

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2

AUDIT REPORT

JUNE 30, 2005



BRANDON VALLEY SCHOOL DISTRICT 49-2

Administration Center

301 South Splitrock Boulevard, Brandon, SD 57005-1651

Phone (605) 582-2049

Business Office (605) 582-2058

Fax (605) 582-7456

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

BOARD OF EDUCATION

Mike Klumpp, President
Kevin Thelen, Vice President
Patricia Simmons, Member
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 is it not cost efficient for Brandon Valley School District 49-2 to hire the additional staff needed to achieve the desired and required 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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

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
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BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2005</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Food Distribution (Commodities Used)	10.550	N/A	\$ 51,539.82
Special Milk Program for Children (Note 4)	10.556	N/A	3,167.51
Child Nutrition Cluster:			
Breakfast Program	10.555	N/A	15,723.08
National School Lunch Program (Note 4)	10.553	N/A	<u>141,900.66</u>
Total U.S. Department of Agriculture			<u>212,331.07</u>
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies(Note 3)	84.010A	N/A	66,457.65
Special Education - Grants for Infants and Families with Disabilities - Idea Part C)	84.181	N/A	4,268.35
Safe and Drug Free Schools and Communities State Grant Title IV	84.186	N/A	10,262.34
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B, P.L. 102-119) (Notes 2 & 3)	84.027	N/A	408,458.37
Special Education-Preschool Grants (IDEA, Part B, Section 619, P.L. 102-119)(Note 3)	84.173	N/A	20,779.42
Innovative Education Program Strategies (Title VI)	84.298	N/A	24,753.36
Technology Literacy Challenge Fund Grants	84.318	N/A	3,434.98
English Language Acquisition State Grants (Title III)	84.365A	N/A	4,346.30
Improving Teacher Quality State Grants (Title II, Part A)	84.367A	N/A	<u>86,795.96</u>
Total U.S. Department of Education			<u>629,556.73</u>
General Services Administration:			
Pass through the SD Federal Property Agency			
Donation of Federal Surplus Property (Note 5)	39.003	N/A	<u>3,315.68</u>
Other Federal Assistance:			
Medicaid Administration Payments	93.788	N/A	<u>38,760.87</u>
Grand Total			<u>\$ 883,964.35</u>

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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.

3. BUDGETARY OVERDRAFTS

Fund/ Service Area	Budgeted Level of Expenditure	Year Ended June 30, 2004 (Negative) Variance
<u>General Fund</u>		
Instruction:		
Regular Programs		
Elementary School	\$ 2,995,500.00	\$ (347.72)
Special Programs		
Health	71,600.00	(359.70)
Support Services - General Administration		
Board of Education	85,600.00	(669.80)
Support Services - School Administration		
Office of the Principal	808,300.00	(8,268.61)
Support Services - Business:		
Operations and Maintenance of Plants	1,769,100.00	(21,055.37)
Pupil Transportation	484,800.00	(32,616.98)
<u>Capital Outlay Fund</u>		
Special Programs		
Gifted	0.00	(1,754.73)
Basic Skills	28,000.00	(1,041.65)
Support Services - Instructional Staff		
Educational Media	26,500.00	(1,157.22)
Support Services - School Administration		
Office of the Principal	12,600.00	(2,858.97)
Support Services - Business		
Operations and Maintenance of Plants	481,300.00	(129,728.76)
Pupil Transportation	163,000.00	(27,596.47)
Cocurricular Activities	10,500.00	(4,943.96)
<u>Special Education Fund</u>		
Support Services- Programs for Special Education	1,400,300.00	(39,386.99)
Support Services- Special Education		
Administrative Costs	111,700.00	(204.47)
<u>Capital Projects Fund</u>		
Facilities Acquisition and Construction	0.00	(358,501.95)
Capital Outlay	0.00	(560,550.00)

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2005

School Board

Patricia Simmons

Bonnie Duffy

Kevin Thelen

Todd Neuberger

Mike Klumpp

Business Manager

Paul J. Lundberg

Superintendent

George A. Gulson

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.

QUAM & BERGLIN

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
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, 2005. Brandon Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. 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, 2005.

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
PENSION FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 190,000.00	\$ 190,000.00	\$ 192,201.63	\$ 2,201.63
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	1,099.03	99.03
Tax Deed Revenues			26.73	26.73
Mobile Home Taxes	500.00	500.00	239.16	(260.84)
Penalties and Interest on Taxes	500.00	500.00	249.95	(250.05)
Total Revenue	<u>192,000.00</u>	<u>192,000.00</u>	<u>193,816.50</u>	<u>1,816.50</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	22,600.00	22,600.00	23,038.90	(438.90)
Middle/Junior High	11,600.00	11,600.00	11,799.39	(199.39)
High School	14,300.00	14,300.00	14,477.83	(177.83)
Class Size Reduction Programs	700.00	700.00	690.56	9.44
Special Programs:				
Gifted	300.00	300.00	326.40	(26.40)
Culturally Different	200.00	200.00	186.59	13.41
Educational Deprived	500.00	500.00	496.02	3.98
Support Services:				
Pupils:				
Attendance and Social Work			49.04	(49.04)
Guidance	2,000.00	2,000.00	2,032.03	(32.03)
Health	500.00	500.00	535.72	(35.72)
Instructional Staff:				
Improvement of Instruction	700.00	700.00	795.05	(95.05)
Educational Media	2,900.00	2,900.00	2,792.76	107.24
General Administration:				
Executive Administration	2,300.00	2,300.00	2,359.16	(59.16)
School Administration:				
Office of Principal	5,900.00	5,900.00	5,666.57	233.43
Other	300.00	300.00	314.78	(14.78)
Business:				
Fiscal Services	1,400.00	1,400.00	1,389.50	10.50
Operation and Maintenance of Plant	6,900.00	6,900.00	6,560.88	339.12
Pupil Transportation	900.00	900.00	1,068.93	(168.93)
Internal Services	300.00	300.00	291.64	8.36
Community Services:				
Community Education	400.00	400.00	374.64	25.36
Nonprogrammed Charges:				
Early Retirement Payments	80,300.00	80,300.00	80,285.37	14.63
Cocurricular Activities:	2,000.00	2,000.00	2,243.60	(243.60)
Total Expenditures	<u>157,000.00</u>	<u>157,000.00</u>	<u>157,775.36</u>	<u>(775.36)</u>
Net Change in Fund Balances	35,000.00	35,000.00	36,041.14	1,041.14
Fund Balance - July 1, 2004	<u>129,355.10</u>	<u>129,355.10</u>	<u>129,355.10</u>	
FUND BALANCE - JUNE 30, 2005	<u>\$ 164,355.10</u>	<u>\$ 164,355.10</u>	<u>\$ 165,396.24</u>	<u>\$ 1,041.14</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 current audit findings and questioned costs as item 2005-01.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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 2005-01 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 OMB Circular A-133 and 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 15, 2005

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2005

	<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	\$ 965,000.00	\$ 965,000.00	\$ 971,417.43	\$ 6,417.43
Prior Years' Ad Valorem Taxes	8,000.00	8,000.00	13,513.11	5,513.11
Tax Deed Revenues			173.49	173.49
Mobile Home Taxes	2,000.00	2,000.00	1,240.24	(759.76)
Penalties and Interest on Taxes	2,000.00	2,000.00	5,017.32	3,017.32
Contributions and Donations			455.00	455.00
Revenue from State Sources:				
Restricted Grant in Aid	525,000.00	525,000.00	574,101.00	49,101.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received				
Federal Government through State	420,000.00	420,000.00	453,142.06	33,142.06
Total Revenue	<u>1,922,000.00</u>	<u>1,922,000.00</u>	<u>2,019,059.65</u>	<u>97,059.65</u>
Expenditures:				
Special Programs				
Programs for Special Education	1,504,700.00	1,504,700.00	1,106,538.60	398,161.40
Support Services				
Pupils:				
Health			36,061.00	(36,061.00)
Psychological			85,658.81	(85,658.81)
Speech Pathology			224,040.28	(224,040.28)
Student Therapy Services			181,252.03	(181,252.03)
Support Services - Special Education				
Administrative Costs	117,300.00	117,300.00	115,626.82	1,673.18
Transportation Costs	2,000.00	2,000.00	99,727.34	(97,727.34)
Other	225,000.00	225,000.00	48,092.50	176,907.50
Nonprogrammed Charges:	45,000.00	45,000.00	-	45,000.00
Total Expenditures	<u>1,894,000.00</u>	<u>1,894,000.00</u>	<u>1,896,997.38</u>	<u>(2,997.38)</u>
Net Change in Fund Balance	28,000.00	28,000.00	122,062.27	94,062.27
Fund Balance - July 1, 2004	457,687.32	457,687.32	457,687.32	
FUND BALANCE - JUNE 30, 2005	<u>\$ 485,687.32</u>	<u>\$ 457,687.32</u>	<u>\$ 579,749.59</u>	<u>\$ 94,062.27</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, 2005, which collectively comprise Brandon Valley School District's basic financial statements and have issued our report thereon dated September 15, 2005. 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 opinions on the basic financial statements and not to provide an opinion 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. 2005-1.

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

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2005

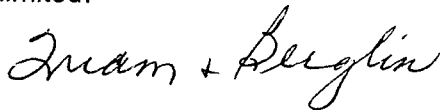
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,290,000.00	\$ 2,290,000.00	\$ 2,234,174.65	\$ (55,825.35)
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	30,077.46	10,077.46
Tax Deed Revenues			400.21	400.21
Mobile Home Taxes	4,000.00	4,000.00	2,905.84	(1,094.16)
Penalties and Interest on Taxes	5,000.00	5,000.00	10,483.12	5,483.12
Other Revenue from Local Sources:				
Donations	10,000.00	10,000.00	20,984.39	10,984.39
Other			3,773.98	3,773.98
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	24,000.00	24,000.00	24,622.00	622.00
Total Revenue	<u>2,353,000.00</u>	<u>2,353,000.00</u>	<u>2,327,421.65</u>	<u>(25,578.35)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	86,800.00	86,800.00	78,847.99	7,952.01
Middle/Junior High	106,500.00	106,500.00	114,475.72	(7,975.72)
High School	67,500.00	67,500.00	68,168.27	(668.27)
Special Programs:				
Gifted	1,200.00	1,200.00	1,183.00	17.00
Special Education	3,200.00	3,200.00	1,771.36	1,428.64
Basic Skills	24,000.00	24,000.00		24,000.00
Support Services-Pupils:				
Guidance	4,200.00	4,200.00	3,248.00	952.00
Support Services - Instructional Staff:				
Educational Media	24,800.00	24,800.00	21,044.59	3,755.41
Support Services - General Administration:				
	30,000.00	30,000.00	22,415.00	7,585.00
Support Services - School Administration:				
Office of the Principal	9,200.00	9,200.00	9,257.84	(57.84)
Other	2,800.00	2,800.00	4,041.60	(1,241.60)
Support Services - Business:				
Facilities Acquisition and Construction	1,675,000.00	1,675,000.00	1,643,265.85	31,734.15
Operation and Maintenance of Plant	328,600.00	328,600.00	353,898.33	(25,298.33)
Pupil Transportation	178,000.00	178,000.00	190,524.02	(12,524.02)
Internal Services	67,000.00	67,000.00	67,781.55	(781.55)
Community Services	1,200.00	1,200.00	1,002.00	198.00
Debt Services	673,000.00	673,000.00	672,030.00	970.00
Cocurricular Activities:	10,000.00	10,000.00	8,543.34	1,456.66
Total Expenditures	<u>3,293,000.00</u>	<u>3,293,000.00</u>	<u>3,261,498.46</u>	<u>31,501.54</u>
Net Change in Fund Balance	(940,000.00)	(940,000.00)	(934,076.81)	5,923.19
Fund Balance - July 1, 2004	1,476,092.22	1,476,092.22	1,476,092.22	
FUND BALANCE - JUNE 30, 2005	<u>\$ 536,092.22</u>	<u>\$ 536,092.22</u>	<u>\$ 542,015.41</u>	<u>\$ 5,923.19</u>

financial reporting 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 item No. 2005-1 to be a material weakness.

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 or other matters that are required to be reported under *Government Auditing Standards*.

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 the intended parties. However, as required by OMB Circular A-133 and 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 15, 2005

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u> <u>(Negative)</u>
Support Services:				
Pupils:				
Attendance and Social Work	19,700.00	19,700.00	10,262.34	9,437.66
Guidance	257,500.00	257,500.00	251,877.03	5,622.97
Health	74,600.00	74,600.00	78,481.87	(3,881.87)
Support Services - Instructional Staff:				
Improvement of Instruction	93,000.00	93,000.00	95,341.16	(2,341.16)
Educational Media	457,600.00	457,600.00	449,912.17	7,687.83
Support Services - General Administration:				
Board of Education	102,100.00	102,100.00	93,528.38	8,571.62
Executive Administration	323,100.00	323,100.00	314,142.62	8,957.38
Support Services - School Administration:				
Office of the Principal	814,700.00	814,700.00	799,752.00	14,948.00
Other	49,900.00	49,900.00	45,255.59	4,644.41
Support Services - Business:				
Fiscal Services	190,900.00	190,900.00	190,587.37	312.63
Operation and Maintenance of Plant	1,927,500.00	1,927,500.00	1,905,414.04	22,085.96
Pupil Transportation	539,800.00	539,800.00	582,726.39	(42,926.39)
Internal Services	37,300.00	37,300.00	39,174.31	(1,874.31)
Community Services:				
Community Education	59,800.00	59,800.00	53,668.72	6,131.28
Non-Programmed Charges				
Cocurricular Activities:				
Male Activities	135,700.00	135,700.00	133,019.11	2,680.89
Female Activities	122,900.00	122,900.00	117,642.70	5,257.30
Transportation	36,200.00	36,200.00	34,871.81	1,328.19
Combined Activities	154,800.00	154,800.00	153,062.61	1,737.39
Total Expenditures	<u>12,517,000.00</u>	<u>12,517,000.00</u>	<u>12,450,621.04</u>	<u>66,378.96</u>
Excess of Revenue Over (Under)				
Expenditures	<u>60,000.00</u>	<u>60,000.00</u>	<u>282,761.55</u>	<u>222,761.55</u>
Other Financing Sources:				
Sale of Surplus Property			<u>8,631.32</u>	<u>8,631.32</u>
Total Other Financing Sources (Uses)			<u>8,631.32</u>	<u>8,631.32</u>
Net Change in Fund Balances	60,000.00	60,000.00	291,392.87	231,392.87
Fund Balance - July 1, 2004	<u>2,047,433.19</u>	<u>2,047,433.19</u>	<u>2,047,433.19</u>	
FUND BALANCE - JUNE 30, 2005	<u>\$ 2,107,433.19</u>	<u>\$ 2,107,433.19</u>	<u>\$ 2,338,826.06</u>	<u>\$ 231,392.87</u>

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

Prior Finding Number 2004-01:

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

Corrective Action Plan:

This prior audit comment is restated as finding number 2005-01.

PRIOR OTHER AUDIT FINDINGS:

Prior Finding Number 2004-01:

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

Corrective Action Plan:

This prior audit comment is restated as finding number 2005-01.

Prior Finding Number 2004-02:

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

Corrective Action:

This has since been corrected and such lease payments are now made from the Capital Outlay Fund.

**REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,087,000.00	\$ 5,087,000.00	\$ 5,055,896.03	\$ (31,103.97)
Prior Years' Ad Valorem Taxes	50,000.00	50,000.00	82,112.27	32,112.27
Tax Deed Revenue	1,000.00	1,000.00	1,616.07	616.07
Gross Receipts Taxes	385,000.00	385,000.00	404,934.89	19,934.89
Mobile Home Taxes	10,000.00	10,000.00	7,040.15	(2,959.85)
Penalties and Interest on Taxes	15,000.00	15,000.00	32,725.24	17,725.24
Tuition and Fees:				
Regular Day School Tuition	50,000.00	50,000.00	51,824.50	1,824.50
Regular Day School Transportation Fees	50,000.00	50,000.00	49,305.00	(695.00)
Other Transportation Fees	22,000.00	22,000.00	22,785.00	785.00
Earnings on Investments and Deposits	30,000.00	30,000.00	55,893.34	25,893.34
Cocurricular Activities:				
Admissions	59,000.00	59,000.00	67,087.00	8,087.00
Other Pupil Activity Income	25,000.00	25,000.00	23,861.75	(1,138.25)
Other Revenue from Local Sources:				
Rentals	50,000.00	50,000.00	44,864.67	(5,135.33)
Donations	5,000.00	5,000.00	5,486.99	486.99
Insurance and Judgments	5,000.00	5,000.00	2,199.56	(2,800.44)
Other	50,000.00	50,000.00	56,402.75	6,402.75
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	145,000.00	145,000.00	127,431.76	(17,568.24)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	6,357,000.00	6,357,000.00	6,419,447.58	62,447.58
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid received directly from Federal Government			4,346.30	4,346.30
Restricted Grants-in-Aid received from Federal Government Through the State	181,000.00	181,000.00	218,121.74	37,121.74
Total Revenue	<u>12,577,000.00</u>	<u>12,577,000.00</u>	<u>12,733,382.59</u>	<u>156,382.59</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	3,235,300.00	3,235,300.00	3,226,564.61	8,735.39
Middle/Junior High	1,602,700.00	1,602,700.00	1,599,073.11	3,626.89
High School	2,047,800.00	2,047,800.00	2,051,424.35	(3,624.35)
Class Size Reduction Program	95,100.00	95,100.00	86,795.96	8,304.04
Special Programs:				
Gifted and Talented	48,500.00	48,500.00	49,424.45	(924.45)
Culturally Different	23,000.00	23,000.00	22,160.69	839.31
Educationally Deprived	67,500.00	67,500.00	66,457.65	1,042.35

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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 2005-01.
- 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 2005-01.
- f. The federal awards tested as major programs included:
 - 84.010 Title I – Grants to Local Education Agencies
Special Education Cluster:
 - 84.027 Special Education – Grants to States
 - 84.173 Special Education – Preschool Grants
- 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 2005-01:

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.

NOTE 16 - 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, 2005, this joint venture had total fund equity of \$460,497.39 and long-term debt of \$84,626.38.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005
(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 2005-01:

The lack of segregation of duties discussed in finding number 2005-01 applies to all revenues of the school district.

<u>Fund</u>	<u>Restricted by</u>	<u>Amount</u>
General - Unemployment	Law	\$ 16,502.30
Capital Outlay	Law	1,656,020.45
Special Education	Law	1,114,692.36
Pension	Law	282,121.13
Debt Service	Debt Covenants	404,057.82
Food Service	Federal Regulations	93,561.48
Total Restricted Net assets		<u>\$ 3,566,955.54</u>

NOTE 14 - 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, 2005, 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, 2005, no claims for unemployment benefits were paid. At June 30, 2005, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 - 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 \$80,285.37.

QUAM & BERGLIN

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

(605) 356-3374

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, 2005, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2005, 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 15, 2005 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and, should be considered in assessing the results of our audit.

NOTE 9 – OPERATING LEASES

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

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

<u>Year</u>	<u>Amount</u>
2006	\$ 42,625.00
2007	41,250.00
2008	41,250.00
2009	24,062.50

NOTE 10- SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the one enterprise fund maintained by the School District, the Food Service Fund, has been reported as a major fund, and therefore, the required segment information has already been disclosed in the fund basic financial statements.

NOTE 11- 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, 2005, 2004, and 2003 were \$536,648.38, \$508,400.25, and \$477,408.27 respectively, equal to the required contributions each year.

NOTE 12 - LITIGATION

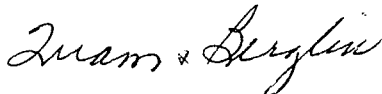
At June 30, 2005, the school district was not involved in any litigation.

NOTE 13 – RESTRICTED NET ASSETS

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

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 basic financial statements taken as a whole.



Quam and Berglin, CPA's
Certified Public Accountants

September 15, 2005

The School District refunded the debt to reduce its total debt service payments over the next 15 years by \$194,089.47 and to obtain an economic gain of \$112,616.95.

The entire proceeds of the refunding issue in the amount of \$6,595,000 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

At June 30, 2005, the District had \$6,461,343 on deposit with the escrow agent in this irrevocable Trust to retire \$6,485,000 of old debt still outstanding which is now considered defeased.

Liabilities payable at June 30, 2005 are comprised of the following:

General Obligation Bonds:

Series 2001 – Refunding Bonds dated November 1, 2001; Interest rates at 2.45% to 5%; final maturity is January 1, 2022; payments to be made from Debt Service Fund	\$ 1,330,000.00
Series 2003 – Refunding Bonds dated April 15, 2003; Interest rates at 1.5% to 3.9%. Final maturity is July 15, 2011; payments to be made from Debt Service Fund.	975,000.00
Series 2005 – Refunding Bonds dated April 15, 2005; Interest rates at 3.65% to 4.25%. Final maturity is July 1, 2021; payments to be made from Debt Service Fund.	6,595,000.00

Capital Outlay Certificates:

Series 2002 – Capital Outlay Refunding Certificates dated February 1, 2002; Interest rates at 4.125% to 4.5%; final maturity is August 1, 2011; payments made from the Capital Outlay Fund.	2,995,000.00
Series 2003 – Certificates dated April 15, 2003; Interest rates at 1.550% to 4.10%; final maturity is August 1, 2013; payments made from the Capital Outlay Fund.	655,000.00

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 Pension Fund.	233,472.00
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Vested Annual Leave:

Payments from the General and Special Education Funds.	34,248.27
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Governmental Activities:

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2005, except compensated absences are as follows:

Annual Requirements to Maturity for Long Term Debt
June 30, 2005

Year Ending	General Obligation Bonds		Capital Outlay Certificates		Early Retirement	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2006	\$ 235,000.00	\$ 572,455.25	\$ 495,000.00	\$ 145,771.25	\$ 75,499.25	\$ 805,499.25	\$ 718,226.50
2007	270,000.00	642,992.50	515,000.00	125,993.75	71,284.75	856,284.75	768,986.25
2008	300,000.00	634,690.00	540,000.00	105,015.00	40,953.29	880,953.29	739,705.00
2009	340,000.00	624,315.00	565,000.00	82,720.00	27,855.51	932,855.51	707,035.00
2010	380,000.00	611,527.50	580,000.00	59,035.00	27,855.51	987,855.51	670,562.50
2011-2015	2,080,000.00	1,907,602.50	955,000.00	51,338.75	-	3,035,000.00	1,958,941.25
2016-2020	3,465,000.00	768,115.00	-	-	-	3,465,000.00	768,115.00
2021-2025	1,830,000.00	76,905.00	-	-	-	1,830,000.00	76,905.00
Totals	\$ 8,900,000.00	\$ 5,838,602.75	\$ 3,650,000.00	\$ 569,873.75	\$ 243,448.31	\$ 12,793,448.31	\$ 6,408,476.50

**BRANDON VALLEY SCHOOL DISTRICT 49-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

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, 2005. Please read it in conjunction with the District's financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

- The District's net assets from Governmental activities increased by \$1,459,197 primarily due to an increase in capital assets and a decrease of long term liabilities.

- 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 17.0% and the ending fund balance is at 18.8%. 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, 2005 was \$3,337,442, which reflects a 12.6% (\$372,406) increase.

- The Capital Outlay Fund saw its expenditures exceed revenues by \$934,077. This reduction was a planned/budgeted deficit to pay for the construction of a \$1.8 million Transportation Facility. The district had been accumulating cash to pay for the project eliminating the need to incur debt and interest expenses. This major project was completed in December 2004. The ending cash position of the capital outlay fund on June 30, 2005 was \$619,597, which reflects a decrease of \$923,928.

- 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 \$620,082 when adjusted by Federal revenue, is over the mandated 20%. Therefore, the District will forego approximately \$70,000 of its full state aid allocation in 2005-06. The continued increases in Federal revenues and proper management of expenditures will off set this loss.

- Business-type activities had a decrease in net assets of \$20,109 during the 2004-05 school year primarily due to expenditures exceeding revenues.

- The District advance refunded \$6,465,000 of outstanding Series 2001 General Obligation Bonds by issuing \$6,595,000 of Series 2005 General Obligation Refunding Bonds. This transaction resulted in the District reducing overall debt service cost by \$194,089 and realizing a present value economic gain of \$112,617.

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:

- 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.

- 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.
 - 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.

Business - Type Activities:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 566,329	\$ 15,635	\$ 1,676	\$ 580,287
Less Accumulated Depreciation:				
Machinery and Equipment	<u>399,318</u>	<u>34,502</u>	<u>1,676</u>	<u>432,143</u>
Business-type activity capital assets, net	<u>\$ 167,011</u>	<u>\$ (18,867)</u>	<u>\$ -</u>	<u>\$ 148,144</u>

**Depreciation expense was charged to functions as follows:

Business-type Activities

Food Service	<u>\$ 34,502</u>
Total Depreciation expense-business-type activities	<u>\$ 34,502</u>

Construction Work in Progress at June 30, 2005 is composed of the following:

Project Name	Project Authorization	Expended thru' 6/30/05	Committed
HS- Second Floor Remodelling	<u>\$ 350,000</u>	<u>\$ 97,843</u>	<u>\$ 252,157</u>

NOTE 8 - LONG - TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2005 is as follows:

Governmental Activities	General Obligation Bonds	Capital Outlay Certificates	Early Retirement Benefits Payable	Compensated Absences	Totals
Liabilities Payable, July 1, 2004	\$ 8,980,000.00	\$ 4,155,000.00	\$ 183,490.50	\$ 34,123.31	\$ 13,352,613.81
New Issues	6,595,000.00		130,266.87		6,725,266.87
Increases				34,248.27	34,248.27
(Decreases)				(34,123.31)	(34,123.31)
Retired Amounts	<u>(6,675,000.00)</u>	<u>(505,000.00)</u>	<u>(80,285.37)</u>		<u>(7,260,285.37)</u>
LIABILITIES PAYABLE, JUNE 30, 2005	<u>\$ 8,900,000.00</u>	<u>\$ 3,650,000.00</u>	<u>\$ 233,472.00</u>	<u>\$ 34,248.27</u>	<u>\$ 12,817,720.27</u>
Due within One Year	<u>\$ 235,000.00</u>	<u>\$ 495,000.00</u>	<u>\$ 75,499.00</u>	<u>\$ 34,248.27</u>	<u>\$ 839,747.27</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.

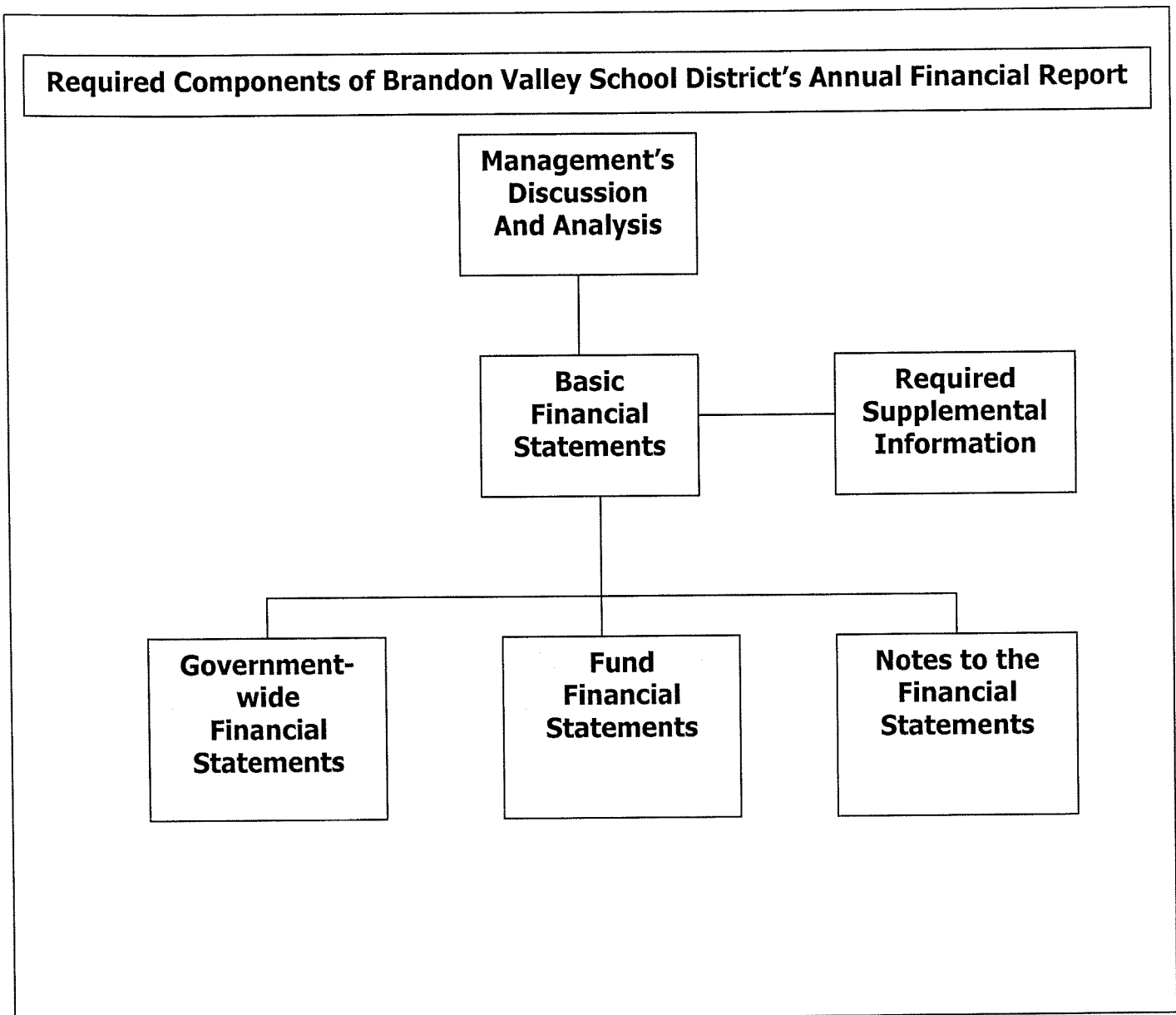
During the fiscal year 2005 the School District issued \$6,595,000 in refunding bonds with an average interest rate of 3.65 to 4.25 percent to refund the following:

Year Issued	Project	Average Interest Rate	Unpaid Principal at Time of Refunding
2001	Bennis Elementary	4.79%	\$6,485,000.00

- 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.
- 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



NOTE 6 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations but which will not be collected during the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

NOTE 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005 is as follows:

Primary Government

	Balance July 1, 2004	Increases	Decrease	Balance June 30, 2005
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 898,583			\$ 898,583
Work in Progress	168,905	\$ 97,843	\$ 168,905	97,843
Capital Assets, being depreciated:				
Buildings	25,275,888	1,733,575		27,009,463
Improvements Other than Buildings	998,615	49,770		1,048,385
Machinery and Equipment	4,401,577	578,456	319,427	4,660,606
Library Books	670,556	53,426	10,785	713,197
Total Assets, being depreciated	31,346,636	2,415,227	330,212	33,431,651
Less Accumulated Depreciation:				
Buildings	5,993,863	642,740		6,636,603
Improvements Other than Buildings	648,054	32,951		681,005
Machinery and Equipment	3,007,335	469,516	319,427	3,157,424
Library Books	345,536	66,158	10,785	400,909
Total Accumulated Depreciation	9,994,788	1,211,365	330,212	10,875,941
Total Capital Assets, being depreciated, net	21,351,848	1,203,862	-	22,555,710
Governmental activity capital assets, net	\$ 22,419,336	\$ 1,301,705	\$ 168,905	\$ 23,552,136

**Depreciation expense was charged to functions as follows:

Governmental Activities:		
Instruction		\$ 591,865
Support Services		592,464
Co-Curricular		27,036
Total Depreciation expense-governmental activities		\$ 1,211,365

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				
	<u>Government-Wide 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 and Statement of Activities	*Balance sheet, *Statement of Revenue and Expenditures, and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, and Expenses and Changes in Net Assets and Statement of Cash flows.	Statement of Fiduciary Net Assets, *Statement of changes in Fiduciary Net 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.

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total Receivables</u>
Governmental Activities:			
General Fund	\$ 2,585,527.41	\$ 17,576.01	\$ 2,603,103.42
Capital Outlay Fund	1,176,835.04		1,176,835.04
Special Education Fund	494,610.76		494,610.76
Pension Fund	116,724.89		116,724.89
Debt Service Fund	<u>349,631.40</u>		<u>349,631.40</u>
Total - Governmental Activities	<u>\$ 4,723,329.50</u>	<u>\$ 17,576.01</u>	<u>\$ 4,740,905.51</u>

Payables at June 30, 2005 were as follows:

	<u>Accounts</u>	<u>Accrued Wages</u>	<u>Other Payables</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$ 45,145.17	\$ 987,548.49		\$ 1,032,693.66
Capital Outlay Fund	77,581.27			77,581.27
Special Education Fund	6,611.06	150,705.36		157,316.42
Debt Service Fund			<u>\$ 241,868.00</u>	<u>241,868.00</u>
Total - Governmental Activities	<u>\$ 129,337.50</u>	<u>\$ 1,138,253.85</u>	<u>\$ 241,868.00</u>	<u>\$ 1,509,459.35</u>
			Customer Deposits	
Business -Type Activities				
Food Service Fund			<u>\$ 15,156.01</u>	<u>\$ 15,156.01</u>
Total - Business - Type Activities			<u>\$ 15,156.01</u>	<u>\$ 15,156.01</u>

NOTE 4 - 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. No material inventories were on hand as of June 30, 2005 in the governmental funds.

NOTE 5 - 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.

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.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating.
- 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:

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.

- **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.

- State law requires some funds.
- 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:

- **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.
- **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.
- **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.

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

As of June 30, 2005, the School District had the following investment:

External Investment Pool	
SDFIT	
Government Cash Reserve	\$ 7,589.90

The South Dakota Public Funds Investment Trust (SDFIT) was established under SDCL1-24 and 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 the accounts on a monthly basis. The amount reported is at fair value.

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

Credit Risk – State law limits eligible investments for the school district, as discussed above. The school district has no investment policy that would further limit its investment choices. As of June 30, 2005, the school district's investment in the SD FIT pool was unrated.

Concentration of Credit Risk - the school district places no limit on the amount that may be invested in any one issuer. All of the school district's investments are with the SD FIT.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investments except the Special revenue funds. 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 special revenue funds was directly recognized in the General Fund. Such amounts were not material to the individual funds.

NOTE 3 – RECEIVABLES AND PAYABLES

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

Receivables at June 30, 2005 were as follows:

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		% Change 2004- 2005
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	
Current and Other Assets	10,020,519	9,890,705	108,340	108,717	10,128,859	9,999,422	(1.3%)
Capital Assets	22,419,336	23,552,136	167,011	148,144	22,586,347	23,700,280	4.9%
Total Assets	32,439,855	33,442,841	275,351	256,861	32,715,206	33,699,702	3.0%
Long-Term Debt Outstanding	13,352,614	12,817,720	---	---	13,352,614	12,817,720	(4.0%)
Other Liabilities	1,430,777	1,509,459	13,537	15,156	1,444,314	1,524,615	5.6%
Total Liabilities	14,783,391	14,327,179	13,537	15,156	14,796,928	14,342,335	(3.1%)
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	9,284,336	11,002,136	167,011	148,144	9,451,347	11,150,280	18.0%
Restricted	3,991,875	3,473,394	94,803	93,561	3,991,875	3,473,394	(13.0%)
Unrestricted	4,380,253	4,640,131			4,475,056	4,733,692	5.8%
Total Net Assets	17,656,464	19,115,661	261,814	241,705	17,918,278	19,357,366	8.2%
Beginning Net Assets	17,316,364	17,656,464	304,874	261,814	17,621,238	17,918,278	
Increase(Decrease) in Net Assets	340,100	1,459,197	(43,060)	(20,109)	297,040	1,439,088	
Percentage of Increase (Decrease) in Net Assets	2.0%	8.3%	(14.1%)	(7.7%)	1.7%	8.0%	

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.

The total assets of the School District increased \$984,496. Equity in the School District's pooled cash and cash equivalents decreased \$255,348. Property tax receivables increased \$124,575 and other assets increased \$1,336. Capital assets increased \$1,113,933 and are discussed in detail later in this report.

Total Liabilities of the School District decreased \$456,211, which is the result of long term debt decreasing by \$534,894 and current liabilities increasing by \$78,682.

The total net assets of the School District increased \$1,439,088, which is primarily reflected in the increase of \$1,698,933 in investment in capital assets. Restricted net assets decreased \$518,481 and unrestricted net assets increased \$258,636. Unrestricted net assets involve the general operations of the School District.

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

Investments – In general, SDCL 4-5-6 permits school 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

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2004-2005
	2004	2005	2004	2005	2004	2005	
Revenues							
Program Revenues							
Charges for Services	\$182,094	\$214,863	\$849,269	\$946,674	\$1,031,363	\$1,161,537	12.6%
Operating Grants and Contributions	591,159	675,610	195,625	212,439	786,784	888,049	12.9%
Capital Grants and Contributions	29,173	24,622			29,173	24,622	-15.6%
General Revenues							
Property Taxes	9,360,281	9,888,029			9,360,281	9,888,029	5.6%
State Sources	6,471,872	6,993,549			6,471,872	6,993,549	8.1%
Unrestricted Investment Earnings	34,366	65,517	922	1,212	35,288	66,729	89.1%
Other General Revenues	259,894	270,230			259,894	270,230	4.0%
Total Revenues	\$16,928,839	18,132,420	\$1,045,816	1,160,325	\$17,974,655	\$19,292,745	7.3%
Expenses							
Instruction	8,319,901	8,901,771			8,319,901	8,901,771	7.0%
Support Services	6,517,161	6,452,212			6,517,161	6,452,212	-1.0%
Community Service	56,863	54,043			56,863	54,043	-4.9%
Non-programmed Charges	98,721	130,267			98,721	130,267	31.9%
Debt Service	576,283	661,055			576,283	661,055	14.7%
Co-Curricular Activities	420,218	473,875			420,218	473,875	12.8%
Depreciation (unallocated)	544,592				544,592		
Food Service			1,088,876	1,180,434	1,088,876	1,180,434	8.4%
Total Expenses	\$16,533,739	\$16,673,223	\$1,088,876	\$1,180,434	\$17,622,615	\$17,853,657	1.3%
Excess of Revenue Over (Under) Expenses	\$395,100	\$1,459,197	(\$43,060)	(\$20,109)	\$352,040	\$1,439,088	308.8%
Prior Period Adjustment	(55,000)				(55,000)		
Total Special Items	(\$55,000)				(\$55,000)		
Increase (Decrease) in Net Assets	\$340,100	\$1,459,197	(\$43,060)	(\$20,109)	\$297,040	\$1,439,088	384.4%

The District's revenues totaled \$19,292,745 (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).

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.

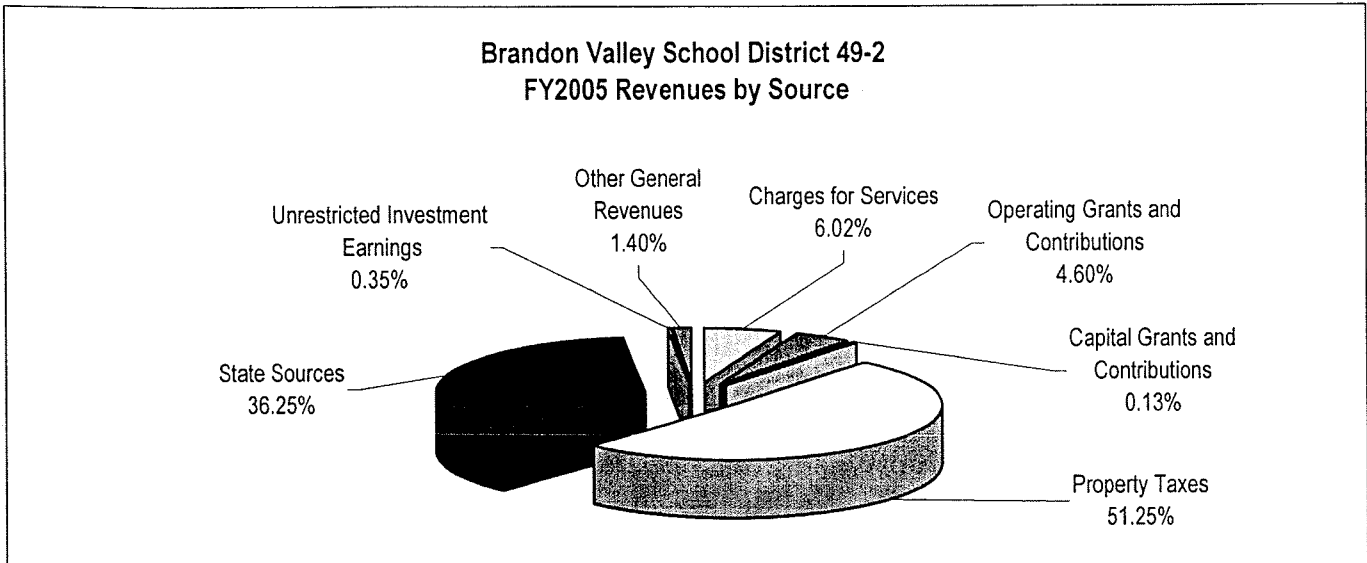
h. Proprietary Funds Revenue and Expense Classifications

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

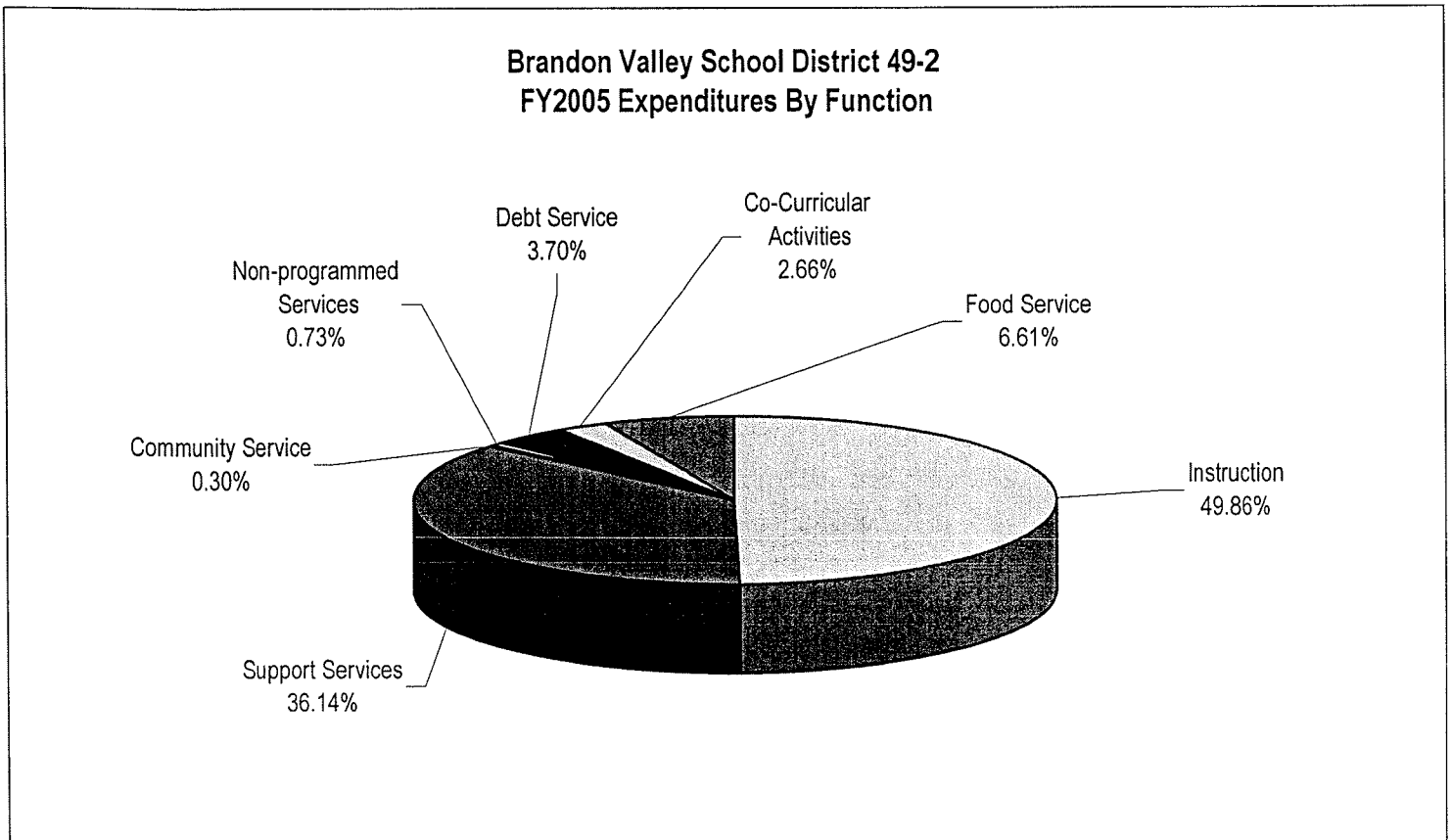
The school district pools its cash resources for depositing and investing purposes. Proprietary Funds essentially have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement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

Figure A-3



The District's expenditures totaled \$17,853,657 (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



e. Capital Assets

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

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

Government-Wide Statements

All capital assets are valued at historical cost 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, 2005 balance of capital assets for governmental activities includes approximately 6.1percent 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:

	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.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities, i.e., food services, increased by 10.9% from \$1,045,816 in FY2004 to \$1,160,325 in FY2005 and expenses increased by 8.4% from \$1,088,876 in FY2004 to \$1,180,434 in FY2005. Factors contributing to these results include the following:

- The increase in revenue was due primarily to 0.10 increase in the type A lunch prices for 2004-05. There was also an increase in the federal reimbursement revenue due to the number of meals served increasing.
- Expenses increased due to increased salary and benefit costs (\$35,000). Cost of sales increased significantly too (\$75,000).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund balances changed as follows: General Fund increased \$291,393 as a result of revenues exceeding expenditures. Capital Outlay Fund decreased \$934,077 due to expenditures exceeding revenues which is due to the construction of a \$1,800,000 transportation facility in 2004-05. Special Education Fund increased \$122,062 as a result of revenues exceeding expenditures. Pension Fund increased \$36,041 as a result of revenues exceeding expenditures. Bond Redemption Fund increased \$128,590 as the result of revenues exceeding expenditures

BUDGETARY HIGHLIGHTS

The Board of Education was presented with a preliminary budget for their review and consideration on May 10, 2004 as prescribed by state statute. Following their review, the 2004-05 budget was adopted by the Board of Education on July 12, 2004 with a few minor modifications. On September 27, 2004, an amended budget was approved with only minor changes.

CAPITAL ASSET ADMINISTRATION

At the end of FY2005, the District had invested \$35,008,364 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 \$2,027,911 or 6.2%, over the previous year. The increase is due primarily to the final construction of a new transportation facility.

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay 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 60 days. The revenues that were accrued at June 30, 2005 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 fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The 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.
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."

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

	Governmental Activities		Business Activities	
	FY2004	FY2005	FY2004	FY2005
Land	\$ 898,583	\$ 898,583		
Buildings	25,275,888	27,009,463		
Improvements other than Buildings	998,615	1,048,385		
Equipment	5,072,133	5,373,803	566,329	580,287
Construction Work in Progress	168,905	97,843		
Total Capital Assets	\$32,414,124	\$34,428,077	\$ 566,329	\$ 580,287
Accumulated Depreciation	(9,994,788)	(10,875,941)	(399,318)	(432,143)
Total All Capital Assets	\$22,419,336	\$23,552,136	\$ 167,011	\$ 148,144

LONG-TERM DEBT

At year-end, the District had \$12,817,720 in general obligation bonds, capital outlay certificates, and other long-term obligations. This is a decrease of 4.0% 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 FY2004-05	Total Percentage Change FY2004-05
	FY2004	FY2005	FY2004	FY2005		
Capital Outlay Certificates	\$4,155,000	\$3,650,000	---	---	(\$505,000)	-12.2%
General Obligation Bonds	8,980,000	8,900,000	---	---	(80,000)	-0.9%
Early Retirement & Accrued Leave Payable	217,614	267,720	---	---	50,106	23.0%
Total Outstanding Debt and Obligations	\$13,352,614	\$12,817,720	---	---	(\$534,894)	-4.0%

During 2004-05, the District advance refunded \$6,465,000 of outstanding 2001 General Obligation Bonds by issuing \$6,595,000 of Series 2005 General Obligation Refunding Bonds. This transaction resulted in the District reducing overall debt service cost by \$194,089 and realizing a present value economic gain of \$112,617.

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, Take Heart, Target Take Charge, FBLA 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.

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 fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and

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:

- The District experienced an increase in the 2006 assessed value of the District in the amount of \$90,258,376 or 11.4%. 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.
- 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 2004-05 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.
- 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.

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.

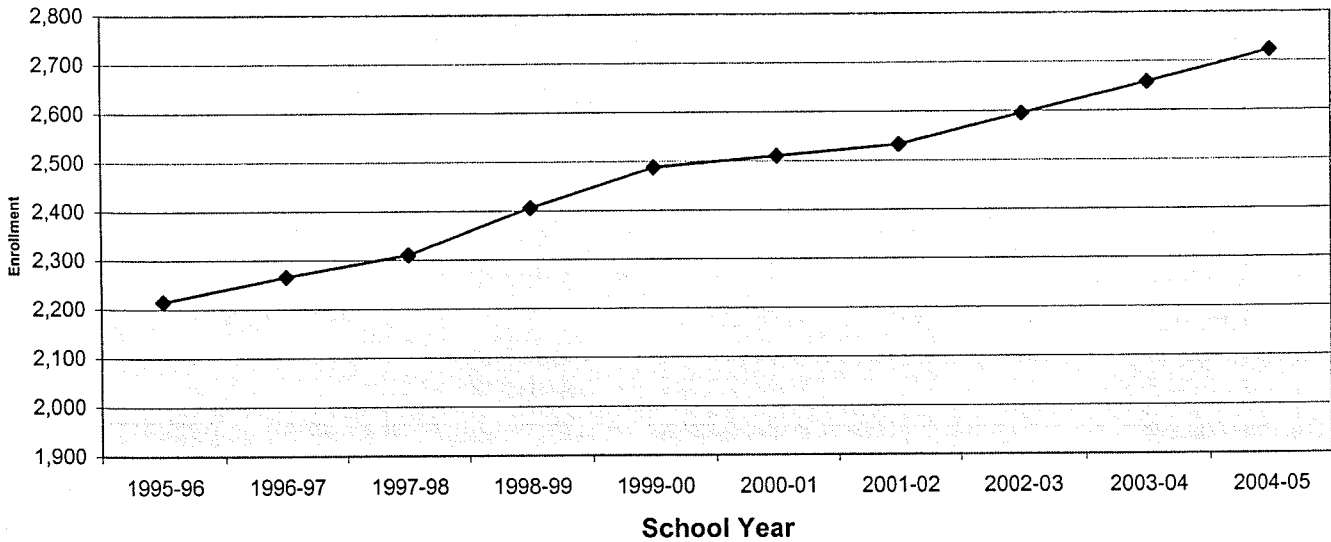
Debt Service Fund Types – Debt Service Funds are used to account for the accumulation of resources for, and payment of general long-term debt principal, interest and related costs.

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 2005, 2003 and 2001 Refunding General Obligation Bond payments are made from this fund. This is a major fund.

Proprietary Funds:

Enterprise Fund Types - enterprise funds are used to account for operations (a) that are financed

**Figure A-5
Enrollment ADM Last Ten Years**



- 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.
- 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
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial 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

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.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	\$ 5,133,296.74	\$ 98,623.71	\$ 5,231,920.45
Taxes Receivable	4,723,329.50		4,723,329.50
Inventories		10,093.78	10,093.78
Other Assets	17,576.01		17,576.01
Restricted Cash	16,502.30		16,502.30
Capital Assets:			
Land, Improvements and Construction in Progress	996,426.00		996,426.00
Other Capital Assets, Net of Depreciation	22,555,709.84	148,144.07	22,703,853.91
TOTAL ASSETS	33,442,840.39	256,861.56	33,699,701.95
LIABILITIES :			
Accounts Payable	129,337.50		129,337.50
Other Current Liabilities	1,380,121.85	15,156.01	1,395,277.86
Noncurrent Liabilities:			
Due Within One Year	839,747.27		839,747.27
Due in More than One Year	11,977,973.00		11,977,973.00
TOTAL LIABILITIES	14,327,179.62	15,156.01	14,342,335.63
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	11,002,135.84	148,144.07	11,150,279.91
Restricted for:			
Unemployment	16,502.30		16,502.30
Capital Outlay	1,656,020.45		1,656,020.45
Special Education	1,114,692.36		1,114,692.36
Pension	282,121.16		282,121.16
Debt Service	404,057.82		404,057.82
Food Service		93,561.48	
Unrestricted (Deficit)	4,640,130.84		4,640,130.84
TOTAL NET ASSETS	\$ 19,115,660.77	\$ 241,705.55	\$ 19,263,804.84

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2005

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Interest on Investments	\$ <u>140.94</u>
Total Additions	<u>140.94</u>
DEDUCTIONS:	
Other Deductions	<u>500.00</u>
Total Deductions	<u>500.00</u>
Change in Net Assets	(359.06)
Net Assets - Beginning	<u>11,103.25</u>
NET ASSETS - ENDING	<u><u>\$ 10,744.19</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, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating		Primary Government			
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Instruction	\$ 8,901,771.19	\$ 51,824.50	\$ 665,347.76	\$ -	\$ (8,184,598.93)			\$ (8,184,598.93)
Support Services	6,452,211.80	72,090.00	10,262.34	24,622.00	(6,345,237.46)			(6,345,237.46)
Community Services	54,043.36				(54,043.36)			(54,043.36)
Nonprogrammed Charges	130,266.87				(130,266.87)			(130,266.87)
*Interest on Long-term Debt	661,054.53				(661,054.53)			(661,054.53)
Cocurricular Activities	473,875.17	90,948.75			(382,926.42)			(382,926.42)
Total Governmental Activities	16,673,222.92	214,863.25	675,610.10	24,622.00	(15,758,127.57)			(15,758,127.57)
Business-type Activities:								
Food Service	1,180,433.74	946,673.72	212,439.16				\$ (21,320.86)	(21,320.86)
Total Primary Government	\$ 17,853,656.66	\$ 1,161,536.97	\$ 888,049.26	\$ 24,622.00	(15,758,127.57)		(21,320.86)	(15,779,448.43)
*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.								
General Revenues:								
Taxes:								
Property Taxes					9,888,028.82			9,888,028.82
Revenue from State Sources:								
State aid					6,993,548.58			6,993,548.58
Unrestricted Investment Earnings					65,516.59		1,212.23	66,728.82
Other General Revenues					270,230.42			270,230.42
Total General Revenues, Special Items, Sale of Surplus Property and Transfers					17,217,324.41		1,212.23	17,218,536.64
Change in Net Assets					1,459,196.84		(20,108.63)	1,439,088.21
Net Assets-Beginning					17,656,463.93		261,814.18	17,918,278.11
NET ASSETS - ENDING					\$ 19,115,660.77		\$ 241,705.55	\$ 19,357,366.32

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, 2005

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	\$ 10,744.19	\$ 88,342.35
TOTAL ASSETS	\$ 10,744.19	\$ 88,342.35
LIABILITIES:		
Amounts Held for Others		\$ 88,342.35
Total Liabilities	_____	88,342.35
NET ASSETS		
Held in Trust for Scholarships	\$ 10,744.19	_____
TOTAL LIABILITIES AND NET ASSETS	\$ 10,744.19	\$ 88,342.35

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, 2005

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 3,337,441.38	\$ 619,596.68	\$ 777,398.02	\$ 165,396.24	\$ 233,464.42	\$ 5,133,296.74
Taxes Receivable-current	2,535,380.50	1,160,439.01	487,381.78	115,979.14	344,301.48	4,643,481.91
Taxes Receivable-delinquent	50,146.91	16,396.03	7,228.98	745.75	5,329.92	79,847.59
Due from Other Governments	17,576.01					17,576.01
Restricted Cash	16,502.30					16,502.30
TOTAL ASSETS	<u>\$ 5,940,544.80</u>	<u>\$ 1,796,431.72</u>	<u>\$ 1,272,008.78</u>	<u>\$ 282,121.13</u>	<u>\$ 583,095.82</u>	<u>\$ 9,890,704.55</u>

LIABILITIES AND FUND BALANCES:

Liabilities:						
Accounts Payable	\$ 45,145.17	\$ 77,581.27	\$ 6,611.06			\$ 129,337.50
Contracts Payable	869,747.01		133,108.57			1,002,855.58
Payroll Deductions and Withholdings and Employer Matching Payable	117,801.48		17,596.79			135,398.27
Deferred Revenue	2,585,527.41	1,176,835.04	494,610.76	\$ 116,724.89	\$ 349,631.40	4,723,329.50
Total Liabilities	<u>3,618,221.07</u>	<u>1,254,416.31</u>	<u>651,927.18</u>	<u>116,724.89</u>	<u>349,631.40</u>	<u>5,990,920.85</u>
Fund Balances:						
Reserved for:						
Unemployment	16,502.30					16,502.30
Unreserved Fund Balances:						
Undesignated	2,322,323.73	542,015.41	620,081.60	165,396.24	233,464.42	3,883,281.40
Total Fund Balances	<u>2,338,826.03</u>	<u>542,015.41</u>	<u>620,081.60</u>	<u>165,396.24</u>	<u>233,464.42</u>	<u>3,899,783.70</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,957,047.10</u>	<u>\$ 1,796,431.72</u>	<u>\$ 1,272,008.78</u>	<u>\$ 282,121.13</u>	<u>\$ 583,095.82</u>	<u>\$ 9,890,704.55</u>

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Enterprise Funds
	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 940,861.65
Other Operating Cash Receipts(Payments)	7,431.20
Payments to Suppliers for Goods and Services	(619,351.18)
Payments to Employees	(476,378.11)
Net Cash Provided (Used) by Operating Activities	(147,436.44)
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	164,858.93
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(15,634.57)
Cash Flows from Investing Activities:	
Interest Earnings	1,212.23
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,000.15
Cash and Cash Equivalents at Beginning of Year	\$ 95,623.56
CASH AND CASH EQUIVALENTS AT END OF YEAR	98,623.71
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,000.15
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (233,760.02)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	34,501.53
Change in Assets and Liabilities:	
Inventories	(1,336.90)
Accounts and Other Payables	
Revenue Received in Advance	1,619.13
Value of Commodities Used	51,539.82
Net Cash Provided (Used) by Operating Activities	\$ (147,436.44)
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	\$ 47,580.23

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, 2005

Total Fund Balances - Governmental Funds		\$ 3,899,783.70
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 and the accumulated depreciation is .	\$34,428,076.84 <u>(10,875,941.00)</u>	23,552,135.84
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:		
General Obligation Bonds	(8,900,000.00)	
Capital Outlay Certificates	(3,650,000.00)	
Early Retirement Benefits Payable	(233,472.00)	
Compensated Absences	<u>(34,248.27)</u>	(12,817,720.27)
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.		4,723,329.50
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.		<u>(241,868.00)</u>
Net Assets- Governmental Funds		<u>\$ 19,115,660.77</u>

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

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, 2005

	Enterprise Funds
	Food Service Fund
Operating Revenue:	
Sales:	
To Pupils	\$ 561,655.85
To Adults	25,133.80
A la Carte	352,452.87
Other	7,431.20
Total Operating Revenue	946,673.72
Operating Expenses:	
Food Service:	
Salaries	358,268.07
Employee Benefits	118,110.04
Purchased Services	24,575.43
Supplies	38,931.84
Cost of Sales-Purchased Food	553,726.44
Cost of Sales-Donated Food	51,539.82
Miscellaneous	780.57
Depreciation-Local Funds	34,501.53
Total Operating Expenses	1,180,433.74
Operating Income (Loss)	(233,760.02)
Nonoperating Revenue (Expense):	
Local Sources:	
Investment Earnings	1,212.23
State Sources:	
Cash Reimbursements	4,067.68
Federal Sources:	
Cash Reimbursements	160,791.25
Donated Food	47,580.23
Total Nonoperating Revenue (Expense)	213,651.39
Change in Net Assets	(20,108.63)
Net Assets - Beginning	261,814.18
NET ASSETS - ENDING	\$ 241,705.55

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, 2005

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Revenues:						
Revenue from Local Sources:	\$ 5,055,896.03	\$ 2,234,174.65	\$ 971,417.43	\$ 192,201.63	\$ 701,021.69	\$ 9,154,711.43
Taxes:						
Ad Valorem Taxes	82,112.27	30,077.46	13,513.11	1,099.03	10,074.31	136,876.18
Prior Years' Ad Valorem Taxes	1,616.07	400.21	173.49	26.73	128.01	2,344.51
Tax Deed Revenues	404,934.89					404,934.89
Gross Receipts Taxes	7,040.15	2,905.84	1,240.24	239.16	893.64	12,319.03
Mobile Home Taxes	32,725.24	10,483.12	5,017.32	249.95	3,792.13	52,267.76
Penalties and Interest on Taxes						
Tuition and Fees:						
Regular Day School Tuition	51,824.50					51,824.50
Regular Day School Transportation Fees	49,305.00					49,305.00
Other Transportation Fees	22,785.00					22,785.00
Earnings on Investments and Deposits	55,893.34				9,623.25	65,516.59
Cocurricular Activities:						
Admissions	67,087.00					67,087.00
Other Pupil Activity Income	23,861.75					23,861.75
Other Revenue from Local Sources:						
Rentals	44,864.67					44,864.67
Contributions and Donations	5,486.99	20,984.39	455.00			26,926.38
Insurance and Judgments	2,199.56					2,199.56
Other	56,402.75	3,773.98				60,176.73
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	127,431.76					127,431.76
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	6,419,447.58		574,101.00			6,993,548.58
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through the State	222,468.04	24,622.00	453,142.06			700,232.10
Total Revenue	<u>12,733,382.59</u>	<u>2,327,421.65</u>	<u>2,019,059.65</u>	<u>193,816.50</u>	<u>725,533.03</u>	<u>17,999,213.42</u>

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2005

	Enterprise Funds
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 98,623.71
Inventory of Supplies	3,107.25
Inventory of Stores Purchased for Resale	5,677.77
Inventory of Donated Food	1,308.76
Total Current Assets	108,717.49
Capital Assets:	
Machinery and Equipment	580,287.20
Less: Accumulated Depreciation (Credit)	(432,143.13)
Total Noncurrent Assets	148,144.07
TOTAL ASSETS	\$ 256,861.56
LIABILITIES:	
Current Liabilities:	
Deposits Payable	\$ 15,156.01
Total Current Liabilities	15,156.01
NET ASSETS:	
Invested in Capital Assets	148,144.07
Unrestricted Net Assets	93,561.48
Total Net Assets	241,705.55
TOTAL LIABILITIES AND NET ASSETS	\$ 256,861.56

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

Expenditures:								
Instruction:								
Regular Programs:								
Elementary	3,226,564.61	15,408.77						23,038.90
Middle/Junior High	1,599,073.11	12,532.52						11,799.39
High School	2,051,424.35	24,625.43						14,477.83
Class Size Reduction Program	86,795.96							86,795.96
Other								690.56
Special Programs:								
Gifted	49,424.45	121.00						326.40
Programs for Special Education		1,771.36						186.59
Culturally Different	22,160.69							496.02
Educationally Deprived	66,457.65							
Support Services:								
Pupils:								
Attendance and Social Work	10,262.34							49.04
Guidance	251,877.06	242.00						2,032.03
Health	78,481.87							535.72
Psychological								
Speech Pathology								
Student Therapy Services								
Support Services - Instructional Staff:								
Improvement of Instruction	95,341.16							795.05
Educational Media	396,486.17	5,815.51						2,792.76
Support Services - General Administration:								
Board of Education	93,528.38							93,528.38
Executive Administration	314,142.62	19,246.00						335,747.78
Support Services - School Administration:								
Office of the Principal	799,752.00	3,191.84						5,666.57
Other	45,255.59	4,041.60						314.78
Support Services - Business:								
Fiscal Services	190,587.37							1,389.50
Facilities Acquisition and Construction		3,671.80						191,976.87
Operation and Maintenance of Plant	1,905,414.04	137,643.97						3,671.80
Pupil Transportation	582,726.39	12,422.38						2,049,618.89
Internal Services	39,174.31	67,781.55						596,217.70
Support Services - Special Education:								
Administrative Costs								115,626.82
Transportation Costs								99,727.34
Other Special Education Costs								48,092.50

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. Accrued interest decreased during the year by

22,938.00

Change in Net Assets of Governmental Activities

\$ 1,459,196.84

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, 2005

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Community Services:						
Community Education	53,668.72			374.64		54,043.36
Nonprogrammed Charges						
Early Retirement Payments				80,285.37		80,285.37
Debt Services		672,030.00			620,567.44	1,292,597.44
Cocurricular Activities:						
Male Activities	133,019.11	2,413.50				135,432.61
Female Activities	117,642.70	991.95				118,634.65
Transportation	34,871.81					34,871.81
Combined Activities	153,062.61	2,593.89		2,243.60		157,900.10
Capital Outlay	53,426.00	2,274,953.39	15,785.95	-	-	2,344,165.34
Total Expenditures	12,450,621.07	3,261,498.46	1,896,997.38	157,775.36	620,567.44	18,387,459.71
Excess of Revenue Over (Under) Expenditures	282,761.52	(934,076.81)	122,062.27	36,041.14	104,965.59	(388,246.29)
Other Financing Sources:						
General Long-Term Debt Issued					6,595,000.00	6,595,000.00
Sale of Surplus Property	8,631.32				(110,051.05)	8,631.32
Payment to Refunded Debt Escrow Agency					(6,461,344.04)	(6,461,344.04)
Total Other Financing Sources (Uses)	8,631.32				23,604.91	32,236.23
Net Change in Fund Balances	291,392.84	(934,076.81)	122,062.27	36,041.14	128,570.50	(356,010.06)
Fund Balance - July 1, 2004	2,047,433.19	1,476,092.22	498,019.33	129,355.10	104,893.92	4,255,793.76
FUND BALANCE - JUNE 30, 2005	\$2,338,826.03	\$ 542,015.41	\$ 620,081.60	\$ 165,396.24	\$ 233,464.42	\$3,899,783.70

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

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, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (356,010.06)

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" revenue and are deferred in the governmental funds. Deferred tax revenue increased by the following amount this year:

Deferred Tax Revenue	\$4,723,329.50	
Adjust Prior Year Taxes	<u>(4,598,754.48)</u>	124,575.02

Governmental funds report capital outlays as expenditures but in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. The amount by which capital outlay expenses exceeds depreciation expense in the period is:

Cost of Capital Assets	2,344,165.34	
Depreciation Expense	<u>(1,211,365.00)</u>	1,132,800.34

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets. The amount by which proceeds exceeded repayments was

(130,000.00)

Repayment of Long Term Debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

General Obligation Bonds	210,000.00	
Capital Outlay Certificates	<u>505,000.00</u>	715,000.00

In the Statement of activities, certain operating expenses-compensated absences and early retirement benefits are measured by the amounts earned and paid during the year. In the governmental funds however expenditures for these items are amount of financial resources used. This year,

Vacation earned exceeded the amount paid by	(124.96)	
Early Retirement Benefits earned exceeded the amount paid by,	<u>(49,981.50)</u>	(50,106.46)