AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013

Board Members:

Robert Graff, Chairman
Tory Smith
Jeff Todd
Cheri Wittler
Kimberley Farries
Karla Engle
Ken Weinheimer

Superintendent:

Kevin Pickner

Business Manager:

Mary Sieck

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

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AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

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INDEPENDENT AUDITORS' 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
Agar-Blunt-Onida School District No 58-3
Sully County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agar-Blunt-Onida School District No 58-3, South Dakota, as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 24, 2013.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2013-01 and #2013-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of

our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Responses to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Kierscbach & Anderson, LLP

October 24, 2013

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

Prior Audit Findings:

Finding #2012-01

A material weakness was reported for a lack of segregation of duties for revenues, receivables, payables, inventory, deferred revenue, debt, capital assets, equity, and the preparation of Trust and Agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. It is not known how long this deficiency has existed. This comment is restated in the current year as finding #2013-01.

Finding #2012-02

The School District installed new carpeting into the school buildings that was required to be bid because it exceeded the bid limit, but a bid was not received. This comment has been resolved.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2013-01

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, receivables, payables, inventory, deferred revenue, capital assets, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations, which could result in errors not being found in a timely manner. It is not known how long this deficiency has existed.

Effect

The School District has only one employee who prepares all accounting records. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions.

Recommendation

We recommend the board take a more active role in their oversight of revenues, receivables, payables, inventory, deferred revenue, capital assets, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations.

Management's Response

Robert Graff is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of Agar-Blunt-Onida School District No 58-3 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Agar-Blunt-Onida School District No 58-3 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, receivables, payables, inventory, deferred revenue, capital assets, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations. Agar-Blunt-Onida School District No 58-3 is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding revenues, receivables, payables, inventory, deferred revenue, capital assets, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations continues to exist.

Finding #2013-02

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Robert Graff is the contact person responsible for the corrective action plan for this comment. He stated that the School District will assume the risk associated with this condition. It is cost prohibitive to hire additional staff to review the School District's records for material adjustments. The School District's business manager will work more diligently to identify material adjustments prior to submitting the annual report to the South Dakota Department of Education.

Closing Conference

The contents of this report were discussed with Cheri Wittler, Kevin Pickner, and Mary Sieck on September 19, 2013.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

School Board
Agar-Blunt-Onida School District No 58-3
Sully County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agar-Blunt-Onida School District No 58-3, South Dakota, as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agar-Blunt-Onida School District No 58-3, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

October 24, 2013

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 3,257,059	$ 6,713	$ 3,263,772
Investments	810,044	-	810,044
Taxes receivable	1,326,582	-	1,326,582
Internal balances	3,911	(3,911)	-
Inventories	-	681	681
Other assets	124,831	1,273	126,104
Capital Assets:			
Land, improvements and construction in progress	33,780	-	33,780
Other capital assets, net of depreciation	1,335,915	47,885	1,383,800
TOTAL ASSETS	$ 6,892,122	$ 52,641	$ 6,944,763
LIABILITIES:			
Accounts payable	$ 63,853	$ -	$ 63,853
Other current liabilities	222,596	-	222,596
Deferred revenue	1,315,448	-	1,315,448
Noncurrent Liabilities:			
Due within one year	880	-	880
Due in more than one year	30,236	-	30,236
TOTAL LIABILITIES	1,633,013	-	1,633,013
NET POSITION:			
Net investment in capital assets	1,369,695	47,885	1,417,580
Restricted for:			
Capital outlay purposes	1,020,922	-	1,020,922
Special education purposes	770,595	-	770,595
Pension purposes	34,414	-	34,414
Unrestricted	2,063,483	4,756	2,068,239
TOTAL NET POSITION	5,259,109	52,641	5,311,750
TOTAL LIABILITIES AND NET POSITION	$ 6,892,122	$ 52,641	$ 6,944,763

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	$1,687,532	$ 19,710	$ 145,284	$ (1,522,538)	$ -	$(1,522,538)
Support services	1,436,854	27,000	13,875	(1,395,979)	-	(1,395,979)
*Interest on long-term debt	7,960	-	-	(7,960)	-	(7,960)
Cocurricular activities	164,788	23,880	-	(140,908)	-	(140,908)
Total Governmental Activities	3,297,134	70,590	159,159	(3,067,385)	-	(3,067,385)
Business-Type Activities:						
Food service	116,813	61,936	44,967	-	(9,910)	(9,910)
Drivers education	3,142	2,600	-	-	(542)	(542)
Total Business-Type Activities	119,955	64,536	44,967	-	(10,452)	(10,452)
Total Primary Government	$3,417,089	$ 135,126	$ 204,126	(3,067,385)	(10,452)	(3,077,837)
General Revenues:						
Taxes:						
Property taxes				3,121,054	-	3,121,054
Utility taxes				346,568	-	346,568
Revenue from state sources:						
State aid				52,289	-	52,289
Other				76,910	-	76,910
Grants and contributions not restricted to specific programs				2,083	-	2,083
Unrestricted investment earnings				19,204	-	19,204
Other general revenues				35,900	-	35,900
Transfers				(10,981)	10,981	-
Total General Revenues and Transfers				3,643,027	10,981	3,654,008
CHANGE IN NET POSITION				575,642	529	576,171
NET POSITION - BEGINNING				4,683,467	52,112	4,735,579
NET POSITION - ENDING				$ 5,259,109	$ 52,641	$ 5,311,750

* 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.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$1,996,630	$ 451,298	$ 774,944	$ 34,187	$ 3,257,059
Investments	200,000	610,044	-	-	810,044
Taxes receivable - current	854,557	253,219	172,224	35,448	1,315,448
Taxes receivable - delinquent	8,094	1,702	1,111	227	11,134
Due from Food Service Fund	3,369	-	-	-	3,369
Due from Drivers Education Fund	542	-	-	-	542
Due from other governments	69,323	-	30,760	-	100,083
Deposits	1,240	-	-	-	1,240
Prepaid expenses	23,508	-	-	-	23,508
TOTAL ASSETS	$3,157,263	$1,316,263	$ 979,039	$ 69,862	$ 5,522,427
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	$ 18,596	$ 42,122	$ 3,135	$ -	$ 63,853
Contracts payable	167,467	-	29,051	-	196,518
Payroll deductions and withholdings and employer matching payable	22,044	-	4,034	-	26,078
Deferred revenue	862,651	254,921	173,335	35,675	1,326,582
TOTAL LIABILITIES	1,070,758	297,043	209,555	35,675	1,613,031
FUND BALANCES:					
Nonspendable	23,508	-	-	-	23,508
Restricted	-	1,019,220	769,484	34,187	1,822,891
Assigned	96,413	-	-	-	96,413
Unassigned	1,966,584	-	-	-	1,966,584
TOTAL FUND BALANCES	2,086,505	1,019,220	769,484	34,187	3,909,396
TOTAL LIABILITIES AND FUND BALANCES	$3,157,263	$1,316,263	$ 979,039	$ 69,862	$ 5,522,427

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds		$ 3,909,396
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		1,369,695
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Leave	$ 31,116	(31,116)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes Receivable	$ 11,134	11,134
Net Position - Governmental Activities		$ 5,259,109

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	$2,006,893	$ 589,612	$ 400,972	$ 82,523	$ 3,080,000
Prior years' ad valorem taxes	12,224	2,592	1,653	344	16,813
Tax deed revenue	4,399	-	-	-	4,399
Utility taxes	346,568	-	-	-	346,568
Other taxes	9,298	-	-	-	9,298
Penalties and interest on taxes	5,563	1,549	1,020	212	8,344
Earnings on investments and deposits	9,582	8,228	1,332	62	19,204
Cocurricular activities:					
Admissions	23,880	-	-	-	23,880
Other revenue from local sources:					
Rentals	260	-	-	-	260
Contributions and donations	2,083	-	-	-	2,083
Refund of prior years' expenditures	2,419	-	-	-	2,419
Charges for services	18,173	-	1,537	-	19,710
Other	11,127	-	-	-	11,127
Revenue from Intermediate Sources:					
County sources:					
County apportionment	17,083	-	-	-	17,083
Revenue in lieu of taxes	92	33	23	5	153
Revenue for joint facilities	27,000	-	-	-	27,000
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	129,044	-	-	-	129,044
Restricted grants-in-aid	13,875	-	-	-	13,875
Revenue in lieu of taxes	155	-	-	-	155
Other state revenue	1,308	-	-	-	1,308
Revenue from Federal Sources:					
Grants-in-aid:					
Restricted grants-in-aid received directly from federal government	12,937	-	-	-	12,937
Restricted grants-in-aid received from federal government through the state	58,527	-	73,820	-	132,347
TOTAL REVENUE	2,712,490	602,014	480,357	83,146	3,878,007
EXPENDITURES:					
Instruction:					
Regular programs:					

(Continued on next page)

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
Elementary	553,658	62,531	-	26,348	642,537
Middle/Junior high	171,035	35,440	-	7,978	214,453
High school	416,986	45,020	-	15,865	477,871
Special programs:					
Programs for special education	-	-	271,049	-	271,049
Educationally deprived	69,327	-	-	2,862	72,189
Support Services:					
Pupils:					
Attendance and social work	1,464	-	-	82	1,546
Guidance	43,978	-	1,709	2,113	47,800
Health	636	-	-	-	636
Psychological	-	-	5,537	-	5,537
Speech pathology	-	-	53,662	-	53,662
Student therapy services	-	-	24,993	-	24,993
Instructional staff:					
Improvement of instruction	23,800	-	-	-	23,800
Educational media	81,504	353	-	2,817	84,674
General administration:					
Board of education	46,626	-	-	-	46,626
Executive administration	128,050	1,022	-	5,170	134,242
School administration:					
Office of the principal	172,454	-	-	8,193	180,647
Other	673	-	-	-	673
Business:					
Fiscal services	77,112	-	-	2,261	79,373
Operation and maintenance of plant	538,850	61,155	-	5,963	605,968
Pupil transportation	65,973	-	-	491	66,464
Food services	-	6,907	-	-	6,907
Special education:					
Administrative costs	-	-	5,818	-	5,818
Transportation costs	-	-	1,524	-	1,524
Debt Services	-	168,100	-	-	168,100
Cocurricular Activities:					
Male activities	39,704	-	-	1,123	40,827
Female activities	27,473	1,211	-	1,018	29,702
Transportation	7,499	-	-	226	7,725
Combined activities	51,964	13,251	-	1,838	67,053
Capital Outlay	-	91,881	-	-	91,881

(Continued on next page)

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
TOTAL EXPENDITURES	2,518,766	486,871	364,292	84,348	3,454,277
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	193,724	115,143	116,065	(1,202)	423,730
OTHER FINANCING SOURCES (USES):					
Transfers out	(4,074)	-	-	-	(4,074)
Sale of surplus property	3,550	-	-	-	3,550
Compensation for loss of general capital assets	769	-	-	-	769
TOTAL OTHER FINANCING SOURCES (USES)	245	-	-	-	245
NET CHANGE IN FUND BALANCES	193,969	115,143	116,065	(1,202)	423,975
FUND BALANCE - BEGINNING	1,892,536	904,077	653,419	35,389	3,485,421
FUND BALANCE - ENDING	$2,086,505	$1,019,220	$769,484	$ 34,187	$ 3,909,396

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds		$ 423,975
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.		91,881
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(99,149)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		
Other Long-Term Debt	$160,140	160,140
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.		
Sick Leave	$ 984	
Other Leave Types	$ 2,421	(3,405)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		2,200
Change in Net Position of Governmental Activities		$ 575,642

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 6,713	$ -	$ 6,713
Inventory of stores purchased for resale	495	-	495
Inventory of donated food	186	-	186
Prepaid expenses	1,273	-	1,273
Total Current Assets	8,667	-	8,667
Capital Assets:			
Machinery and equipment - local funds	103,651	-	103,651
Less: accumulated depreciation	(55,766)	-	(55,766)
Total Noncurrent Assets	47,885	-	47,885
TOTAL ASSETS	$ 56,552	$ -	$ 56,552
LIABILITIES:			
Current Liabilities:			
Due to General Fund	$ 3,369	$ 542	$ 3,911
Total Current Liabilities	3,369	542	3,911
NET POSITION:			
Net investment in capital assets	47,885	-	47,885
Unrestricted net position	5,298	(542)	4,756
Total Net Position	53,183	(542)	52,641
TOTAL LIABILITIES AND NET POSITION	$ 56,552	$ -	$ 56,552

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
OPERATING REVENUE:			
Food Sales:			
Student	$ 50,961	$ -	$ 50,961
Adult	4,551	-	4,551
Ala Cart	2,463	-	2,463
Other Charges for Goods and Services	3,961	2,600	6,561
TOTAL OPERATING REVENUE	61,936	2,600	64,536
OPERATING EXPENSES:			
Salaries	33,205	2,765	35,970
Employee benefits	11,774	377	12,151
Purchased services	1,885	-	1,885
Supplies	2,610	-	2,610
Cost of sales - purchased	53,760	-	53,760
Cost of sales - donated	8,029	-	8,029
Other	16	-	16
Depreciation	4,171	-	4,171
TOTAL OPERATING EXPENSES	115,450	3,142	118,592
OPERATING LOSS	(53,514)	(542)	(54,056)
NONOPERATING REVENUE (EXPENSE):			
State grants	998	-	998
Federal grants	35,754	-	35,754
Donated food	8,215	-	8,215
Loss on sale of capital assets	(1,363)	-	(1,363)
TOTAL NONOPERATING REVENUE (EXPENSE)	43,604	-	43,604
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(9,910)	(542)	(10,452)
CAPITAL CONTRIBUTIONS	6,907	-	6,907
TRANSFERS IN	3,402	672	4,074
CHANGE IN NET POSITION	399	130	529
NET POSITION - BEGINNING	52,784	(672)	52,112
NET POSITION - ENDING	$ 53,183	$ (542)	$ 52,641

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	$ 61,936	$ 2,600	$ 64,536
Cash payments to employees for services	(44,979)	(3,142)	(48,121)
Cash payments to suppliers of goods or services	(58,376)	-	(58,376)
Net cash used by operating activities	(41,419)	(542)	(41,961)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to General Fund	(33)	(130)	(163)
Transfer from General Fund	3,402	672	4,074
Operating grants	36,752	-	36,752
Net cash provided by noncapital financing activities	40,121	542	40,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,298)	-	(1,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,011	-	8,011
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,713	$ -	$ 6,713
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
OPERATING LOSS	$(53,514)	$ (542)	$ (54,056)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation expense	4,171	-	4,171
Value of donated commodities used	8,029	-	8,029
Change in assets and liabilities:			
Inventories	(105)	-	(105)
NET CASH USED BY OPERATING ACTIVITIES	$(41,419)	$ (542)	$ (41,961)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Loss on disposal of capital assets not affecting operating income	$ 1,363	$ -	$ 1,363
Value of commodities received	$ 8,215	$ -	$ 8,215
Equipment purchased by Capital Outlay Fund	$ 6,907	$ -	$ 6,907

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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds
ASSETS:	
Cash and cash equivalents	$ 31,779
TOTAL ASSETS	$ 31,779
LIABILITIES:	
Amounts held for others	$ 31,779
TOTAL LIABILITIES AND NET POSITION	$ 31,779

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

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 Agar-Blunt-Onida School District No 58-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

NOTE 1 - (Continued)

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten 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 five percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

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

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund and is the only "other governmental fund" in the Governmental Fund financial statements.

Proprietary Funds:

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

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of

NOTE 1 - (Continued)

the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Drivers Education Fund - A fund used to record financial transactions related to the drivers' education operations. This fund is financed by user charges. This is not a major fund and is the only "other enterprise fund" in the Enterprise Fund financial statements.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

NOTE 1 - (Continued)

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2013, are for federal reimbursement and for property taxes.

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

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

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

d. 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.

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.

NOTE 1 - (Continued)

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

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

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

The total June 30, 2013 balance of capital assets for governmental activities includes approximately 67 percent for which the costs were determined by estimates of the original costs. The total June 30, 2013 balance of capital assets for business-type activities includes approximately 40 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by appraisals.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ --	N/A	N/A
Buildings	$ 25,000	Straight-line	33 - 50 years
Machinery and Equipment - Governmental	$ 5,000	Straight-line	7 - 20 years
Machinery and Equipment - Proprietary	$ 500	Straight-line	10 - 15 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities:

NOTE 1 - (Continued)

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 accrued leave payable and an energy savings contract.

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 two 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.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-Wide Financial Statements:

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

NOTE 1 - (Continued)

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

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.

NOTE 1 - (Continued)

The Nonspendable Fund Balance is comprised of the following:

Amount reported in non-spendable form such as prepaid expenses.

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

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Property Taxes
Special Education Fund	Grants and Property Taxes

A schedule of fund balances is provided as follows:

Agar-Blunt-Onida School District No 58-3
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Prepaid expenses	$ 23,508	$ --	$ --	$ --	$ 23,508
Restricted for:					
Capital Outlay Fund	--	1,019,220	--	--	1,019,220
Special Education Fund	--	--	769,484	--	769,484
Pension Fund	--	--	--	34,187	34,187
Assigned to:					
Unemployment	22,523	--	--	--	22,523
Subsequent year's budget	73,890	--	--	--	73,890
Unassigned	1,966,584	--	--	--	1,966,584
Total Fund Balances	$2,086,505	$1,019,220	$769,484	$34,187	$3,909,396

NOTE 2 - DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL NONMAJOR FUND

As of June 30, 2013, the following individual nonmajor funds had deficit fund balances/net position in the amounts shown:

NOTE 2 - (Continued)

Drivers Education Fund	$542

The Governing Board plans to take the following action to address this violation: The Governing Board will make an operating transfer to clear the deficit of $542 in the Drivers Education Fund.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all the funds except for Food Service Fund and the Agency 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.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposits - 100%.

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 investment.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2013, the District's deposits in financial institutions were exposed to custodial credit risk as follows:

NOTE 3 - (Continued)

Depository Name	% Under-collateralized	At-Risk Amount
Sunrise Bank Dakota	18.10%	$509,560

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables and payables are aggregated in the Statement of Net Position. However, the detail of all receivables and current payables is shown in the Governmental Funds Balance Sheet. Deferred revenue, which is shown as a current liability on the Governmental Funds Balance Sheet, is also shown on the Statement of Net Position, with the difference of $11,134 between the two statements shown as a reconciling item on the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position. The detail of the noncurrent liabilities on the Statement of Net Position is shown at Note 8. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been established as follows:

They have been estimated as immaterial, with an allowance balance of zero.

NOTE 5 - INVENTORY

Inventory held for consumption is stated at cost.

Inventory held for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material inventories in the governmental funds at June 30, 2013.

NOTE 6 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is 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

NOTE 6 - (Continued)

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 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

Primary Government

	Balance 07/01/2012	Increases	Decreases	Balance 06/30/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 11,430	$ --	$ --	$ 11,430
Construction in progress	--	22,350	--	22,350
Total, not being depreciated	11,430	22,350	--	33,780
Capital assets, being depreciated:				
Buildings	1,963,090	87,321	--	2,050,411
Improvements	439,637	--	--	439,637
Machinery and equipment	1,219,405	5,509	9,393	1,215,521
Total, being depreciated	3,622,132	92,830	9,393	3,705,569
Less accumulated depreciation for:				
Buildings	1,193,431	52,897	--	1,246,328
Improvements	150,423	25,213	--	175,636
Machinery and equipment	912,745	44,338	9,393	947,690
Total accumulated depreciation	2,256,599	122,448	9,393	2,369,654
Total capital assets, being depreciated, net	1,365,533	(29,618)	--	1,335,915
Governmental activity capital assets, net	$1,376,963	$ (7,268)	$ --	$1,369,695

The $23,299 difference between the increases in capital assets and the increases in depreciation expense shown above and the capital assets purchased and depreciation expense shown on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities is a result of a building which was purchased back in 1940 but it was never included on the capital asset records before. The building was completely depreciated out, so the inclusion of the building has a net effect of $0 on the financial statements. Instead, it just increases the total capital assets and the total accumulated depreciation as shown above.

Depreciation expense was charged to functions as follows:

NOTE 7 - (Continued)

Governmental activities:	
Instruction	$ 6,028
Support services	73,640
Cocurricular activities	19,481
Total depreciation expense - governmental activities	$99,149

	Balance 07/01/2012	Increases	Decreases	Balance 06/30/2013
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	$112,541	$6,907	$15,797	$103,651
Less accumulated depreciation for:				
Machinery and equipment	66,029	4,171	14,434	55,766
Business-type activity capital assets, net	$ 46,512	$2,736	$ 1,363	$ 47,885

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	$4,171

Construction Work in Progress at June 30, 2013, is composed of the following:

Project Name	Project Authorization	Expended Thru 06/30/2013	Committed	Required Future Financing
New High School Building	$--	$22,350	$--	$--

NOTE 8 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2013, is as follows:

PRIMARY GOVERNMENT

Governmental Activities

	Beginning Balances	Additions	Deletions	Ending Balance	Due Within One Year
Energy savings contract	$160,140	$ --	$160,140	$ --	$ --
Compensated absences	27,711	3,405	--	31,116	880
Total Governmental Activities	$187,851	$3,405	$160,140	$31,116	$880

NOTE 8 - (Continued)

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

Liabilities payable at June 30, 2013, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:
Compensated Absences:

Accrued sick leave - to be paid by the General Fund and Special Education Fund.	$ 25,067
Accrued personal leave - to be paid by the General Fund and Special Education Fund.	$ 6,049

NOTE 9 - OPERATING LEASES

The School District has one operating lease for two copiers which is being paid out of the Capital Outlay Fund with a total paid of $20,945.52 for the fiscal year ended June 30, 2013.

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

Year	Capital Outlay Fund
2014	$20,786
2015	20,786
2016	5,196
Total	$46,768

NOTE 10 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2013, were:

Fund	Interfund Receivable	Interfund Payable
General Fund	$3,911	$ --
Food Service Fund	$ --	$3,369
Drivers Education Fund	$ --	$ 542

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2013, were as follows:

NOTE 11 - (Continued)

Purpose	Restricted By	Amount
Major Funds:		
Capital Outlay Purposes	Law	$1,020,922
Special Education Purposes	Law	770,595
Other Purposes:		
Pension Purposes	Law	34,414
Total Restricted Net Position		$1,825,931

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

NOTE 12 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, were as follows:

	Transfers To:		
Transfers From:	Food Service Fund	Drivers Education Fund	Total
Major Funds:			
General Fund	$3,402	$672	$4,074

The School District transferred money from the General Fund to the Food Service Fund to provide money for the general operation of the lunch program and transferred money from the General Fund to the Drivers Education Fund to provide money for general operation of the drivers' education program.

NOTE 13 - 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, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2013, 2012 and 2011, were $99,036, $92,338, and $93,334 respectively, equal to the required contributions each year.

NOTE 14 - 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, 2013, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not include a lifetime maximum payment per person.

Liability Insurance:

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

Workers' 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 Assigned Fund Balance in the General Fund in the amount of $22,523 for the payment of future unemployment benefits.

During the year ended June 30, 2013, no claims for unemployment benefits were paid. At June 30, 2013, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 - LITIGATION

At June 30, 2013, the School District was not involved in any litigation.

NOTE 16 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through October 24, 2013, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$2,067,400	$2,067,400	$2,006,893	$ (60,507)
Prior years' ad valorem taxes	15,000	15,000	12,224	(2,776)
Tax deed revenue	-	-	4,399	4,399
Utility taxes	195,000	195,000	346,568	151,568
Other taxes	5,000	5,000	9,298	4,298
Penalties and interest on taxes	5,000	5,000	5,563	563
Earnings on investments and deposits	11,000	11,000	9,582	(1,418)
Cocurricular activities:				
Admissions	22,250	22,250	23,880	1,630
Other revenue from local sources:				
Rentals	100	100	260	160
Contributions and donations	750	750	2,083	1,333
Refund of prior years' expenditures	-	-	2,419	2,419
Charges for services	16,600	16,600	18,173	1,573
Other	10,250	10,250	11,127	877
Revenue from Intermediate Sources:				
County sources:				
County apportionment	18,000	18,000	17,083	(917)
Revenue in lieu of taxes	100	100	92	(8)
Revenue for joint facilities	27,000	27,000	27,000	-
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	95,850	95,850	129,044	33,194
Restricted grants-in-aid	3,000	3,000	13,875	10,875
Revenue in lieu of taxes	-	-	155	155
Other state revenue	500	500	1,308	808
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	-	-	12,937	12,937
Restricted grants-in-aid received from federal government through the state	59,725	59,725	58,527	(1,198)
Other federal revenue	10,500	10,500	-	(10,500)
TOTAL REVENUE	2,563,025	2,563,025	2,712,490	149,465
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	604,750	604,750	553,658	51,092
Middle/Junior high	198,300	198,300	171,035	27,265
High school	449,330	449,330	416,986	32,344

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Special programs:				
Educationally deprived	60,410	68,012	69,327	(1,315)
Support Services:				
Pupils:				
Attendance and social work	2,150	2,150	1,464	686
Guidance	44,160	44,160	43,978	182
Health	600	600	636	(36)
Instructional staff:				
Improvement of instruction	18,690	18,690	23,800	(5,110)
Educational media	82,800	84,000	81,504	2,496
General administration:				
Board of education	54,545	54,545	46,626	7,919
Executive administration	125,150	125,150	128,050	(2,900)
School administration:				
Office of the principal	186,300	186,300	172,454	13,846
Other	1,000	1,000	673	327
Business:				
Fiscal services	77,440	77,440	77,112	328
Operation and maintenance of plant	468,375	471,875	538,850	(66,975)
Pupil transportation	59,550	59,550	65,973	(6,423)
Cocurricular Activities:				
Male activities	43,500	43,500	39,704	3,796
Female activities	27,200	27,200	27,473	(273)
Transportation	7,800	7,800	7,499	301
Combined activities	51,575	51,575	51,964	(389)
Contingencies	75,000	75,000		
Amount transferred		(15,376)		59,624
TOTAL EXPENDITURES	2,638,625	2,635,551	2,518,766	116,785
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(75,600)	(72,526)	193,724	266,250
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,000)	(4,074)	(4,074)	-
Sale of surplus property	-	-	3,550	3,550
Compensation for loss of general capital assets	-	-	769	769
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	(4,074)	245	4,319
NET CHANGE IN FUND BALANCES	(76,600)	(76,600)	193,969	270,569
FUND BALANCE - BEGINNING	1,892,536	1,892,536	1,892,536	-
FUND BALANCE - ENDING	$1,815,936	$1,815,936	$2,086,505	$ 270,569

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$ 600,975	$ 600,975	$ 589,612	$ (11,363)
Prior years' ad valorem taxes	10,000	10,000	2,592	(7,408)
Penalties and interest on taxes	2,500	2,500	1,549	(951)
Earnings on investments and deposits	3,500	3,500	8,228	4,728
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	-	-	33	33
TOTAL REVENUE	616,975	616,975	602,014	(14,961)
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	56,950	56,950	62,531	(5,581)
Middle/Junior high	69,900	69,900	35,440	34,460
High school	70,000	70,000	45,020	24,980
Support Services:				
Instructional staff:				
Educational media	7,000	7,000	5,862	1,138
General administration:				
Executive administration	1,500	1,500	1,022	478
School administration:				
Office of the principal	3,000	3,000	-	3,000
Business:				
Facilities acquisition and construction	50,000	86,375	86,372	3
Operation and maintenance of plant	175,000	175,000	61,155	113,845
Pupil transportation	115,000	115,000	-	115,000
Food services	6,500	6,908	6,907	1
Debt Services	50,080	168,100	168,100	-
Cocurricular Activities:				
Male activities	5,000	5,000	-	5,000
Female activities	5,000	5,000	1,211	3,789
Combined activities	5,000	13,251	13,251	-
TOTAL EXPENDITURES	619,930	782,984	486,871	296,113
NET CHANGE IN FUND BALANCES	(2,955)	(166,009)	115,143	281,152
FUND BALANCE - BEGINNING	904,077	904,077	904,077	-
FUND BALANCE - ENDING	$ 901,122	$ 738,068	$1,019,220	$ 281,152

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS-SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$ 407,760	$ 407,760	$ 400,972	$ (6,788)
Prior years' ad valorem taxes	2,500	2,500	1,653	(847)
Penalties and interest on taxes	1,000	1,000	1,020	20
Earnings on investments and deposits	1,500	1,500	1,332	(168)
Other revenue from local sources:				
Charges for services	1,000	1,000	1,537	537
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	-	-	23	23
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	73,820	73,820	73,820	-
TOTAL REVENUE	487,580	487,580	480,357	(7,223)
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	304,655	324,436	271,049	53,387
Support Services:				
Pupils:				
Guidance	-	1,710	1,709	1
Health	1,500	1,500	-	1,500
Psychological	16,000	16,000	5,537	10,463
Speech pathology	59,250	59,250	53,662	5,588
Student therapy services	50,000	50,000	24,993	25,007
Instructional staff:				
Educational media	2,155	2,155	-	2,155
Special education:				
Administrative costs	13,350	13,350	5,818	7,532
Transportation costs	200	1,569	1,524	45
TOTAL EXPENDITURES	447,110	469,970	364,292	105,678
NET CHANGE IN FUND BALANCES	40,470	17,610	116,065	98,455
FUND BALANCE - BEGINNING	653,419	653,419	653,419	-
FUND BALANCE - ENDING	$ 693,889	$ 671,029	$ 769,484	$ 98,455

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2013

NOTE 1 - Budgets and Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.

6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.

7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.

8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.