

FLANDREAU SCHOOL DISTRICT NO. 50-3

AUDIT REPORT

JUNE 30, 2011

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**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

School Board

David Ahlers

Jeff Behrens

Matt Lacey

Darren Hamilton

Tom Stenger

Val Sutton

Tricia LeBrun

Superintendent

Rick Weber

Business Manager

Lisa Sanderson



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QUAM & BERGLIN

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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
Flandreau School District No. 50-3
Moody 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 Flandreau School District No. 50-3, Moody County, South Dakota, as of and for the year ended June 30, 2011, which collectively comprise Flandreau School District's financial statements and have issued our report thereon dated December 23, 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 Flandreau 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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2011-01 to be a material weakness.

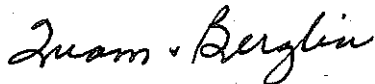
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flandreau 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*.

Flandreau School District's response to the findings 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 December 23, 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 Flandreau School District No. 50-3 and is not intended to be and should not be used by anyone other than the intended parties. However, as required by OMB Circular A-133 and South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin
Certified Public Accountants

December 23, 2011

QUAM & BERGLIN

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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
Flandreau School District No. 50-3
Moody County, South Dakota

Compliance

We have audited the compliance of Flandreau School District No. 50-3, Moody 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 Flandreau School District's major federal programs for the year ended June 30, 2011. Flandreau 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 Flandreau School District's management. Our responsibility is to express an opinion on Flandreau School District's compliance based on our audit.

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

In our opinion, Flandreau School District No. 50-3 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

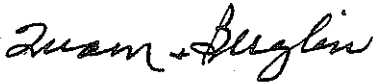
Internal Control Over Compliance

The management of Flandreau School District No. 50-3 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 Flandreau School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Flandreau 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 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 preceding paragraph and was not designated to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we considered 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 Flandreau School District No. 50-3 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

December 23, 2011

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

There were no prior federal audit findings.

PRIOR OTHER AUDIT FINDINGS:

Prior Finding Number 2010-01:

A material weakness in internal controls was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

Corrective Action Plan:

This prior audit comment has not been corrected and is restated as finding number 2011-01.

**FLANDREAU SCHOOL DISTRICT NO. 50-3
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 of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2011-01.
- c. Our audit did not disclose any noncompliance that 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:

| | <u>CFDA #</u> |
|--|---------------|
| U.S. Department of Education | |
| Direct Federal Funding: | |
| Impact Aid | 84.041 |
| Pass Through the SD Department of Education: | |
| State Fiscal Stabilization Fund (SFSF) | 84.394 |
| Education Jobs Funding | 84.410 |

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.00.
- h. Flandreau School District did not qualify as a low-risk entity.

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FEDERAL AUDIT FINDINGS:

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 Finding – Material Weakness:

Finding Number 2011-01:

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. 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 and material weakness in internal control was reported due to lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendations:

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

Response:

The Board of Education of this entity is 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 56.

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INDEPENDENT AUDITOR'S REPORT

School Board
Flandreau School District No. 50-3
Moody 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 Flandreau School District No. 50-3, Moody County, South Dakota, as of and for the year ended June 30, 2011, which collectively comprise Flandreau School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Flandreau School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

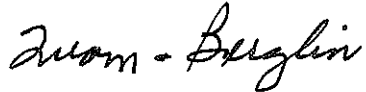
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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 express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Flandreau School District No. 50-3 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 December 23, 2011 on our consideration of Flandreau 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 and budgetary comparison schedules listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Flandreau 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 stated, in all material respects in relation to the basic financial statements taken as a whole.



Quam and Berglin
Certified Public Accountants

December 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Flandreau School District #50-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2011. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's net assets from governmental fund activities is \$7,594,692 and business-type activities is \$95,177. The total net assets for governmental and business-type activities is \$7,689,869.
- During the year per the Statement of Activities, the School's revenues generated from taxes and other revenues of the governmental activities were \$213,934 more than the \$5,693,450 governmental expenditures. The business-type activities revenues generated \$12,323 more than the business-type activities expenditures of \$338,835.
- In the Capital Outlay Fund, expenditures exceeded the revenues by \$22,036. The Capital Outlay's fund balance increased from \$210,635 to \$232,671.
- Beginning with FY 2011 the Impact Aid Fund is no longer recognized as a special revenue fund for year-end reporting. The Impact Aid Fund is maintained throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY 2011 \$445,000 of Impact Aid funds were transferred to the General Fund.
- The total cost of the School's General Fund programs increased by 2% and the total cost of the School's Special Education Fund programs decreased by 16.2%. The General Fund increase is minimal, no area can be specifically defined, although salaries and benefits would be included in this increase. Special Education cost decrease involves purchased services which are driven by individual student needs.
- The District reduced its General Obligation Bond indebtedness \$165,000. G.O. Bond debt payable on June 30, 2011, was \$2,330,000.
- The District reduced its Capital Outlay Certificate indebtedness \$145,000. Capital Outlay Certificates payable on June 30, 2011, was \$1,745,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how 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-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 which is 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

Required Components of Flandreau School's Annual Financial Report

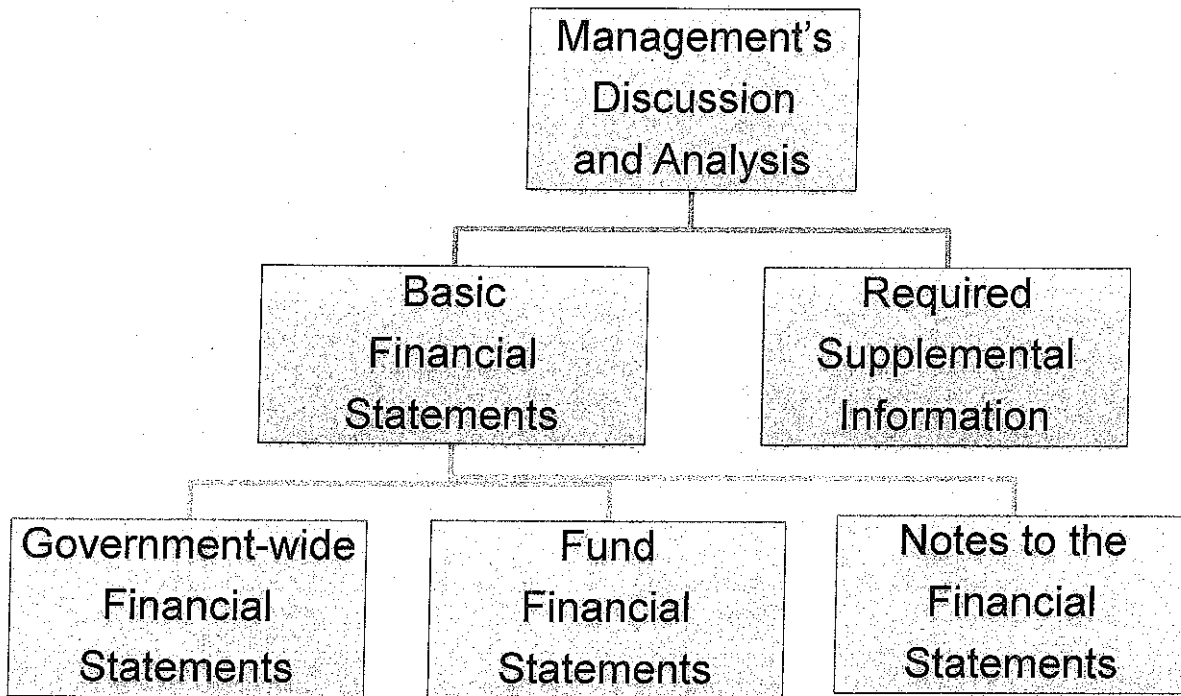


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

FIGURE A-2

Major Features of Flandreau School's Government-wide and Fund Financial Statements

| | Government-wide | Fund Statements | | |
|--|--|--|--|---|
| | Statements | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School government (except for fiduciary funds) | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs. | Activities the School operates similar to private businesses: the food service operation. | Instances in which the School is the trustee or agent for someone else's resources. |
| Required Financial Statements | *Statement of Net Assets
*Statement of Activities | *Balance Sheet
*Statement of Revenues, Expenditures and Changes in Fund Balances | *Balance Sheet
*Statement of Revenues, Expenses and Changes in Net Assets

*Statement of Cash Flows | *Statement of Fiduciary Net Assets
*Statement of Changes in Fiduciary Net Assets |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the 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, speech, 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 School 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 relationship and reconciles the differences between the fund financial statements and the governmental-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.
- 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 THE SCHOOL AS A WHOLE

COMBINED NET ASSETS

The School's combined net assets increased as follows:

Statement of Net Assets

| | Governmental
Activities | | Business-Type
Activities | | Total Activities | |
|---|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|
| | 6/30/2010 | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 | 6/30/2011 |
| Current and Other Assets | \$ 3,729,389 | \$ 4,219,263 | \$ 63,770 | \$ 76,487 | \$ 3,793,159 | \$ 4,295,750 |
| Capital Assets | 9,298,930 | 9,276,506 | 23,235 | 23,810 | 9,322,165 | 9,300,316 |
| Total Assets | 13,028,319 | 13,495,769 | 87,005 | 100,297 | 13,115,324 | 13,596,066 |
| Long-Term Debt Outstanding | 3,837,010 | 4,158,349 | | | 3,837,010 | 4,158,349 |
| Other Liabilities | 1,810,550 | 1,742,729 | 4,152 | 5,121 | 1,814,702 | 1,747,850 |
| Total Liabilities | 5,647,560 | 5,901,078 | 4,152 | 5,121 | 5,651,712 | 5,906,199 |
| Net Assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 5,118,930 | 5,387,870 | 23,235 | 23,810 | 5,142,165 | 5,411,680 |
| Restricted | 292,384 | 385,613 | 59,618 | 71,366 | 352,002 | 456,979 |
| Unrestricted | 1,969,444 | 1,821,209 | | | 1,969,444 | 1,821,209 |
| Total Net Assets | 7,380,758 | 7,594,692 | 82,853 | 95,176 | 7,463,611 | 7,689,868 |
| Beginning Net Assets | 7,650,740 | 7,380,758 | 87,837 | 82,853 | 7,738,577 | 7,463,611 |
| Increase (Decrease) in Net Assets | (269,982) | 213,934 | (4,984) | 12,323 | (274,966) | 226,257 |
| Percentage of Increase (Decrease) in Net Assets | -3.5% | 2.9% | -5.7% | 14.9% | -3.6% | 3% |
| Net Assets Ending Balance | <u>\$ 7,380,758</u> | <u>\$ 7,594,692</u> | <u>\$ 82,853</u> | <u>\$ 95,176</u> | <u>\$ 7,463,611</u> | <u>\$ 7,689,868</u> |

This section explains the differences between the current and prior year's assets, liabilities, and changes in net assets.

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 certificates 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.

CHANGES IN NET ASSETS

This section shows a comparison of assets, liabilities and net assets and provides explanations for significant differences. There were no significant changes. Minor changes that occurred from FY 2010 to FY 2011 are as follows: Revenues: Decreases due to the following: Medicaid, State Aid, Impact aid, Interest earned, and state grants received. Revenues: Increases due to the following: Property taxes, Gross Receipts Tax, federal grants received. Expenditures: Decreases due to the following: SE purchased services. Expenditure increases include operational expenses, grant programs and early retirement.

GOVERNMENTAL ACTIVITIES

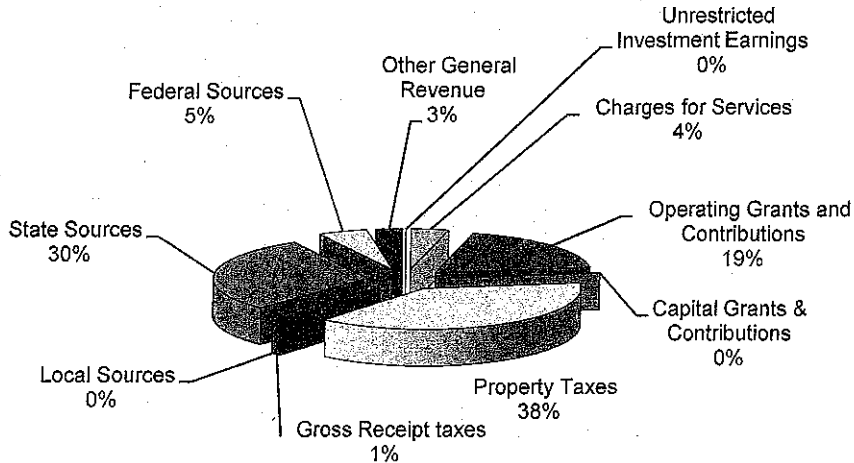
Table A-2 and the narrative that follows consider the operations of the government-wide activities.

Table A-2
FLANDREAU SCHOOL DISTRICT #50-3
Changes in Net Assets

| | Total
Governmental
Activities | | Total
Business-Type
Activities | | Total | Total |
|------------------------------------|-------------------------------------|---------------------|--------------------------------------|------------------|---------------------|---------------------|
| | 06/30/10 | 06/30/11 | 06/30/10 | 06/30/11 | 06/30/10 | 06/30/11 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 92,618 | \$ 83,954 | \$ 158,592 | \$ 155,797 | \$ 251,210 | \$ 239,751 |
| Operating Grants and Contributions | 914,521 | 999,091 | 166,643 | 191,235 | 1,081,164 | 1,190,326 |
| Capital Grants & Contributions | | | 1,430 | 4,021 | 1,430 | 4,021 |
| General Revenues: | | | | | | |
| Property Taxes | 2,336,904 | 2,386,667 | | | 2,336,904 | 2,386,667 |
| Gross Receipt taxes | 56,876 | 65,406 | | | 56,876 | 65,406 |
| Local Sources | | | | | | |
| State Sources | 1,880,146 | 1,872,013 | | | 1,880,146 | 1,872,013 |
| Federal Sources | 273,699 | 323,750 | | | 273,699 | 323,750 |
| Other general revenues | 145,974 | 172,801 | | | 145,974 | 172,801 |
| Unrestricted Investment Earnings | 12,275 | 3,699 | 275 | 105 | 12,550 | 3,804 |
| Total Revenues | 5,713,013 | 5,907,381 | 326,940 | 351,158 | 6,039,953 | 6,258,539 |
| Expenses | | | | | | |
| Instruction | 3,380,686 | 2,991,534 | | | 3,380,686 | 2,991,534 |
| Support Services | 2,062,677 | 2,124,671 | | | 2,062,677 | 2,124,671 |
| Community Services | 3,682 | 6,560 | | | 3,682 | 6,560 |
| Non-Program Charges | 33,385 | 68,747 | | | 33,385 | 68,747 |
| Debt Service | 200,082 | 191,804 | | | 200,082 | 191,804 |
| Co-Curricular Activities | 302,483 | 310,131 | | | 302,483 | 310,131 |
| Food Service | | | 331,924 | 338,835 | 331,924 | 338,835 |
| Total Expenses | 5,982,995 | 5,693,447 | 331,924 | 338,835 | 6,314,919 | 6,032,282 |
| Excess (Deficiency) | (269,982) | 213,934 | (4,984) | 12,323 | (274,966) | 226,257 |
| Increase (Decrease) in Net Assets | (269,982) | 213,934 | (4,984) | 12,323 | (274,966) | 226,257 |
| Beginning Net Assets | 7,650,740 | 7,380,758 | 87,837 | 82,853 | 7,738,577 | 7,463,611 |
| Net Assets-Ending | \$ 7,380,758 | \$ 7,594,692 | \$ 82,853 | \$ 95,176 | \$ 7,463,611 | \$ 7,689,868 |

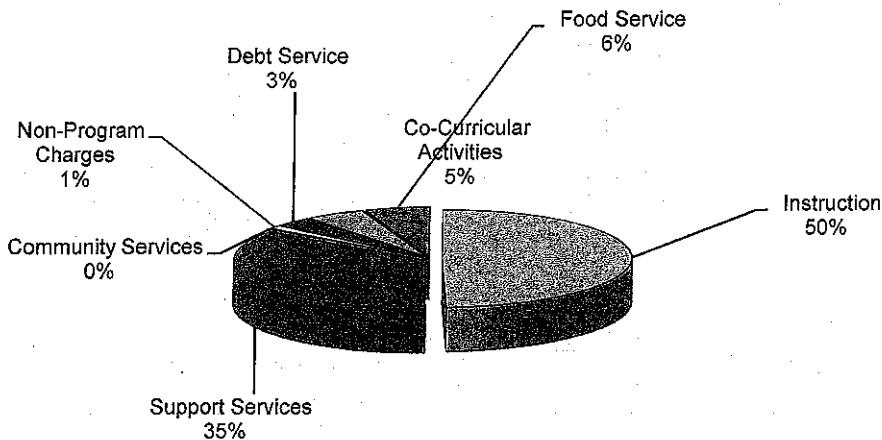
The District's Governmental and Business-type revenues totaled \$6,258,876 (See Table A-2). Over half of the District's revenue comes from 2 sources - property taxes and state aid. (See Figure A-3). (percentages less than 1% are reflected as 0%)

**Figure A-3
Flandreau School
Fiscal Year 2011 Revenues by Source**



The District's Governmental and Business-type expenditures totaled \$6,032,619 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities and food services (See Figure A-4). (Percentages less than 1% are reflected as 0%)

**Figure A-4
Flandreau School
Fiscal Year 2011 Expenditures by Function**



BUSINESS-TYPE ACTIVITIES

Revenues and expenses of the District's business-type activities:

Food Service revenues increased by 7.5% from \$326,940 in FY 2010 to \$351,495 in FY 2011 and expenses increased 2.3% from \$331,924 in FY 2010 to \$339,172 in FY 2011. Expenditures exceeded revenues by \$4,984 in FY 2010 and revenues exceeded expenditures by \$12,323 in FY 2011.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Fund balances changed as follows: General Fund increased \$26,562 due to revenues exceeding expenditures – this was anticipated as spending was conservative in Spring of 2011, in anticipation of budget needs in FY 12. Capital Outlay Fund increased \$22,036 – anticipated use of undesignated funds for FY 12 completion of parking lot project. Special Education Fund increased \$53,733 – revenues exceeding expenditures. Pension Fund increased \$12,908 due to revenues exceeding expenditures. Bond Redemption Fund increased \$5,977 as a result of revenues exceeding expenditures.

BUDGETARY HIGHLIGHTS

During the course of the year, the School Board revised the District budget several times. These amendments fall into three categories:

- Supplemental appropriations approved to prevent budget overruns for unanticipated but necessary expenses.
- Changes in actual federal revenue receipts versus budgeted amounts.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes or budget variances for the year. The supplemental budget changes that were made were due to new or increased funding in federal grants.

CAPITAL ASSET ADMINISTRATION

By the end of 2011, the District had invested \$9,276,506 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 decrease (including additions, deletions and depreciation) of \$22,424, or .24%, over the previous year. Primary capital asset purchases include library media, concrete roadway/parking lot, vehicles (Mitsubishi car, Dodge caravan), stadium sound system, band cabinet, and FB goal posts. The depreciation expense for FY 2011 of \$230,061 exceeded Capital Assets purchases therefore, resulting in a decrease as stated above.

Table A-3
FLANDREAU SCHOOL DISTRICT 50-3
Capital Assets (Net of Depreciation)

| | Governmental
Activities | | Business-Type
Activities | |
|--|----------------------------|---------------------|-----------------------------|------------------|
| | 06/30/10 | 06/30/11 | 06/30/10 | 06/30/11 |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 339,432 | \$ 339,432 | | |
| CWIP | | 131,573 | | |
| Other Capital Assets Being Depreciated | | | | |
| Buildings | 9,407,608 | 9,407,608 | | |
| Improvements other than Buildings, CWIP | 889,186 | 889,186 | | |
| Equipment | 764,888 | 840,953 | \$ 150,411 | \$ 154,432 |
| Total Other Capital Assets Being Depreciated | 11,061,682 | 11,137,746 | 150,411 | 154,432 |
| Accumulated Depreciation (Prior year) | (1,882,227) | (2,102,184) | | |
| Accumulated Depreciation | (219,957) | (230,061) | (127,176) | (130,622) |
| Total Other Capital Assets (Net of Depreciation) | 8,959,498 | 8,805,501 | 23,235 | 23,810 |
| Total All Capital Assets (Net of Depreciation) | <u>\$ 9,298,930</u> | <u>\$ 9,276,506</u> | <u>\$ 23,235</u> | <u>\$ 23,810</u> |

LONG-TERM DEBT

At year-end, the District had \$2,330,000 in General Obligation Bonds and \$1,745,000 in Capital Outlay Certificates. Other obligations include the vacation leave of \$14,600 and early retirement of \$68,748. The net effect from the prior year is decreased as shown on Table A-4 below.

| | Governmental
Activities | | Business-Type
Activities | | Total
Dollar
Change | Total
Percentage
Change |
|--|----------------------------|---------------------|-----------------------------|-------------|---------------------------|-------------------------------|
| | 06/30/10 | 06/30/11 | 06/30/10 | 06/30/11 | | |
| General Obligation Bonds | \$ 2,495,000 | \$ 2,330,000 | | | \$ (165,000) | -6.61% |
| Capital Outlay Certificates | 1,890,000 | 1,745,000 | | | (145,000) | -7.67% |
| Accrued Vacation Leave | 13,625 | 14,600 | | | 975 | 7.16% |
| Early Retirement | 33,385 | 68,748 | | | 35,363 | 105.92% |
| Total Outstanding Debt and Obligations | <u>\$ 4,432,010</u> | <u>\$ 4,158,348</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (273,662)</u> | <u>-6.17%</u> |

The District is liable for the accrued vacation leave payable to full time year round staff. This involves one staff member.

The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 75% of their last year's salary in 2 payments, paid in September and May of the following year. This plan allows the school to potentially reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers. At the end of FY 2011, the school had 2 teachers that elected the local early retirement option per policy.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Based on fund balances for governmental activities, the District's economic position decreased by \$14,668 or 0.7%. The fund balance for the General Fund increased by \$26,562 or 2.6%. The District did experience a \$8,011,802 or 2.8% increase in total property valuation for the 2010 payable 2011 year. While a change in property valuation does affect the amount of revenue the District can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, a decrease in property valuation does not decrease revenues for the General Fund or Special Education because major revenues for these funds are based on an annual per pupil allocation that is set by the State. The allocation is based on a combination of local property tax revenue and state funds. Levies against property valuation determine local effort. This amount is subtracted from the local need and the difference is provided by the State as state aid. With regard to General Fund revenues, therefore, decreases in local property valuation essentially decrease the local effort and increase the amount of state aid the District receives if the ADM/enrollment remains unchanged.

As noted above, one of the District's primary sources of revenue for the General Fund is the per student allocation received from the State of South Dakota.

1. The state aid formula for FY2010 ensured that property taxes plus state aid equaled \$4,804.60 per pupil.
2. The state aid formula for FY2011 ensured that property taxes plus state aid equaled \$4,804.60 per pupil. This was an increase of \$0 per student or 0%.
3. In fiscal year ending June 30, 2010, state aid was based on average of the 2008 fall enrollment of 598 and the 2009 fall enrollment of 613.71 (average was 605.86) OR the 2009 fall enrollment, whichever is greater. Therefore, state aid for FY 10 was based on 613.71 students.
4. In fiscal year ending June 30, 2011, state aid was based either on the average of the 2009 fall enrollment of 613.71 and the 2010 fall enrollment of 637.42 (average of 625.57) OR the 2010 fall enrollment, whichever is greater. Therefore, state aid for FY 11 was based on 637.42 students.

Enrollment is projected to fluctuate for the next several years. As a result, the District is currently reviewing the projected enrollments to maintain a balanced budget.

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 about this report or need additional information, contact the Flandreau School District 50-3 Business Office, 600 West Community Drive, Flandreau, SD 57028.

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | <u>Primary Government</u> | | <u>Total</u> |
|---|--------------------------------|---------------------------------|------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 2,782,950.45 | \$ 65,334.12 | \$ 2,848,284.57 |
| Taxes Receivable | 1,166,979.70 | | 1,166,979.70 |
| Accounts Receivable | 4,825.00 | 4,105.16 | 8,930.16 |
| Due from Other Governments | 78,144.77 | | 78,144.77 |
| Inventories | | 7,048.50 | 7,048.50 |
| Other Assets | 186,363.64 | | 186,363.64 |
| Capital Assets: | | | |
| Land | 471,004.29 | | 471,004.29 |
| Other Capital Assets, Net of Depreciation | <u>8,805,501.64</u> | <u>23,810.08</u> | <u>8,829,311.72</u> |
| TOTAL ASSETS | <u>13,495,769.49</u> | <u>100,297.86</u> | <u>13,596,067.35</u> |
| LIABILITIES : | | | |
| Accounts Payable | 194,179.09 | 955.08 | 195,134.17 |
| Accrued Wages & Benefits Payable | 410,115.82 | | 410,115.82 |
| Deferred Revenue | 1,138,434.29 | 4,165.97 | 1,142,600.26 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 428,826.32 | | 428,826.32 |
| Due in More than One Year | <u>3,729,521.88</u> | | <u>3,729,521.88</u> |
| TOTAL LIABILITIES | <u>5,901,077.40</u> | <u>5,121.05</u> | <u>5,906,198.45</u> |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt | 5,387,869.57 | 23,810.08 | 5,411,679.65 |
| Restricted for: | | | |
| Capital Outlay | 248,553.43 | | 248,553.43 |
| Special Education | 105,084.04 | | 105,084.04 |
| Debt Service | 49,216.68 | | 49,216.68 |
| Unrestricted | <u>1,803,968.37</u> | <u>71,366.73</u> | <u>1,875,335.10</u> |
| TOTAL NET ASSETS | <u>\$ 7,594,692.09</u> | <u>\$ 95,176.81</u> | <u>\$ 7,689,868.90</u> |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2011**

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and
Changes in Net Assets | |
|--|-------------------------|--|--|------------------------|
| | Charges for
Services | Operating
Grants and
Contributions | Capital
Grants and
Contributions | Total |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 2,991,534.58 | \$ 7,400.00 | \$ 977,539.07 | \$(2,006,595.51) |
| Support Services | 2,120,650.13 | 47,459.80 | 21,552.00 | (2,051,638.33) |
| Community Services | 6,560.22 | | | (6,560.22) |
| Nonprogrammable Charges | 68,747.44 | | | (68,747.44) |
| *Interest on Long-term Debt | 191,804.23 | | | (191,804.23) |
| Cocurricular Activities | 310,131.67 | 29,094.20 | | (281,037.47) |
| Total Governmental Activities | 5,689,428.27 | 83,954.00 | 999,091.07 | (4,606,383.20) |
| Business-type Activities: | | | | |
| Food Service | 338,834.89 | | | 8,196.80 |
| Total Primary Government | \$ 6,028,263.16 | \$ 239,750.91 | \$ 1,190,325.85 | \$ 8,196.80 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes | | | | 2,386,666.89 |
| Gross Receipt Taxes | | | | 65,406.42 |
| Revenue from State Sources: | | | | |
| State Aid | | | | 1,869,738.55 |
| Revenue from Federal Sources | | | | |
| Grants and Contributions not Restricted to Specific Programs | | | | 323,750.54 |
| Unrestricted Investment Earnings | | | | 3,699.64 |
| Other General Revenues | | | | 175,076.46 |
| Transfers | | | | (4,021.69) |
| Total General Revenues and Transfers | | | | 4,820,316.81 |
| Change in Net Assets | | | | 213,933.61 |
| Net Assets - Beginning | | | | 7,380,758.48 |
| NET ASSETS - ENDING | | | | \$ 7,594,692.09 |

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

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General Fund | Capital Outlay Fund | Special Education Fund | Pension Fund | Bond Redemption Fund | Total Governmental Funds |
|---|------------------------|----------------------|------------------------|---------------------|----------------------|--------------------------|
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 2,186,465.45 | \$ 368,265.67 | \$ 172,109.70 | \$ 14,770.55 | \$ 41,339.08 | \$ 2,782,950.45 |
| Taxes Receivable--Current | 476,229.80 | 279,701.09 | 193,471.30 | 40,931.87 | 130,436.20 | 1,120,770.26 |
| Taxes Receivable--Delinquent | 8,177.29 | 15,881.95 | 11,647.56 | 2,625.04 | 7,877.60 | 46,209.44 |
| Accounts Receivable | 4,825.00 | | | | | 4,825.00 |
| Due from Other Governments | 58,958.00 | | 19,186.77 | | | 78,144.77 |
| TOTAL ASSETS | \$ 2,734,655.54 | \$ 663,848.71 | \$ 396,415.33 | \$ 58,327.46 | \$ 179,652.88 | \$ 4,032,899.92 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 27,355.66 | \$ 135,594.19 | \$ 31,229.24 | \$ | \$ | \$ 194,179.09 |
| Contracts Payable | 276,290.75 | | 52,406.20 | | | 328,696.95 |
| Payroll Deductions and Withholdings and Employer Matching Payable | 67,194.32 | | 14,224.55 | | | 81,418.87 |
| Deferred Revenue | 502,071.12 | 295,583.04 | 205,118.86 | 43,556.91 | 138,313.80 | 1,184,643.73 |
| TOTAL LIABILITIES | 872,911.85 | 431,177.23 | 302,978.85 | 43,556.91 | 138,313.80 | 1,788,938.64 |
| Fund Balances: | | | | | | |
| Restricted | | 232,671.48 | 93,436.48 | 14,770.55 | 41,339.08 | 382,217.59 |
| Assigned for Subsequent Year's Budget | 124,474.00 | | | | | 124,474.00 |
| Unassigned | 1,737,269.69 | | | | | 1,737,269.69 |
| TOTAL FUND BALANCES | 1,861,743.69 | 232,671.48 | 93,436.48 | 14,770.55 | 41,339.08 | 2,243,961.28 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,734,655.54 | \$ 663,848.71 | \$ 396,415.33 | \$ 58,327.46 | \$ 179,652.88 | \$ 4,032,899.92 |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$2,243,961.28

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.

| | | |
|--------------------------------|-----------------------|--------------|
| Cost of Assets | \$ 11,608,750.66 | |
| Less: Accumulated Depreciation | <u>(2,332,244.73)</u> | 9,276,505.93 |

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 | (2,330,000.00) | |
| Capital Outlay Certificates | (1,745,000.00) | |
| Early Retirement | (68,747.98) | |
| Compensated Absences | <u>(14,600.22)</u> | (4,158,348.20) |

| | |
|---|------------|
| Deferred charges on refunded debt are not accounted for in the governmental funds but are reported in the Statement of Net Assets | 186,363.64 |
|---|------------|

| | |
|--|------------------|
| Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. | <u>46,209.44</u> |
|--|------------------|

| | |
|---------------------------------|-----------------------|
| Net Assets - Governmental Funds | <u>\$7,594,692.09</u> |
|---------------------------------|-----------------------|

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2011

| | General Fund | Capital Outlay Fund | Special Education Fund | Pension Fund | Bond Redemption Fund | Total Governmental Funds |
|---|---------------|---------------------|------------------------|--------------|----------------------|--------------------------|
| Revenues: | | | | | | |
| Revenue from Local Sources: | | | | | | |
| Taxes: | | | | | | |
| Ad Valorem Taxes | \$ 986,736.80 | \$ 587,956.10 | \$ 406,331.96 | \$ 86,050.10 | \$ 277,796.01 | \$ 2,344,870.97 |
| Prior Years' Ad Valorem Taxes | 17,943.61 | 7,282.65 | 4,638.65 | 984.07 | 3,264.37 | 34,113.35 |
| Gross Receipts Taxes | 65,406.42 | | | | | 65,406.42 |
| Penalties and Interest on Taxes | 3,876.95 | 1,717.19 | 1,084.50 | 230.01 | 773.07 | 7,681.72 |
| Tuition & Fees: | | | | | | |
| Summer School Fees | 7,400.00 | | | | | 7,400.00 |
| Earnings on Investments and Deposits | 2,974.75 | 386.38 | 126.69 | 28.55 | 183.27 | 3,699.64 |
| Other Revenue from Local Sources: | | | | | | |
| Medicaid Direct Services | 37,063.00 | | 1,532.80 | | | 1,532.80 |
| Medicaid Indirect Administrative Services | | | 8,864.00 | | | 45,927.00 |
| Cocurricular Activities: | | | | | | |
| Admissions | 25,334.20 | | | | | 25,334.20 |
| Pupil Organization Membership | 2,985.00 | | | | | 2,985.00 |
| Rentals | 435.00 | | | | | 435.00 |
| Other Pupil Activity Income | 340.00 | | | | | 340.00 |
| Other Revenue from Local Sources: | | | | | | |
| Rentals | 1,300.00 | | | | | 1,300.00 |
| Contributions and Donations | 3,052.00 | 18,500.00 | | | | 21,552.00 |
| Other | 37,803.75 | | | | | 37,803.75 |
| Revenue from Intermediate Sources: | | | | | | |
| County Sources: | | | | | | |
| County Apportionment | 125,623.05 | | | | | 125,623.05 |
| Revenue from State Sources: | | | | | | |
| Grants-in-Aid: | | | | | | |
| Unrestricted Grants-in-Aid | 1,869,738.55 | | | | | 1,869,738.55 |
| Restricted Grants-in-Aid | 1,600.00 | | 270,002.00 | | | 271,602.00 |
| Other State Revenues | 2,274.66 | | | | | 2,274.66 |
| Revenue from Federal Sources: | | | | | | |
| Grants-in-Aid: | | | | | | |
| Unrestricted Grants-in-Aid Received | | | | | | |
| Directly from Federal Government | 307,710.47 | | 16,040.07 | | | 323,750.54 |

| | | | | | |
|--|--------------|------------|------------|------------|--------------|
| Restricted Grants-in-Aid Received | 43,470.00 | | | | 43,470.00 |
| Directly from the Federal Government | | | | | |
| Restricted Grants-in-Aid Received | 540,319.43 | 120,175.00 | | | 660,494.43 |
| from Federal Through State | 1,972.64 | | | | 1,972.64 |
| Other Federal Revenues | 4,085,360.28 | 828,795.67 | 87,292.73 | 282,016.72 | 5,899,307.72 |
| Total Revenue | | | | | |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular Programs: | | | | | |
| Elementary | 826,359.32 | 20,296.71 | 19,000.00 | | 865,656.03 |
| Middle/Junior High | 584,165.87 | 12,368.95 | 10,000.00 | | 606,534.82 |
| High School | 763,827.51 | 61,965.78 | 12,000.00 | | 837,793.29 |
| Special Programs: | | | | | |
| Programs for Special Education | | | | | |
| Culturally Different | 1,806.25 | | 442,186.65 | | 442,186.65 |
| Educationally Deprived | 170,084.32 | | | | 170,084.32 |
| Support Services: | | | | | |
| Pupils: | | | | | |
| Guidance | 45,039.80 | | 750.00 | | 45,789.80 |
| Health | 2,100.30 | | | | 2,100.30 |
| Psychological | | | | | |
| Speech Pathology | | 44,308.02 | | | 44,308.02 |
| Audiology Services | | 115,590.44 | | | 115,590.44 |
| Student Therapy | | 33,423.00 | | | 33,423.00 |
| Orientation and Mobility Services | | 36,661.50 | | | 36,661.50 |
| Support Services - Instructional Staff: | | 1,118.87 | | | 1,118.87 |
| Improvement of Instruction | 68,293.70 | | 687.50 | | 68,981.20 |
| Educational Media | 165,228.56 | | | | 174,259.10 |
| Support Services - General Administration: | | | | | |
| Board of Education | 49,303.29 | | | | 49,303.29 |
| Executive Administration | 114,128.96 | | | | 114,128.96 |
| Support Services - School Administration: | | | | | |
| Office of the Principal | 282,003.55 | | | | 284,355.18 |
| Other | 2,496.00 | 2,351.63 | | | 2,496.00 |
| Support Services - Business: | | | | | |
| Fiscal Services | 134,683.41 | 4,515.00 | | | 139,198.41 |
| Operation and Maintenance of Plant | 588,883.12 | 44,026.20 | | | 632,909.32 |
| Pupil Transportation | 176,999.46 | 6,278.00 | | | 183,277.46 |
| Food Services | 20,029.62 | 4,021.69 | | | 24,051.31 |

FLANDREAU SCHOOL DISTRICT NO. 50-3
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2011

| | General Fund | Capital Outlay Fund | Special Education Fund | Pension Fund | Bond Redemption Fund | Total Governmental Funds |
|--|------------------------|----------------------|------------------------|---------------------|----------------------|--------------------------|
| Support Services - Special Education: | | | | | | |
| Administrative Costs | | | 79,441.27 | | | 79,441.27 |
| Transportation Costs | | | 20,077.36 | | | 20,077.36 |
| Other Special Education Costs | | | 817.70 | | | 817.70 |
| Community Services | | | | | | |
| Other Community Services | 6,560.22 | | | | | 6,560.22 |
| Nonprogrammed Charges: | | | | | | |
| Early Retirement Payments | | | | 33,384.42 | | 33,384.42 |
| Debt Services | | 207,127.87 | | | 276,040.00 | 483,167.87 |
| Cocurricular Activities: | | | | | | |
| Male Activities | 54,933.05 | 7,044.00 | | | | 61,977.05 |
| Female Activities | 36,191.29 | 2,243.50 | | | | 38,434.79 |
| Transportation | 31,640.82 | | | | | 31,640.82 |
| Combined Activities | 81,999.84 | 4,899.00 | | | | 86,898.84 |
| Capital Outlay | | 207,637.21 | | | | 207,637.21 |
| Total Expenditures | <u>4,206,758.26</u> | <u>593,806.08</u> | <u>775,062.31</u> | <u>74,384.42</u> | <u>276,040.00</u> | <u>5,926,051.07</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(121,397.98)</u> | <u>22,036.24</u> | <u>53,733.36</u> | <u>12,908.31</u> | <u>5,976.72</u> | <u>(26,743.35)</u> |
| Other Financing Sources (Uses): | | | | | | |
| Sale of Surplus Property | 8,075.00 | | | | | 8,075.00 |
| Total Other Financing Sources (Uses): | <u>8,075.00</u> | | | | | <u>8,075.00</u> |
| Net Change in Fund Balances | <u>(113,322.98)</u> | <u>22,036.24</u> | <u>53,733.36</u> | <u>12,908.31</u> | <u>5,976.72</u> | <u>(18,668.35)</u> |
| Fund Balance - Beginning (Restated - See Note 14) | 1,975,066.67 | 210,635.24 | 39,703.12 | 1,862.24 | 35,362.36 | 2,262,629.63 |
| FUND BALANCE - JUNE 30, 2011 | <u>\$ 1,861,743.69</u> | <u>\$ 232,671.48</u> | <u>\$ 93,436.48</u> | <u>\$ 14,770.55</u> | <u>\$ 41,339.08</u> | <u>\$ 2,243,961.28</u> |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (18,668.35)

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

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

| | | |
|----------------------|---------------------|-------------|
| Capital Outlays | \$207,637.21 | |
| Depreciation Expense | <u>(230,061.26)</u> | (22,424.05) |

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

| | | |
|-----------------------------|-------------------|------------|
| General Obligation Bonds | 165,000.00 | |
| Capital Outlay Certificates | <u>145,000.00</u> | 310,000.00 |

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

| | | |
|--------------------------------|--------------------|-------------|
| Change in Compensated Absences | (975.46) | |
| Early Retirement Change | <u>(35,363.02)</u> | (36,338.48) |

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:

(18,636.36)

Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned.

0.85

Change in Net Assets of Governmental Activities \$ 213,933.61

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2011**

| | <u>Enterprise Funds</u>
<u>Food Service</u>
<u>Fund</u> |
|---|---|
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 65,334.12 |
| Accounts Receivable | 4,105.16 |
| Inventory of Donated Food | <u>7,048.50</u> |
| Total Current Assets | <u>76,487.78</u> |
| Capital Assets: | |
| Machinery and Equipment | 154,432.71 |
| Less: Accumulated Depreciation | <u>(130,622.63)</u> |
| Total Noncurrent Assets | <u>23,810.08</u> |
| TOTAL ASSETS | <u>100,297.86</u> |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 955.08 |
| Deferred Revenue | <u>4,165.97</u> |
| Total Current Liabilities | <u>5,121.05</u> |
| NET ASSETS: | |
| Invested in Capital Assets | 23,810.08 |
| Unrestricted Net Assets | <u>71,366.73</u> |
| Total Net Assets | <u>95,176.81</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 100,297.86</u> |

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2011

| | <u>Enterprise Funds</u>
<u>Food Service</u>
<u>Fund</u> |
|--|---|
| Operating Revenue: | |
| Sales: | |
| To Pupils | \$ 113,676.90 |
| To Adults | 8,691.15 |
| A la Carte | 33,389.83 |
| Child Care Sales | 39.03 |
| Other | <u>5,297.06</u> |
| Total Operating Revenue | <u>161,093.97</u> |
| Operating Expenses: | |
| Food Service: | |
| Salaries | 12,691.38 |
| Employee Benefits | 3,435.21 |
| Purchased Services | 292,928.94 |
| Supplies | 5,662.61 |
| Cost of Sales-Donated Food | 20,670.10 |
| Depreciation-Local Funds | <u>3,446.65</u> |
| Total Operating Expenses | <u>338,834.89</u> |
| Operating Income (Loss) | <u>(177,740.92)</u> |
| Nonoperating Revenue (Expense): | |
| Local Sources: | |
| Investment Earnings | 105.15 |
| State Sources: | |
| Cash Reimbursements | 1,695.84 |
| Federal Sources: | |
| Cash Reimbursements | 159,990.36 |
| Donated Food | <u>24,251.52</u> |
| Total Nonoperating Revenue (Expense) | <u>186,042.87</u> |
| Income (Loss) Before Contributions | 8,301.95 |
| Capital Contributions | <u>4,021.69</u> |
| Change in Net Assets | 12,323.64 |
| Net Assets- Beginning | <u>82,853.17</u> |
| NET ASSETS - ENDING | <u>\$ 95,176.81</u> |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2011**

| | Enterprise Funds
Food Service
Fund |
|---|---|
| | |
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 161,406.27 |
| Payments to Suppliers | (297,636.47) |
| Payments to Employees | <u>(16,126.59)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(152,356.79)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Operating Subsidies | <u>161,686.20</u> |
| Cash Flows from Investing Activities: | |
| Investment Earnings | <u>105.15</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ 9,434.56</u> |
|
 | |
| Cash and Cash Equivalents at Beginning of Year | \$ 55,899.56 |
| Cash and Cash Equivalents at End of Year | <u>65,334.12</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ 9,434.56</u> |
|
 | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating Income (Loss) | \$(177,740.92) |
| Adjustments to Reconcile Operating Income to
Net Cash Provided (Used) by Operating Activities: | |
| Depreciation Expense | 3,446.65 |
| Value of Commodities Used | 20,670.10 |
| Change in Assets and Liabilities: | |
| Accounts Payable | 955.08 |
| Deferred Revenue | 13.81 |
| Accounts and Other Receivables | <u>298.49</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$(152,356.79)</u> |
|
 | |
| Noncash Investing, Capital and Financing Activities: | |
| Value of Commodities Received | \$ 24,251.52 |
| Value of Donated Capital Asset | 4,021.69 |

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

| | Private-Purpose
Trust Funds | Agency
Funds |
|---|--|-------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 6,810.91 | \$ 51,984.95 |
| Investments | 214,122.16 | |
| Interest Receivable | 3,350.63 | |
| TOTAL ASSETS | 224,283.70 | 51,984.95 |
| LIABILITIES: | | |
| Amounts Held for Others | | 51,984.95 |
| Total Liabilities | | 51,984.95 |
| NET ASSETS | | |
| Held in Trust for Scholarships | 224,283.70 | |
| TOTAL LIABILITIES AND NET ASSETS | \$224,283.70 | \$ 51,984.95 |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2011**

| | Private-Purpose
Trust Funds |
|-----------------------------|--|
| ADDITIONS: | |
| Contributions and Donations | \$ 2,142.37 |
| Interest on Investments | 7,253.65 |
| Total Additions | 9,396.02 |
| DEDUCTIONS: | |
| Other Deductions | 2,459.25 |
| Total Deductions | 2,459.25 |
| Change in Net Assets | 6,936.77 |
| Net Assets - Beginning | 217,346.93 |
| NET ASSETS - ENDING | \$ 224,283.70 |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
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 Flandreau School District No. 50-3, 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate

set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

Special Revenue Fund Types - *Special revenue funds are used to account for 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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

Impact Aid Fund - A fund established by SDCL 13-16-30 and 13-16-31 to account for receipt of federal funds under the provisions of P.L 103-382, Title VII for basic support. No expenditures may be directly charged to this fund. This is not a major fund and has been blended with the General Fund for financial statement presentation purposes.

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.*

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

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

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds

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

The Wm & Olive Jellife Scholarship Fund, The Fuller Scholarship Fund, The Rice Scholarship Fund, The Bechen Scholarship Fund, The Rusch Scholarship Fund, The Dakota Layers Scholarship Fund, The FFA Scholarship Fund, The F A Wittern Scholarship Fund, The General School Scholarship Fund, and The Masonic Scholarship Fund

They are used for the purpose of providing scholarships to students.

Agency Fund Types - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: Student Class Funds, Student Club Funds and Clearing Accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Flandreau School District Number 50-3 the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2011, are amounts due from other governments for grants and taxes.

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

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

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

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 are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed or Assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

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 3% for which costs were determined by estimates of original costs. These estimated original costs were established by deflated current replacement cost. The total June 30, 2011 balance of capital assets for business-type activities are valued at original cost.

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

| | <u>Threshold</u> | <u>Method</u> | <u>Life</u> |
|--------------------------------------|------------------|---------------|-------------|
| Land | ALL | NA | NA |
| Buildings | \$ 15,000.00 | Straight Line | 5-50 yrs |
| Improvements other than Buildings | 15,000.00 | Straight Line | 5-50 yrs |
| Machinery and Equipment | 5,000.00 | Straight Line | 5-50 yrs |
| Food Service Machinery and Equipment | 1,000.00 | Straight Line | 10 yrs |

Land is an inexhaustible capital asset and is not depreciated.

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

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of capital financing leases payable, compensated absences, capital outlay certificates payable, early retirement benefits payable, and 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 School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

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

k. Application of Net Assets:

It is the School 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. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

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

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2011, the School District's investment in the SDFIT pool was unrated.

As of June 30, 2011, the School District had the following investments.

External Investment Pools:

| | |
|----------------------------------|------------------------|
| | <u>Fair Value</u> |
| SDFIT - Government Cash Reserves | <u>\$ 1,463,181.93</u> |

The South Dakota Public Funds Investment Trust (SDFIT) was established under SDCL 1-24 and is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. The amount reported is at fair value.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. More than 5% of the School District's investments are in South Dakota Public Funds Investment Trust.

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

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

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all significant receivables to be collected within one year. No allowance for estimated uncollectible receivables has been established, as the District believes all receivables are collectible.

NOTE 4 - INVENTORY

Inventory of the proprietary fund is valued at the lower of cost or market. The cost valuation method is the first in, first out method. In the Food Service Fund, 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 fund financial statements, inventories in the General Fund and Special Revenue Funds consist of an immaterial balance of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources", even though they are a component of net current assets. No material inventories were on hand in the governmental funds as of June 30, 2011.

NOTE 5 - PROPERTY TAXES

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

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

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 | Balance
July 1, 2010 | Increases | Decreases | Balance
June 30, 2011 |
|---|-------------------------|-----------------------|-----------|--------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 339,431.79 | \$ | \$ | \$ 339,431.79 |
| CWIP | | 131,572.50 | | 131,572.50 |
| Total, not being depreciated | <u>339,431.79</u> | <u>131,572.50</u> | | <u>471,004.29</u> |
| Capital Assets, being depreciated: | | | | |
| Buildings | 9,407,608.11 | | | 9,407,608.11 |
| Improvements Other than Buildings | 889,185.65 | | | 889,185.65 |
| Machinery and Equipment | 764,887.90 | 76,064.71 | | 840,952.61 |
| Total, being depreciated | <u>11,061,681.66</u> | <u>76,064.71</u> | | <u>11,137,746.37</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (1,576,042.99) | (125,434.78) | | (1,701,477.77) |
| Improvements Other than Buildings | (276,131.61) | (49,911.07) | | (326,042.68) |
| Machinery and Equipment | <u>(250,008.87)</u> | <u>(54,715.40)</u> | | <u>(304,724.27)</u> |
| Total Accumulated Depreciation | <u>(2,102,183.47)</u> | <u>(230,061.25)</u> | | <u>(2,332,244.72)</u> |
| Total Capital Assets, being depreciated, net | <u>8,959,498.19</u> | <u>(153,996.54)</u> | | <u>8,805,501.65</u> |
| Total | <u>\$ 9,298,929.98</u> | <u>\$ (22,424.04)</u> | <u>\$</u> | <u>\$ 9,276,505.94</u> |

Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|--|----------------------|
| Instruction | \$ 67,473.21 |
| Support Services | 71,407.87 |
| Cocurricular | 91,180.17 |
| Total depreciation expense - governmental activities | <u>\$ 230,061.25</u> |

Business - Type Activity:

| | Balance
July 1, 2010 | Increases | Decreases | Balance
June 30, 2011 |
|--|-------------------------|-------------------|-----------|--------------------------|
| Capital Assets, being depreciated: | | | | |
| Machinery and Equipment | \$ 150,411.02 | \$ 4,021.69 | \$ | \$ 154,432.71 |
| Machinery and Equipment | <u>(127,175.97)</u> | <u>(3,446.65)</u> | | <u>(130,622.62)</u> |
| Business-type activity capital assets, net | <u>\$ 23,235.05</u> | <u>\$ 575.04</u> | <u>\$</u> | <u>\$ 23,810.09</u> |

**Depreciation expense was charged to functions as follows:

Business-type Activity

Food Service

| | |
|---|--------------------|
| Total Depreciation expense - business-type activities | <u>\$ 3,446.65</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 | Compensated
Absences | Totals |
|---|--------------------------------|-----------------------------------|---------------------|-------------------------|------------------------|
| Long-Term Liabilities
Payable, July 1, 2010 | \$ 2,495,000.00 | \$ 1,890,000.00 | \$ 33,384.96 | \$ 13,624.76 | \$ 4,432,009.72 |
| Additions | | | 68,747.98 | 5,078.34 | 73,826.32 |
| Retired Amounts | <u>(165,000.00)</u> | <u>(145,000.00)</u> | <u>(33,384.96)</u> | <u>(4,102.88)</u> | <u>(347,487.84)</u> |
| Long-Term Liabilities
Payable, June 30, 2011 | <u>\$ 2,330,000.00</u> | <u>\$ 1,745,000.00</u> | <u>\$ 68,747.98</u> | <u>\$ 14,600.22</u> | <u>\$ 4,158,348.20</u> |
| Due within One Year | <u>\$ 205,000.00</u> | <u>\$ 150,000.00</u> | <u>\$ 68,747.98</u> | <u>\$ 5,078.34</u> | <u>\$ 428,826.32</u> |

Compensated activities for governmental activities typically have been liquidated from the General 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 \$3,645,508 on deposit with the escrow agent in this irrevocable trust to retire \$3,585,000 of old debt still outstanding which is now considered to be defeased.

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

General Obligation Bonds:

General Obligation Refunding Bonds issued June 8, 2010, maturing June 1, 2021; Interest rates from 2.0% to 3.5%, depending on length to maturity. Semi-annual payments from Debt Service Fund. \$ 2,155,000.00

General Obligation Bonds, Series 2001, Unrefunded balance of bonds to be paid from District Funds, maturing July 1, 2012. Interest rates of 4. and 4.1%. Payment from Debt Service Fund 175,000.00

Capital Outlay Certificates:

Series 2001, Unrefunded balance of capital outlay certificates to be paid from District Funds, maturing July 1, 2012. Interest rates of 4.05 to 4.150%. Payment from Capital Outlay Fund 130,000.00

Series 2010 Capital Outlay Refunding Certificates issued June 8, 2010, maturing June 1, 2021; Interest rate fixed at 2.0% to 3.6%. depending on length to maturity of the individual certificate. Semi-annual payments made from the Capital Outlay Fund. 1,615,000.00

Compensated Absences:

Vacation pay which is payable from the General Fund. 14,600.22

Early Retirement Payable:

Obligation to individuals who fall under the early retirement plan of the Flandreau School District. Payments are made to the retiree in the year following retirement. Payments are made from the Pension and General Fund. 68,747.98

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences and early retirement, as of June 30, 2011 are as follows:

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

| Year | General
Obligation Bonds | | Capital Outlay
Certificates | | Total | |
|-----------|-----------------------------|----------------------|--------------------------------|----------------------|------------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 205,000.00 | \$ 67,395.00 | \$ 150,000.00 | \$ 52,622.50 | \$ 355,000.00 | \$ 120,017.50 |
| 2013 | 210,000.00 | 59,620.00 | 155,000.00 | 46,827.50 | 365,000.00 | 106,447.50 |
| 2014 | 215,000.00 | 55,420.00 | 160,000.00 | 43,727.50 | 375,000.00 | 99,147.50 |
| 2015 | 220,000.00 | 51,120.00 | 165,000.00 | 40,127.50 | 385,000.00 | 91,247.50 |
| 2016 | 225,000.00 | 46,170.00 | 170,000.00 | 36,002.50 | 395,000.00 | 82,172.50 |
| 2017-2022 | 1,265,000.00 | 128,322.50 | 945,000.00 | 100,082.50 | 2,200,000.00 | 228,405.00 |
| Total | <u>\$ 2,330,000.00</u> | <u>\$ 408,047.50</u> | <u>\$ 1,745,000.00</u> | <u>\$ 319,390.00</u> | <u>\$ 4,075,000.00</u> | <u>\$ 727,437.50</u> |

NOTE 8 – RESTRICTED NET ASSETS

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

| Fund | Restricted by | Amount |
|-----------------------------|----------------|----------------------|
| Capital Outlay | Law | \$ 248,553.43 |
| Special Education | Law | 105,084.04 |
| Debt Service | Debt Covenants | <u>49,216.68</u> |
| Total Restricted Net assets | | <u>\$ 402,854.15</u> |

NOTE 9 - 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 the social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$191,095.16, \$184,963.17 and \$173,904.34, respectively, equal to the required contributions each year.

NOTE 10 - JOINT VENTURES

The School District participates in the Prairie Lake Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational services to the member school districts.

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

| | |
|-----------------|--------|
| Baltic | 8.01 % |
| Chester | 5.69 |
| Colman-Egan | 5.20 |
| Dell Rapids | 15.73 |
| Flandreau | 14.43 |
| Garretson | 7.26 |
| Howard | 9.11 |
| Madison Central | 14.82 |
| Oldham-Ramona | 3.81 |
| Rutland | 2.54 |
| Tri-Valley | 13.40 |

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 Prairie Lakes Educational Cooperative.

At June 30, 2011, this joint venture had total assets of \$96,484, total liabilities of \$42,740 and net assets of \$53,744.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2011, the School District managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School Districts Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials, injuries to employees and natural disasters 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 worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The school district has not assigned any fund balance for the payment of future unemployment benefits. They pay as claims are submitted.

During the year ended June 30, 2011, no claims for unemployment benefits were paid. At June 30, 2011, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 12 – FLANDREAU SCHOOL DISTRICT EDUCATION FOUNDATION

The Flandreau School District Education Foundation is a nonprofit organization formed April 30, 1999 by members of the community to accept contributions to be used for the benefit of the School District. The Foundation is a Component Unit of the Primary Government but is not reported as a Component Unit due to the following.

The Foundation had no assets at June 30, 2011. However, the organization will continue to exist, in case donations are made in the future. The Foundation's Board of Directors is made up of members of the school board.

NOTE 13 - EARLY RETIREMENT PLAN

The School District maintains an early retirement plan for certified teachers. The plan is available to employees who choose early retirement after age 55 and have at least twenty years of continuous service with the District. Under the plan, the District will pay 75% of the current salary contract. Such amounts are payable in two equal installments, paid in September and May of the following year. Payments were made for early retirement to one eligible employee in the amount of \$33,384.42 during the year.

NOTE 14 – RESTATEMENT OF GENERAL FUND BEGINNING BALANCE

As a result of the implementation of GASB 54, the School District restated the beginning fund balance of the General Fund as shown in the statement of revenues, expenditures and changes in fund balance to include the Impact Aid Fund which was previously reported as a special revenue fund. As a result of this change, the beginning fund balance of the General Fund was increased by \$980,277.31.

NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2011, the School District was not involved in any litigation.

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REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|---------------------|--|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u>
<u>(Budgetary</u>
<u>Basis)</u> | <u>Positive</u>
<u>(Negative)</u> |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 977,081.00 | \$ 977,081.00 | \$ 986,736.80 | \$ 9,655.80 |
| Prior Years' Ad Valorem Taxes | 20,000.00 | 20,000.00 | 17,943.61 | (2,056.39) |
| Gross Receipts Taxes | 60,000.00 | 60,000.00 | 65,406.42 | 5,406.42 |
| Other Taxes | 400.00 | 400.00 | 400.00 | (400.00) |
| Penalties and Interest on Taxes | 5,000.00 | 5,000.00 | 3,876.95 | (1,123.05) |
| Tuition and Fees | | | | |
| Adult Continuing Education Programs | 500.00 | 500.00 | 7,400.00 | 6,900.00 |
| Summer School Fees | 5,000.00 | 5,000.00 | 5,000.00 | (5,000.00) |
| Earnings on Investments and Deposits | 10,000.00 | 10,000.00 | 2,974.75 | (7,025.25) |
| Cocurricular Activities: | | | | |
| Admissions | 22,000.00 | 22,000.00 | 25,334.20 | 3,334.20 |
| Pupil Organization Membership | 3,000.00 | 3,000.00 | 2,985.00 | (15.00) |
| Rentals | 1,000.00 | 1,000.00 | 435.00 | (565.00) |
| Other Pupil Activity Income | 600.00 | 600.00 | 340.00 | (260.00) |
| Other Revenue from Local Sources: | | | | |
| Rentals | 1,000.00 | 1,000.00 | 1,300.00 | 300.00 |
| Contributions and Donations | | | 3,052.00 | 3,052.00 |
| Medicaid Indirect Services | 40,000.00 | 40,000.00 | 37,063.00 | (2,937.00) |
| Other | 48,058.00 | 52,312.00 | 37,803.75 | (14,508.25) |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County Apportionment | 130,000.00 | 130,000.00 | 125,623.05 | (4,376.95) |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid | 2,112,794.00 | 2,112,794.00 | 1,869,738.55 | (243,055.45) |
| Restricted Grants-in-Aid | 1,500.00 | 1,500.00 | 1,600.00 | 100.00 |
| Other State Revenue | | | 2,274.66 | 2,274.66 |
| Revenue from Federal Sources: | | | | |
| Restricted Grants-in-Aid Received directly from Federal Government | 44,789.00 | 44,789.00 | 43,470.00 | (1,319.00) |
| Restricted Grants-in-Aid Received from Federal Government through the State | 254,694.00 | 276,510.00 | 540,319.43 | 263,809.43 |
| Other Federal Revenue | | 786.00 | 1,972.64 | 1,186.64 |
| Total Revenues | <u>3,737,416.00</u> | <u>3,764,272.00</u> | <u>3,777,649.81</u> | <u>13,377.81</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary School | 825,609.00 | 827,513.00 | 826,359.32 | 1,153.68 |
| Middle/Junior High | 587,064.00 | 587,064.00 | 584,165.87 | 2,898.13 |
| High School | 768,235.00 | 768,235.00 | 763,827.51 | 4,407.49 |

REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2011

| | Budgeted Amounts | | Actual
Amounts
(Budgetary
Basis) | Variance
Positive
(Negative) |
|--|----------------------|----------------------|---|------------------------------------|
| | Original | Final | | |
| Special Programs: | | | | |
| Culturally Different | 13,486.00 | 13,486.00 | 1,806.25 | 11,679.75 |
| Educationally Deprived | 174,850.00 | 174,850.00 | 170,084.32 | 4,765.68 |
| Support Services - Pupils: | | | | |
| Guidance | 46,328.00 | 46,328.00 | 45,039.80 | 1,288.20 |
| Health | 5,200.00 | 5,200.00 | 2,100.30 | 3,099.70 |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 66,088.00 | 69,256.00 | 68,293.70 | 962.30 |
| Educational Media | 188,312.00 | 188,312.00 | 165,228.56 | 23,083.44 |
| Support Services - General Administration: | | | | |
| Board of Education | 60,700.00 | 60,700.00 | 49,303.29 | 11,396.71 |
| Executive Administration | 115,187.00 | 116,187.00 | 114,128.96 | 2,058.04 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 281,213.00 | 282,213.00 | 282,003.55 | 209.45 |
| Other | 4,000.00 | 4,000.00 | 2,496.00 | 1,504.00 |
| Support Services - Business: | | | | |
| Fiscal Services | 133,518.00 | 135,518.00 | 134,683.41 | 834.59 |
| Operation and Maintenance of Plant | 582,350.00 | 599,704.00 | 588,883.12 | 10,820.88 |
| Pupil Transportation | 177,000.00 | 177,000.00 | 176,999.46 | 0.54 |
| Food Service | | 20,030.00 | 20,029.62 | 0.38 |
| Community Services | | | | |
| Other | 9,910.00 | 9,910.00 | 6,560.22 | 3,349.78 |
| Cocurricular Activities: | | | | |
| Male Activities | 54,548.00 | 54,948.00 | 54,933.05 | 14.95 |
| Female Activities | 36,755.00 | 36,755.00 | 36,191.29 | 563.71 |
| Transportation | 37,500.00 | 37,500.00 | 31,640.82 | 5,859.18 |
| Combined Activities | 84,575.00 | 84,575.00 | 81,999.84 | 2,575.16 |
| Contingencies | 15,000.00 | | | |
| Total Expenditures | <u>4,267,428.00</u> | <u>4,299,284.00</u> | <u>4,206,758.26</u> | <u>92,525.74</u> |
| Excess of Revenue Over (Under)
Expenditures | (530,012.00) | (535,012.00) | (429,108.45) | 105,903.55 |
| Other Financing Sources: | | | | |
| Transfer In | 445,000.00 | 445,000.00 | 445,000.00 | |
| Sale of Surplus Property | | | 8,075.00 | 8,075.00 |
| Total Other Financing Sources (Uses) | <u>445,000.00</u> | <u>445,000.00</u> | <u>453,075.00</u> | <u>8,075.00</u> |
| Net Change in Fund Balances | (85,012.00) | (90,012.00) | 23,966.55 | 113,978.55 |
| FUND BALANCE - JULY 1, 2010 | <u>994,789.36</u> | <u>994,789.36</u> | <u>994,789.36</u> | |
| FUND BALANCE - JUNE 30, 2011 | <u>\$ 909,777.36</u> | <u>\$ 904,777.36</u> | <u>\$ 1,018,755.91</u> | <u>\$ 113,978.55</u> |

REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDING JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | Actual | Variance |
|--|-------------------------|----------------------|----------------------|------------------------|
| | Original | Final | (Budgetary
Basis) | Positive
(Negative) |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 588,300.00 | \$ 588,300.00 | \$ 587,956.10 | \$ (343.90) |
| Prior Years' Ad Valorem Taxes | 6,500.00 | 6,500.00 | 7,282.65 | 782.65 |
| Penalties and Interest on Taxes | 1,500.00 | 1,500.00 | 1,717.19 | 217.19 |
| Earnings on Investments and Deposits | 1,000.00 | 1,000.00 | 386.38 | (613.62) |
| Other Revenue from Local Sources: | | | | |
| Contributions and Donations | 18,500.00 | 18,500.00 | 18,500.00 | 0.00 |
| Revenue from Federal Sources: | | | | |
| Restricted Grants-in-Aid Received from
Federal Government through the State | 20,000.00 | 22,000.00 | | (22,000.00) |
| Total Revenue | <u>635,800.00</u> | <u>637,800.00</u> | <u>615,842.32</u> | <u>(21,957.68)</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 22,000.00 | 22,000.00 | 20,296.71 | 1,703.29 |
| Middle/Junior High | 18,800.00 | 18,800.00 | 12,368.95 | 6,431.05 |
| High School | 75,400.00 | 75,400.00 | 68,560.78 | 6,839.22 |
| Support Services- Instructional Staff | | | | |
| Educational Media | 23,000.00 | 23,000.00 | 20,275.99 | 2,724.01 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 2,500.00 | 2,500.00 | 2,351.63 | 148.37 |
| Support Services - Business: | | | | |
| Fiscal Services | 4,700.00 | 4,700.00 | 4,515.00 | 185.00 |
| Operation and Maintenance of Plant | 248,400.00 | 251,400.00 | 227,532.96 | 23,867.04 |
| Pupil Transportation | 38,000.00 | 38,000.00 | 6,278.00 | 31,722.00 |
| Food Service | 4,200.00 | 4,200.00 | 4,021.69 | 178.31 |
| Debt Services | 207,500.00 | 207,500.00 | 207,127.87 | 372.13 |
| Cocurricular Activities: | | | | |
| Male Activities | 13,100.00 | 13,335.00 | 13,334.00 | 1.00 |
| Female Activities | 4,200.00 | 4,200.00 | 2,243.50 | 1,956.50 |
| Combined Activities | 5,000.00 | 5,000.00 | 4,899.00 | 101.00 |
| Total Expenditures | <u>666,800.00</u> | <u>670,035.00</u> | <u>593,806.08</u> | <u>76,228.92</u> |
| Net Change in Fund Balance | (31,000.00) | (32,235.00) | 22,036.24 | 54,271.24 |
| FUND BALANCE - JULY 1, 2010 | <u>210,635.24</u> | <u>210,635.24</u> | <u>210,635.24</u> | |
| FUND BALANCE - JUNE 30, 2011 | <u>\$ 179,635.24</u> | <u>\$ 178,400.24</u> | <u>\$ 232,671.48</u> | <u>\$ 54,271.24</u> |

REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDING JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | Actual | Variance |
|---|-------------------------|---------------------|----------------------|------------------------|
| | Original | Final | (Budgetary
Basis) | Positive
(Negative) |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 401,800.00 | \$ 401,800.00 | \$ 406,331.96 | \$ 4,531.96 |
| Prior Years' Ad Valorem Taxes | 4,000.00 | 4,000.00 | 4,638.65 | 638.65 |
| Penalties and Interest on Taxes | 1,000.00 | 1,000.00 | 1,084.50 | 84.50 |
| Tuition and Fees: | | | | |
| Services Provided by Other LEA's | 46,000.00 | 46,000.00 | | (46,000.00) |
| Medicaid Direct Services | 15,000.00 | 15,000.00 | 1,532.80 | (13,467.20) |
| Medicaid Indirect Services | 7,000.00 | 7,000.00 | 8,864.00 | 1,864.00 |
| Earnings on Investment and Deposits | 200.00 | 200.00 | 126.69 | (73.31) |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted Grants-in-Aid | 271,503.00 | 271,503.00 | 270,002.00 | (1,501.00) |
| Revenue from Federal Sources: | | | | |
| Unrestricted Grants-in-Aid Received | | | | |
| Directly from Federal Government | 20,000.00 | 20,000.00 | 16,040.07 | (3,959.93) |
| Restricted Grants-in-Aid Received from | | | | |
| Federal Government through State | <u>231,153.00</u> | <u>231,153.00</u> | <u>120,175.00</u> | <u>(110,978.00)</u> |
| Total Revenue | <u>997,656.00</u> | <u>997,656.00</u> | <u>828,795.67</u> | <u>(168,860.33)</u> |
| Expenditures: | | | | |
| Special Programs: | | | | |
| Programs for Special Education | 543,678.00 | 543,678.00 | 442,186.65 | 101,491.35 |
| Support Services | | | | |
| Pupils: | | | | |
| Guidance | 4,000.00 | 4,000.00 | 750.00 | 3,250.00 |
| Psychological | 47,000.00 | 47,000.00 | 44,308.02 | 2,691.98 |
| Speech Pathology | 119,930.00 | 119,930.00 | 115,590.44 | 4,339.56 |
| Audiology | 35,000.00 | 35,000.00 | 33,423.00 | 1,577.00 |
| Student Therapy Services | 35,000.00 | 42,000.00 | 36,661.50 | 5,338.50 |
| Orientation and Mobility Services | 8,000.00 | 8,000.00 | 1,118.87 | 6,881.13 |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 2,700.00 | 2,700.00 | 687.50 | 2,012.50 |
| Support Services - Special Education | | | | |
| Administrative Costs | 129,148.00 | 129,148.00 | 79,441.27 | 49,706.73 |
| Transportation Costs | 81,200.00 | 88,200.00 | 20,077.36 | 68,122.64 |
| Other Special Education Costs | <u>12,000.00</u> | <u>12,000.00</u> | <u>817.70</u> | <u>11,182.30</u> |
| Total Expenditures | <u>1,017,656.00</u> | <u>1,031,656.00</u> | <u>775,062.31</u> | <u>256,593.69</u> |
| Net Change in Fund Balances | (20,000.00) | (34,000.00) | 53,733.36 | 87,733.36 |
| FUND BALANCE - JULY 1, 2010 | <u>39,703.12</u> | <u>39,703.12</u> | <u>39,703.12</u> | |
| FUND BALANCE - JUNE 30, 2011 | <u>\$ 19,703.12</u> | <u>\$ 5,703.12</u> | <u>\$ 93,436.48</u> | <u>\$ 87,733.36</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDING JUNE 30, 2011**

| | Budgeted Amounts | | Actual | Variance |
|--------------------------------------|--------------------|--------------------|---------------------------------|------------------------|
| | Original | Final | Amounts
(Budgetary
Basis) | Positive
(Negative) |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 86,000.00 | \$ 86,000.00 | \$ 86,050.10 | \$ 50.10 |
| Prior Years' Ad Valorem Taxes | | | 984.07 | 984.07 |
| Penalties and Interest on Taxes | | | 230.01 | 230.01 |
| Earnings on Investments and Deposits | <u>100.00</u> | <u>100.00</u> | <u>28.55</u> | <u>(71.45)</u> |
| Total Revenue | <u>86,100.00</u> | <u>86,100.00</u> | <u>87,292.73</u> | <u>1,192.73</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 19,000.00 | 19,000.00 | 19,000.00 | 0.00 |
| Middle/Junior High | 16,000.00 | 16,000.00 | 10,000.00 | 6,000.00 |
| High School | 18,000.00 | 18,000.00 | 12,000.00 | 6,000.00 |
| Nonprogrammed Charges: | | | | |
| Early Retirement Payments | <u>33,500.00</u> | <u>33,500.00</u> | <u>33,384.42</u> | <u>115.58</u> |
| Total Expenditures | <u>86,500.00</u> | <u>86,500.00</u> | <u>74,384.42</u> | <u>12,115.58</u> |
| Net Change in Fund Balances | (400.00) | (400.00) | 12,908.31 | 13,308.31 |
| FUND BALANCE - JULY 1, 2010 | <u>1,862.24</u> | <u>1,862.24</u> | <u>1,862.24</u> | |
| FUND BALANCE - JUNE 30, 2011 | <u>\$ 1,462.24</u> | <u>\$ 1,462.24</u> | <u>\$ 14,770.55</u> | <u>\$ 13,308.31</u> |

FLANDREAU SCHOOL DISTRICT NO. 50-3
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

1. 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.
2. The budgetary basis comparison schedule for the General Fund includes only the budgeted amounts for the General Fund, and does not include any amounts for the blended Impact Aid Fund.

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2011**

| | <u>CFDA
Number</u> | <u>Expenditure
Amount
2011</u> |
|---|------------------------|--|
| U.S. Department of Agriculture: | | |
| Pass-Through the SD Department of Education | | |
| Child Nutrition Cluster: | | |
| Non-cash Assistance: (Commodities) | | |
| National School Lunch Program | 10.555 | \$ 20,670.10 |
| Cash Assistance: | | |
| School Breakfast Program (Note 4) | 10.553 | 28,614.64 |
| National School Lunch Program (Note 4) | 10.555 | <u>131,375.72</u> |
| Total Child Nutrition Cluster | | <u>180,660.46</u> |
| Fresh Fruit and Vegetable Program | 10.582 | <u>19,803.29</u> |
| Total U.S. Department of Agriculture | | <u>200,463.75</u> |
| | | |
| National Foundation on the Arts and Humanities: | | |
| Pass-Through the SD Department of Education: | | |
| Promotion of the Arts - Partnership Agreements | 45.025 | <u>1,680.78</u> |
| Total National Foundation on the Arts and Humanities: | | <u>1,680.78</u> |
| | | |
| U.S. Department of Education: | | |
| Direct Federal Funding: | | |
| Impact Aid (Note 3) | 84.041 | 461,040.07 |
| Indian Education - Grants to Local Educational Agencies | 84.060 | 43,470.00 |
| Pass-Through the SD Department of Education | | |
| Title I Cluster: | | |
| Title I Grants to Local Educational Agencies | 84.010 | 122,977.00 |
| Title I Grants to Local Educational Agencies , Recovery Act | 84.389 | <u>50,490.00</u> |
| Total Title I Cluster | | <u>173,467.00</u> |
| Education Technology State Grants | 84.318 | 630.00 |
| English Language Acquisition Grants | 84.365 | 9,201.00 |
| Improving Teacher Quality Grants | 84.367 | 63,020.00 |
| Special Education Cluster: | | |
| Special Education - Grants to States | 84.027 | 28,057.00 |
| Special Education - Preschool Grants | 84.173 | 4,325.00 |
| Special Education - Grants to States, Recovery Act | 84.391 | 81,001.00 |
| Special Education - Preschool Grants, Recovery Act | 84.392 | <u>6,792.00</u> |
| Total Special Education Cluster: | | <u>120,175.00</u> |
| State Fiscal Stabilization Fund (SFSF) - Education State | | |
| Grants, Recovery Act (Note 3) | 84.394 | 120,939.00 |
| Education Jobs Funding (Note 3) | 84.410 | 151,364.00 |

FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2011
(continued)

| | | |
|--|--------|------------------------|
| Pass-Through Three Rivers Coop: | | |
| Special Education - Grants to States | 84.027 | <u>1,000.00</u> |
| Total U.S. Department of Education | | <u>1,144,306.07</u> |
| | | |
| US Department of Health and Human Services: | | |
| Pass-Through the SD Department of Education: | | |
| Absenteeism Grant (Note 2) | 93.069 | <u>1,187.00</u> |
| | | |
| GRAND TOTAL | | <u>\$ 1,347,637.60</u> |

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

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

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

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

FLANDREAU PUBLIC SCHOOLS

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LISA SANDERSON
Business Manager

RICK WEBER
Superintendent

CORRECTIVE PLAN OF ACTION

Flandreau School District No. 50-3 has considered the lack of segregation of duties for revenues. At this time, it is not cost effective for Flandreau School District No. 50-3 to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Flandreau School District to decrease the likelihood that financial data is adversely affected.

Flandreau School District's Board will continue to monitor the necessity to have segregation of duties for revenues and implement such segregation as budget dollars and board authority allow.


Business Manager


Superintendent