits Payable	\$ 13,536.88
Total Current Liabilities	13,536.88
NET ASSETS:	
Invested in Capital Assets	167,011.03
Unrestricted Net Assets	94,803.15
Total Net Assets	261,814.18
TOTAL LIABILITIES AND NET ASSETS	\$ 275,351.06

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

BRANDJON VALLEY SCHOOL DISTRICT No. 3-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 5,047,175.91	\$ 2,075,068.76	\$ 918,511.29	\$ 141,364.51	\$ 752,601.76		\$ 8,934,722.23
Prior Years' Ad Valorem Taxes	66,146.68	24,608.49	10,722.61	554.44	7,111.06		109,143.28
Gross Receipts Taxes	401,415.66						401,415.66
Mobile Home Taxes	7,444.98	2,696.67	1,168.42	178.80	1,000.73		12,489.60
Penalties and Interest on Taxes	14,253.43	5,356.77	2,332.25	185.23	1,698.99		23,826.67
Tuition and Fees:							
Regular Day School Tuition	48,312.00						48,312.00
Regular Day School Transportation Fees	47,562.50						53,150.04
Earnings on Investments and Deposits	33,833.48					532.60	34,366.08
Cocurricular Activities:							
Admissions	54,122.00		5,587.54				54,122.00
Other Pupil Activity Income	26,510.50						26,510.50
Other Revenue from Local Sources:							
Rentals	43,084.85						43,084.85
Contributions and Donations	2,814.61	12,109.81					14,924.42
Insurance and Judgements	3,723.89						3,723.89
Other	41,040.09	21,835.00					62,875.09
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	135,286.41						135,286.41
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	5,927,157.91		544,714.00				5,927,157.91
Restricted Grants-in-Aid							544,714.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-in-Aid Received from Federal Government Through the State	194,101.95	29,173.00	397,056.84				620,331.79
Total Revenue	12,093,986.85	2,170,848.50	1,880,092.95	142,282.98	762,412.54	532.60	17,050,156.42

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (220,516.71)

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

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenue decreased by the following amount this year:

Deferred Revenue as Revenue	\$ 4,598,754.48	
Adjust Prior Year taxes	(4,720,071.25)	(121,316.77)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount by which capital outlays exceed depreciation expense in the period.

Capital Outlay Purchases	1,292,277.00	
Current Year Depreciation	(1,216,759.00)	75,518.00

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of Long-Term Debt	670,000.00	
Current Year Early Retirement Change	(21,184.95)	648,815.05

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Record Accrued Interest Payable 6/30/04	(264,806.00)	
Reverse Accrued Interest Payable 6/30/03	277,406.64	12,600.64

Change in Net Assets of Governmental Activities \$ 395,100.21

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Expenditures:							
Instruction:							
Regular Programs:							
Elementary	2,995,847.72	18,256.27					3,014,103.99
Middle/Junior High	1,604,719.67	7,360.02					1,612,079.69
High School	2,055,816.47	21,848.47					2,077,664.94
Class Size Reduction Program	90,891.81						90,891.81
Special Programs:							
Gifted	48,535.21	527.73					49,062.94
Programs for Special Education		1,593.87	1,077,413.96				1,079,007.83
Culturally Different	29,036.47						29,036.47
Educationally Deprived	67,084.15						67,084.15
Support Services:							
Pupils:							
Attendance and Social Work	18,244.88						18,244.88
Guidance	246,321.24	256.49					246,577.73
Health	71,959.70		34,804.93				106,764.63
Psychological			70,559.03				70,559.03
Speech Pathology			200,940.04				200,940.04
Student Therapy Services			179,663.40				179,663.40
Support Services - Instructional Staff:							
Improvement of Instruction	190,690.70						194,467.75
Educational Media	447,237.67	12,478.99	3,777.05				459,716.66
Support Services - General Administration:							
Board of Education	94,770.61	2,920.20					97,690.81
Executive Administration	311,595.63	4,107.95					315,703.58
Support Services - School Administration:							
Office of the Principal	816,568.61	5,238.97					821,807.58
Other	44,755.61	2,829.00					47,584.61
Support Services - Business:							
Fiscal Services	181,036.49					358,501.95	181,036.49
Facilities Acquisition and Construction							
Operation and Maintenance of Plant	1,790,155.37	251,915.64					2,042,071.01
Pupil Transportation	517,416.98	20,593.47					538,010.45
Support Services - Special Education:							
Administrative Costs			111,904.47				111,904.47
Transportation Costs			108,271.00				108,271.00
Other Special Education Costs			43,838.06				43,838.06

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Community Services:							
Community Education	56,863.63						56,863.63
Nonprogrammed Charges				80,145.43			80,145.43
Early Retirement Payments		669,878.27			589,005.01		1,258,883.28
Debt Services							
Cocurricular Activities:							
Male Activities	130,375.27						130,375.27
Female Activities	95,441.34	5,972.16					101,413.50
Transportation	33,822.82						33,822.82
Combined Activities	151,244.45	3,361.80					154,606.25
Capital Outlay		723,138.00	8,589.00			560,550.00	1,292,277.00
Total Expenditures	<u>12,090,432.50</u>	<u>1,752,277.30</u>	<u>1,839,760.94</u>	<u>80,145.43</u>	<u>589,005.01</u>	<u>919,051.95</u>	<u>17,270,673.13</u>
Excess of Revenue Over (Under) Expenditures	<u>3,554.35</u>	<u>418,571.20</u>	<u>40,332.01</u>	<u>62,137.55</u>	<u>173,407.53</u>	<u>(918,519.35)</u>	<u>(220,516.71)</u>
Net Change in Fund Balances	3,554.35	418,571.20	40,332.01	62,137.55	173,407.53	(918,519.35)	(220,516.71)
Fund Balance - July 1, 2003	<u>2,043,878.84</u>	<u>1,057,521.02</u>	<u>457,687.32</u>	<u>67,217.55</u>	<u>(68,513.61)</u>	<u>918,519.35</u>	<u>4,476,310.47</u>
FUND BALANCE - JUNE 30, 2004	<u>\$2,047,433.19</u>	<u>\$ 1,476,092.22</u>	<u>\$ 498,019.33</u>	<u>\$ 129,355.10</u>	<u>\$ 104,893.92</u>	<u>\$ 0.00</u>	<u>\$4,255,793.76</u>