

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**

**AUDIT REPORT**

**JUNE 30, 2011**

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011

School Board

Jean Bender

Gregg Ode

Jay Rasmussen

Renee Ullom

Todd Egge

Business Manager

Paul J. Lundberg

Superintendent

David Pappone

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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# QUAM & BERGLIN

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

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(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, 2011, which collectively comprise Brandon Valley School District's financial statements and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2011-01 to be a significant deficiency. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Brandon Valley School District's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the management of the School District in a separate communication dated November 7, 2011.

This report is intended solely for the information and use of federal awarding agencies and pass through entities, the South Dakota Legislature, state granting agencies, 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 or public record and its distribution is not limited.

Quam and Berglin  
Certified Public Accountants

November 7, 2011

# QUAM & BERGLIN

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

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(605) 356-3374

## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### Independent Auditor's Report

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brandon Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2011.

#### 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 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, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of Brandon Valley School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, 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

November 7, 2011

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**PRIOR OTHER AUDIT FINDINGS AND QUESTIONED COSTS**

**Prior Finding Number 2010-01:**

A significant deficiency was reported for a lack of proper segregation of duties for revenues, expenditures, and payroll.

**Corrective Action Plan:**

This prior audit comment is restated as finding number 2011-01.



**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:**

***Financial Statements***

- a. An unqualified opinion was issued on the financial statements.
- b. A significant deficiency that is not considered a material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues, expenditures, and payroll as discussed in finding number 2011-01.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- 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).
- f. The federal awards tested as major programs included:

Special Education Cluster:

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.391	Special Education – Grants to States, Recovery Act
84.394	State Fiscal Stabilization Fund (SFSF)
84.410	Education Jobs Fund

- 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 qualified as a low-risk entity.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**CURRENT FEDERAL AUDIT FINDINGS:**

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

***Federal Compliance - Related Audit Findings and Questioned Costs:***

There are no compliance-related audit findings and questioned costs.

**CURRENT OTHER AUDIT FINDINGS:**

***Internal Control-Related Findings – Significant Deficiency:***

**Finding Number 2011-01:**

There is a significant deficiency resulting from the lack of segregation of duties for revenues, expenditures, and payroll. This is the thirteenth year for this comment.

**Criteria:**

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

**Condition Found:**

A significant deficiency in internal control was reported due to lack of proper segregation of duties for revenues, expenditures, and payroll resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

**Recommendations:**

We recommend that the Board of Directors be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating controls, whenever and wherever possible and practical.

**Response:**

The Board of Directors of this entity are aware of this problem, which is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 57.

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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brandon Valley School District No. 49-2, Minnehaha County, South Dakota, as of and for the year ended June 30, 2011, 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 effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2011, 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 November 7, 2011 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.

The Management's Discussion and Analysis, Schedule of Funding Progress, 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 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  
Certified Public Accountants

November 7, 2011

**BRANDON VALLEY SCHOOL DISTRICT 49-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2011**

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, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements immediately following this section.

**FINANCIAL HIGHLIGHTS**

- The District's net assets from Governmental activities increased by \$1,340,753 primarily due to an increase in capital assets.
  
- The District continues to maintain an adequate financial position in all major operating funds. The beginning fund balance of the General Fund was 25.4% and the ending fund balance is at 23.1%. 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, 2011 was \$5,761,445, which reflects a 4.2% decrease (\$249,911).
  
- The Capital Outlay Fund saw its expenditures exceed revenues by \$360,187. This decrease in fund balance was a planned/budgeted decrease due to a major addition expenditure at one of the elementary schools. This project was paid from reserves rather than incurring debt. The ending cash position of the capital outlay fund on June 30, 2011 was \$2,765,074, which reflects a decrease of \$557,083 (16.8%).
  
- The Special Education Fund is a fund in which the State regulates the amount of allowable fund balance at year-end. The state imposed fund balance cap is 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 \$991,568, when adjusted by Federal revenue, is right at the mandated 20%.
  
- The Pension Fund is used for two purposes: early retirement payments and 1% of the General Fund South Dakota Retirement costs. The fund's revenues exceeded expenditures by \$116,386 leaving the fund balance on 6/30/11 at \$426,549. The fund balance has been accumulated in recent years in order to properly fund an increasing number of early retirees. Based on early retirement projections, current revenues plus existing fund balance will be adequate to account for all future expenditures.
  
- The Bond Redemption Fund is used to pay the debt service of General Obligations bonds of the District. Taxes are levied to adequately fund all debt service. The fund balance of this fund at 6/30/11 was \$737,630.
  
- The Capital Projects Fund is being used to account for the construction of our major capital facilities projects that are a result of the 2007 \$23M Bond Issue Campaign. The building process was completed at the end of the 2009-10 fiscal year. The ending cash position of this fund at June 30, 2010 was \$1,434,911. These monies were used to defease a portion of the \$23M debt that was incurred in 2007. We, as a District, are pleased to be under budget on this major project and expect the taxpayers to also be happy to reduce the future debt load with these "excess" funds.
  
- Business-type activities had an increase in net assets of \$78,987 during the 2010-11 school year primarily due to revenues exceeding expenditures.

## 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.
  - 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

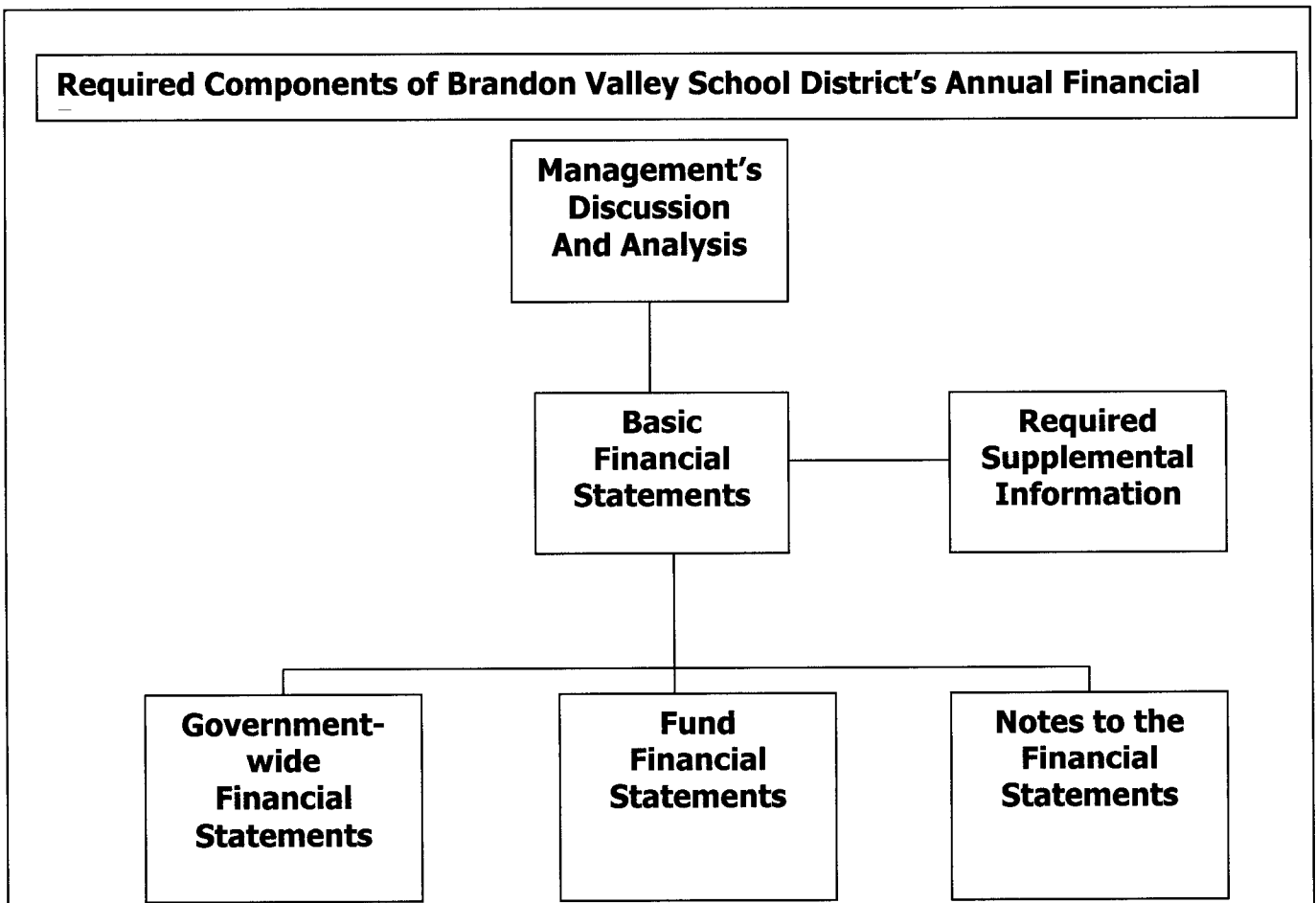


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

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

## **Government-wide Statements**

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

The two government-wide statements report the District's net assets and how they have changed. Net assets, i.e., the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- 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.

## 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 2010- 2011
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	
Current and Other Assets	\$19,725,538	\$18,168,020	\$136,975	\$249,733	\$19,862,513	\$18,417,753	-7.3%
Capital Assets	46,357,836	46,366,432	148,765	119,287	46,506,601	46,485,719	-0.1%
Total Assets	\$66,083,374	\$64,534,452	\$285,740	\$369,020	\$66,369,114	\$64,903,472	-2.2%
Long-Term Debt Outstanding	29,469,383	27,050,623			29,469,383	27,050,623	-8.2%
Other Liabilities	3,923,813	3,452,900	18,204	22,497	3,942,017	3,475,397	-11.8%
Total Liabilities	\$33,393,196	\$30,503,523	\$18,204	\$22,497	\$33,411,400	\$30,526,020	-8.6%
Net Assets:							
Invested in Capital Assets							
Net of Related Debt							
Restricted	15,787,836	18,559,612	148,765	119,287	15,936,601	18,678,899	17.2%
Unrestricted	9,478,255	8,295,061	118,771		9,597,026	8,295,061	-13.6%
Total Net Assets	7,424,087	7,176,256		227,236	7,424,087	7,367,404	-0.1%
Total Net Assets	\$32,690,178	\$34,030,929	\$267,536	\$346,523	\$32,957,714	\$34,377,452	4.3%
Beginning Net Assets	\$31,003,605	\$32,690,178	\$245,707	\$267,536	\$31,249,312	\$32,957,714	
Increase(Decrease) in Net Assets	\$1,686,573	\$1,340,751	\$21,829	\$78,987	\$1,708,402	\$1,419,738	
Percentage of Increase (Decrease) in Net Assets	5.4%	4.1%	8.9%	29.5%	5.5%	4.3%	

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 decreased \$1,465,642. Equity in the School District's pooled cash and cash equivalents decreased \$1,681,663. Property tax receivables increased \$122,053 and other assets increased \$114,850. Capital assets decreased \$20,882 and are discussed in detail later in this report.

Total Liabilities of the School District decreased \$2,885,380 which is primarily the result of the pay down of debt and the early defeasement of debt due to "excess" Capital Project funds.

The total net assets of the School District increased \$1,419,738, which is reflected in the increased investment of \$2,564,118 in capital assets. Restricted net assets decreased \$1,301,965 and unrestricted net assets decreased \$56,683. Unrestricted net assets involve the general operations of the School District.

## GOVERNMENTAL ACTIVITIES

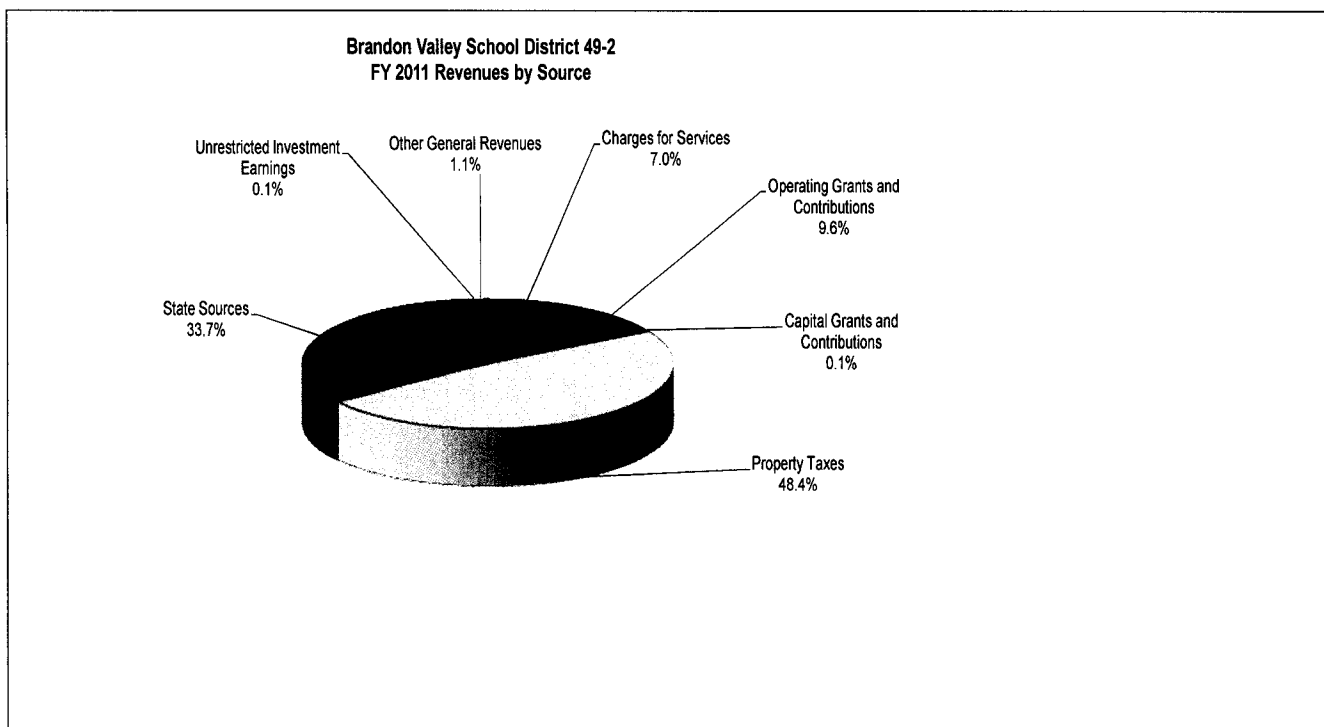
Table A-2 and the narrative that follow consider the operations of the government-wide activities.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2010-2011
	2010	2011	2010	2011	2010	2011	
Revenues							
Program Revenues							
Charges for Services	\$232,892	\$771,453	\$1,260,542	\$1,294,160	\$1,493,434	\$2,065,613	38.3%
Operating Grants and Contributions	1,850,340	2,385,684	422,722	455,340	2,273,062	2,841,024	25.0%
Capital Grants and Contributions		36,370				36,370	N/A
General Revenues							
Property Taxes	13,903,106	14,379,827			13,903,106	14,379,827	3.4%
State Sources	10,592,262	10,035,311			10,592,262	10,035,311	-5.3%
Unrestricted Investment Earnings	82,440	38,624	12		82,452	38,624	-53.2%
Other General Revenues	758,688	327,479			758,688	327,479	-56.8%
Total Revenues	\$27,419,728	\$27,974,748	\$1,683,276	\$1,749,500	\$29,103,004	\$29,724,248	2.1%
Expenses							
Instruction	13,404,047	14,330,597			13,404,047	14,330,597	6.9%
Support Services	10,127,005	10,359,567			10,127,005	10,359,567	2.3%
Community Service	68,523	70,429			68,523	70,429	2.8%
Non-programmed Charges	224,872				224,872		-100.0%
Debt Service	1,264,980	1,186,686			1,264,980	1,186,686	-6.2%
Co-Curricular Activities	643,729	686,716			643,729	686,716	6.7%
Food Service			1,661,446	1,670,514	1,661,446	1,670,514	0.5%
Total Expenses	\$25,733,156	\$26,633,995	\$1,661,446	\$1,670,514	\$27,394,602	\$28,304,509	3.3%
Excess of Revenue Over (Under) Expenses	\$1,686,572	\$1,340,753	\$21,830	\$78,986	\$1,708,402	\$1,419,739	-16.9%
Increase (Decrease) in Net Assets	\$1,686,572	\$1,340,753	\$21,830	\$78,986	\$1,708,402	\$1,419,739	-16.9%

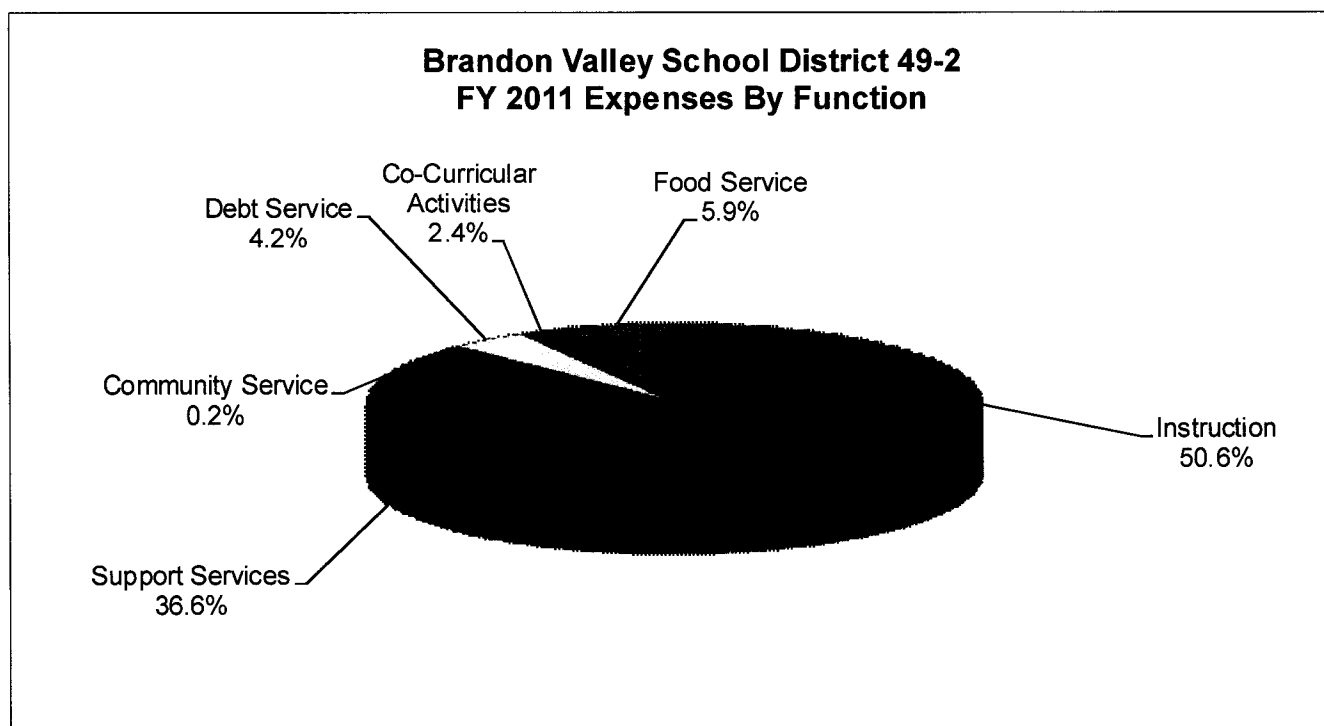
The District's revenues totaled \$29,724,248 (See Table A-2). Almost half of the District's revenue came from property taxes, with over a third coming from state aid (See Figure A-3).

**Figure A-3**



The District's expenditures totaled \$28,304,509 (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**



## **BUSINESS-TYPE ACTIVITIES**

Revenues of the District's business-type activities, i.e., food services, increased by 3.9% from \$1,683,276 in FY2010 to \$1,749,500 in FY2011 and expenses increased by 0.5% from \$1,661,446 in FY2010 to \$1,670,514 in FY2011. Factors contributing to these results include the following:

- The increase in revenue was due primarily to a 10 cent increase in the type A lunch prices for 2010-11 and increased participation (\$68,552). There was also an increase in the federal reimbursement revenue (\$39,736) due to an increase in the number of children qualifying for free and reduced meals.
- Expenditures increased 0.5% in 2010-11. The increase in expenditures was primarily in the area of employee benefits costs.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Fund Balances changed as follows: General Fund decreased \$281,665, resulting primarily from revenues (bank franchise tax) coming in substantially under budgeted amounts. Capital Outlay Fund decreased \$360,187 because of a planned/budgeted major addition to one of the elementary schools. Special Education Fund increased \$188,963 as a result of revenues exceeding expenditures. Pension Fund increased \$116,386 as a result of revenues exceeding expenditures which was planned/budgeted. Bond Redemption Fund increased \$48,561 as a 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, 2010 as prescribed by state statute. Following their review, the 2010-11 budget was adopted by the Board of Education on July 12, 2010 with only minor modifications.

## **CAPITAL ASSET ADMINISTRATION**

At the end of FY2011, the District had invested \$64,704,202 in a broad range of capital assets, including land, buildings, improvements other than buildings and equipment for governmental activities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$1,420,993 or 2.2%, over the previous year. The increase is due primarily to the completion of Brandon Valley's major construction projects as a result of the successful Bond Issue Campaign in 2007.

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

	<b>Governmental Activities</b>		<b>Business Activities</b>	
	<b>FY2010</b>	<b>FY2011</b>	<b>FY2010</b>	<b>FY2011</b>
Land	\$1,372,023	\$1,372,023		
Buildings	52,090,635	53,127,267		
Improvements other than Buildings	2,090,915	2,329,222		
Equipment	6,960,888	7,191,967	678,726	683,723
Construction Work in Progress	90,022			
<b>Total Capital Assets</b>	<b>62,604,483</b>	<b>64,020,479</b>	<b>678,726</b>	<b>683,723</b>
Accumulated Depreciation	(16,246,649)	(17,654,047)	(529,961)	(564,437)
<b>Total All Capital Assets</b>	<b>\$46,357,834</b>	<b>\$46,366,432</b>	<b>\$148,765</b>	<b>\$119,287</b>

**LONG-TERM DEBT**

At year-end, the District had \$28,317,689 in general obligation bonds, capital outlay certificates, and other long-term obligations. This is a decrease of 8.8% as shown on table A-4.

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

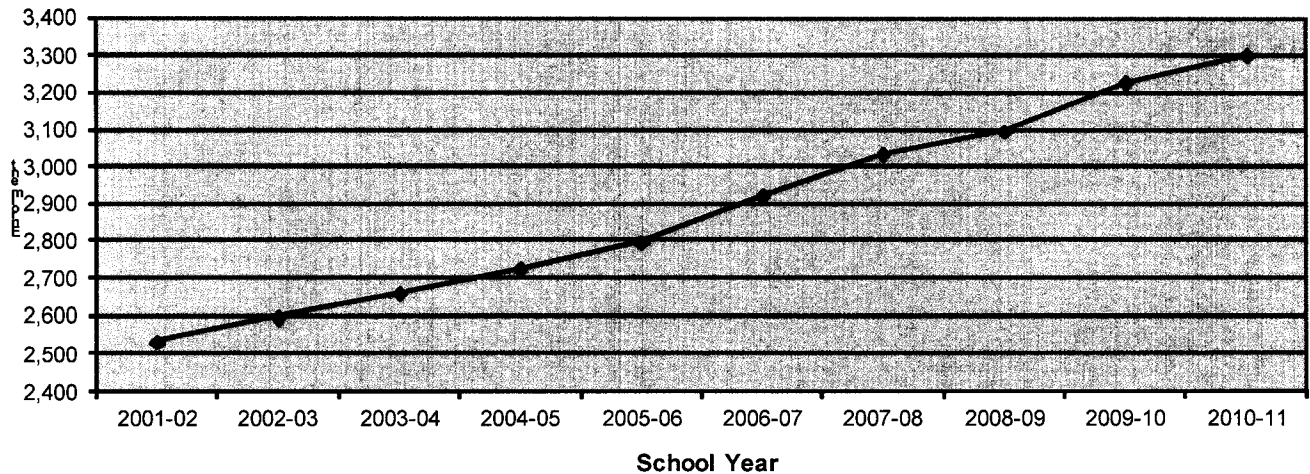
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total Dollar Change</b>	<b>Total Percentage Change</b>
	<b>FY2010</b>	<b>FY2011</b>	<b>FY2010</b>	<b>FY2011</b>		
Capital Outlay Certificates	\$955,000	\$425,000			(\$530,000)	-55.5%
General Obligation Bonds	29,615,000	27,560,000			(2,055,000)	-6.9%
Early Retirement, Accrued Leave Payable, & Accrued Interest	469,987	332,689			(137,298)	-29.2%
<b>Total Outstanding Debt and Obligations</b>	<b>\$31,039,987</b>	<b>\$28,317,689</b>			<b>(\$2,722,298)</b>	<b>-8.8%</b>

## 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 2012 assessed value of the District in the amount of approximately \$12.6M or 1%. This increase is down from the customary increases of 10%/year that the District has been realizing over the past 10 years. We believe this is a result of the national economic recession and a trickle-down into our Midwest economy. The Funds that receive financial support from property taxes except for the General fund and the Special Education fund will benefit proportionately from this small increase in value. The manner in which the state aid formulas for the General fund and the Special Education fund are calculated 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 fall enrollment and the number of special needs students being served in various need categories respectively. The 2010-11 general state aid is calculated on \$4,497/student based upon the September child count 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 total student allocation. The per pupil allocation decreased in 2011-12 and is expected to slightly increase (2%) in 2012-13. This fact is of significant concern as continued state funding decreases will begin to have a negative impact on the district. The district is utilizing cash reserves to get through these tough economic times. A turn-around in state revenues will be needed in the near future to assist the school district's with their funding issues. 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 on the 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 and 2011-12 was not an exception. Total number of students increased 80 in 2011-12. This has allowed the District financial successes that have not been experienced by other school districts in the state of South Dakota in the past years. With a major portion of the District's state funding based on enrollment numbers, the financial impact of increasing enrollment is an important factor in the financial stability of the District. Enrollment increases appear to be the only source of new revenue for the District since per pupil allocations appear to be stagnant at 2008-09 levels for the imminent future. It will be increasingly important for the District to properly manage its expenditures during these recessionary times. The following graph illustrates prior enrollment and potential trends.

**Figure A-5  
Enrollment During the Last Ten Years**



- The state of national economy and how this will affect the Midwest is a concern. Even though we appear to be on the backside of this current recession, its effects on our School District could continue for several years to come. The financial condition of the state of South Dakota will have a significant impact on how revenues will flow to the local School Districts. We predict revenue streams to be level at best with our only “new” revenue sources coming from increased enrollments.
- Inflation rates will have a significant impact on the School District along with state of South Dakota revenues. It is projected that rates of inflation will be very low in the next five years causing an effect on the additional income that is received by the School District. General and Special Education Fund per student increases are based on the rate of inflation or 3%, whichever is less.
- Federal “stimulus funds” had a short term positive effect on the budgets through 2010-11. These funds are no longer available to the district.
- Annually the District negotiates the salary and benefits package of District employees. With approximately 84% 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.
- The District’s major facility needs should be met for the near term (5 years) with the completion of \$23M of new construction in the fall of 2009.

**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, please contact the Brandon Valley School District 49-2 Business Office, 300 S. Splitrock Boulevard, Brandon, SD 57005.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 8,269,141.77	\$ 227,609.95	\$ 8,496,751.72
Investments	2,700,000.00		2,700,000.00
Taxes Receivable	6,981,696.18		6,981,696.18
Due from Other Governments	39,001.78		39,001.78
Inventories		22,123.21	22,123.21
Deferred Charges	178,180.00		178,180.00
Capital Assets:			
Land	1,372,023.00		1,372,023.00
Other Capital Assets, Net of Depreciation	44,994,409.00	119,286.73	45,113,695.73
<b>TOTAL ASSETS</b>	<u>64,534,451.73</u>	<u>369,019.89</u>	<u>64,903,471.62</u>
<b>LIABILITIES :</b>			
Accounts Payable	216,992.35		216,992.35
Accrued Wages and Benefits Payable	1,767,262.57		1,767,262.57
Other Current Liabilities	201,579.48	22,497.06	224,076.54
Noncurrent Liabilities:			
Due Within One Year	1,267,065.85		1,267,065.85
Due in More than One Year	27,050,623.00		27,050,623.00
<b>TOTAL LIABILITIES</b>	<u>30,503,523.25</u>	<u>22,497.06</u>	<u>30,526,020.31</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	18,559,612.00	119,286.73	18,678,898.73
Restricted for:			
Capital Outlay	4,479,712.96		4,479,712.96
Special Education	1,736,218.77		1,736,218.77
Debt Service	1,580,920.39		1,580,920.39
Other Purposes	498,208.63		498,208.63
Unrestricted	7,176,255.73	227,236.10	7,403,491.83
<b>TOTAL NET ASSETS</b>	<u>\$ 34,030,928.48</u>	<u>\$ 346,522.83</u>	<u>\$ 34,377,451.31</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
Instruction	\$ 14,330,596.71	\$ 579,807.78	\$ 2,385,684.00	\$ 36,369.89	\$ (11,328,735.04)	\$	\$(11,328,735.04)	
Support Services	10,359,568.52	95,757.00			(10,263,811.52)		(10,263,811.52)	
Community Services	70,429.08				(70,429.08)		(70,429.08)	
*Interest on Long-term Debt	1,186,686.05				(1,186,686.05)		(1,186,686.05)	
Cocurricular Activities	686,715.79	95,887.86			(590,827.93)		(590,827.93)	
Total Governmental Activities	<u>26,633,996.15</u>	<u>771,452.64</u>	<u>2,385,684.00</u>	<u>36,369.89</u>	<u>(23,440,489.62)</u>		<u>(23,440,489.62)</u>	
Business-type Activities:								
Food Service	<u>1,670,513.75</u>	<u>1,294,160.10</u>	<u>455,340.28</u>			<u>78,986.63</u>	<u>78,986.63</u>	
Total Primary Government	<u>\$ 28,304,509.90</u>	<u>\$ 2,065,612.74</u>	<u>\$ 2,841,024.28</u>	<u>\$ 36,369.89</u>	<u>(23,440,489.62)</u>	<u>78,986.63</u>	<u>(23,361,502.99)</u>	
*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.		<b>General Revenues:</b>						
		Taxes:						
		Property Taxes				13,836,521.68		13,836,521.68
		Gross Tax Receipts				543,305.44		543,305.44
		Revenue from State Sources:						
		State aid				10,035,310.59		10,035,310.59
		Unrestricted Investment Earnings				38,623.49		38,623.49
		Other General Revenues				327,479.44		327,479.44
		Total General Revenues and Special Items				<u>24,781,240.64</u>		<u>24,781,240.64</u>
		Change in Net Assets				1,340,751.02	78,986.63	1,419,737.65
Net Assets - Beginning				<u>32,690,177.46</u>	<u>267,536.20</u>	<u>32,957,713.66</u>		
NET ASSETS - ENDING				<u>\$ 34,030,928.48</u>	<u>\$ 346,522.83</u>	<u>\$ 34,377,451.31</u>		

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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, 2011

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 3,073,945.33	\$ 2,765,073.74	\$ 1,265,943.70	\$ 426,549.28	\$ 737,629.72	\$ 8,269,141.77
Investments	2,700,000.00					2,700,000.00
Taxes Receivable - Current	3,104,103.66	1,804,359.24	730,050.23	180,497.34	1,017,808.84	6,836,819.31
Taxes Receivable - Delinquent	71,113.66	36,028.98	14,600.95	3,598.01	19,535.27	144,876.87
Due from Other Governments	35,838.78		3,163.00			39,001.78
<b>TOTAL ASSETS</b>	<u>8,985,001.43</u>	<u>4,605,461.96</u>	<u>2,013,757.88</u>	<u>610,644.63</u>	<u>1,774,973.83</u>	<u>17,989,839.73</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	83,535.31	118,222.96	15,234.08			216,992.35
Contracts Payable	1,324,823.13		231,173.52			1,555,996.65
Payroll Deductions and Withholdings and Employer Matching Payable	180,134.41		31,131.51			211,265.92
Deferred Revenue	3,175,217.32	1,840,388.22	744,651.18	184,095.35	1,037,344.11	6,981,696.18
<b>Total Liabilities</b>	<u>4,763,710.17</u>	<u>1,958,611.18</u>	<u>1,022,190.29</u>	<u>184,095.35</u>	<u>1,037,344.11</u>	<u>8,965,951.10</u>
Fund Balances:						
Restricted:						
Capital Outlay		2,646,850.78				2,646,850.78
Special Education			991,567.59			991,567.59
Pension				426,549.28		426,549.28
Debt Service					737,629.72	737,629.72
Unassigned	4,221,291.26					4,221,291.26
<b>Total Fund Balances</b>	<u>4,221,291.26</u>	<u>2,646,850.78</u>	<u>991,567.59</u>	<u>426,549.28</u>	<u>737,629.72</u>	<u>9,023,888.63</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 8,985,001.43</u>	<u>\$ 4,605,461.96</u>	<u>\$ 2,013,757.88</u>	<u>\$ 610,644.63</u>	<u>\$ 1,774,973.83</u>	<u>\$ 17,989,839.73</u>

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, 2011**

Total Fund Balances - Governmental Funds \$ 9,023,888.63

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	\$ 64,020,479.00	
and the accumulated depreciation is	<u>(17,654,047.00)</u>	46,366,432.00

Long-term liabilities 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	(27,560,000.00)	
Capital Outlay Certificates	(425,000.00)	
Early Retirement and Compensated Absences Payable	(137,065.85)	
Other Post-Employment Benefits	<u>(195,623.00)</u>	(28,317,688.85)

Property taxes will be collected in the future but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds.		6,981,696.18
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Accrued interest payable is accounted for in the Statement of Net Assets but is not accounted for in the modified accrual basis of accounting.		(201,579.48)
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Deferred charges on refunded debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Assets. Deferred amount is:		<u>178,180.00</u>
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Net Assets - Governmental Funds \$ 34,030,928.48

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, 2011**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 6,088,240.08	\$ 3,501,483.87	\$ 1,441,733.23	\$ 356,763.21	\$ 1,982,844.13	\$	\$ 13,371,064.52
Prior Years' Ad Valorem Taxes	131,585.10	68,374.03	27,542.79	6,828.18	37,338.05		271,668.15
Tax Deed Revenue	15,254.41	5,224.15	2,108.35	521.90	2,856.14		25,964.95
Gross Receipts Taxes	543,305.44						543,305.44
Mobile Home Taxes	2,479.60	1,252.37	542.29	134.19	744.13		5,152.58
Penalties and Interest on Taxes	19,561.37	10,353.26	4,177.59	1,035.29	5,490.30		40,617.81
Tuition and Fees:							
Regular Day School Tuition	18,616.50		48,018.85				66,635.35
Regular Day School Transportation Fees	69,217.00						69,217.00
Other Transportation Fees	26,540.00						26,540.00
Earnings on Investments and Deposits	36,849.61					1,773.88	38,623.49
Cocurricular Activities:							
Admissions	69,660.00						69,660.00
Other Pupil Activity Income	26,227.86						26,227.86
Other Revenue from Local Sources:							
Rentals	45,658.92						45,658.92
Contributions and Donations	8,161.41	34,918.23					43,079.64
Services Provided Other LEAs Within State	107,000.00		191,775.00				298,775.00
Insurance and Judgments	2,851.85	6,557.60					9,409.45
Charges for Services	99,480.00		114,917.43				214,397.43
Other	34,493.33	2,500.00	190.14				37,183.47
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	179,760.63						179,760.63
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	8,918,169.78						8,918,169.78
Restricted Grants-in-Aid	7,635.81		1,109,505.00				1,117,140.81
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-in-Aid Received from Federal Government Through the State	1,537,790.00	36,369.89	847,894.00				2,422,053.89
<b>Total Revenues</b>	<u>17,988,538.70</u>	<u>3,667,033.40</u>	<u>3,788,404.67</u>	<u>365,282.77</u>	<u>2,029,272.75</u>	<u>1,773.88</u>	<u>27,840,306.17</u>

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Expenditures:							
Instruction:							
Regular Programs:							
Elementary	5,159,769.32	208,786.32		35,586.00			5,404,141.64
Middle/Junior High	2,210,012.81	77,306.18		15,545.00			2,302,863.99
High School	3,006,532.63	36,219.93		19,130.00			3,061,882.56
Special Programs:							
Gifted	55,323.95			391.00			55,714.95
Programs for Special Education		524.85	2,289,239.81				2,289,764.66
Culturally Different	47,959.09			401.00			48,360.09
Educationally Deprived	97,384.82			710.00			98,094.82
Support Services:							
Pupils:							
Guidance	444,066.92			3,326.00			447,392.92
Health	136,645.51	1,463.29	63,851.16	925.00			202,884.96
Psychological			142,195.17				142,195.17
Speech Pathology			474,542.30				474,542.30
Audiology			1,676.59				1,676.59
Student Therapy Services			224,246.00				224,246.00
Support Services - Instructional Staff:							
Improvement of Instruction	258,793.39			1,867.00			260,660.39
Educational Media	514,215.67	22,321.46		3,530.00			540,067.13
Support Services - General Administration:							
Board of Education	73,521.69						73,521.69
Executive Administration	374,680.52			2,950.00			377,630.52
Support Services - School Administration:							
Office of the Principal	1,128,670.47	4,546.56		7,971.00			1,141,188.03
Other	61,968.00	4,772.24		407.00			67,147.24
Support Services - Business:							
Fiscal Services	247,253.12			1,815.00			249,068.12
Facilities Acquisition and Construction		172,963.17					172,963.17
Operation and Maintenance of Plant	2,843,556.96	747,317.12		9,236.00			3,600,110.08
Pupil Transportation	910,267.08	2,541.40		1,200.00			914,008.48
Internal Services	32,800.53	80,170.74		241.00			113,212.27
Support Services - Special Education:							
Administrative Costs			92,740.76				92,740.76
Speech/Language Impairments			61,827.17				61,827.17
Transportation Costs			107,192.95				107,192.95
Speech Transportation Costs			107,192.95				107,192.95
Other Special Education Costs			13,428.50				13,428.50

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Community Services:							
Direction	69,937.08			492.00			70,429.08
Nonprogrammed Charges:							
Early Retirement Payments				139,886.00			139,886.00
Debt Services		564,945.00			1,980,711.29	6,000.00	2,551,656.29
Cocurricular Activities:							
Male Activities	184,961.87	6,069.00					191,030.87
Female Activities	161,013.83						161,013.83
Transportation	56,360.61						56,360.61
Combined Activities	206,895.19	13,409.29		3,288.00			223,592.48
Capital Outlay		2,083,863.77	21,307.94				2,105,171.71
<b>Total Expenditures</b>	<u>18,282,591.06</u>	<u>4,027,220.32</u>	<u>3,599,441.30</u>	<u>248,897.00</u>	<u>1,980,711.29</u>	<u>6,000.00</u>	<u>28,144,860.97</u>
Excess of Revenue Over (Under) Expenditures	<u>(294,052.36)</u>	<u>(360,186.92)</u>	<u>188,963.37</u>	<u>116,385.77</u>	<u>48,561.46</u>	<u>(4,226.12)</u>	<u>(304,554.80)</u>
Other Financing Sources:							
Sale of Surplus Property	12,387.33						12,387.33
Payment to Refunded Debt Escrow Agency						(1,418,634.28)	(1,418,634.28)
Total Other Financing Sources (Uses)	<u>12,387.33</u>					<u>(1,418,634.28)</u>	<u>(1,406,246.95)</u>
Net Change in Fund Balances	(281,665.03)	(360,186.92)	188,963.37	116,385.77	48,561.46	(1,422,860.40)	(1,710,801.75)
FUND BALANCE - JULY 1, 2010	<u>4,502,956.29</u>	<u>3,007,037.70</u>	<u>802,604.22</u>	<u>310,163.51</u>	<u>689,068.26</u>	<u>1,422,860.40</u>	<u>10,734,690.38</u>
FUND BALANCE - JUNE 30, 2011	<u>\$ 4,221,291.26</u>	<u>\$ 2,646,850.78</u>	<u>\$ 991,567.59</u>	<u>\$ 426,549.28</u>	<u>\$ 737,629.72</u>	<u>\$ 0.00</u>	<u>\$ 9,023,888.63</u>

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, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (1,710,801.75)

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	\$ 6,981,696.18	
Adjust Prior Year Taxes	<u>(6,859,642.51)</u>	122,053.67

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	2,105,171.71	
Depreciation Expense	<u>(2,096,575.28)</u>	8,596.43

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	2,055,000.00	
Capital Outlay Certificates	<u>530,000.00</u>	2,585,000.00

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

Early Retirement, Compensated Absences benefits paid out and Other Post-Employment Benefits exceeded the amount earned by:		137,298.15
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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:

20,424.52

When bonds are issued there is usually a premium or deferred charges involved. These deferred charges are amortized over the life of the bonds issued. Deferred charges increased during the year by:

178,180.00

Change in Net Assets of Governmental Activities \$ 1,340,751.02

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	<u>Enterprise Funds</u>
	<u>Food Service Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 227,609.95
Inventory of Supplies	6,390.43
Inventory of Stores Purchased for Resale	9,771.42
Inventory of Donated Food	<u>5,961.36</u>
Total Current Assets	<u>249,733.16</u>
Capital Assets:	
Machinery and Equipment	683,723.27
Less: Accumulated Depreciation (Credit)	<u>(564,436.54)</u>
Total Noncurrent Assets	<u>119,286.73</u>
<b>TOTAL ASSETS</b>	<u><b>369,019.89</b></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Deposits Payable	<u>22,497.06</u>
Total Current Liabilities	<u>22,497.06</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets	119,286.73
Unrestricted Net Assets	<u>227,236.10</u>
Total Net Assets	<u>346,522.83</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 369,019.89</b></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, 2011**

	<b>Enterprise Funds</b>
	<b>Food Service Fund</b>
<b>Operating Revenue:</b>	
Sales:	
To Pupils	\$ 893,636.70
To Adults	30,209.20
A la Carte	351,430.74
Other	18,883.46
Total Operating Revenue	1,294,160.10
<b>Operating Expenses:</b>	
Food Service:	
Salaries	518,777.33
Employee Benefits	204,035.73
Purchased Services	19,312.06
Supplies	57,334.52
Cost of Sales-Purchased Food	765,149.43
Cost of Sales-Donated Food	71,073.74
Miscellaneous	355.50
Depreciation-Local Funds	34,475.44
Total Operating Expenses	1,670,513.75
Operating Income (Loss)	(376,353.65)
<b>Nonoperating Revenue (Expense):</b>	
State Sources:	
Cash Reimbursements	8,665.56
Federal Sources:	
Cash Reimbursements	370,931.27
Donated Food	75,743.45
Total Nonoperating Revenue (Expense)	455,340.28
Change in Net Assets	78,986.63
Net Assets - Beginning	267,536.20
<b>NET ASSETS - ENDING</b>	<b>\$ 346,522.83</b>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Enterprise Funds</b>
	<b>Food Service Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 1,279,569.73
Other Operating Cash Receipts (Payments)	18,883.46
Payments to Suppliers for Goods and Services	(839,037.73)
Payments to Employees	<u>(722,813.06)</u>
Net Cash Provided (Used) by Operating Activities	<u>(263,397.60)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Subsidies	<u>379,596.83</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchase of Capital Assets	<u>(4,997.00)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 111,202.23</u>
Cash and Cash Equivalents at Beginning of Year	\$ 116,407.72
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>227,609.95</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 111,202.23</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (376,353.65)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	34,475.44
Value of Commodities Used	71,073.74
Change in Assets and Liabilities:	
Inventories	3,113.78
Revenue Received in Advance	<u>4,293.09</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (263,397.60)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>	
Value of Commodities Received	<u>\$ 75,743.45</u>

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, 2011**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>84,505.23</u>
<b>TOTAL ASSETS</b>	<u>84,505.23</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>84,505.23</u>
<b>Total Liabilities</b>	<u>84,505.23</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 84,505.23</u>

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

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 School 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 School District and for each function of the School District's Governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.*

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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.*

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 Series 2008 Issue and the 2005, 2003, and 2001 Refunding General Obligation Bond payments are made from this fund. This is a major fund.

Capital Projects Fund - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). The major project funded by the Capital Projects Fund was the Elementary School addition. This is a major fund.

## **Proprietary Funds:**

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

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

## **Fiduciary Funds:**

*Fiduciary Funds are never considered to be major funds.*

*Agency Fund Types - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: Science Clubs, Student Council, Drama Club, Special Olympics, Orchestra, Choir, Language Clubs, FFA, Peer Helpers, Class Funds, Charitable Needs Funds, ESD +6 Lobby Funds, 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 funds, 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 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, 2011 are amounts due from other governments for grants.

Under the modified basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

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 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 nonspendable fund balance classification account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets

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

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, 2011 balance of capital assets for governmental activities includes approximately 2.94 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by estimated historical costs. The total June 30, 2011 balance for capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net 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	500.00	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.

*Fund Financial Statements*

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

f. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of



compensated absences, early retirement benefits payable, capital outlay certificates payable, other post employment benefits, 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 Revenues, Expenses, and Changes in Fund Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents

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

j. Equity Classifications

*Government-wide 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:*

Equity is classified as fund balance and is divided into five components based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. Nonspendable – Consists of amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
2. Restricted – Consists of amounts that are constrained for a specific purpose through restrictions of (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. Committed – Consists of amounts that are constrained for specific purposes imposed by formal action of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board rescinds or modifies the specified use by taking the same type of action (Board Motion) it employed to previously commit those amounts.
4. Assigned – Consists of amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board or appointed Committee delegated that authority by a Board Motion or Board Policy.
5. Unassigned – Consists of all amounts that are not constrained as reported in the other classifications within the General Fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

#### l. Application of Fund Balances

The School District has not adopted a formal fund balance application policy.

### NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1 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 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.

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.

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.

Concentration of Credit Risk - The school district places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the 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

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

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

In the governmental fund financial statements, inventories 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 consumed. No material inventories were on hand as of June 30, 2011 in the governmental funds.

**NOTE 5 – PROPERTY TAXES**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations 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 6 – CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2011 is as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 1,372,023	\$	\$	\$ 1,372,023
Construction Work in Progress	90,022		90,022	
<b>Total Assets not being depreciated</b>	<u>1,462,045</u>		<u>90,022</u>	<u>1,372,023</u>
<b>Capital Assets, being depreciated:</b>				
Buildings	52,090,635	1,036,632		53,127,267
Improvements Other than Buildings	2,090,915	238,307		2,329,222
Machinery and Equipment	6,102,030	866,937	647,216	6,321,751
Library Books	858,858	53,318	41,960	870,216
<b>Total Assets being depreciated</b>	<u>61,142,438</u>	<u>2,195,194</u>	<u>689,176</u>	<u>62,648,456</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	10,431,194	1,259,543		11,690,737
Improvements Other than Buildings	1,031,535	108,389		1,139,924
Machinery and Equipment	4,275,350	656,294	647,216	4,284,428
Library Books	508,569	72,349	41,960	538,958
<b>Total Accumulated Depreciation</b>	<u>16,246,648</u>	<u>2,096,575</u>	<u>689,176</u>	<u>17,654,047</u>
<b>Total Capital Assets, being depreciated, net</b>	<u>44,895,790</u>	<u>98,619</u>		<u>44,994,409</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 46,357,835</u>	<u>\$ 98,619</u>	<u>\$ 90,022</u>	<u>\$ 46,366,432</u>

\*\*Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
Instruction	\$ 1,031,099
Support Services	1,010,758
Co-Curricular	54,718
<b>Total Depreciation expense-governmental activities</b>	<u>\$ 2,096,575</u>

**Business - Type Activity:**

	Balance <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2011</u>
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 678,726	\$ 4,997		\$ 683,723
Less Accumulated Depreciation:				
Machinery and Equipment	<u>529,961</u>	<u>34,475</u>		<u>564,436</u>
Business-type activity capital assets, net	<u>\$ 148,765</u>	<u>\$ (29,478)</u>	<u>\$</u>	<u>\$ 119,287</u>

\*\*Depreciation expense was charged to functions as follows:

Business-type Activity	
Food Service	<u>\$ 34,475</u>
Total Depreciation expense-business-type activity	<u>\$ 34,475</u>

**NOTE 7 – LONG-TERM LIABILITIES**

A summary of the changes in long-term liabilities for the year ended June 30, 2011 is as follows:

Governmental Activities	General Obligation Bonds	Capital Outlay Certificates	Early Retirement Benefits Payable	Compensated Absences	Other Post Employment Benefits	Totals
Liabilities Payable, July 1, 2010	\$ 29,615,000	\$ 955,000	\$ 252,322	\$ 60,718	\$ 156,947	\$ 31,039,987
Additions				24,630	118,789	143,419
Deletions	<u>(2,055,000)</u>	<u>(530,000)</u>	<u>(139,886)</u>	<u>(60,718)</u>	<u>(80,113)</u>	<u>(2,865,717)</u>
LIABILITIES PAYABLE, JUNE 30, 2011	<u>\$ 27,560,000</u>	<u>\$ 425,000</u>	<u>\$ 112,436</u>	<u>\$ 24,630</u>	<u>\$ 195,623</u>	<u>\$ 28,317,689</u>
Due within One Year	<u>\$ 850,000</u>	<u>\$ 280,000</u>	<u>\$ 112,436</u>	<u>\$ 24,630</u>	<u>\$</u>	<u>\$ 1,267,066</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.

In prior years the School District defeased certain long-term debt by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the assets being held in trust and the liability for the defeased debt are not included in the School District's financial statements. On June 30, 2011, the School District had \$6,470,190 on deposit with the escrow agent in an irrevocable trust to retire \$6,465,000 of old debt still outstanding, which is now considered defeased.

During the current year, the School District defeased certain long-term debt by placing cash proceeds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the assets being held in trust and the liability for the defeased debt are not included in the School District's financial statements. On June 30, 2011, the School District had \$1,387,199 on deposit with the escrow agent in this irrevocable trust to retire \$1,215,000 of old debt still outstanding which is now considered to be defeased.

Liabilities payable at June 30, 2011 are comprised of the following:

**General Obligation Bonds:**

Series 2001 – Refunding Bonds dated November 1, 2001; Interest rates at 2.45% to 5%, depending on length to maturity; final maturity is July 1, 2021; payments to be made from the Bond Redemption Fund. \$ 305,000.00

Series 2003 – Refunding Bonds dated April 15, 2003; Interest rates at 1.5% to 3.9%, depending on length to maturity. Final maturity is July 15, 2011; payments to be made from the Bond Redemption Fund. 50,000.00

Series 2005 – Refunding Bonds dated April 15, 2005; Interest rates at 3.65% to 4.25%, depending on length to maturity. Final maturity is July 1, 2021; payments to be made from the Bond Redemption Fund. 6,595,000.00

Series 2008 – General Obligation Bonds dated February 15, 2008; Interest rates at 3.5% to 4.375% depending on length to maturity. Final maturity is December 15, 2027. payments to be made from the Bond Redemption Fund. 20,610,000.00

**Capital Outlay Certificates:**

Series 2002 – Capital Outlay Refunding Certificates dated April 15, 2001; Interest rates at 4.125% to 4.5%, depending on length to maturity; final maturity is August 1, 2011; payments made from the Capital Outlay Fund. 200,000.00

Series 2003 – Certificates dated April 15, 2003; Interest rates at 1.55% to 4.10%, depending on length to maturity; final maturity is August 1, 2013; payments made from the Capital Outlay Fund. 225,000.00

**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. 112,436.00

**Vested Annual Leave:**

Payments from the General and Special Education Funds. 24,629.85

**Other Postemployment Benefits:**

Obligation to individuals who are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund. 195,623.00

**Governmental Activities:**

The annual debt service requirements to maturity for all debt outstanding, except compensated absences and other postemployment benefits, as of June 30, 2011 are as follows:

Annual Requirements to Maturity for Long Term Debt  
June 30, 2011

Year Ending	General Obligation Bonds		Capital Outlay Certificates		Early Retirement	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2012	\$ 850,000	\$ 1,107,206	\$ 280,000	\$ 11,983	\$ 112,436	\$ 1,242,436	\$ 1,172,346
2013	960,000	1,033,793	85,000	4,181		1,045,000	1,091,130
2014	1,100,000	996,813	60,000	1,230		1,160,000	1,051,199
2015	1,255,000	953,975				1,255,000	1,007,131
2016	1,420,000	904,945				1,420,000	904,945
2017-2021	9,505,000	3,558,788				9,505,000	3,558,788
2022-2026	9,315,000	1,613,575				9,315,000	1,613,575
2027-2031	3,155,000	113,638				3,155,000	113,638
Totals	\$ 27,560,000	\$ 10,282,733	\$ 425,000	\$ 17,394	\$ 112,436	\$ 28,097,436	\$ 10,300,127

**NOTE 8 – OPERATING LEASES**

The district leases various copy machines. These operating leases include maintenance and repairs. The payments of \$5,027.00 per month are made from the Capital Outlay Fund.

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

<u>Year</u>	<u>Amount</u>
2012	\$ 60,324.00
2013	60,324.00
2014	13,575.00

**NOTE 9 – RESTRICTED NET ASSETS**

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

<u>Fund</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay	Law	\$ 4,479,712.96
Special Education	Law	1,736,218.77
Pension	Law	498,208.63
Debt Service	Debt Covenants	<u>1,580,920.39</u>
Total Restricted Net Assets		<u>\$ 8,295,060.75</u>

**NOTE 10 – RETIREMENT PLAN**

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and 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. State statute also requires the

employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$782,332.00, \$764,196.42, and \$711,030.87 respectively, equal to the required contributions each year.

#### NOTE 11 – 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 percentages of participation in the co-op are as follows:

Brandon Valley School District	59%
Lennox School District	17%
West Central School District	24%

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, 2011, this joint venture had total assets of \$1,735,953, total liabilities of \$92,287, and net assets of \$1,643,666.

#### NOTE 12 – 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, 2011, the school district managed its risks as follows:

##### Employee Health Insurance

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

##### Liability Insurance

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

##### Workmen's Compensation

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



### Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2011, two claims were filed for \$3,517.00 of unemployment benefits. No claims are anticipated in the next fiscal year.

### NOTE 13 – 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 two to six equal installments following retirement. These amounts are shown as liabilities until paid for the amount approved in the early retirement agreement. The school district paid five people \$139,886 for such benefits during the year.

### NOTE 14 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2011, the school district was not involved in any litigation.

### NOTE 15 – POSTEMPLOYMENT MEDICAL PLAN

*Plan Description:* Brandon Valley School District Medical Plan (BVSDMP) is a single-employer defined benefit medical plan administered by the Wellmark Blue Cross Blue Shield Health Plan. BVSDMP provides medical and prescription drug insurance benefits to eligible retirees and their spouses at their cost. This is the same plan that covers the current employees and their families. South Dakota Codified Law 6-1-16 assigns the authority for establishing, administering and amending plan provisions to the governing body. The health plan does not issue separately stated stand-alone financial statements.

*Funding Policy:* The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher or administrator, who retires from the District on or after the age of 55 and with at least 15 years of consecutive service with the District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

*Annual OPEB Cost and Net OPEB Obligation:* The School District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to BVSDMP:

Annual required contribution	\$ 121,587
Interest on net OPEB obligation	6,278
Adjustment to annual required contribution	<u>(9,076)</u>
Annual OPEB cost (expense)	118,789
Contributions made	<u>(80,113)</u>
Increase in net OPEB obligation	38,676
Net OPEB obligation - beginning of year	<u>156,947</u>
Net OPEB obligation - end of year	<u>\$ 195,623</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
06/30/09	\$156,947.00	0.0%	\$156,947.00
06/30/10	156,947.00	0.0%	156,947.00
06/30/11	118,789.00	67.4%	195,623.00

*Funded Status and Funding Progress:* As of June 30, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,112,564, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,112,564.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, actuarial valuation, the Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after four years. Both rates included a 2.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period of 30 years.

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 6,110,000.00	\$ 6,110,000.00	\$ 6,088,240.08	\$ (21,759.92)
Prior Years' Ad Valorem Taxes	100,000.00	100,000.00	131,585.10	31,585.10
Tax Deed Revenue			15,254.41	15,254.41
Gross Receipts Taxes	500,000.00	500,000.00	543,305.44	43,305.44
Mobile Home Taxes	5,000.00	5,000.00	2,479.60	(2,520.40)
Penalties and Interest on Taxes	20,000.00	20,000.00	19,561.37	(438.63)
Tuition and Fees:				
Regular Day School Tuition			18,616.50	18,616.50
Regular Day School Transportation Fees	70,000.00	70,000.00	69,217.00	(783.00)
Other Transportation Fees	30,000.00	30,000.00	26,540.00	(3,460.00)
Earnings on Investments and Deposits	50,000.00	50,000.00	36,849.61	(13,150.39)
Cocurricular Activities:				
Admissions	85,000.00	85,000.00	69,660.00	(15,340.00)
Other Pupil Activity Income	25,000.00	25,000.00	26,227.86	1,227.86
Other Revenue from Local Sources:				
Rentals	40,000.00	40,000.00	45,658.92	5,658.92
Donations	10,000.00	10,000.00	8,161.41	(1,838.59)
Services Provided Other LEAs Within State	110,000.00	110,000.00	107,000.00	
Insurance and Judgments	10,000.00	10,000.00	2,851.85	(7,148.15)
Charges for Services	90,000.00	90,000.00	99,480.00	9,480.00
Other	50,000.00	50,000.00	34,493.33	(15,506.67)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	185,000.00	185,000.00	179,760.63	(5,239.37)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	9,493,000.00	9,493,000.00	8,918,169.78	(574,830.22)
Restricted Grants-in-Aid			7,635.81	7,635.81
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid received from Federal Government Through the State	<u>1,539,000.00</u>	<u>1,539,000.00</u>	<u>1,537,790.00</u>	<u>(1,210.00)</u>
<b>Total Revenue</b>	<u><b>18,522,000.00</b></u>	<u><b>18,522,000.00</b></u>	<u><b>17,988,538.70</b></u>	<u><b>(533,461.30)</b></u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	5,189,800.00	5,189,800.00	5,159,769.32	30,030.68
Middle/Junior High	2,230,300.00	2,230,300.00	2,210,012.81	20,287.19
High School	3,012,500.00	3,012,500.00	3,006,532.63	5,967.37

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Gifted and Talented	\$ 61,600.00	\$ 61,600.00	\$ 55,323.95	\$ 6,276.05
Culturally Different	48,000.00	48,000.00	47,959.09	40.91
Educationally Deprived	95,000.00	95,000.00	97,384.82	(2,384.82)
Support Services:				
Pupils:				
Guidance	445,400.00	445,400.00	444,066.92	1,333.08
Health	136,800.00	136,800.00	136,645.51	154.49
Support Services - Instructional Staff:				
Improvement of Instruction	273,100.00	273,100.00	258,793.39	14,306.61
Educational Media	512,500.00	512,500.00	514,215.67	(1,715.67)
Support Services - General Administration:				
Board of Education	92,100.00	92,100.00	73,521.69	18,578.31
Executive Administration	384,300.00	384,300.00	374,680.52	9,619.48
Support Services - School Administration:				
Office of the Principal	1,168,400.00	1,168,400.00	1,128,670.47	39,729.53
Other	61,500.00	61,500.00	61,968.00	(468.00)
Support Services - Business:				
Fiscal Services	252,400.00	252,400.00	247,253.12	5,146.88
Operation and Maintenance of Plant	2,943,800.00	2,943,800.00	2,843,556.96	100,243.04
Pupil Transportation	888,700.00	888,700.00	910,267.08	(21,567.08)
Internal Services	35,100.00	35,100.00	32,800.53	2,299.47
Community Services:				
Community Education	73,500.00	73,500.00	69,937.08	3,562.92
Cocurricular Activities:				
Male Activities	186,200.00	186,200.00	184,961.87	1,238.13
Female Activities	160,800.00	160,800.00	161,013.83	(213.83)
Transportation	61,700.00	61,700.00	56,360.61	5,339.39
Combined Activities	<u>208,500.00</u>	<u>208,500.00</u>	<u>206,895.19</u>	<u>1,604.81</u>
Total Expenditures	<u>18,522,000.00</u>	<u>18,522,000.00</u>	<u>18,282,591.06</u>	<u>239,408.94</u>
Excess of Revenue Over (Under)Expenditures	<u>0.00</u>	<u>0.00</u>	<u>(294,052.36)</u>	<u>(294,052.36)</u>
Other Financing Sources:				
Sale of Surplus Property			<u>12,387.33</u>	<u>12,387.33</u>
Total Other Financing Sources (Uses)			<u>12,387.33</u>	<u>12,387.33</u>
Net Change in Fund Balances	0.00	0.00	(281,665.03)	(281,665.03)
FUND BALANCE - JULY 1, 2010	<u>4,502,956.29</u>	<u>4,502,956.29</u>	<u>4,502,956.29</u>	
FUND BALANCE - JUNE 30, 2011	<u>\$ 4,502,956.29</u>	<u>\$ 4,502,956.29</u>	<u>\$ 4,221,291.26</u>	<u>\$ (281,665.03)</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 3,530,000.00	\$ 3,530,000.00	\$ 3,501,483.87	\$ (28,516.13)
Prior Years' Ad Valorem Taxes	45,000.00	45,000.00	68,374.03	23,374.03
Tax Deed Revenue			5,224.15	5,224.15
Mobile Home Taxes	5,000.00	5,000.00	1,252.37	(3,747.63)
Penalties and Interest on Taxes	10,000.00	10,000.00	10,353.26	353.26
Other Revenue from Local Sources:				
Donations	10,000.00	10,000.00	34,918.23	24,918.23
Insurance and Judgments			6,557.60	6,557.60
Other			2,500.00	2,500.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State			36,369.89	36,369.89
<b>Total Revenue</b>	<u>3,600,000.00</u>	<u>3,600,000.00</u>	<u>3,667,033.40</u>	<u>67,033.40</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	341,800.00	341,800.00	329,512.24	12,287.76
Middle/Junior High	167,700.00	167,700.00	155,390.44	12,309.56
High School	160,700.00	160,700.00	131,248.90	29,451.10
Special Programs:				
Special Education	6,800.00	6,800.00	5,820.85	979.15
Support Services - Pupils:				
Guidance	3,700.00	3,700.00	876.00	2,824.00
Health	4,200.00	4,200.00	3,215.29	984.71
Support Services - Instructional Staff:				
Educational Media	74,000.00	74,000.00	81,632.60	(7,632.60)
Support Services - General Administration:				
Executive Administration	10,000.00	10,000.00	2,978.54	7,021.46
Support Services - School Administration:				
Office of the Principal	15,100.00	15,100.00	12,732.63	2,367.37
Other	8,700.00	8,700.00	5,648.24	3,051.76
Support Services - Business:				
Facilities Acquisition and Construction	1,465,000.00	1,465,000.00	1,119,573.20	345,426.80
Operation and Maintenance of Plant	1,249,300.00	1,249,300.00	1,007,748.06	241,551.94
Pupil Transportation	469,000.00	469,000.00	481,286.40	(12,286.40)
Internal Services	75,000.00	75,000.00	80,170.74	(5,170.74)
Debt Services	565,000.00	565,000.00	564,945.00	55.00
Cocurricular Activities	20,000.00	20,000.00	44,441.19	(24,441.19)
<b>Total Expenditures</b>	<u>4,636,000.00</u>	<u>4,636,000.00</u>	<u>4,027,220.32</u>	<u>608,779.68</u>
<b>Net Change in Fund Balance</b>	<b>(1,036,000.00)</b>	<b>(1,036,000.00)</b>	<b>(360,186.92)</b>	<b>675,813.08</b>
<b>FUND BALANCE - JULY 1, 2010</b>	<u>3,007,037.70</u>	<u>3,007,037.70</u>	<u>3,007,037.70</u>	
<b>FUND BALANCE - JUNE 30, 2011</b>	<u>\$ 1,971,037.70</u>	<u>\$ 1,971,037.70</u>	<u>\$ 2,646,850.78</u>	<u>\$ 675,813.08</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,440,000.00	\$ 1,440,000.00	\$ 1,441,733.23	\$ 1,733.23
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	27,542.79	7,542.79
Tax Deed Revenue			2,108.35	2,108.35
Mobile Home Taxes	1,000.00	1,000.00	542.29	(457.71)
Penalties and Interest on Taxes	4,000.00	4,000.00	4,177.59	177.59
Tuition and Fees:				
Regular Day School Tuition	30,000.00	30,000.00	48,018.85	18,018.85
Other Revenue from Local Sources:				
Charges for Services	95,000.00	95,000.00	114,917.43	19,917.43
Services Provided Other LEAs in State	195,000.00	195,000.00	191,775.00	(3,225.00)
Other			190.14	190.14
Revenue from State Sources:				
Restricted Grants in Aid	1,105,000.00	1,105,000.00	1,109,505.00	4,505.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received				
Federal Government through State	<u>830,000.00</u>	<u>830,000.00</u>	<u>847,894.00</u>	<u>17,894.00</u>
<b>Total Revenue</b>	<u><b>3,720,000.00</b></u>	<u><b>3,720,000.00</b></u>	<u><b>3,788,404.67</b></u>	<u><b>68,404.67</b></u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	2,961,900.00	2,961,900.00	2,310,547.75	651,352.25
Support Services-Pupils:				
Health			63,851.16	(63,851.16)
Psychological			142,195.17	(142,195.17)
Speech Pathology	410,000.00	410,000.00	474,542.30	(64,542.30)
Student Therapy Services			225,922.59	(225,922.59)
Support Services - Special Education:				
Administrative Costs	158,100.00	158,100.00	154,567.93	3,532.07
Transportation Costs	5,000.00	5,000.00	107,192.95	(102,192.95)
Speech Transportation Costs			107,192.95	(107,192.95)
Other	<u>185,000.00</u>	<u>185,000.00</u>	<u>13,428.50</u>	<u>171,571.50</u>
<b>Total Expenditures</b>	<u><b>3,720,000.00</b></u>	<u><b>3,720,000.00</b></u>	<u><b>3,599,441.30</b></u>	<u><b>120,558.70</b></u>
Net Change in Fund Balance	0.00	0.00	188,963.37	188,963.37
FUND BALANCE - JULY 1, 2010	<u>802,604.22</u>	<u>802,604.22</u>	<u>802,604.22</u>	
FUND BALANCE - JUNE 30, 2011	<u><b>\$ 802,604.22</b></u>	<u><b>\$ 802,604.22</b></u>	<u><b>\$ 991,567.59</b></u>	<u><b>\$ 188,963.37</b></u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PENSION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<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>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 354,000.00	\$ 354,000.00	\$ 356,763.21	\$ 2,763.21
Prior Years' Ad Valorem Taxes	4,500.00	4,500.00	6,828.18	2,328.18
Tax Deed Revenue			521.90	521.90
Mobile Home Taxes	500.00	500.00	134.19	(365.81)
Penalties and Interest on Taxes	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,035.29</u>	<u>35.29</u>
Total Revenue	<u>360,000.00</u>	<u>360,000.00</u>	<u>365,282.77</u>	<u>5,282.77</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	36,700.00	36,700.00	35,586.00	1,114.00
Middle/Junior High	16,100.00	16,100.00	15,545.00	555.00
High School	19,600.00	19,600.00	19,130.00	470.00
Special Programs:				
Gifted	400.00	400.00	391.00	9.00
Culturally Different	400.00	400.00	401.00	(1.00)
Educationally Deprived	700.00	700.00	710.00	(10.00)
Support Services:				
Pupils:				
Guidance	3,400.00	3,400.00	3,326.00	74.00
Health	1,000.00	1,000.00	925.00	75.00
Instructional Staff:				
Improvement of Instruction	2,100.00	2,100.00	1,867.00	233.00
Educational Media	3,600.00	3,600.00	3,530.00	70.00
General Administration:				
Executive Administration	3,200.00	3,200.00	2,950.00	250.00
School Administration:				
Office of the Principal	8,400.00	8,400.00	7,971.00	429.00
Other	500.00	500.00	407.00	93.00
Business:				
Fiscal Services	2,000.00	2,000.00	1,815.00	185.00
Operation and Maintenance of Plant	10,500.00	10,500.00	9,236.00	1,264.00
Pupil Transportation	1,500.00	1,500.00	1,200.00	300.00
Internal Services	300.00	300.00	241.00	59.00
Community Services:				
Direction	500.00	500.00	492.00	8.00
Nonprogrammed Charges:				
Early Retirement Payments	140,000.00	140,000.00	139,886.00	114.00
Cocurricular Activities	<u>4,100.00</u>	<u>4,100.00</u>	<u>3,288.00</u>	<u>812.00</u>
Total Expenditures	<u>255,000.00</u>	<u>255,000.00</u>	<u>248,897.00</u>	<u>6,103.00</u>
Net Change in Fund Balances	105,000.00	105,000.00	116,385.77	11,385.77
FUND BALANCE - JULY 1, 2010	<u>310,163.51</u>	<u>310,163.51</u>	<u>310,163.51</u>	
FUND BALANCE - JUNE 30, 2011	<u>\$ 415,163.51</u>	<u>\$ 415,163.51</u>	<u>\$ 426,549.28</u>	<u>\$ 11,385.77</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**  
**June 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)
07/01/08	\$ 0	\$ 1,376,356	\$ 1,376,356	0.0%
07/01/10	\$ 0	\$ 1,112,564	\$ 1,112,564	0.0%

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
\$ 11,490,534	12%
\$ 12,513,145	9%



BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2011</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	N/A	\$ 71,073.74
Cash Assistance:			
Child Nutrition Cluster: (Note 4)			
School Breakfast Program	10.553	N/A	40,711.48
National School Lunch Program	10.555	N/A	326,146.88
Special Milk Program for Children	10.556	N/A	4,072.91
Total Child Nutrition Cluster			<u>442,005.01</u>
Total U.S. Department of Agriculture			<u>442,005.01</u>
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	95,979.00
Special Education Cluster: (Note 3)			
Special Education - Grants to States	84.027	N/A	572,900.00
Special Education - Preschool Grants	84.173	N/A	15,004.00
Special Education - Grants to States, Recovery Act	84.391	N/A	311,075.00
Total Special Education Cluster			<u>898,979.00</u>
English Language Acquisition Grant	84.365	N/A	700.00
Education Technology State Grant	84.318	N/A	550.00
Improving Teacher Quality State Grants	84.367	N/A	97,608.00
State Fiscal Stabilization Fund, Education State Fund, Recovery Act (Note 3)	84.394	N/A	570,617.00
Education Jobs Funding (Note 3)	84.410	N/A	714,172.00
Total U.S. Department of Education			<u>2,378,605.00</u>
U.S. Department of Health and Human Services:			
Pass-Through the SD Department of Health:			
School Absenteeism Reporting Grant	93.069	N/A	<u>7,079.00</u>
Environmental Protection Agency:			
National Clean Diesel Emissions Reduction Program	66.039	N/A	<u>36,369.89</u>
Grand Total			<u>\$ 2,864,058.90</u>

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards includes 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 States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: Federal reimbursements are not based 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.



# BRANDON VALLEY SCHOOL DISTRICT 49-2

George A. Gulson Administration Center  
300 South Splitrock Boulevard, Brandon, SD 57005-1652

David M. Pappone, Superintendent  
Paul J. Lundberg, Business Manager  
Todd R. Williams, Operations Manager

Phone (605) 582-2049  
Business Office (605) 582-2058  
Fax (605) 582-7456

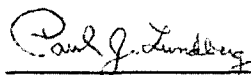
**BOARD OF EDUCATION**  
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Jay Rasmussen, Vice President  
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Renee Ullom, Member  
Sue Hegland, Member

"We Prepare for the Future Together"

## CORRECTIVE PLAN OF ACTION

Brandon Valley School District No. 49-2 has considered the lack of segregation of duties for revenues, expenditures and payroll. At this time, it is not cost effective for Brandon Valley School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Brandon Valley School District to decrease the likelihood that financial data is adversely affected.

The Brandon Valley School District's Board will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allow.



Business Manager

10/24/11

Date



Superintendent

10/26/11

Date