BRANDON VALLEY
SCHOOL DISTRICT NO. 49-2

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

School Board

Sandy Klatt

Gregg Ode

Cary Schroeder

Renee Ullom

Sue Hegland

Business Manager

Paul J. Lundberg

Superintendent

David Pappone

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QUAM & BERGLIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025
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(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Brandon Valley School District No. 49-2, Minnehaha County, South Dakota (School District), as of June 30, 2014 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.

Auditor's 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 auditor's 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, business-type activities, each major fund, and the aggregate remaining fund information of Brandon Valley School District No. 49-2 as of June 30, 2014, 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 Management's Discussion and Analysis (MD&A), the Schedule of Funding Progress, and the Budgetary Comparison Schedules listed in the table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brandon Valley School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the Brandon Valley School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brandon Valley School District's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD

November 26, 2014

BRANDON VALLEY SCHOOL DISTRICT 49-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

As management of Brandon Valley School District 49-2 (District), we offer readers of the District's financial statement this narrative overview and analysis of the District's financial performance for the fiscal year ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

- In December of 2013, the Brandon Valley School District successfully passed a General Obligation Bond Issue in the amount of $5.95 Million with an overwhelming 77% approval rating. Coupled with the issuance of $8.15 Million of Capital Outlay certificates, the Brandon Valley School District has started construction of a new Intermediate School as of May of 2014. This school is scheduled to be completed in August of 2015. During the process of issuing the bonds and certificates, the District was proud to have received a AA stable rating from Standard & Poor's rating agency. This AA stable rating reflects the solid financial condition of the District.

- The District's net position from Governmental activities increased by $1,196,410 primarily due to revenues exceeding expenditures.

- The District continues to maintain an adequate financial position in all major operating funds. The beginning fund balance of the General Fund was 32.0% and the ending fund balance is at 30.2%. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. The ending cash position of the General Fund on June 30, 2014 was $6,669,053, which reflects a 1.2% increase ($80,988).

- The Capital Outlay Fund saw its revenues exceed expenditures by $116,945. The ending cash position of the Capital Outlay Fund on June 30, 2014 was $3,307,105, which reflects an increase of $261,127 (8.6%).

- The Special Education Fund is a fund in which the State regulates the amount of allowable fund balance at year-end. The State imposed fund balance cap is 25%. The ending fund balance of $729,494 is 16.8%. The decrease in fund balance ($366,356) is due primarily to a planned/budgeted fund balance reduction of expenditures exceeding revenues.

- The Pension Fund is used for two purposes: early retirement payments and 1% of the General Fund South Dakota Retirement costs. The fund's expenditures exceeded revenues by $134,482 leaving the fund balance on June 30, 2014 at $575,674. The fund balance has been accumulated in recent years in order to properly fund an increasing number of early retirees. Based on early retirement projections, current revenues plus the existing fund balance will be adequate to account for all future expenditures.

- The Bond Redemption Fund is used to pay the debt service of General Obligation bonds of the District. Taxes are levied to adequately fund all debt service. The fund balance of this fund at June 30, 2014 was $701,457.

- Business-type activities had an increase in net position of $79,705 during the 2013-14 school year primarily due to revenues exceeding expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how basic services, e.g., regular and special education, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities that the school, operates like a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has two business-type activities, i.e., Food Service and Other Enterprise Fund.
  - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

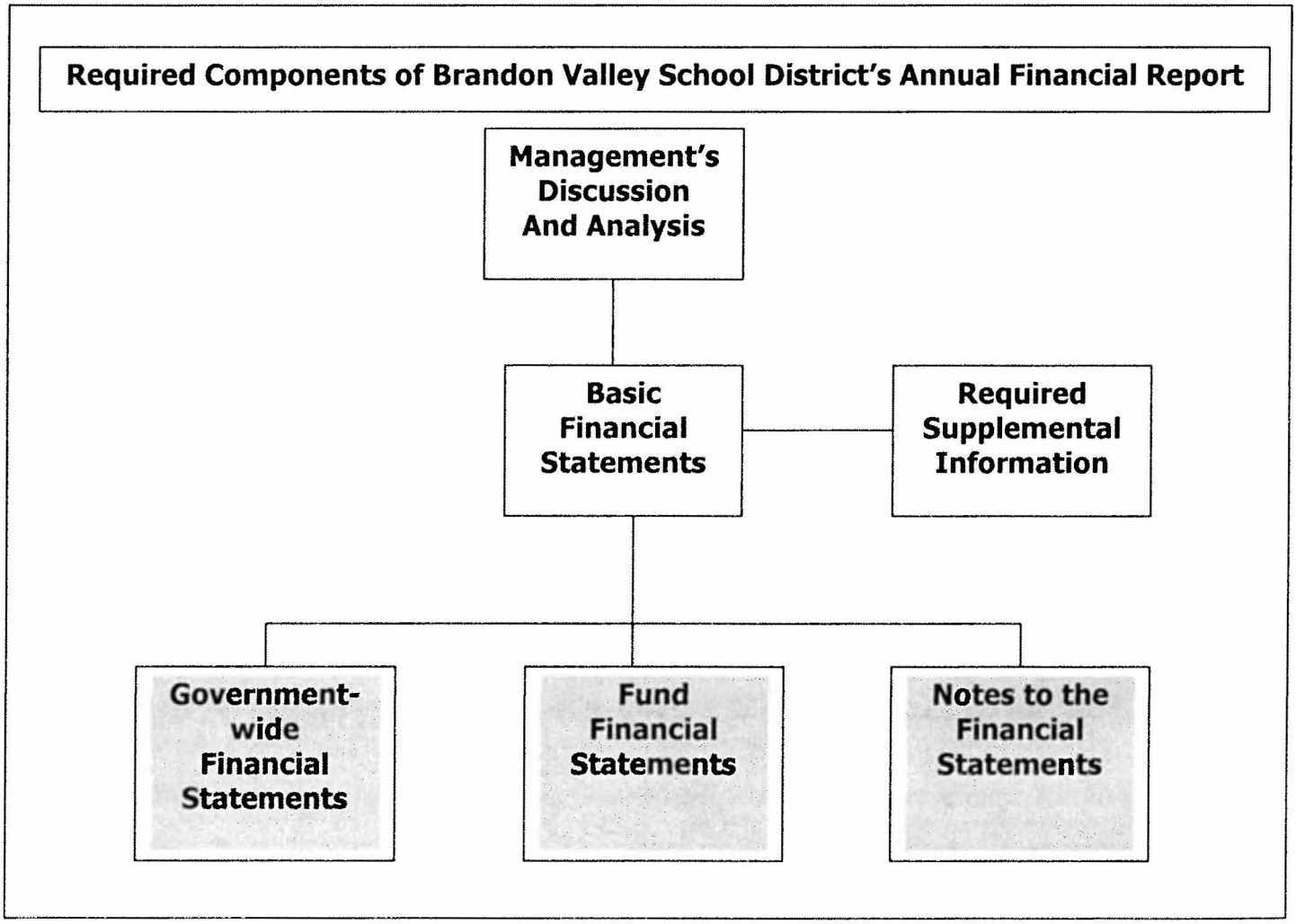


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

Major Functions of the Government-wide and Fund Financial Statements

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 position and how they have changed. Net position, 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 position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base and changes in the state school aid funding formula, also need to be considered.

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

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

Fund Financial Statements

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

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

The District has three generic fund types:

- Governmental Funds – Most of the District's basic services are included in the governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine if there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship and reconciles the differences between the fund financial statements and the government-wide statements.
- Proprietary Funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short and long-term financial information. The District uses enterprise funds (one type of proprietary fund) to report the activities of its Food Service and Driver's Education programs.
- 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 Position and a Statement of Changes in Fiduciary Net Position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance it operations.

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

The District's combined net position changed as follows:

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

	Governmental Activities		Business-Type Activities		Total		% Change
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	2013-14
Current and Other Assets	$20,544,222	$34,184,089	$523,895	$581,636	$21,068,117	$34,765,725	65.0%
Capital Assets	45,580,701	46,158,291	99,125	121,487	45,679,826	46,279,778	1.3%
Total Assets	$66,124,923	$80,342,380	$623,020	$703,123	$66,747,943	$81,045,503	21.4%
Deferred Loss on Refunding	0	101,817	0	0	0	101,817	100.0%
Total Deferred Outflows of Resources	$0	$101,817	$0	$0	$0	$101,817	100.0%
Long-Term Debt Outstanding	$25,005,414	$37,220,448	$0	$0	$25,005,414	$37,220,448	48.8%
Other Liabilities	3,711,212	4,922,338	41,674	42,071	3,752,886	4,964,409	32.3%
Total Liabilities	$28,716,626	$42,142,786	$41,674	$42,071	$28,758,300	$42,184,857	46.7%
Net Position:							
Invested in Capital Assets Net of Related Debt	$19,987,972	$20,569,099	$99,125	$121,487	$20,087,097	$20,690,586	3.0%
Restricted	8,683,464	8,666,977	0	0	8,683,464	8,666,977	-0.2%
Unrestricted	8,736,861	9,065,335	482,222	539,565	9,219,083	9,604,900	4.2%
Total Net Assets	$37,408,297	$38,301,411	$581,347	$661,052	$37,989,644	$38,962,463	2.6%
Beginning Net Position	35,066,022	37,408,297	454,715	581,347	35,520,737	37,989,644	
Prior Period Adjustment	766,902	0	0	0	766,902	0	
Adjusted Beginning Net Position	$35,832,924	$37,408,297	$454,715	$581,347	$36,287,639	$37,989,644	
Increase(Decrease) in Net Assets	$1,575,373	$893,114	$126,632	$79,705	$1,702,005	$972,819	
Percentage of Increase Decrease) in Net Assets	4.4%	2.4%	27.8%	13.7%	4.7%	2.6%	

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

The total assets of the School District increased $14,297.560. Equity in the School District's pooled cash and cash equivalents increased $13,124,450. Property tax receivables increased $228,964 and other assets increased $344,194. Capital assets increased $599,952 and are discussed in detail later in this report.

Total Liabilities of the School District increased $13,426,558 which is primarily the result of the issuance of new debt.

The total net position of the School District increased $972,819, which included increases of $603,489 in capital asset investment and restricted net position and $385,817 in unrestricted net position which involve the general operations of the School District.

GOVERNMENTAL ACTIVITIES

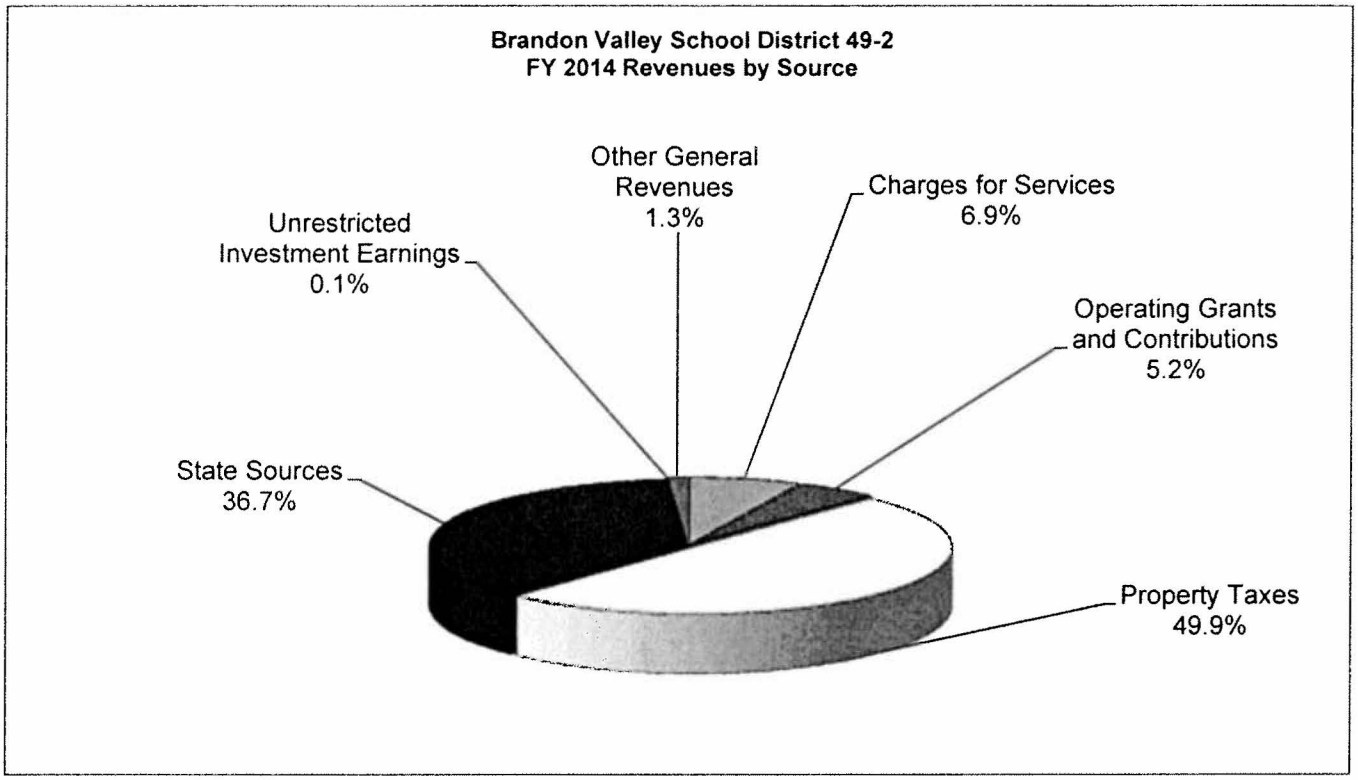
Table A-2 and the narrative that follow consider the operations of the government-wide activities.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-14
Program Revenues							
Charges for Services	$836,211	$809,534	$1,374,851	$1,435,211	$2,211,062	$2,244,745	1.5%
Operating Grants and Contributions	962,226	964,608	612,886	714,922	1,575,112	1,679,530	6.6%
Capital Grants and Contributions	0				0	0	0.0%
General Revenues							
Property Taxes	14,940,663	16,235,117			14,940,663	16,235,117	8.7%
State Sources	11,460,048	11,947,400			11,460,048	11,947,400	4.3%
Unrestricted Investment Earnings	25,611	28,495			25,611	28,495	11.3%
Other General Revenues	374,881	407,601			374,881	407,601	8.7%
Total Revenues	$28,599,640	$30,392,755	$1,987,737	$2,150,133	$30,587,377	$32,542,888	6.4%
Expenses							
Instruction	$14,731,737	$16,016,580			$14,731,737	$16,016,580	8.7%
Support Services	10,167,239	11,623,168			10,167,239	11,623,168	14.3%
Community Service	0	0			0	0	0.0%
Non-programmed Charges	545,722	105,720			545,722	105,720	N/A
Debt Service	918,263	1,049,994			918,263	1,049,994	14.3%
Co-Curricular Activities	661,306	704,179			661,306	704,179	6.5%
Food Service			1,834,273	2,030,020	1,834,273	2,030,020	10.7%
Driver's Education			26,831	40,408	26,831	40,408	N/A
Total Expenses	$27,024,267	$29,499,641	$1,861,104	$2,070,428	$28,885,371	$31,570,069	9.3%
Excess of Revenue Over (Under) Expenses	$1,575,373	$893,114	$126,633	$79,705	$1,702,006	$972,819	-42.8%

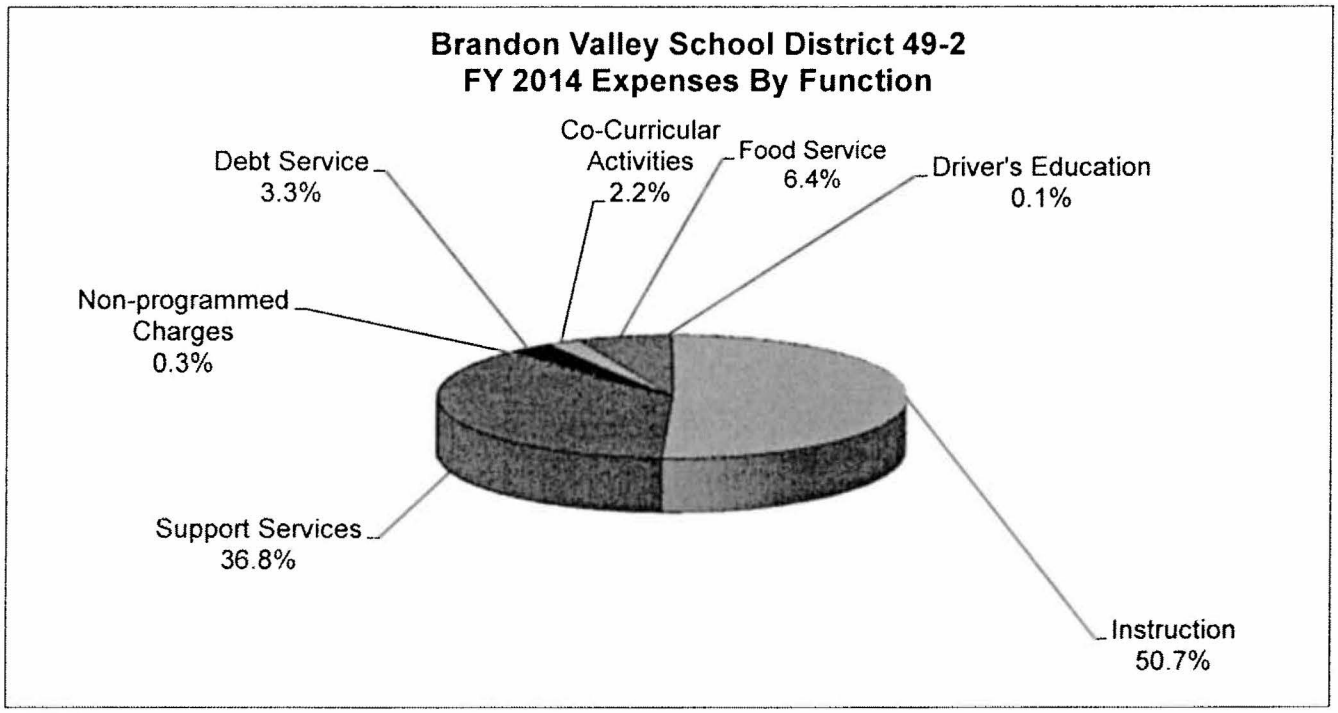
The District's revenues totaled $32,542,888 (See Table A-2). Almost half of the District's revenue came from property taxes, with over a third coming from state aid (See Figure A-3).

Figure A-3



The District's expenditures totaled $31,570,069 (See Table A-2) and covered a range of services, including instruction, support services, community services, debt service, co-curricular activities and food services (See Figure A-4).

Figure A-4



BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities, i.e., food services, driver's education increased by 8.2% from $1,987,737 in FY2013 to $2,150,133 in FY2014 and expenses increased by 11.2% from $1,861,104 in FY2013 to $2,070,428 in FY2014. Factors contributing to these results include the following:

- The increase in revenue was due primarily to 0.10 cent increase in the type A lunch prices for 2013-14 and increased participation. There was also an increase in the federal reimbursement revenue of approximately $30,000 due to an increase in the number of children qualifying for free and reduced meals.
- Expenditures increased 11% in 2013-14. The increase in expenditures was primarily in the area of personnel (increased salaries and additional staff) and the cost of food.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balances changed as follows: General Fund increased $51,545, resulting primarily from revenues exceeding expenditures. Capital Outlay Fund increased $116,945 because of projects coming in under budget or not completed. Special Education Fund decreased $366,356 as a result of expenditures exceeding revenues which was planned/budgeted. Pension Fund decreased $134,482 as a result of expenditures exceeding revenues which was planned/budgeted. Bond Redemption Fund decreased $115,199 as a result of expenditures exceeding revenues.

BUDGETARY HIGHLIGHTS

The Board of Education was presented with a preliminary budget for their review and consideration on May 13, 2013 as prescribed by state statute. Following their review, the 2013-14 budget was adopted by the Board of Education on July 11, 2013 with only minor modifications. Several minor 2013-14 budget supplements were approved by the Board of Education on July 14, 2014.

CAPITAL ASSET ADMINISTRATION

At the end of FY2014, the District had invested $69,556,667 in a broad range of capital assets, including land, buildings, improvements other than buildings, and equipment for governmental activities (see Table A-3). This amount represents a net increase (including additions and deductions) of $2,423,718 or 3.6%, over the previous year.

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

	Governmental Activities		Business Activities	
	FY2013	FY2014	FY2013	FY2014
Land	$1,893,008	$1,893,008		
Buildings	53,127,267	53,127,267		
Improvements other than Buildings	3,716,566	3,716,566		
Equipment	7,782,912	8,683,063	613,196	661,484
Construction Work in Progress	0	1,475,279		
Total Capital Assets	66,519,753	68,895,183	613,196	661,484
Accumulated Depreciation	(20,939,052)	(22,736,892)	(507,481)	(539,997)
Total All Capital Assets	$45,580,701	$46,158,291	$105,715	$121,487

LONG-TERM DEBT

At year-end, the District had $39,474,903 in general obligation bonds, capital outlay certificates, and other long-term obligations. This is an increase of 47.7% as shown on table A-4.

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

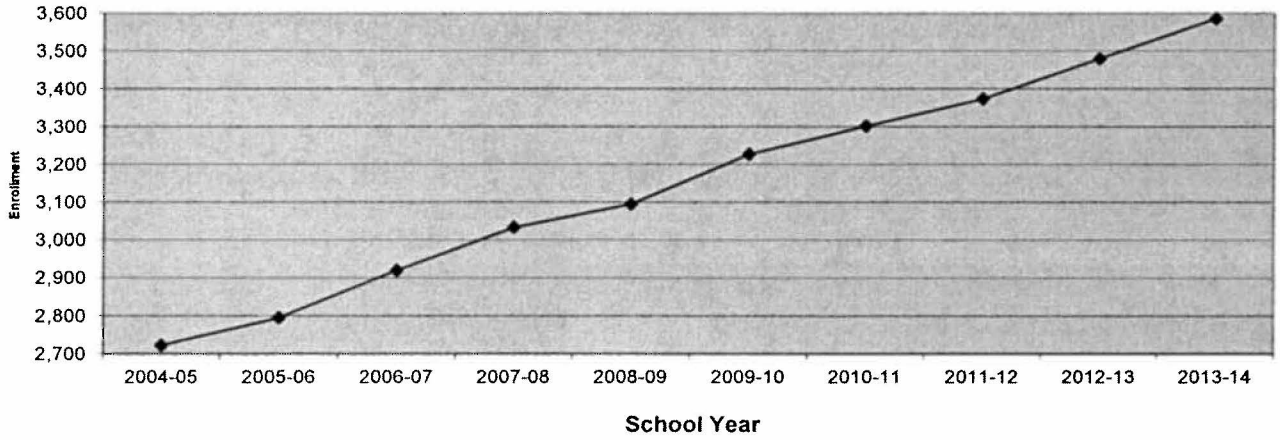
	Governmental Activities		Business Type Activities		Total Dollar Change	Total Percentage Change
	FY2013	FY2014	FY2013	FY2014	FY2013-14	FY2013-14
Capital Outlay Certificates	$60,000	$8,155,000			$8,095,000	13491.7%
General Obligation Bonds	25,660,000	30,375,000			4,715,000	18.4%
Early Retirement, Accrued Leave Payable, & Accrued Interest	1,006,063	944,903			(61,160)	-6.1%
Total Outstanding Debt and Obligations	$26,726,063	$39,474,903			$12,748,840	47.7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The District experienced an increase in the 2015 assessed value of the District in the amount of $76M or 5.8%. This increase appears to be reflective of the end of the economic slowdown that has plagued the economy for the last three years. We believe that the increase is reflecting a rebound in the home building environment which should equate to additional funding for the District. The Funds that receive financial support from property taxes except for the General fund and the Special Education fund will benefit proportionately from this small increase in value. The manner in which the state aid formulas for the General fund and the Special Education fund are calculated eliminate the benefit of increased value for these funds. The state legislature annually sets the maximum dollars per 1,000 of assessed value a district can request in all taxing funds except the Debt Service fund which is establish by an approved resolution voted upon by district patrons.
- The State Aid formula for the General and Special Education funds are based on the District's fall enrollment and the number of special needs students being served in various need categories respectively. The 2013-14 general state aid is calculated on $4,626/student based upon the September child count and increases annually by the lesser of the rate of inflation or three percent (3%). The state aid formula insures that the state aid and the amount the district can generate through property taxes will equal the per total student allocation. The per pupil allocation increased in 2013-14 and is expected to increase (3%) in 2014-15. The district is utilizing some cash reserves to fund its current year's operating budgets. Additional funding from the State of South Dakota would provide needed resources for the District. It appears that the financial condition of the state is improving so we are cautiously optimistic of receiving additional revenue above the statutory minimums. The special education aid is calculated very similar with the use of six (6) different student categories, each having a varying value assigned to the category. Once again, the calculated student need of the Special Education fund is accommodated by the amount that can be generated locally through property taxes and state support. With the basic formula being calculated on the student need amount less the amount raised locally through property taxes equaling the amount of state support, you can see that the District does not receive the financial advantage of increased assessed value in the General Fund or Special Education Fund.
- The enrollment of the District has increased over the past ten years and 2013-14 was not an exception. Total number of students increased 97 in 2013-14. These enrollment increases have allowed the District financial successes that have not been experienced by other school districts in the state of South Dakota in the past years. With a major portion of the District's state funding based on enrollment numbers, the financial impact of increasing enrollment is an important factor in the financial stability of the District. Enrollment increases are a significant source of new revenue for the District. The following graph illustrates prior enrollment and potential trends.

Figure A-5
Enrollment During the Last Ten Years



- The state of the national economy continues to be a concern. We believe that our local economy has turned around and is rebounding nicely. The financial condition of the State of South Dakota will have a significant impact on how revenues will flow to the local School Districts. We predict revenue streams to increase at the statutory inflationary level at the least, and combined with our "new" revenue sources coming from increased enrollments should put us in a solid financial position.
- Inflation rates will have a significant impact on the School District along with State of South Dakota revenues. It is projected that rates of inflation will be very low in the next five years causing an effect on the additional income that is received by the School District. General and Special Education Fund per student increases are based on the rate of inflation or 3%, whichever is less.
- Annually the District negotiates the salary and benefits package of District employees. With approximately 86% of the General fund expenditures being salary and benefit costs, the outcome of negotiations has a major impact on the future financial status of the District.
- The District passed a bond referendum in December of 2013 to fund the construction of a new intermediate school (Grades 5 and 6). It is anticipated that this will be completed in August of 2015.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional information, please contact the Brandon Valley School District 49-2 Business Office, 300 S. Splitrock Boulevard, Brandon, SD 57005.

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BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 20,600,805.89	$ 546,447.29	$ 21,147,253.18
Investments	5,000,000.00		5,000,000.00
Taxes Receivable	7,707,020.24		7,707,020.24
Due from Other Governments	876,262.66		876,262.66
Inventories		35,188.84	35,188.84
Capital Assets:			
Land and Construction in Progress	3,368,287.00		3,368,287.00
Other Capital Assets, Net of Depreciation	42,790,004.00	121,487.19	42,911,491.19
TOTAL ASSETS	80,342,379.79	703,123.32	81,045,503.11
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Loss on Refunding	101,817.13		101,817.13
TOTAL DEFERRED OUTFLOWS OF RESOURCES	101,817.13		101,817.13
LIABILITIES :			
Accounts Payable	704,908.81	1,042.70	705,951.51
Accrued Wages and Benefits Payable	1,962,974.22	11,424.71	1,974,398.93
Accrued Interest Payable	185,322.93		185,322.93
Deposits Payable		29,603.72	29,603.72
Noncurrent Liabilities:			
Due Within One Year	2,069,132.11		2,069,132.11
Due in More than One Year	37,220,448.00		37,220,448.00
TOTAL LIABILITIES	42,142,786.07	42,071.13	42,184,857.20
NET POSITION:			
Net Investment in Capital Assets	20,569,098.70	121,487.19	20,690,585.89
Restricted for:			
Capital Outlay	4,989,776.01		4,989,776.01
Special Education	1,623,188.50		1,623,188.50
Debt Service	1,659,574.91		1,659,574.91
Pension	394,437.32		394,437.32
Unrestricted	9,065,335.41	539,565.00	9,604,900.41
TOTAL NET POSITION	$ 38,301,410.85	$ 661,052.19	$ 38,962,463.04

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	Primary Government: Business-Type Activities	Primary Government: Total
Primary Government:						
Governmental Activities:						
Instruction	$ 16,009,158.18	$ 505,085.77	$ 980,224.00	$ (14,523,848.41)	$	$(14,523,848.41)
Support Services	11,630,590.82	179,843.30		(11,450,747.52)		(11,450,747.52)
Nonprogrammed Charges	105,720.00			(105,720.00)		(105,720.00)
*Interest on Long-term Debt	1,049,993.88			(1,049,993.88)		(1,049,993.88)
Cocurricular Activities	704,178.34	108,988.65		(595,189.69)		(595,189.69)
Total Governmental Activities	29,499,641.22	793,917.72	980,224.00	(27,725,499.50)		(27,725,499.50)
Business-type Activities:						
Food Service	2,030,019.52	1,418,913.91	691,679.24		80,573.63	80,573.63
Drivers Education Program	40,408.09	39,539.75			(868.34)	(868.34)
Total Business-type Activities	2,070,427.61	1,458,453.66	691,679.24		79,705.29	79,705.29
Total Primary Government	$ 31,570,068.83	$ 2,252,371.38	$ 1,671,903.24	(27,725,499.50)	79,705.29	(27,645,794.21)
General Revenues:						
Taxes:						
Property Taxes				15,456,491.75		15,456,491.75
UtilityTaxes				778,625.34		778,625.34
Revenue from State Sources:						
State aid				11,947,399.81		11,947,399.81
Unrestricted Investment Earnings				28,495.24		28,495.24
Other General Revenues				407,600.76		407,600.76
Total General Revenues				28,618,612.90		28,618,612.90
Change in Net Position				893,113.40	79,705.29	972,818.69
Net Position - Beginning				37,408,297.45	581,346.90	37,989,644.35
NET POSITION - ENDING				$ 38,301,410.85	$ 661,052.19	$ 38,962,463.04

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

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Assets:							
Cash and Cash Equivalents	$ 1,681,552.57	$ 3,307,105.15	$ 1,073,062.80	$ 575,673.95	$ 701,456.75	$13,261,954.67	$ 20,600,805.89
Cash with Fiscal Agent							
Investments	5,000,000.00						5,000,000.00
Taxes Receivable - Current	3,488,490.31	1,924,500.35	874,363.99	192,450.30	1,027,041.78		7,506,846.73
Taxes Receivable - Delinquent	103,526.79	47,223.17	19,330.70	4,894.07	25,198.78		200,173.51
Due from Other Governments	865,648.66		10,614.00				876,262.66
TOTAL ASSETS	11,139,218.33	5,278,828.67	1,977,371.49	773,018.32	1,753,697.31	13,261,954.67	34,184,088.79
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	55,956.18	197,852.13	28,136.40			422,964.10	704,908.81
Contracts Payable	1,440,693.32		287,213.55				1,727,906.87
Payroll Deductions and Withholdings and Employer Matching Payable	196,234.31		38,833.04				235,067.35
Total Liabilities	1,692,883.81	197,852.13	354,182.99			422,964.10	2,667,883.03
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	3,592,017.10	1,971,723.52	893,694.69	197,344.37	1,052,240.56		7,707,020.24
Total Deferred Inflows of Resources	3,592,017.10	1,971,723.52	893,694.69	197,344.37	1,052,240.56		7,707,020.24
Fund Balances:							
Restricted:							
Capital Outlay		3,109,253.02					3,109,253.02
Special Education			729,493.81				729,493.81
Pension				575,673.95			575,673.95
Debt Service					701,456.75		701,456.75
Capital Projects						12,838,990.57	12,838,990.57
Unassigned	5,854,317.42						5,854,317.42
Total Fund Balances	5,854,317.42	3,109,253.02	729,493.81	575,673.95	701,456.75	12,838,990.57	23,809,185.52
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 11,139,218.33	$ 5,278,828.67	$ 1,977,371.49	$ 773,018.32	$ 1,753,697.31	$13,261,954.67	$ 34,184,088.79

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds		$ 23,809,185.52
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is:	$ 68,895,183.00	
and the accumulated depreciation is:	(22,736,892.00)	46,158,291.00
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
General Obligation Bonds	(30,375,000.00)	
Capital Outlay Certificates	(8,155,000.00)	
Early Retirement and Compensated Absences Payable	(406,992.11)	
Other Postemployment Benefits	(352,588.00)	(39,289,580.11)
Property taxes will be collected in the future but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds.		7,707,020.24
Accrued interest payable is accounted for in the Statement of Net Position but is not accounted for in the modified accrual basis of accounting.		(185,322.93)
Deferred charges on refunded debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. Deferred amount is:		101,817.13
Net Position - Governmental Funds		$ 38,301,410.85

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	$ 6,749,317.59	$ 3,786,531.66	$ 1,654,307.06	$ 383,706.49	$ 2,042,937.46	$	$ 14,616,800.26
Prior Years' Ad Valorem Taxes	85,726.82	44,392.56	17,947.58	4,439.21	23,499.23		176,005.40
Utility Taxes	778,625.34						778,625.34
Mobile Home Taxes	2,713.74	1,666.39	704.00	166.62	885.91		6,136.66
Penalties and Interest on Taxes	31,849.92	8,715.09	3,535.20	871.44	4,651.18		49,622.83
Tuition and Fees:							
Regular Day School Tuition	4,876.00		10,614.00				15,490.00
Regular Day School Transportation Fees	136,597.30						136,597.30
Other Transportation Fees	43,246.00						43,246.00
Earnings on Investments and Deposits	23,292.55					5,202.69	28,495.24
Cocurricular Activities:							
Admissions	79,453.00						79,453.00
Other Pupil Activity Income	29,535.65						29,535.65
Other Revenue from Local Sources:							
Rentals	58,231.25						58,231.25
Contributions and Donations	59,048.96	19,461.02					78,509.98
Services Provided Other LEAs Within Stat	100,225.00		213,303.00				313,528.00
Insurance and Judgments	21,046.90						21,046.90
Charges for Services	83,820.68		92,247.09				176,067.77
Other	82,367.50	1,879.04	1,120.00				85,366.54
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	145,681.46						145,681.46
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	10,484,156.81						10,484,156.81
Restricted Grants-in-Aid	6,875.00		1,456,368.00				1,463,243.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-in-Aid Received from Federal Government Through the State	396,203.00		584,021.00				980,224.00
Total Revenues	19,402,890.47	3,862,645.76	4,034,166.93	389,183.76	2,071,973.78	5,202.69	29,766,063.39

Expenditures:					
Instruction:					
Regular Programs:					
Elementary	5,677,875.95	19,442.40		39,279.00	5,736,597.35
Middle/Junior High	2,328,530.74	11,666.91		16,375.00	2,356,572.65
High School	3,278,044.38	23,295.00		21,181.00	3,322,520.38
Special Programs:					
Gifted & Talented	65,004.43	302.55		456.00	65,762.98
Programs for Special Education		11,198.16	2,889,023.66		2,900,221.82
Culturally Different	77,845.67			497.00	78,342.67
Educationally Deprived	303,975.01			2,109.00	306,084.01
Support Services:					
Pupils:					
Guidance	514,923.38			3,905.00	518,828.38
Health	154,270.26	12,818.00	94,526.00	1,011.00	262,625.26
Psychological			159,659.13		159,659.13
Speech Pathology			529,599.88		529,599.88
Audiology			4,931.25		4,931.25
Student Therapy Services			293,246.00		293,246.00
Support Services - Instructional Staff:					
Improvement of Instruction	309,940.03			2,593.00	312,533.03
Educational Media	429,466.71	16,543.29		2,907.15	448,917.15
Support Services - General Administration:					
Board of Education	64,443.75				64,443.75
Executive Administration	388,038.14	9,408.95		3,129.11	400,576.20
Support Services - School Administration:					
Office of the Principal	1,213,202.57	3,084.97		8,556.64	1,224,844.18
Other	112,749.62	12,152.61		795.00	125,697.23
Support Services - Business:					
Fiscal Services	267,200.85			1,957.11	269,157.96
Operation and Maintenance of Plant	2,580,479.82	1,830,760.57		10,670.67	4,421,911.06
Pupil Transportation	963,780.14	15,169.60		1,173.78	980,123.52
Internal Services	34,563.58	86,310.74		274.36	121,148.68
Support Services - Special Education:					
Administrative Costs			167,504.79		167,504.79
Speech/Language Impairments			223,854.82		223,854.82
Transportation Costs			3,184.00		3,184.00

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Nonprogrammed Charges:							
Early Retirement Payments				403,416.00			403,416.00
Debt Services		61,730.00			2,162,933.65		2,224,663.65
Cocurricular Activities:							
Male Activities	178,877.20						178,877.20
Female Activities	159,177.19	18,123.59					177,300.78
Transportation	59,083.27						59,083.27
Combined Activities	208,637.05	17,442.36		3,380.00			229,459.41
Capital Outlay		1,596,251.04	34,993.40			1,295,451.02	2,926,695.46
Total Expenditures	19,370,109.74	3,745,700.74	4,400,522.93	523,665.82	2,162,933.65	1,295,451.02	31,498,383.90
Excess of Revenue Over (Under) Expenditures	32,780.73	116,945.02	(366,356.00)	(134,482.06)	(90,959.87)	(1,290,248.33)	(1,732,320.51)
Other Financing Sources:							
Transfer In						14,129,238.90	14,129,238.90
Transfer Out					(14,129,238.90)		(14,129,238.90)
General Long-Term Debt Issued					14,105,000.00		14,105,000.00
Sale of Surplus Property	18,764.63						18,764.63
Total Other Financing Sources (Uses)	18,764.63				(24,238.90)	14,129,238.90	14,123,764.63
Net Change in Fund Balances	51,545.36	116,945.02	(366,356.00)	(134,482.06)	(115,198.77)	12,838,990.57	12,391,444.12
FUND BALANCE - JULY 1, 2013	5,802,772.06	2,992,308.00	1,095,849.81	710,156.01	816,655.52		11,417,741.40
FUND BALANCE - JUNE 30, 2014	$ 5,854,317.42	$ 3,109,253.02	$ 729,493.81	$ 575,673.95	$ 701,456.75	$12,838,990.57	$ 23,809,185.52

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds		$ 12,391,444.12
Amounts reported for governmental activities in the Statement of Activities are different because:		
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Unavailable revenue - property taxes increased by the following amount this year:		
Unavailable Revenue - Property Taxes	$ 7,707,020.24	
Adjust Prior Year Taxes	(7,099,093.64)	607,926.60
Governmental funds report capital outlays as expenditures, but in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. The amount by which depreciation expense exceeds capital outlay expenses in the period is:		
Cost of Capital Assets	2,926,694.99	
Depreciation Expense	(2,349,105.00)	577,589.99
Repayment of long term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:		
General Obligation Bonds	1,235,000.00	
Capital Outlay Certificates	60,000.00	1,295,000.00
The issuance of long term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements		(14,105,000.00)
In the Statement of Activities, certain operating expenses (compensated absences, early retirement benefits, and other post-employment benefits) are measured by the amounts earned and paid during the year. In the governmental funds however expenditures for these items are the amount of financial resources used. This year,		
Early Retirement, Compensated Absences amount earned and Other Postemployment Benefits exceeded the amount paid out by:		246,482.92
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Accrued interest decreased during the year by:		(94,875.94)
When bonds are issued there can be a deferred outflow of resources. This deferred outflow resources consists of a loss on refunding which is amortized over the life of the bonds issued. The amount of amortization during the year is:		(25,454.29)
Change in Net Position of Governmental Activities		$ 893,113.40

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 510,464.53	$ 35,982.76	$ 546,447.29
Inventory of Supplies	8,287.48		8,287.48
Inventory of Stores Purchased for Resale	5,561.83		5,561.83
Inventory of Donated Food	21,339.53		21,339.53
Total Current Assets	545,653.37	35,982.76	581,636.13
Capital Assets:			
Machinery and Equipment	661,484.00		661,484.00
Less: Accumulated Depreciation (Credit)	(539,996.81)		(539,996.81)
Total Noncurrent Assets	121,487.19		121,487.19
TOTAL ASSETS	667,140.56	35,982.76	703,123.32
LIABILITIES:			
Current Liabilities:			
Accounts Payable	1,042.70		1,042.70
Contracts Payable		10,338.50	10,338.50
Payroll Deductions and Withholdings and Employer Matching Payable		1,086.21	1,086.21
Deposits Payable	29,603.72		29,603.72
Total Current Liabilities	30,646.42	11,424.71	42,071.13
NET POSITION:			
Net Investment in Capital Assets	121,487.19		121,487.19
Unrestricted Net Position	515,006.95	24,558.05	539,565.00
Total Net Position	$ 636,494.14	$ 24,558.05	$ 661,052.19

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue:			
Food Sales:			
To Pupils	$1,001,754.65	$	$ 1,001,754.65
To Adults	25,445.61		25,445.61
A la Carte	368,470.69		368,470.69
Other Charges for Goods and Services	23,242.96	39,539.75	62,782.71
Total Operating Revenue	1,418,913.91	39,539.75	1,458,453.66
Operating Expenses:			
Salaries	633,380.09	31,205.50	664,585.59
Employee Benefits	235,248.52	3,693.80	238,942.32
Purchased Services	28,051.26		28,051.26
Supplies	62,363.68	5,508.79	67,872.47
Cost of Sales-Purchased Food	856,997.67		856,997.67
Cost of Sales-Donated Food	184,386.00		184,386.00
Miscellaneous	3,666.42		3,666.42
Depreciation-Local Funds	25,925.88		25,925.88
Total Operating Expenses	2,030,019.52	40,408.09	2,070,427.61
Operating Income (Loss)	(611,105.61)	(868.34)	(611,973.95)
Nonoperating Revenue (Expense):			
State Sources:			
Cash Reimbursements	7,917.51		7,917.51
Federal Sources:			
Cash Reimbursements	482,003.69		482,003.69
Donated Food	201,758.04		201,758.04
Total Nonoperating Revenue (Expense)	691,679.24		691,679.24
Change in Net Position	80,573.63	(868.34)	79,705.29
Net Position - Beginning	555,920.51	25,426.39	581,346.90
NET POSITION - ENDING	$ 636,494.14	$ 24,558.05	$ 661,052.19

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,399,927.88	$ 39,539.75	$ 1,439,467.63
Other Operating Cash Receipts (Payments)	23,242.96		23,242.96
Payments to Suppliers for Goods and Services	(949,114.46)	(5,548.51)	(954,662.97)
Payments to Employees	(868,628.61)	(35,240.53)	(903,869.14)
Net Cash Provided (Used) by Operating Activities	(394,572.23)	(1,249.29)	(395,821.52)
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	489,921.20		489,921.20
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(48,287.83)		(48,287.83)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 47,061.14	$ (1,249.29)	$ 45,811.85
Cash and Cash Equivalents at Beginning of Year	$ 463,403.39	$ 37,232.05	$ 500,635.44
CASH AND CASH EQUIVALENTS AT END OF YEAR	510,464.53	35,982.76	546,447.29
Net Increase (Decrease) in Cash and Cash Equivalents	$ 47,061.14	$ (1,249.29)	$ 45,811.85
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (611,105.61)	$ (868.34)	$ (611,973.95)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	25,925.88		25,925.88
Value of Commodities Used	184,386.00		184,386.00
Change in Assets and Liabilities:			
Inventories	5,443.04		5,443.04
Accounts and Other Payables	(3,478.47)	(39.72)	(3,518.19)
Accrued Wages Payable		(341.23)	(341.23)
Unearned Revenue	4,256.93		4,256.93
Net Cash Provided (Used) by Operating Activities	$ (394,572.23)	$ (1,249.29)	$ (395,821.52)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	$ 201,758.04		

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 89,171.15
TOTAL ASSETS	$ 89,171.15
LIABILITIES:	
Amounts Held for Others	89,171.15
Total Liabilities	$ 89,171.15

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

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

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net 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 the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental,

proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

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

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified Law (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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Bond Redemption Fund - A fund established by SDCL 13-16-13 whereby taxes levied are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (Other than those financed by proprietary funds and trust funds.

Capital Projects Fund – the Intermediate School Project is the capital project maintained by the School District. This is a major fund.

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 frees 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 frees and charges of 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.

Other Enterprise Fund - A fund used to record financial transactions related to drivers education conducted for the benefit of the children. The fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following subcategories 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 for the following purposes: Science Clubs, Student Council, Drama Club, Special Olympics, Orchestra, Choir, Language Clubs, FFA, Peer Helpers, Class Funds, Charitable Needs Funds, ESD +6 Lobby Funds, FBLA and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net 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 funds.

Basis of Accounting:

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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Brandon Valley School District No. 49-2, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2014 are amounts due from other governments for grants and other receivables.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources 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.

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.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely (primarily) of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. 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. 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 capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2014 balance of capital assets for governmental activities includes approximately 2.60 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by estimated historical costs. The total June 30, 2014 balance for capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net 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	$ 100.00	NA	NA
Buildings	10,000.00	Straight Line	5-50 yrs.
Building Improvements	10,000.00	Straight Line	5-40 yrs.
Improvements other than Buildings	10,000.00	Straight Line	5-40 yrs.
Machinery and Equipment	1,000.00	Straight Line	5-15 yrs.
Electronics, Computers, Cameras etc	500.00	Straight Line	4 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, other postemployment benefits, and general obligation bonds payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

h. Program Revenues

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

i. 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.

j. 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.

k. Equity Classifications

Government-wide Statements:

Equity is classified as net position and is displayed in three components:

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.

l. 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.

m. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

n. 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:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is in nonspendable form or because of legal and contractual constraints.
2. 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.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government though formal action of the highest level of decision making authority and does not lapse at year end.
4. 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.
5. Unassigned – includes positive fund balance with 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 Government 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 and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Concentration of Credit Risk - The School District places no limit on the amount that may be

invested in any one issuer.

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 except the Special Revenue funds. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Since pooling was done to maximize cash management, the interest income from the various special revenue funds was directly recognized in the General Fund. Such amounts were not material to the individual funds.

NOTE 3 – RECEIVABLES AND PAYABLES

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

NOTE 4 – INVENTORY

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

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2014 in the governmental funds.

NOTE 5 – PROPERTY TAXES

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

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

NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

Primary Government

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 1,893,008	$	$	$ 1,893,008
Construction Work in Progress		1,475,279		1,475,279
Total Assets not being depreciated	1,893,008	1,475,279		3,368,287
Capital Assets, being depreciated:				
Buildings	53,127,267			53,127,267
Improvements Other than Buildings	3,716,566			3,716,566
Machinery and Equipment	6,880,055	1,401,042	527,570	7,753,527
Library Books	902,857	50,374	23,695	929,536
Total Assets being depreciated	64,626,745	1,451,416	551,265	65,526,896
Less Accumulated Depreciation:				
Buildings	14,270,296	1,284,020		15,554,316
Improvements Other than Buildings	1,412,655	202,422		1,615,077
Machinery and Equipment	4,640,816	796,586	527,570	4,909,832
Library Books	615,285	66,077	23,695	657,667
Total Accumulated Depreciation	20,939,052	2,349,105	551,265	22,736,892
Total Capital Assets, being depreciated, net	43,687,693	(897,689)		42,790,004
Governmental activities capital assets, net	$ 45,580,701	$ 577,590	$	$ 46,158,291

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	$ 1,198,021
Support Services	1,091,626
Co-Curricular	59,458
Total Depreciation expense-governmental activities	$ 2,349,105

Business - Type Activity:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, being depreciated:				
Machinery and Equipment	$ 613,196	$ 48,288	$	$ 661,484
Less Accumulated Depreciation:				
Machinery and Equipment	514,071	25,926		539,997
Business-type activity capital assets, net	$ 99,125	$ 22,362	$	$ 121,487

Depreciation expense was charged to functions as follows:

Business-type Activity	
Food Service	
Total Depreciation expense-business-type activity	$ 25,926

Construction Work in Progress at June 30, 2014 is composed of the following:

Project Name	Project Authorization	Expended thru 6/30/14	Committed
Intermediate School	$ 12,964,393.42	$ 1,295,451.02	$ 11,668,942.40
HS HVAC, Fire and Lighting Upgrades	505,500.00	173,090.70	332,409.30
Fire Escape	66,892.65	6,737.65	60,155.00
Total Construction Work in Progress	$ 13,536,786.07	$ 1,475,279.37	$ 12,061,506.70

NOTE 7 – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2014 is as follows:

Governmental Activities	General Obligation Bonds	Capital Outlay Certificates	Retirement Benefits Payable	Compensated Absences	Other Post-employment Benefits	Totals
Liabilities Payable, July 1, 2013	$ 25,660,000	$ 60,000	$ 676,277	$ 22,233	$ 307,553	$ 26,726,063
Additions	5,950,000	8,155,000	105,720	28,411	45,035	14,284,166
Deletions	(1,235,000)	(60,000)	(403,416)	(22,233)		(1,720,649)
LIABILITIES PAYABLE, JUNE 30, 2014	$ 30,375,000	$ 8,155,000	$ 378,581	$ 28,411	$ 352,588	$ 39,289,580
Due within One Year	$ 1,380,000	$ 335,000	$ 325,721	$ 28,411	$	$ 2,069,132

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

In prior years the School District defeased certain long-term debt by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the assets being held in trust and the liability for the defeased debt are not included in the School District's financial statements. On June 30, 2014, the School District had $1,309,195.13 on deposit with the escrow agent in an irrevocable trust to retire $1,215,000 of old debt still outstanding, which is now considered defeased.

Liabilities payable at June 30, 2014 are comprised of the following:

Governmental Activities:

General Obligation Bonds:	
Series 2008 – General Obligation Bonds dated February 15, 2008; Interest rates at 3.5% to 4.375% depending on length to maturity. Final maturity is December 15, 2027, payments to be made from the Bond Redemption Fund.	$ 18,865,000.00
Series 2011 – General Obligation Refunding Bonds dated July 22, 2011; Interest rates at .55% to 2.90%, depending on length to maturity. Final maturity is July 1, 2021; payments to be made from the Bond Redemption Fund.	5,560,000.00
Series 2013 – General Obligation Bonds dated December 31, 2013; Interest rates at 1.250% to 4.100%, depending on length to maturity. Final maturity is June 30, 2034; payments to be made from the Bond Redemption Fund.	5,950,000.00
Capital Outlay Certificates:	
Series 2014 – Certificates dated February 6, 2014; Interest rates at 0.300% to 3.950%, depending on length to maturity; final maturity is August 1, 2033; payments made from the Capital Outlay Fund.	8,155,000.00
Early Retirement:	
Obligation to individuals who fall under the early retirement plan of the Brandon Valley School District. Payments are made to the retiree at the retiree's discretion. Payments are made from the Pension Fund.	378,581.00
Vested Annual Leave:	
Payments from the General and Special Education Funds.	28,411.11
Other Postemployment Benefits:	
Obligation to individuals who are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund.	352,588.00

The annual debt service requirements to maturity for all debt outstanding, except compensated absences and other postemployment benefits, as of June 30, 2014 are as follows:

Annual Requirements to Maturity for Long Term Debt
June 30, 2014

Year	General Obligation Bonds		Capital Outlay Certificates		Early	Total	
Ending	Principal	Interest	Principal	Interest	Retirement	Principal	Interest
2015	$ 1,380,000	$ 1,022,217	$ 335,000	$ 221,505	$ 325,721	$ 2,040,721	$ 1,243,722
2016	1,705,000	985,311	335,000	221,618	52,860	2,092,860	1,206,929
2017	1,850,000	941,849	340,000	216,980		2,190,000	1,158,829
2018	2,000,000	891,121	340,000	212,730		2,340,000	1,103,851
2019	2,175,000	831,412	345,000	208,018		2,520,000	1,039,430
2020-2024	10,485,000	3,086,104	1,835,000	941,037		12,320,000	4,027,141
2025-2029	8,610,000	1,133,603	2,105,000	670,460		10,715,000	1,804,063
2030-2034	2,170,000	228,274	2,520,000	256,053		4,690,000	484,327
Totals	$ 30,375,000	$ 9,119,891	$ 8,155,000	$ 2,948,401	$ 378,581	$ 38,908,581	$ 12,068,292

NOTE 8 – OPERATING LEASES

The district leases various copy machines. These operating leases include maintenance and repairs. The payments of $4,826.00 per month are made from the Capital Outlay Fund. The following are the minimum payments on the existing operating leases:

Year	Amount
2015	$ 57,912.00
2016	57,912.00
2017	57,912.00
2018	40,018.00

NOTE 9 – RESTRICTED NET POSITION

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

Major Purpose	Restricted by	Amount
Capital Outlay Purposes	Law	$ 4,989,776.01
Special Education Purposes	Law	1,623,188.50
Pension Purposes	Law	394,437.32
Debt Service Purposes	Debt Covenants	1,659,574.91
Total Restricted Net Position		$ 8,666,976.74

NOTE 10 – RETIREMENT PLAN

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $878,631.73, $818,292.42, and $784,391.80, respectively, equal to the required contributions each year.

NOTE 11 – JOINT VENTURES

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

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

Lennox	17.0%
Brandon Valley	60.0%
West Central	23.0%

The co-op's governing board is composed of one representative from each member school district, who is also 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 position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

At June 30, 2014, this joint venture had total assets of $2,171,288, total liabilities of $35,437, and net position of $2,135,850 in the General and Special Education Funds.

NOTE 12 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2014, the School District managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

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

Worker's Compensation

The School District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2014, three claims were filed for unemployment benefits resulting in $6,706.23 in payments. One claim is anticipated in the next fiscal year for an estimated payment of $366.00.

NOTE 13 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement within six years of attaining age 55 and have at least 15 years of continuous service with the district. Under the plan, the district will pay 100% of the employee's current annual salary, payable over two to five years as a contribution to the employee's 403(b). These amounts are shown as liabilities until paid for the amount approved in the early

retirement agreement. The School District paid five people $403,416 for such benefits during the year.

NOTE 14 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2014, the School District was not involved in any litigation.

NOTE 15 – POSTEMPLOYMENT MEDICAL PLAN

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

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

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

Annual required contribution	$ 97,218
Interest on net OPEB obligation	3,076
Adjustment to annual required contribution	(11,858)
Annual OPEB cost (expense)	88,436
Contributions made	(43,401)
Increase in net OPEB obligation	45,035
Net OPEB obligation - beginning of year	307,553
Net OPEB obligation - end of year	$ 352,588

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	118,099.00	54.9%	248,839.00
6/30/2013	97,218.00	60.4%	307,553.00
6/30/2014	97,218.00	46.3%	352,588.00

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $1,053,397, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,053,397.

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

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

In the July 1, 2012, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 1.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 3.0 percent after five years. Both rates included a 2.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period of 30 years.

NOTE 16 – PAYMENTS MADE BY STATE FOR BENEFIT OF DISTRICT

Brandon Valley School District recognized $6,875 of revenues in the General Fund, resulting from salaries and fringe benefits paid for teacher training directly by the State of South Dakota.

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 6,580,000.00	$ 6,580,000.00	$ 6,749,317.59	$ 169,317.59
Prior Years' Ad Valorem Taxes	100,000.00	100,000.00	85,726.82	(14,273.18)
Gross Receipts Taxes	800,000.00	800,000.00	778,625.34	(21,374.66)
Mobile Home Taxes	5,000.00	5,000.00	2,713.74	(2,286.26)
Penalties and Interest on Taxes	20,000.00	20,000.00	31,849.92	11,849.92
Tuition and Fees:				
Regular Day School Tuition	5,000.00	5,000.00	4,876.00	(124.00)
Regular Day School Transportation Fees	140,000.00	140,000.00	136,597.30	(3,402.70)
Other Transportation Fees	45,000.00	45,000.00	43,246.00	(1,754.00)
Earnings on Investments and Deposits	20,000.00	20,000.00	23,292.55	3,292.55
Cocurricular Activities:				
Admissions	80,000.00	80,000.00	79,453.00	(547.00)
Other Pupil Activity Income	25,000.00	25,000.00	29,535.65	4,535.65
Other Revenue from Local Sources:				
Rentals	45,000.00	45,000.00	58,231.25	13,231.25
Donations	10,000.00	10,000.00	59,048.96	49,048.96
Insurance and Judgments	10,000.00	10,000.00	21,046.90	11,046.90
Charges for Services	115,000.00	115,000.00	83,820.68	(31,179.32)
Other	60,000.00	60,000.00	82,367.50	22,367.50
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	185,000.00	185,000.00	145,681.46	(39,318.54)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	10,395,000.00	10,395,000.00	10,484,156.81	89,156.81
Restricted Grants-in-Aid			6,875.00	6,875.00
Other State Revenue	120,000.00	120,000.00		(120,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid received from Federal Government Through the State	380,000.00	380,000.00	396,203.00	16,203.00
Total Revenue	19,140,000.00	19,140,000.00	19,402,890.47	262,890.47
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	5,603,600.00	5,603,600.00	5,677,875.95	(74,275.95)
Middle/Junior High	2,354,400.00	2,354,400.00	2,328,530.74	25,869.26
High School	3,243,100.00	3,243,100.00	3,278,044.38	(34,944.38)

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary	Variance Positive
	Original	Final	Basis)	(Negative)
Special Programs:				
Gifted and Talented	$ 68,500.00	$ 68,500.00	$ 65,004.43	$ 3,495.57
Culturally Different	79,500.00	79,500.00	77,845.67	1,654.33
Educationally Deprived	300,000.00	300,000.00	303,975.01	(3,975.01)
Support Services:				
Pupils:				
Guidance	512,700.00	512,700.00	514,923.38	(2,223.38)
Health	153,400.00	153,400.00	154,270.26	(870.26)
Support Services - Instructional Staff:				
Improvement of Instruction	315,300.00	315,300.00	309,940.03	5,359.97
Educational Media	429,600.00	429,600.00	429,466.71	133.29
Support Services - General Administration:				
Board of Education	72,200.00	72,200.00	64,443.75	7,756.25
Executive Administration	389,500.00	389,500.00	388,038.14	1,461.86
Support Services - School Administration:				
Office of the Principal	1,210,800.00	1,210,800.00	1,213,202.57	(2,402.57)
Other	112,800.00	112,800.00	112,749.62	50.38
Support Services - Business:				
Fiscal Services	270,700.00	270,700.00	267,200.85	3,499.15
Operation and Maintenance of Plant	2,658,500.00	2,658,500.00	2,580,479.82	78,020.18
Pupil Transportation	938,400.00	938,400.00	963,780.14	(25,380.14)
Internal Services	37,700.00	37,700.00	34,563.58	3,136.42
Cocurricular Activities:				
Male Activities	180,300.00	180,300.00	178,877.20	1,422.80
Female Activities	165,200.00	165,200.00	159,177.19	6,022.81
Transportation	63,900.00	63,900.00	59,083.27	4,816.73
Combined Activities	214,900.00	214,900.00	208,637.05	6,262.95
Total Expenditures	19,375,000.00	19,375,000.00	19,370,109.74	4,890.26
Excess of Revenue Over (Under)Expenditures	(235,000.00)	(235,000.00)	32,780.73	267,780.73
Other Financing Sources:				
Sale of Surplus Property			18,764.63	18,764.63
Total Other Financing Sources (Uses)			18,764.63	18,764.63
Net Change in Fund Balances	(235,000.00)	(235,000.00)	51,545.36	286,545.36
FUND BALANCE - JULY 1, 2013	5,802,772.06	5,802,772.06	5,802,772.06	
FUND BALANCE - JUNE 30, 2014	$ 5,567,772.06	$ 5,567,772.06	$ 5,854,317.42	$ 286,545.36

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 3,760,000.00	$ 3,760,000.00	$ 3,786,531.66	$ 26,531.66
Prior Years' Ad Valorem Taxes	45,000.00	45,000.00	44,392.56	(607.44)
Mobile Home Taxes	5,000.00	5,000.00	1,666.39	(3,333.61)
Penalties and Interest on Taxes	10,000.00	10,000.00	8,715.09	(1,284.91)
Other Revenue from Local Sources:				
Donations	25,000.00	25,000.00	19,461.02	(5,538.98)
Other			1,879.04	1,879.04
Total Revenue	3,845,000.00	3,845,000.00	3,862,645.76	17,645.76
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	142,900.00	142,900.00	116,997.75	25,902.25
Middle/Junior High	88,100.00	88,100.00	98,861.03	(10,761.03)
High School	93,000.00	93,000.00	95,423.24	(2,423.24)
Special Programs:				
Gifted	2,000.00	2,000.00	1,339.54	660.46
Special Education	68,600.00	68,600.00	85,615.91	(17,015.91)
Support Services - Pupils:				
Guidance	1,000.00	1,000.00	852.00	148.00
Health	2,000.00	2,000.00	14,522.00	(12,522.00)
Support Services - Instructional Staff:				
Educational Media	77,500.00	77,500.00	69,199.65	8,300.35
Support Services - General Administration:				
Executive Administration	6,000.00	6,000.00	14,408.89	(8,408.89)
Support Services - School Administration:				
Office of the Principal	10,900.00	10,900.00	12,937.47	(2,037.47)
Other	12,000.00	12,000.00	12,152.61	(152.61)
Support Services - Business:				
Facilities Acquisition and Construction			179,828.35	(179,828.35)
Operation and Maintenance of Plant	2,855,000.00	2,855,000.00	2,637,007.24	217,992.76
Pupil Transportation	289,000.00	289,000.00	222,948.37	66,051.63
Internal Services	90,000.00	90,000.00	86,310.74	3,689.26
Debt Services	62,000.00	62,000.00	61,730.00	270.00
Cocurricular Activities	45,000.00	45,000.00	35,565.95	9,434.05
Total Expenditures	3,845,000.00	3,845,000.00	3,745,700.74	99,299.26
Net Change in Fund Balance	0.00	0.00	116,945.02	116,945.02
FUND BALANCE - JULY 1, 2013	2,992,308.00	2,992,308.00	2,992,308.00	
FUND BALANCE - JUNE 30, 2014	$ 2,992,308.00	$ 2,992,308.00	$ 3,109,253.02	$ 116,945.02

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 1,633,000.00	$ 1,633,000.00	$ 1,654,307.06	$ 21,307.06
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	17,947.58	(2,052.42)
Mobile Home Taxes	1,000.00	1,000.00	704.00	(296.00)
Penalties and Interest on Taxes	4,000.00	4,000.00	3,535.20	(464.80)
Tuition and Fees:				
Regular Day School Tuition	10,000.00	10,000.00	10,614.00	614.00
Other Revenue from Local Sources:				
Charges for Services	110,000.00	110,000.00	92,247.09	(17,752.91)
Other	15,000.00	15,000.00	1,120.00	(13,880.00)
Revenue from State Sources:				
Restricted Grants in Aid	1,502,000.00	1,502,000.00	1,456,368.00	(45,632.00)
Other State Revenue	200,000.00	200,000.00		(200,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received From Federal Government through State	577,000.00	577,000.00	584,021.00	7,021.00
Total Revenue	4,072,000.00	4,072,000.00	4,034,166.93	(37,833.07)
Expenditures:				
Special Programs:				
Programs for Special Education	3,644,300.00	3,644,300.00	2,924,017.06	720,282.94
Support Services - Pupils:				
Health			94,526.00	(94,526.00)
Psychological			159,659.13	(159,659.13)
Speech Pathology	425,000.00	425,000.00	529,599.88	(104,599.88)
Student Therapy Services			298,177.25	(298,177.25)
Support Services - Special Education:				
Administrative Costs	175,700.00	175,700.00	391,359.61	(215,659.61)
Transportation Costs	2,000.00	2,000.00	3,184.00	(1,184.00)
Other	100,000.00	155,000.00		155,000.00
Total Expenditures	4,347,000.00	4,402,000.00	4,400,522.93	1,477.07
Net Change in Fund Balance	(275,000.00)	(330,000.00)	(366,356.00)	(36,356.00)
FUND BALANCE - JULY 1, 2013	1,095,849.81	1,095,849.81	1,095,849.81	
FUND BALANCE - JUNE 30, 2014	$ 820,849.81	$ 765,849.81	$ 729,493.81	$ (36,356.00)

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 382,500.00	$ 382,500.00	$ 383,706.49	$ 1,206.49
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	4,439.21	(560.79)
Mobile Home Taxes	500.00	500.00	166.62	(333.38)
Penalties and Interest on Taxes	1,000.00	1,000.00	871.44	(128.56)
Total Revenue	389,000.00	389,000.00	389,183.76	183.76
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	39,600.00	39,600.00	39,279.00	321.00
Middle/Junior High	16,500.00	16,500.00	16,375.00	125.00
High School	20,800.00	20,800.00	21,181.00	(381.00)
Special Programs:				
Gifted	500.00	500.00	456.00	44.00
Culturally Different	500.00	500.00	497.00	3.00
Educationally Deprived	2,000.00	2,000.00	2,109.00	(109.00)
Support Services:				
Pupils:				
Guidance	4,000.00	4,000.00	3,905.00	95.00
Health	1,000.00	1,000.00	1,011.00	(11.00)
Instructional Staff:				
Improvement of Instruction	2,200.00	2,200.00	2,593.00	(393.00)
Educational Media	2,700.00	2,700.00	2,907.15	(207.15)
General Administration:				
Executive Administration	3,400.00	3,400.00	3,129.11	270.89
School Administration:				
Office of the Principal	8,700.00	8,700.00	8,556.64	143.36
Other	800.00	800.00	795.00	5.00
Business:				
Fiscal Services	2,000.00	2,000.00	1,957.11	42.89
Operation and Maintenance of Plant	10,500.00	10,500.00	10,670.67	(170.67)
Pupil Transportation	1,200.00	1,200.00	1,173.78	26.22
Internal Services	300.00	300.00	274.36	25.64
Nonprogrammed Charges:				
Early Retirement Payments	403,500.00	403,500.00	403,416.00	84.00
Cocurricular Activities	4,800.00	4,800.00	3,380.00	1,420.00
Total Expenditures	525,000.00	525,000.00	523,665.82	1,334.18
Net Change in Fund Balances	(136,000.00)	(136,000.00)	(134,482.06)	1,517.94
FUND BALANCE - JULY 1, 2013	710,156.01	710,156.01	710,156.01	
FUND BALANCE - JUNE 30, 2014	$ 574,156.01	$ 574,156.01	$ 575,673.95	$ 1,517.94

REQUIRED SUPPLEMENTARY INFORMATION
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)
07/01/08	$ 0	$ 1,376,356	$ 1,376,356	0.0%
07/01/10	$ 0	$ 1,112,564	$ 1,112,564	0.0%
07/01/12	$ 0	$ 1,053,397	$ 1,053,397	0.0%

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
$ 11,490,534	12%
$ 12,513,145	9%
$ 13,633,474	8%

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGETS 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. 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 the adoption of supplemental budgets when moneys are available to increase legal spending authority.

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

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures Amount 2014
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster: (Note 3)			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	N/A	$ 184,386.00
Cash Assistance: (Note 2)			
School Breakfast Program	10.553	N/A	49,891.38
National School Lunch Program	10.555	N/A	430,326.76
Special Milk Program for Children	10.556	N/A	1,785.55
Total Child Nutrition Cluster			666,389.69
Total U.S. Department of Agriculture			666,389.69
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	302,274.00
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	572,159.00
Special Education - Preschool Grants	84.173	N/A	13,862.00
Total Special Education Cluster			586,021.00
Improving Teacher Quality State Grants	84.367	N/A	78,313.00
Total U.S. Department of Education			966,608.00
U.S. Department of Homeland Security:			
Pass-Through the SD Department of Public Safety-Office of Homeland Security:			
Homeland Security Grant	97.067	N/A	13,616.00
Grand Total			**$ 1,646,613.69**

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: The accompanying Schedule of Expenditures of Federal awards includes the federal grant activity of Brandon Valley School District, and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations." Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

QUAM & BERGLIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025
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(605) 356-3374

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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 Brandon Valley School District No. 49-2, Minnehaha County, South Dakota (School District), as of June 30, 2014 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 November 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brandon Valley 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Brandon Valley School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brandon Valley School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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.*

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.

Quam + Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD

November 26, 2014

QUAM & BERGLIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025
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(605) 356-3374

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Brandon Valley School District No. 49-2, South Dakota (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Brandon Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Brandon Valley School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Brandon Valley School District No. 49-2 complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the Brandon Valley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Brandon Valley School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brandon Valley School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD

November 26, 2014

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

PRIOR AUDIT FINDINGS:

PRIOR FEDERAL AUDIT FINDINGS:

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

PRIOR OTHER AUDIT FINDINGS:

There are no written prior other audit findings to report.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

a. An unmodified opinion was issued on the financial statements of each opinion unit.

b. Our audit did not disclose any noncompliance that was material to the financial statements.

Federal Awards

c. An unmodified opinion was issued on compliance with the requirements applicable to major programs.

d. 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).

e. The federal awards tested as major programs were:

	CFDA#
Child Nutrition Cluster:	
Non-Cash Assistance (Commodities):	
National School Lunch Program	10.555
Cash Assistance:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556

f. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.00.

g. Brandon Valley School District qualified as a low-risk auditee.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

CURRENT FEDERAL AUDIT FINDINGS:

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

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.