

SISSETON SCHOOL DISTRICT NO. 54-2

**Single Audit Report
As Of June 30, 2013 And For
The Year Then Ended**

**SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

School Board:

LeRoy Hellwig, President
Ron Evenson, Vice-President
Lynn Bredvik
Sara Johnson
Dustin Kirk
William Koeppe
Sean Lehrke
Sara Lincoln
Daren Medenwald

Superintendent:

Dr. Stephen Schulte

Business Manager:

Marjorie R. Moen

**SISSETON SCHOOL DISTRICT NO. 54-2
SINGLE AUDIT REPORT
AS OF JUNE 30, 2013 AND FOR THE YEAR THEN ENDED
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**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
Sisseton School District No. 54-2
Roberts County, South Dakota

I have audited, in accordance with the 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 Sisseton School District No. 54-2, Roberts County, South Dakota as of June 30, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Sisseton School District No. 54-2's basic financial statements and have issued my report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Sisseton School District No. 54-2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sisseton School District No. 54-2's internal control. Accordingly, I do not express an opinion on the effectiveness of the Sisseton School District No. 54-2's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Sisseton School District No. 54-2's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Prior and Current Audit Findings, Questioned Costs and Response as item number 2013-001 to be a material weakness.

Compliance and Other Matters

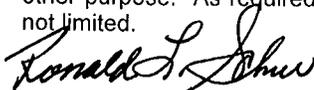
As part of obtaining reasonable assurance about whether the Sisseton School District No. 54-2's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sisseton School District No. 54-2's Response to Finding

The Sisseton School District No. 54-2's response to the finding identified in my audit is described in the accompanying Schedule of Prior and Current Audit Findings, Questioned Costs and Response. The Sisseton School District No. 54-2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sisseton School District No. 54-2'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 Sisseton School District No. 54-2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Laws 4-11-11, this report is a matter of public record and its distribution is not limited.



Ronald L. Schur
Certified Public Accountant
Aberdeen, South Dakota
September 26, 2014

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
Sisseton School District No. 54-2
Roberts County, South Dakota

Report on Compliance for Each Major Federal Program

I have audited the Sisseton School District No. 54-2's 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 Sisseton School District No. 54-2's major federal programs for the year ended June 30, 2013. The Sisseton School District No. 54-2's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Prior and Current Audit Findings, Questioned Costs and Response.

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

My responsibility is to express an opinion on compliance for each of the Sisseton School District No. 54-2's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Sisseton School District No. 54-2's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on Sisseton School District No. 54-2's compliance.

Opinion on Each Major Federal Program

In my opinion, the Sisseton School District No. 54-2 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Sisseton School District No. 54-2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Sisseton School District No. 54-2's internal control over compliance with the types requirements that could have a direct and material effect on a 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Sisseton School District No. 54-2's internal control over compliance.

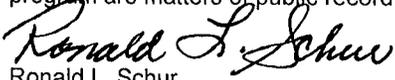
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

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 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. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Prior and Current Audit Findings, Questioned Costs and Response as item number 2013-001 to be a material weakness.

The Sisseton School District No. 54-2's response to the internal control over compliance finding identified in my audit is described in the accompanying Schedule of Prior and Current Audit Findings, Questioned Costs and Response. Sisseton School District No. 54-2's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my 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 purpose. As required by South Dakota Codified Laws 4-11-11, this report and my report on compliance for each major federal program are matters of public record and their distribution is not limited.



Ronald L. Schur
Certified Public Accountant
Aberdeen, South Dakota

September 26, 2014

**SISSETON SCHOOL DISTRICT NO. 54-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS, QUESTIONED COSTS AND RESPONSE
AS OF JUNE 30, 2013 AND FOR THE YEAR THEN ENDED**

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Audit Federal Award Findings and Questioned Costs:

(See Finding Number 2011-01 and 2012-001 and Finding Number 2011-02 and 2012-002 in Prior Audit Other Audit Findings below.)

Prior Audit Other Audit Findings:

Finding Number 2011-01 and Finding Number 2012-001

Internal control over financial reporting and compliance is not adequate.

Corrective Action Plan:

Due to staff size it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

Finding Number 2011-02 and Finding Number 2012-002

Internal control over compliance with the prevailing wage requirements of the Davis-Bacon Act was not adequate.

This matter has been considered to have been satisfactorily resolved by the end of the current audit period.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

SISSETON SCHOOL DISTRICT NO. 54-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS, QUESTIONED COSTS AND RESPONSE
AS OF JUNE 30, 2013 AND FOR THE YEAR THEN ENDED
(Continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
	Non-Cash Assistance (Commodities):
10.555	National School Lunch Program
	Cash Assistance:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.041	Impact Aid
	Title I, Part A Cluster:
84.010	Title I Grants to Local Educational Agencies
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish between Type A
and Type B programs:
Auditee qualified as low-risk auditee?

\$ 300,000
No

Section II - Financial Statements Findings

Finding Number 2013-001

Internal control over financial reporting and compliance is not adequate.

Analysis:

This condition is the result of an inadequate segregation of duties that may result in financial reporting misstatements in amounts that may be material in relation to the financial statements or noncompliance with applicable requirements of laws, regulations, contracts and grants that may be material in relation to a major federal program occurring and not being detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

I recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness.

Corrective Action Plan:

Due to staff size it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result. Marjorie R. Moen, Business Manager is the contact person regarding the corrective action plan for this matter.

Section III - Federal Award Findings and Questioned Costs

(See Findings Number 2013-001 in Section II - Financial Statements Findings above.)

INDEPENDENT AUDITOR'S REPORT

School Board
Sisseton School District No. 54-2
Roberts County, South Dakota

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sisseton School District No. 54-2, Roberts County, South Dakota as of June 30, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Sisseton School District No. 54-2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 Sisseton School District No. 54-2'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 Sisseton School District No. 54-2's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sisseton School District No. 54-2 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

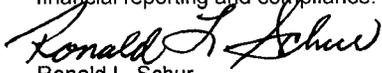
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sisseton School District No. 54-2's financial statements. The accompanying Schedule of Expenditures of Federal Awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for 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 standard generally accepted in the United States of America. In my 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*, I have also issued my report dated September 26, 2014, on my consideration of the Sisseton School District No. 54-2's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 Sisseton School District No. 54-2's internal control over financial reporting and compliance.



Ronald L. Schur
Certified Public Accountant
Aberdeen, South Dakota

September 26, 2014

**SISSETON SCHOOL DISTRICT NO. 54-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
As Of June 30, 2013 And For The Year Then Ended**

This section of Sisseton School District No. 54-2's annual financial report presents a discussion and analysis of the school district's performance during the year ended on June 30, 2013. Please read it in conjunction with the school district's financial statements, which follow this section.

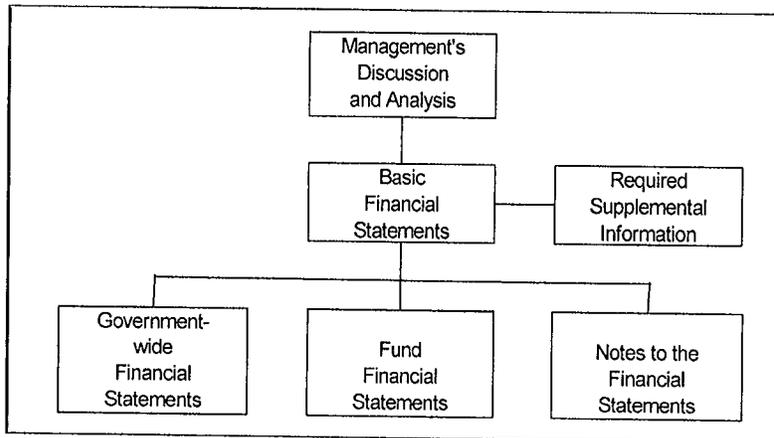
- During the year, the school's revenues of the governmental and business-type programs were \$403,754 less than the \$11,926,508 governmental and business-type program expenses.
- The total cost of the school's programs experienced an increase of \$403,797 from the year ended June 30, 2012 to the year ended June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the school district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school government, reporting the school district's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the school are for the Food Service and Preschool / After-School programs.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – for which the school district acts solely as a trustee for the benefit of others, to whom the resources belong.

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. The following shows how the required parts of this annual report are arranged and relate to one another.



The following summarizes the major features of the school's financial statements, including the portion of the school government 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 Features of The School's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the school operates similar to private businesses, the food service and preschool / after school programs are the two of these maintained	Instances in which the school is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government'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 school's net position and how it has changed. Net position – the difference between the school's assets and liabilities – is one way to measure the school's financial health or position.

- Increases or decreases in the school's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the school you need to consider additional nonfinancial factors such as changes in the school's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

- **Governmental Activities** – This category includes the school's basic instructional services, such as elementary and high school educational program, support services (guidance counselors, executive administration, board of education, fiscal services, etc.), debt services payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants, cocurricular gate revenue and interest earnings finance most of these activities.
- **Business-type Activities** – The school charges a fee to students to help cover the costs of providing meal, preschool and after-school services to students.

Fund Financial Statements

The fund financial statements provide more detailed information about the school's most significant funds – not the school as a whole. Funds are accounting devices that the school uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the school'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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the school charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-and long-term financial information. The Food Service Enterprise Fund and the Preschool/After School Program Fund (types of proprietary funds) are the same as the business-type activities but provide more detail and additional information such as cash flows.
- **Fiduciary Funds** – The school is the trustee, or fiduciary, for various external and internal parties. The school is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the school's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the school's government-wide financial statements because the school cannot use these assets to finance the operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The school's combined net position presented on the economic resources measurement focus and accrual basis of accounting changed as indicated in the following table as of June 30, 2013 and June 30, 2012:

	June 30, 2013			June 30, 2012			Percentage of Change in Yearly Totals
	Governmental Activities	Business-Type Activities	Total Activities	Governmental Activities	Business-Type Activities	Total Activities	
Current and Other Assets	\$ 6,568,003.20	\$ 112,002.94	\$ 6,680,006.14	\$ 8,220,783.48	\$ 92,810.92	\$ 8,313,594.40	-19.65%
Capital Assets	18,212,281.45	47,368.71	18,259,650.16	17,389,945.25	52,780.61	17,442,725.86	4.68%
Total Assets	\$ 24,780,284.65	\$ 159,371.65	\$ 24,939,656.30	\$ 25,610,728.73	\$ 145,591.53	\$ 25,756,320.26	-3.17%
Noncurrent Liabilities Outstanding	\$ 21,836.80	\$	\$ 21,836.80	\$ 33,726.60	\$	\$ 33,726.60	-35.25%
Other Liabilities	2,789,615.06	39,673.59	2,829,288.65	3,423,700.59	19,407.46	3,443,108.05	-17.83%
Total Liabilities	\$ 2,811,451.86	\$ 39,673.59	\$ 2,851,125.45	\$ 3,457,427.19	\$ 19,407.46	\$ 3,476,834.65	-18.00%
Net Position							
Net Investment in Capital Assets	\$ 18,212,281.45	\$ 47,368.71	\$ 18,259,650.16	\$ 17,389,945.25	\$ 52,780.61	\$ 17,442,725.86	4.68%
Restricted	1,511,428.31		1,511,428.31	1,714,031.36		1,714,031.36	-11.82%
Unrestricted	2,245,123.03	72,329.35	2,317,452.38	3,049,324.93	73,403.46	3,122,728.39	-25.79%
Total Net Position	\$ 21,968,832.79	\$ 119,698.06	\$ 22,088,530.85	\$ 22,153,301.54	\$ 126,184.07	\$ 22,279,485.61	-0.86%
Beginning Net Position	\$ 22,366,101.24	\$ 126,184.07	\$ 22,492,285.31	\$ 22,456,507.37	\$ 139,494.12	\$ 22,596,001.49	-0.46%
Increase (Decrease) in Net Position	\$ (397,268.45)	\$ (6,486.01)	\$ (403,754.46)	\$ (303,205.83)	\$ (13,310.05)	\$ (316,515.88)	-27.56%
Percentage Increase (Decrease) in Net Position for the Year	(2%)	(5%)	(2%)	(1%)	(10%)	(1%)	

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, when existing – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of early retirement benefits payable, have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

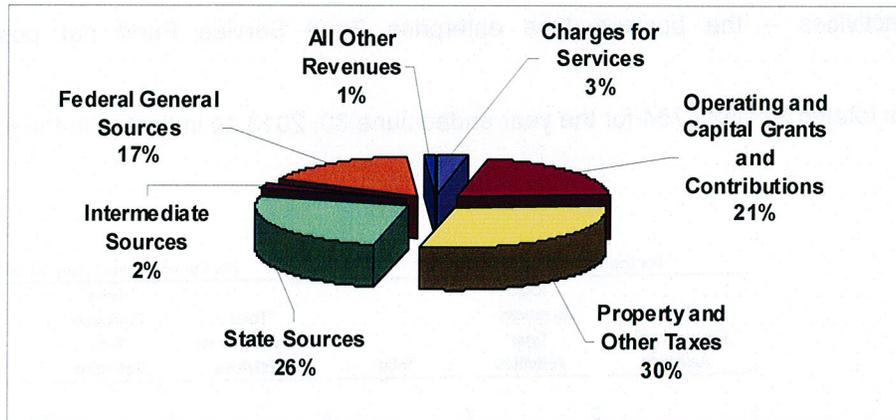
Change in Net Position

The business-type activities – the business-type enterprise Food Service Fund net position decreased by approximately \$6,486.

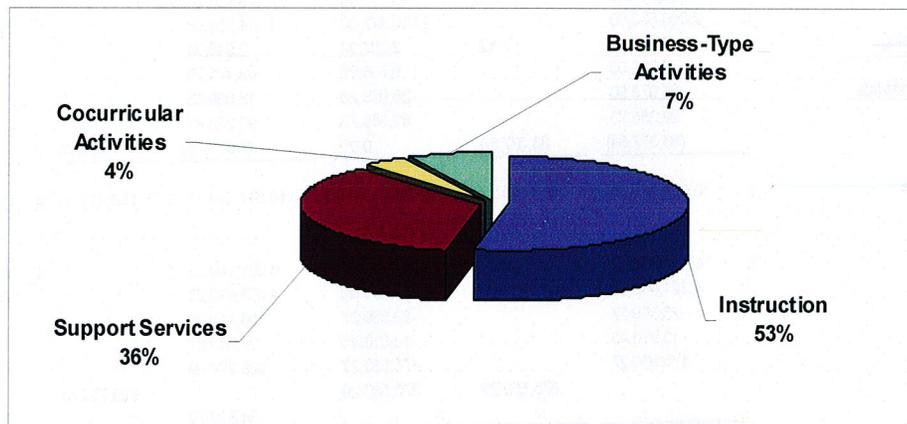
The school's revenues totaled \$11,522,754 for the year ended June 30, 2013 as indicated in the following table.

	For the Year Ended June 30, 2013			For the Year Ended June 30, 2012			Percentage of Change in Yearly Totals
	Total Governmental Activities	Total Business-Type Activities	Total	Total Governmental Activities	Total Business-Type Activities	Total	
Revenues and Transfers							
Program Revenues							
Charges for Services	\$ 71,703.02	\$ 291,084.93	\$ 362,787.95	\$ 148,560.59	\$ 207,130.02	\$ 355,690.61	2.00%
Operating and Capital Grants and Contributions	1,913,619.18	494,613.59	2,408,232.77	2,071,558.82	382,203.59	2,453,762.41	-1.86%
General Revenues							
Property Taxes	2,803,482.22		2,803,482.22	2,700,909.32		2,700,909.32	3.80%
Gross Receipts Taxes	599,277.58		599,277.58	437,324.63		437,324.63	37.03%
Revenue State Sources	2,990,317.13		2,990,317.13	3,023,999.02		3,023,999.02	-1.11%
Revenue Intermediate Sources	235,710.40		235,710.40	176,101.00		176,101.00	33.85%
Revenue Federal Sources	2,006,572.00		2,006,572.00	1,911,961.63		1,911,961.63	4.95%
Unrestricted Investment Earnings	2,230.82	7.12	2,237.94	2,915.34		2,915.34	-23.24%
Contributions and Donations	5,706.00		5,706.00	69,471.79		69,471.79	-91.79%
Refund of Prior Years' Expenditures	26,073.26		26,073.26	18,089.35		18,089.35	44.14%
Other General Revenues	82,356.73		82,356.73	90,293.43		90,293.43	-8.79%
Transfers	(83,377.64)	83,377.64	0.00	(7,078.75)	7,078.75	0.00	
Total Revenues and Transfers	\$ 10,653,670.70	\$ 869,083.28	\$ 11,522,753.98	\$ 10,644,106.17	\$ 596,412.36	\$ 11,240,518.53	2.51%
Expenses and Losses							
Instruction	\$ 6,316,709.57	\$	\$ 6,316,709.57	\$ 6,281,189.22	\$	\$ 6,281,189.22	0.57%
Support Services	4,221,409.59		4,221,409.59	4,062,692.93		4,062,692.93	3.91%
Community Services	23,359.27		23,359.27	156,453.28		156,453.28	-85.07%
Nonprogrammed Charges	13,910.45		13,910.45	24,359.67		24,359.67	-42.90%
Cocurricular Activities	475,550.27		475,550.27	388,294.20		388,294.20	22.47%
Business Activities		875,569.29	875,569.29		609,722.41	609,722.41	43.60%
Losses				34,322.70		34,322.70	
Total Expenses and Losses	\$ 11,050,939.15	\$ 875,569.29	\$ 11,926,508.44	\$ 10,947,312.00	\$ 609,722.41	\$ 11,557,034.41	3.20%
Increase (Decrease) in Net Position	\$ (397,268.45)	\$ (6,486.01)	\$ (403,754.46)	\$ (303,205.83)	\$ (13,310.05)	\$ (316,515.88)	-27.56%
Beginning Net Position	\$ 22,366,101.24	\$ 126,184.07	\$ 22,492,285.31	\$ 22,456,507.37	\$ 139,494.12	\$ 22,596,001.49	-0.46%
Ending Net Position	\$ 21,968,832.79	\$ 119,698.06	\$ 22,088,530.85	\$ 22,153,301.54	\$ 126,184.07	\$ 22,279,485.61	-0.86%

Approximately 30% of the school's revenue comes from property and other taxes, approximately 17% from federal general revenues, and approximately another 26% coming from state general revenue sources as reflected below.



The total cost of the school's programs experienced an increase of \$403,797 from the year ended June 30, 2012 to the year ended June 30, 2013. The school district's expenses cover a range of services, primarily encompassing instruction, support services, cocurricular activities, and food services as reflected below.



BUSINESS-TYPE ACTIVITIES

Total operating revenue of the school's business-type activities increased approximately 40.5%, and operating expenses increased approximately 43.6% when compared to last year. These changes were, in part, a result of the reclassification of activities from governmental activities to business-type activities.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund experienced a decrease in fund balance of \$1,072,413 (representing approximately 49% of ending fund balance) partially a result of transfers to other funds from impact aid grant resources. The Capital Outlay Fund had a decrease in fund balance of approximately \$214,583 (representing approximately 22% of ending fund balance). The Special Education Fund's fund balance increased approximately \$43,727 (representing approximately 17% of ending fund balance).

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2013 the school board revised the General Fund adopted budget once comprised of a contingency transfer to a General Fund function to provide appropriation authority for unexpected expenditures.

CAPITAL ASSET ADMINISTRATION

By the end of 2013, the school district had invested \$28,998,357 in a broad range of capital assets, including land, buildings, improvements other than buildings, and various machinery and equipment as indicated below. This amount represents a net increase of approximately 4.7% (including additions, deductions, and the effects of depreciation). The following reflects the investment in capitalized assets as of June 30, 2013 and June 30, 2012:

	Governmental Activities		Business-Type Activities		Total Amount of Change 6/30/12 to 6/30/13	Total Amount of Change 6/30/12 to 6/30/13
	6/30/12	6/30/13	6/30/12	6/30/13		
Land	\$ 218,367.57	\$ 218,367.57	\$	\$	\$ 0.00	0.00%
Construction Work in Progress	1,283,931.57	1,520,080.79			236,149.22	
Buildings	17,479,422.78	17,606,485.64			127,062.86	0.73%
Improvements Other Than Buildings	3,534,130.20	4,550,140.74			1,016,010.54	28.75%
Machinery and Equipment	4,789,766.31	4,766,133.19	347,148.94	347,148.94	(33,633.12)	-0.65%
Total Capital Assets	\$ 27,305,618.43	\$ 28,651,207.93	\$ 347,148.94	\$ 347,148.94	\$ 1,345,589.50	4.87%
Less: Accumulated Depreciation	(9,915,673.18)	(10,438,926.48)	(294,348.08)	(299,780.23)	(528,685.45)	5.18%
Total Capital Assets - Net of Accumulated Depreciation	\$ 17,389,945.25	\$ 18,212,281.45	\$ 52,800.86	\$ 47,368.71	\$ 816,904.05	4.68%

This year's more substantive capital asset additions included HVAC and parking lot improvements.

LONG-TERM DEBT

At year end the school district had \$21,836.80 in Early Retirement Benefits long-term obligations. This is a decrease of \$11,889.80 as shown below. The school district does not anticipate issuing any new long-debt in the near future beyond potential new elections for early retirement benefits. The following reflects outstanding long-term debt and obligations as of June 30, 2013 and June 30, 2012:

	Governmental Activities		Total Amount of Change 6/30/13 to 6/30/12	Total Percentage of Change 6/30/13 to 6/30/12
	6/30/13	6/30/12		
Early Retirement Benefits	\$ 21,836.80	\$ 33,726.60	\$ (11,889.80)	-35.25%

The school maintains an early retirement plan for the majority of the school system staff which allows those meeting certain qualifications to retire early and receive an amount prescribed by policy in one lump sum or in two annual amounts. This plan allows the school to reduce the overall program cost in some instances by hiring lower paid staff to replace the higher paid staff.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

School district property valuations in Marshall and Roberts Counties increased from \$417,451,658 in 2011 (relating to taxes to be paid in 2012) to \$432,535,876 in 2011 (relating to taxes to be paid in 2012) or 3.61%.

One of the primary sources of revenue to the school is based on a per student allocation they received from the State of South Dakota. The state aid formula for year ended June 30, 2013 ensures that General Fund property taxes plus state aid will equal \$4,490.92 per pupil. The school district experienced a decrease in student membership for the current year in comparison with the prior year of approximately 42 students.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sisseton School District No. 54-2 Business Office, 516 8th Avenue West, Sisseton, South Dakota 57262.

SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,858,717.85	\$ 40,887.89	\$ 3,899,605.74
Taxes Receivable	1,434,073.75		1,434,073.75
Interest Receivable	493.16		493.16
Accounts Receivable (Net)	4,064.62	29,944.42	34,009.04
Pledges Receivable	188,271.69		188,271.69
Due from Other Governments	979,968.47	27,727.33	1,007,695.80
Prepaid Expenses	65,572.50	4,125.00	69,697.50
Inventories	36,841.16	9,318.30	46,159.46
Capital Assets:			
Land, Improvements and Construction Work In Progress	1,738,448.36		1,738,448.36
Other Capital Assets, Net of Depreciation	16,473,833.09	47,368.71	16,521,201.80
TOTAL ASSETS	\$ 24,780,284.65	\$ 159,371.65	\$ 24,939,656.30
Liabilities:			
Trade Accounts Payable	\$ 227,218.72	\$ 2,193.25	\$ 229,411.97
Cash Overdraft		17,494.35	17,494.35
Payroll Contracts Payable	744,676.23	7,689.68	752,365.91
Payroll Deductions and Matching Payable	155,446.57	5,357.33	160,803.90
Construction Contracts Payable	8,000.00		8,000.00
Construction Contracts Payable--Retained Percentage	74,176.70		74,176.70
Due to Federal Government	237,571.39		237,571.39
Deferred Revenue	1,342,525.45	6,938.98	1,349,464.43
Noncurrent Liabilities:			
Due Within One Year	14,878.58		14,878.58
Due in More than One Year	6,958.22		6,958.22
TOTAL LIABILITIES	\$ 2,811,451.86	\$ 39,673.59	\$ 2,851,125.45
Net Position:			
Net Investment in Capital Assets	\$ 18,212,281.45	\$ 47,368.71	\$ 18,259,650.16
Restricted for:			
Capital Outlay	992,901.96		992,901.96
Special Education	250,721.04		250,721.04
Athletic Complex Improvements	52,248.75		52,248.75
Fine Arts Center Improvements	215,556.56		215,556.56
Unrestricted	2,245,123.03	72,329.35	2,317,452.38
TOTAL NET POSITION	\$ 21,968,832.79	\$ 119,698.06	\$ 22,088,530.85
TOTAL LIABILITIES AND NET POSITION	\$ 24,780,284.65	\$ 159,371.65	\$ 24,939,656.30

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

SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 6,316,709.57	\$ 150.00	\$ 1,565,603.31	\$ 24,440.00	\$ (4,726,516.26)		\$ (4,726,516.26)
Support Services	4,221,409.59	2,608.00	323,575.87		(3,895,225.72)		(3,895,225.72)
Community Services	23,359.27				(23,359.27)		(23,359.27)
Nonprogrammed Charges	13,910.45				(13,910.45)		(13,910.45)
Cocurricular Activities	475,550.27	68,945.02			(406,605.25)		(406,605.25)
Total Governmental Activities	\$ 11,050,939.15	\$ 71,703.02	\$ 1,889,179.18	\$ 24,440.00	\$ (9,065,616.95)		\$ (9,065,616.95)
Business-Type Activities:							
Food Service	\$ 607,629.85	\$ 196,719.13	\$ 377,115.59		\$ (33,795.13)		\$ (33,795.13)
Preschool	7,492.85	31,033.46			23,540.61		23,540.61
After-School	260,446.59	63,332.34	117,498.00		(79,616.25)		(79,616.25)
Total Business-Type Activities	\$ 875,569.29	\$ 291,084.93	\$ 494,613.59		\$ (89,870.77)		\$ (89,870.77)
Total Primary Government	\$ 11,926,508.44	\$ 362,787.95	\$ 2,383,792.77	\$ 24,440.00	\$ (9,065,616.95)	\$ (89,870.77)	\$ (9,155,487.72)
General Revenues:							
Taxes:							
Property Taxes					\$ 2,803,482.22		\$ 2,803,482.22
Gross Receipts Taxes					599,277.58		599,277.58
Revenue from State Sources:							
State aid					2,850,472.00		2,850,472.00
Other					139,845.13		139,845.13
Revenue from Intermediate Sources:							
Revenue from Federal Sources:					235,710.40		235,710.40
Unrestricted Investment Earnings					2,006,572.00		2,006,572.00
Contributions and Donations					2,230.82	7.12	2,237.94
Refund of Prior Years' Expenditures					5,706.00		5,706.00
Other General Revenues					26,073.26		26,073.26
Other General Revenues					82,356.73		82,356.73
Transfers In (Out)					(83,377.64)	83,377.64	0.00
Total General Revenues, Special Items, Extraordinary Items and Transfers							
					\$ 8,668,348.50	\$ 83,384.76	\$ 8,751,733.26
Changes in Net Position							
					\$ (397,268.45)	\$ (6,486.01)	\$ (403,754.46)
Net Position - Beginning							
					\$ 22,153,301.54	\$ 126,184.07	\$ 22,279,485.61
Adjustments:							
Prior Period Revenue Overstatement					(26,500.00)		(26,500.00)
Prior Period Revenue Understatement					239,299.70		239,299.70
Adjusted Net Position - Beginning					\$ 22,366,101.24	\$ 126,184.07	\$ 22,492,285.31
NET POSITION - ENDING							
					\$ 21,968,832.79	\$ 119,698.06	\$ 22,088,530.85

SISSETON SCHOOL DISTRICT NO. 54-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Fine Arts Center Capital Projects Fund	Athletic Complex Capital Projects Fund	Total Governmental Funds
Assets:						
Cash and Cash Equivalents	\$ 2,384,922.61	\$ 1,090,129.47	\$ 296,132.15	\$ 29,284.87	\$ 58,248.75	\$ 3,858,717.85
Taxes Receivable - Current	716,115.69	322,547.09	291,339.77			1,330,002.55
Taxes Receivable - Delinquent	72,903.65	16,478.22	14,689.33			104,071.20
Interest Receivable	493.16					493.16
Accounts Receivable	370.91	742.50	2,951.21			4,064.62
Pledges Receivable				186,271.69	2,000.00	188,271.69
Due from Other Governments	846,101.36	24,440.00	109,427.11			979,968.47
Prepaid Expenses	56,947.50		8,625.00			65,572.50
Inventories	36,841.16					36,841.16
TOTAL ASSETS	\$ 4,114,696.04	\$ 1,454,337.28	\$ 723,164.57	\$ 215,556.56	\$ 60,248.75	\$ 6,568,003.20
Liabilities:						
Accounts Payable	\$ 162,926.04	\$ 55,794.89	\$ 8,497.79			\$ 227,218.72
Payroll Contracts Payable	621,133.08		123,543.15			744,676.23
Payroll Deductions and Matching Payable	114,245.60		41,200.97			155,446.57
Construction Contracts Payable					8,000.00	8,000.00
Construction Contracts Payable--Retained Percentage		74,176.70				74,176.70
Due to Federal Government	237,571.39					237,571.39
Deferred Revenue	810,549.84	331,463.73	299,201.62			1,441,215.19
TOTAL LIABILITIES	\$ 1,946,425.95	\$ 461,435.32	\$ 472,443.53		\$ 8,000.00	\$ 2,888,304.80
Fund Equity:						
Fund Balances:						
Nonexpendable (Inventory)	\$ 36,841.16					\$ 36,841.16
Nonexpendable (Prepays)	56,947.50					56,947.50
Restricted for Capital Outlay		992,901.96				992,901.96
Restricted for Special Education			250,721.04			250,721.04
Restricted for Athletic Complex Improvements					52,248.75	52,248.75
Restricted for Fine Arts Center Improvements				215,556.56		215,556.56
Unassigned	2,074,481.43					2,074,481.43
TOTAL FUND EQUITY	\$ 2,168,270.09	\$ 992,901.96	\$ 250,721.04	\$ 215,556.56	\$ 52,248.75	\$ 3,679,698.40
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,114,696.04	\$ 1,454,337.28	\$ 723,164.57	\$ 215,556.56	\$ 60,248.75	\$ 6,568,003.20

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

SISSETON SCHOOL DISTRICT NO. 54-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Total Fund Balances - Governmental Funds	\$	3,679,698.40
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.		18,212,281.45
Long-term liabilities, including early retirement benefits payable are not due and payables in the current period and therefore are not reported in the funds.		(21,836.80)
Assets such as some taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.		98,689.74
Net Position - Governmental Funds	\$	<u><u>21,968,832.79</u></u>

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

SISSETON SCHOOL DISTRICT NO. 54-2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Fine Arts Center Capital Projects Fund	Athletic Complex Capital Projects Fund	Total Governmental Funds
Revenue:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 1,497,606.48	\$ 659,817.99	\$ 581,103.92	\$	\$	\$ 2,738,528.39
Prior Years' Ad Valorem Taxes	18,375.62	5,904.57	5,308.46			29,588.65
Gross Receipts Taxes	599,277.58					599,277.58
Penalties and Interest on Taxes	9,912.20	2,982.88	2,628.87			15,523.95
Tuition and Fees:						
Adult Continuing Education Tuition	150.00					150.00
Transportation Fees from Other LEAs Outside the State	2,608.00					2,608.00
Earnings on Investments and Deposits	2,188.22	19.89	2.77	1.30	18.64	2,230.82
Cocurricular Activities:						
Admissions	37,172.24					37,172.24
Other Pupil Activity Income	31,772.78					31,772.78
Other Revenue from Local Sources:						
Rentals	15,058.40					15,058.40
Contributions and Donations	3,156.00				2,550.00	5,706.00
Refund of Prior Years' Expenditures	25,330.76	742.50				26,073.26
Insurance and Judgments	375.00					375.00
Medicaid Direct Services			19,887.18			19,887.18
Medicaid Indirect Administrative Services	120,690.00		17,717.00			138,407.00
Other	47,518.15	1,395.92	8,649.01			57,563.08
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	235,710.40					235,710.40
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	2,990,317.13					2,990,317.13
Restricted Grants-in-Aid	6,873.69		247,813.00			254,686.69
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received						
Directly from Federal Government	1,914,856.54		82,973.05			1,997,829.59
Restricted Grants-in-Aid Received						
Directly from Federal Government	110,507.41					110,507.41
Unrestricted Grants-in-Aid Received from Federal						
Government Through an Intermediate Source	8,742.41					8,742.41
Restricted Grants-in-Aid Received from Federal						
Government Through an Intermediate Source	6,716.65					6,716.65
Restricted Grants-in-Aid Received						
from Federal Government Through State	1,037,082.30	24,440.00	321,891.95			1,383,414.25
TOTAL REVENUE	\$ 8,721,997.96	\$ 695,303.75	\$ 1,287,975.21	\$ 1.30	\$ 2,568.64	\$ 10,707,846.86
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	1,694,824.03	29,122.63				1,723,946.66
Middle/Junior High	815,995.05	20,805.47				836,800.52
High School	1,343,563.34	70,677.35				1,414,240.69

Special Programs:						
Programs for Special Education		3,842.98	1,116,713.16			1,120,556.14
Culturally Different	111,403.64					111,403.64
Educationally Deprived	834,641.40	2,386.00				837,027.40
Adult Continuing Education Programs - Other	204.57					204.57
Support Services:						
Pupils:						
Guidance	212,989.34					212,989.34
Health	57,055.41	909.00				57,964.41
Psychological			66,179.45			66,179.45
Speech Pathology			200,924.77			200,924.77
Student Therapy Service			124,264.67			124,264.67
Instructional Staff:						
Improvement of Instruction	64,730.53					64,730.53
Educational Media	321,373.79	740.33				322,114.12
General Administration:						
Board of Education	63,504.92					63,504.92
Executive Administration	156,237.93					156,237.93
School Administration:						
Office of the Principal	444,396.89	4,939.55				449,336.44
Title I Program Administration	60,925.78					60,925.78
Other	4,865.00	2,094.00				6,959.00
Business:						
Fiscal Services	206,851.12					206,851.12
Facilities Acquisition and Construction		77,699.61		4,280.00		81,979.61
Operation and Maintenance of Plant	1,103,217.52	16,642.27			5,037.01	1,124,896.80
Pupil Transportation	669,570.67					669,570.67
Food Services	1,019.84	3,578.00				4,597.84
Other	30,292.54					30,292.54
Special Education:						
Special Education Administrative Costs			75,617.54			75,617.54
Transportation Costs			10,548.57			10,548.57
Community Services:						
Civic Services	13,359.27					13,359.27
Other Community Services		10,000.00				10,000.00
Nonprogrammed Charges:						
Early Retirement Payments	25,800.25					25,800.25
Cocurricular Activities:						
Male Activities	102,394.07					102,394.07
Female Activities	73,056.15	1,820.00				74,876.15
Transportation	13,831.89					13,831.89
Combined Activities	144,288.73					144,288.73
Capital Outlay		1,464,629.59				1,464,629.59
TOTAL EXPENDITURES	\$ 8,570,393.67	\$ 1,709,886.78	\$ 1,594,248.16	\$ 4,280.00	\$ 5,037.01	\$ 11,883,845.62
Excess of Revenue Over (Under) Expenditures	\$ 151,604.29	\$ (1,014,583.03)	\$ (306,272.95)	\$ (4,278.70)	\$ (2,468.37)	\$ (1,175,998.76)
Other Financing Sources and (Uses):						
Transfers In	\$	\$ 800,000.00	350,000.00			\$ 1,150,000.00
Transfers (Out)	(1,233,377.64)					(1,233,377.64)
Sale of Surplus Property	9,360.25					9,360.25
Net Changes in Fund Balances	\$ (1,072,413.10)	\$ (214,583.03)	\$ 43,727.05	\$ (4,278.70)	\$ (2,468.37)	\$ (1,250,016.15)
Change in Nonspendable Fund Balance	(1,319.53)					(1,319.53)
Fund Balance - Beginning	\$ 3,004,203.02	\$ 1,207,484.99	\$ 206,993.99	\$ 219,835.26	\$ 79,717.12	\$ 4,718,234.38
Adjustment:						
(Overstatement) of Prior Period Revenues	(1,500.00)				(25,000.00)	(26,500.00)
Understatement of Prior Period Revenues	239,299.70					239,299.70
Adjusted Fund Balance - Beginning	\$ 3,242,002.72	\$ 1,207,484.99	\$ 206,993.99	\$ 219,835.26	\$ 54,717.12	\$ 4,931,034.08
FUND BALANCE - ENDING	\$ 2,168,270.09	\$ 992,901.96	\$ 250,721.04	\$ 215,556.56	\$ 52,248.75	\$ 3,679,698.40

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

SISSETON SCHOOL DISTRICT NO. 54-2
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (1,250,016.15)
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	1,464,629.59
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(642,293.39)
Governmental funds do not reflect the incurrence of early retirement debt, but the effects of this debt is reflected in the statement of activities.	(13,916.45)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	25,806.25
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	19,841.23
Expense recognition for expendable supplies in the governmental funds is recongized when purchased while recognition in the statement of activities is based on when consumed.	(1,319.53)
Change in Net Position of Governmental Activities	<u>\$ (397,268.45)</u>

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

SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Enterprise Funds		
	Food Service Fund	Preschool / After-School Fund	Totals
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 40,887.89	\$	\$ 40,887.89
Accounts Receivable (Net)	5,904.07	24,040.35	29,944.42
Due From Federal Government	6,971.33	20,756.00	27,727.33
Inventory of Supplies	2,445.88		2,445.88
Inventory of Stores Purchased for Resale	5,315.43		5,315.43
Inventory of Donated Food	1,556.99		1,556.99
Prepaid Expenses	4,125.00		4,125.00
Total Current Assets	\$ 67,206.59	\$ 44,796.35	\$ 112,002.94
Noncurrent Assets:			
Machinery and Equipment - Local Funds	\$ 347,148.94	\$	\$ 347,148.94
Less: Accumulated Depreciation	(299,780.23)		(299,780.23)
Total Noncurrent Assets	\$ 47,368.71	\$ 0.00	\$ 47,368.71
TOTAL ASSETS	\$ 114,575.30	\$ 44,796.35	\$ 159,371.65
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 2,193.25	\$	\$ 2,193.25
Cash Overdraft		17,494.35	17,494.35
Payroll Contracts Payable	7,689.68		7,689.68
Payroll Deductions and Matching Payable	5,357.33		5,357.33
Deferred Revenue	6,938.98		6,938.98
Total Current Liabilities	\$ 22,179.24	\$ 17,494.35	\$ 39,673.59
TOTAL LIABILITIES	\$ 22,179.24	\$ 17,494.35	\$ 39,673.59
Net Position:			
Net Investment in Capital Assets	\$ 47,368.71	\$	\$ 47,368.71
Unrestricted Net Position	45,027.35	27,302.00	72,329.35
TOTAL NET POSITION	\$ 92,396.06	\$ 27,302.00	\$ 119,698.06
TOTAL LIABILITIES AND NET POSITION	\$ 114,575.30	\$ 44,796.35	\$ 159,371.65

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

**SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Food Service Fund	Enterprise Funds Preschool / After- School Fund	Totals
Operating Revenue:			
Sales:			
Pupils	\$ 138,030.92	\$	\$ 138,030.92
Adults	14,245.60		14,245.60
Other	44,442.61	94,365.80	138,808.41
Total Operating Revenue	<u>\$ 196,719.13</u>	<u>\$ 94,365.80</u>	<u>\$ 291,084.93</u>
Operating Expenses:			
Salaries	\$ 192,290.80	\$ 188,559.03	\$ 380,849.83
Employee Benefits	84,174.94	43,221.53	127,396.47
Purchases Services	4,212.40	3,480.12	7,692.52
Supplies	12,198.55	32,678.76	44,877.31
Cost of Sales - Purchased Food	277,330.59		277,330.59
Cost of Sales - Donated Food	24,955.87		24,955.87
Depreciation - Local Funds	5,432.15		5,432.15
Other	7,034.55		7,034.55
Total Operating Expenses	<u>\$ 607,629.85</u>	<u>\$ 267,939.44</u>	<u>\$ 875,569.29</u>
Operating Income (Loss)	<u>\$ (410,910.72)</u>	<u>\$ (173,573.64)</u>	<u>\$ (584,484.36)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Earnings on Investments and Deposits	\$ 7.12	\$	\$ 7.12
State Sources:			
Cash Reimbursement	4,211.18		4,211.18
Federal Sources:			
Cash Reimbursement	348,673.35	117,498.00	466,171.35
Donated Food	24,231.06		24,231.06
Total Nonoperating Revenue (Expense)	<u>\$ 377,122.71</u>	<u>\$ 117,498.00</u>	<u>\$ 494,620.71</u>
Income Before Contributions, Special Items, Extraordinary Items and Transfers	<u>\$ (33,788.01)</u>	<u>\$ (56,075.64)</u>	<u>\$ (89,863.65)</u>
Transfer In		83,377.64	83,377.64
Changes in Net Position	<u>\$ (33,788.01)</u>	<u>\$ 27,302.00</u>	<u>\$ (6,486.01)</u>
Net Position - Beginning	<u>126,184.07</u>	<u>0.00</u>	<u>126,184.07</u>
NET POSITION - ENDING	<u><u>\$ 92,396.06</u></u>	<u><u>\$ 27,302.00</u></u>	<u><u>\$ 119,698.06</u></u>

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

**SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds		
	Food Service Fund	Preschool / After-School Fund	Totals
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 181,775.45	\$ 70,325.45	\$ 252,100.90
Cash Receipts from Interfund Services Provided	13,939.98		13,939.98
Payments to Suppliers	(301,528.65)	(36,158.88)	(337,687.53)
Payments to Employees	(270,534.39)	(231,780.56)	(502,314.95)
Net Cash Provided (Used) By Operating Activities	\$ (376,347.61)	\$ (197,613.99)	\$ (573,961.60)
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	352,860.87	96,742.00	449,602.87
Transfers In		83,377.64	83,377.64
Cash Flows from Investing Activities:			
Interest Earnings	7.12		7.12
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ <u>(23,479.62)</u>	\$ <u>(17,494.35)</u>	\$ <u>(40,973.97)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 64,367.51	\$	\$ 64,367.51
Cash and Cash Equivalents at End of Year	<u>40,887.89</u>	<u>(17,494.35)</u>	<u>23,393.54</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ <u>(23,479.62)</u>	\$ <u>(17,494.35)</u>	\$ <u>(40,973.97)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (410,910.72)	\$ (173,573.64)	\$ (584,484.36)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Value of Commodities Used	24,955.87		24,955.87
Depreciation Expense	5,432.15		5,432.15
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	188.56	(24,040.35)	(23,851.79)
Decrease in Inventories	1,214.75		1,214.75
(Decrease) in Accounts Payable	(1,967.31)		(1,967.31)
Increase in Accrued Wages and Matching Payable	5,931.35		5,931.35
(Decrease) in Deferred Revenue	(1,192.26)		(1,192.26)
Net Cash Provided (Used) by Operating Activities	\$ <u>(376,347.61)</u>	\$ <u>(197,613.99)</u>	\$ <u>(573,961.60)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 24,231.06		

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

**SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

	Private Purpose Trust Funds	Agency Funds
	<hr/>	<hr/>
Assets:		
Cash and Cash Equivalents	\$ 47,308.76	\$ 134,777.00
Interest Receivable	378.56	
Investments	112,692.69	
	<hr/>	<hr/>
TOTAL ASSETS	\$ 160,380.01	\$ 134,777.00
	<hr/>	<hr/>
Liabilities:		
Amounts Held for Others		\$ 134,777.00
		<hr/>
Total Liabilities		\$ 134,777.00
		<hr/>
Net Position:		
Net Position Held in Trust for Scholarships	\$ 160,380.01	
	<hr/>	
TOTAL NET POSITION	\$ 160,380.01	
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 160,380.01	\$ 134,777.00

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

SISSETON SCHOOL DISTRICT NO. 54-2
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

		Private Purpose Trust Funds
Additions:		
Contributions and Donations	\$	59,464.00
Other Additions		556.90
Total Additions	\$	60,020.90
DEDUCTIONS:		
Trust Deductions for Scholarships	\$	78,765.00
Total Deductions	\$	78,765.00
Changes in Net Position	\$	(18,744.10)
Net Position - Beginning	\$	179,124.11
NET POSITION - ENDING	\$	<u>160,380.01</u>

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

**SISSETON SCHOOL DISTRICT NO. 54-2
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 AND FOR THE YEAR THEN ENDED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the school district conform to accounting principles generally accepted in the United States of America.

a. Financial Reporting Entity:

The reporting entity of the school district consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and, other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted. The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the school district and for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories, which are governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the school district or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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 and respective fund types of the school district reporting entity are described below:

Governmental Funds:

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

Special Revenue Fund Types – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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

Capital Projects Fund Types – 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).

Fine Arts Center Capital Projects Fund – A fund established by the school district to account for resources and uses relating to construction of a fine arts center. This is a major fund.

Athletic Complex Capital Projects Fund – A fund established by the school district to account for resources and uses relating to construction of an athletic complex. This is a major fund.

Proprietary Funds:

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

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

Preschool / After School Program Fund – A fund used to record financial transactions related to the operation of a preschool program and an after school program. This fund is primarily financed by user charges and a grant. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The school district maintains the following private-purpose trust funds, which are used primarily for the purpose of providing scholarships to students:

- Ernest Eggers Scholarship Fund
- Graversen Scholarship Fund
- Hagen Scholarship Fund
- Holland Scholarship Fund
- Phillips Scholarship Fund
- Tallakson Scholarship Fund
- Welk Scholarship Fund
- Rau Family Scholarship Fund
- Darrell Spinler Scholarship Fund
- Manley Scholarship Fund
- Class of 1969 Scholarship Fund
- Blue Jean Scholarship
- School Board Scholarship
- Woodland Cabinets Scholarship

Agency Fund Types - Agency funds are used to account for resources held by the school district in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The school district maintains agency funds primarily for the purposes of club and class related activities.

c. **Measurement Focus and Basis of Accounting:**

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

Measurement Focus:

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting:

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 year that they can be used to pay the bills of the current period. The accrual period for the school district is generally considered to be 60 days. The revenues which were accrued at June 30, 2013 include grant reimbursements, charges for services, and interest receivable. Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include, when existing, principal and interest on general long-term debt which are recognized when due. All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and expenses are recognized when incurred.

d. **Interfund Eliminations and Reclassifications:**

Government-wide Financial Statements

In the process of aggregating data for the government-wide financial statements, when existing, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified 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, if and when any exist, 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, when existing, are presented as Internal Balances.

e. **Capital Assets:**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment for 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. Included herein are real property assets including related improvements totaling approximately \$18,553,719 for which the school district does not have legal ownership; however, the school district has substantially all the risks and rewards of ownership and anticipates having possession of these assets for perpetuity. Therefore, these assets have been included as a part of the school districts capital assets in the accompanying financial statements and related notes to the financial statements.

Government-wide Financial Statement

All capital assets are valued at historical costs 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. Construction period interest costs incurred during the construction of governmental type activities is not capitalized while for capital assets used in business-type activities, construction period interest is capitalized in accordance with accounting principles generally accepted in the United States of America. In prior years the district had an appraisal firm develop detail records of items defined as capital assets which were generally based upon estimates of cost at the estimated time of acquisition. As a result, the total June 30, 2013 balance of capital assets for governmental activities for which the costs were determined by estimations of the original cost were primarily based on estimated cost from the appraisal firm information noted above as updated subsequently to the appraisal with approximately 29.8% of the total costs reported considered as at estimated cost; and, the total June 30, 2013 capital assets for business-type activities include approximately 64.8% for which the values were determined by estimates of the original cost. The estimated original costs for capital assets for governmental activities and business-type activities were based upon the appraisal and subsequent information as referred to above. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities and in the proprietary fund financial statements, 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	\$ 0.00	Not Applicable	Not Applicable
Buildings	25,000.00	Straight-Line	45-50 Years
Improvements	25,000.00	Straight-Line	20 Years
Machinery and Equipment - Governmental Activities	3,000.00	Straight-Line	5-20 Years
Machinery and Equipment - Business-Type Activities	3,000.00	Straight-Line	10-20 Years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statement

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 of accounting and the economic resources measurement focus, the same as in the government-wide financial statements.

f. **Long-Term Liabilities:**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities consist of early retirement benefits payable. In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

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

- **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.
- **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.
- **Program-Specific Capital Grants and Contributions** – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted or the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the school district considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-Wide Statements

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

- **Net Investment in Capital Assets** – This classification 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.
- **Restricted Net Position** – This classification 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.
- **Unrestricted Net Position** – This classification consists of 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 may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Assets:

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

l. Fund Balance Classification Policies and Procedures:

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

- **Nonspendable** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Nonspendable Fund Balances are comprised of inventory and prepaids as a segregated portion of fund balance as inventory and prepaids do not represent expendable available financial resources.

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

The school district uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the school district would first use *committed, then assigned, and lastly unassigned* amounts of unrestricted fund balance when expenditures are made. The school district does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and the fund's primary revenue source(s) are as follows:

<u>Major Special Revenue Fund / Purpose</u>	<u>Primary Revenue Source(s)</u>
Capital Outlay	Property Taxes and Donations
Special Education	Property Taxes and Grants

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The school follows the practice of aggregating the cash assets of various funds in some instances 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 deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Credit Risk – State law limits eligible investments for school districts as discussed above. The school district has no investment policy that would further limit its investment choices. As of June 30, 2013 the school district had the following investments:

	<u>Fair Value</u>
Mutual Funds:	
RiverSource Fixed Annuity	\$ 10,833.41

Custodial Credit Risk-Deposits – The risk that, in the event of a depository failure, the school district's deposits may not be returned to it. The school district does not have a formal deposit policy for custodial credit risk for deposits.

Custodial Credit Risk-Investments – The risk that, in the event of the counterparty to a transaction, the school district will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

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 generally credit all income from investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in the accompanying financial statements. The school district anticipates all material net receivables to be collected within one year. Appropriate allowances for estimated uncollectibles are established when necessary.

4. INVENTORY

Inventory held for consumption is stated at cost. Inventory for resale is stated at the lower of cost or market. The cost valuation method is based on the latest invoice price cost flow assumption. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

Government-wide Financial Statements

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements

In the governmental fund financial statements, inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventory in the Food Service Fund (proprietary/enterprise fund type) is recorded as an asset at the time of purchase and charged to expense as it is consumed.

5. PROPERTY TAX

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the school district's property taxes and remits them to the school district. School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

6. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 218,367.57	\$	\$	\$ 218,367.57
Construction Work in Progress	1,283,931.57	1,211,799.37	(975,650.15)	1,520,080.79
Total Capital Assets Not Being Depreciated	\$ 1,502,299.14	\$ 1,211,799.37	\$ (975,650.15)	\$ 1,738,448.36
Capital Assets Being Depreciated:				
Buildings	\$ 17,479,422.78	\$ 127,062.86	\$	\$ 17,606,485.64
Improvements Other Than Buildings	3,534,130.20	1,016,010.54		4,550,140.74
Machinery and Equipment	4,789,766.31	85,406.97	(119,040.09)	4,756,133.19
Total Capital Assets Being Depreciated	\$ 25,803,319.29	\$ 1,228,480.37	\$ (119,040.09)	\$ 26,912,759.57
Less Accumulated Depreciation for:				
Buildings	\$ 5,331,671.76	\$ 348,009.86	\$	\$ 5,679,681.62
Improvements Other Than Buildings	636,519.39	123,568.49		760,087.88
Machinery and Equipment	3,947,482.03	170,715.04	(119,040.09)	3,999,156.98
Total Accumulated Depreciation	\$ 9,915,673.18	\$ 642,293.39	\$ (119,040.09)	\$ 10,438,926.48
Total Capital Assets Being Depreciated, Net	\$ 15,887,646.11	\$ 586,186.98	\$ 0.00	\$ 16,473,833.09
Total Governmental Activities	\$ 17,389,945.25	\$ 1,797,986.35	\$ (975,650.15)	\$ 18,212,281.45
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 347,148.94			\$ 347,148.94
Total Capital Assets Being Depreciated	\$ 347,148.94			\$ 347,148.94
Less Accumulated Depreciation for:				
Machinery and Equipment	294,348.08	\$ 5,432.15		299,780.23
Total Accumulated Depreciation	\$ 294,348.08	\$ 5,432.15		\$ 299,780.23
Total Capital Assets Being Depreciated, Net	\$ 52,800.86	\$ 5,432.15		\$ 47,368.71
Total Business-Type Activities	\$ 52,800.86	\$ 5,432.15		\$ 47,368.71

Depreciation was charged to the functions of government as follows:

	Amount
Governmental Activities:	
Instruction	\$ 272,459.53
Support Services	229,674.43
Cocurricular Activities	140,159.43
Total Governmental Activities	\$ 642,293.39
Business-Like Activities:	
Food Service	\$ 5,432.15

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

Project Name	Project Authorization As of 6/30/2013	Expended Through 6/30/2013	Required Future Financing
HVAC - High School / Middle School	1,595,007.49	1,520,080.79	74,926.70
Totals	\$ 1,595,007.49	\$ 1,520,080.79	\$ 74,926.70

7. LONG-TERM LIABILITIES-PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES

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

	Early Retirement Benefits
Debt Payable, July 1, 2012	\$ 33,726.60
New Issues/Additions	13,916.45
Retirements/Deletions	(25,806.25)
TOTAL DEBT PAYABLE, JUNE 30, 2013	\$ 21,836.80
Due within one year in the year ending June 30, 2014	\$ 14,878.58
Due in the year ending June 30, 2015	6,958.22
Total	\$ 21,836.80

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

Early Retirement Benefits:

Payments to qualified individuals electing early retirement to be paid in the remaining years ending June 30, 2014 and June 30, 2015 from the General Fund. (Generally staff who have been employed by the school district for a period of at least 15 years and who has reached the age of 55 as of June 30th of the year of retirement may elect early retirement subject to specified application procedures and provisions limiting the number of qualified staff applications in that year. Benefits generally are paid by lump sum based on the number of year's service to the school district plus a specified computation based on the employees sick leave balance.

\$ 21,836.80

8. RESTRICTED NET POSITION

Restricted net position on the Statement of Net Position as of June 30, 2013 were as follows:

Purpose	Source of Restriction	Amount of Restriction
Capital Outlay	Law	\$ 992,901.96
Special Education	Law	250,721.04
Athletic Complex Improvements	Donors	52,248.75
Fine Arts Center Improvements	Donors	215,556.56
TOTAL RESTRICTED NET ASSETS		\$ 1,511,428.31

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 were comprised of transfers from the General Fund to the following funds:

Transfers To:	Amount
Capital Outlay Fund	\$ 800,000.00
Special Education Fund	350,000.00
Preschool / After-School Program Fund	83,377.64
Total	\$ 1,233,377.64

Transfer(s) to the Capital Outlay Fund were to provide federal grant resources to provide financing relating to HVAC improvements. Transfers to the Special Education Fund and Preschool / After-School Program Fund were to provide federal grant resources to assist with financing current operating needs.

10. RETIREMENT PLAN

All employees, except for temporary workers and those working less than twenty hours per week, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution on the amount of 6.2% 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 years ended June 30, 2013, 2012, and 2011 was \$392,400, \$365,361, and \$370,023, respectively, equal to the required contributions each year.

11. COMMITMENTS

As of June 30, 2013 the school district was committed to pay the employer's share of certain employee's health insurance premiums in the total amount of \$147,133.

12. RISK MANAGEMENT

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2013, the school district managed its risks as follows:

Employee Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The school district does not carry additional health insurance coverage to pay claims in excess of the upper limit provided by this program. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The school district joined the Associated School Boards of South Dakota Property Liability Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the Associated School Boards of South Dakota Property Liability Fund is to administer and provide risk management services and risk sharing to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The school district's responsibility is to promptly report to and cooperate with the Associated School Boards of South Dakota Property Liability Fund to resolve any incident which could result in a claim being made by or against the school district. The school district pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the member, based on their exposure or type of coverage. The school district pays an annual premium to the pool to provide coverage for property, general liability, automobile, EDP, inland marine, accounts receivable, property in transit, valuable papers, ordinance or law, school leaders professional liability and cost of defense, crime; and, boiler and machinery. The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage's will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The school district has various deductibles for differing types of insurance coverage. The school district does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The school district's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The school district pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident. The school district does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded to liability coverage over the past three years.

Unemployment Benefits

The school district provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

REQUIRED SUPPLEMENTARY INFORMATION
 SISSETON SCHOOL DISTRICT NO. 54-2
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgetary Amount		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,487,960.00	\$ 1,487,960.00	\$ 1,497,606.48	\$ 9,646.48
Prior Years' Ad Valorem Taxes	25,270.00	25,270.00	18,375.62	(6,894.38)
Gross Receipts Taxes	435,325.00	435,325.00	599,277.58	163,952.58
Penalties and Interest on Taxes	10,000.00	10,000.00	9,912.20	(87.80)
Tuition and Fees:				
Preschool Tuition	10,000.00	10,000.00	0.00	(10,000.00)
Adult Continuing Education Tuition	0.00	0.00	150.00	150.00
Transportation Fees from Other LEAs Outside the State	20,000.00	20,000.00	2,608.00	(17,392.00)
Earnings on Investments and Deposits	2,800.00	2,800.00	2,188.22	(611.78)
Cocurricular Activities:				
Admissions	45,100.00	45,100.00	37,172.24	(7,927.76)
Other Pupil Activity Income	500.00	500.00	31,772.78	31,272.78
Other Revenue from Local Sources:				
Rentals	10,000.00	10,000.00	15,058.40	5,058.40
Contributions and Donations	600.00	600.00	3,156.00	2,556.00
Refund of Prior Years' Expenditures	20,000.00	20,000.00	25,330.76	5,330.76
Insurance and Judgments	0.00	0.00	375.00	375.00
Medicaid Direct Services	5,000.00	5,000.00	0.00	(5,000.00)
Medicaid Indirect Administrative Services	52,000.00	52,000.00	120,690.00	68,690.00
Latchkey Services	50,000.00	50,000.00	0.00	(50,000.00)
Other	50,000.00	50,000.00	47,518.15	(2,481.85)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	175,000.00	175,000.00	235,710.40	60,710.40
Revenue in Lieu of Taxes	2,500.00	2,500.00	0.00	(2,500.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,898,966.00	2,898,966.00	2,990,317.13	91,351.13
Restricted Grants-in-Aid	2,500.00	2,500.00	6,873.69	4,373.69
Other	3,500.00	3,500.00	0.00	(3,500.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received				
Directly from Federal Government	2,300,000.00	2,300,000.00	1,914,856.54	(385,143.46)
Restricted Grants-in-Aid Received				
Directly from Federal Government	118,869.00	118,869.00	110,507.41	(8,361.59)
Unrestricted Grants-in-Aid Received from Federal				
Government Through an Intermediate Source	0.00	0.00	8,742.41	8,742.41
Restricted Grants-in-Aid Received from Federal				
Government Through an Intermediate Source	0.00	0.00	6,716.65	6,716.65
Restricted Grants-in-Aid Received				
from Federal Government Through State	1,235,884.00	1,235,884.00	1,037,082.30	(198,801.70)
Other	500.00	500.00	0.00	(500.00)
TOTAL REVENUE	\$ 8,962,274.00	\$ 8,962,274.00	\$ 8,721,997.96	\$ (240,276.04)

Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 1,663,465.00	\$ 1,663,465.00	\$ 1,694,824.03	\$ (31,359.03)
Middle/Junior High	837,774.00	837,774.00	815,995.05	21,778.95
High School	1,449,459.00	1,449,459.00	1,343,563.34	105,895.66
Preschool Services	20,360.00	20,360.00	0.00	20,360.00
Special Programs - Culturally Different	118,869.00	118,869.00	111,403.64	7,465.36
Special Programs - Educationally Deprived	899,401.00	899,401.00	834,641.40	64,759.60
Adult Continuing Education Programs - Other	5,424.00	5,424.00	204.57	5,219.43
Support Services:				
Pupils:				
Guidance	205,791.00	205,791.00	212,989.34	(7,198.34)
Health	57,072.00	57,072.00	57,055.41	16.59
Instructional Staff:				
Improvement of Instruction	82,695.00	82,695.00	64,730.53	17,964.47
Educational Media	326,081.00	326,081.00	321,373.79	4,707.21
General Administration:				
Board of Education	100,405.00	100,405.00	63,504.92	36,900.08
Executive Administration	163,077.00	163,077.00	156,237.93	6,839.07
School Administration - Office of the Principal	477,108.00	477,108.00	444,396.89	32,711.11
School Administration - Title I Program Administration	58,703.00	58,703.00	60,925.78	(2,222.78)
School Administration - Other	0.00	0.00	4,865.00	(4,865.00)
Business:				
Fiscal Services	216,763.00	216,763.00	206,851.12	9,911.88
Operation and Maintenance of Plant	1,190,088.00	1,190,088.00	1,103,217.52	86,870.48
Pupil Transportation	714,416.00	714,416.00	669,570.67	44,845.33
Food Services	26,343.00	26,343.00	1,019.84	25,323.16
Other	0.00	0.00	30,292.54	(30,292.54)
Community Services:				
Civic Services	17,686.00	17,686.00	13,359.27	4,326.73
Custody and Care of Children Services	178,878.00	178,878.00	0.00	178,878.00
Nonprogrammed Charges - Early Retirement Payments	25,806.00	25,806.00	25,800.25	5.75
Cocurricular Activities:				
Male Activities	108,123.00	108,123.00	102,394.07	5,728.93
Female Activities	102,009.00	102,009.00	73,056.15	28,952.85
Transportation	22,246.00	22,246.00	13,831.89	8,414.11
Combined Activities	93,033.00	150,033.00	144,288.73	5,744.27
Contingencies	100,000.00	43,000.00	0.00	43,000.00
TOTAL EXPENDITURES	\$ 9,261,075.00	\$ 9,261,075.00	\$ 8,570,393.67	\$ 690,681.33
Excess of Revenue Over (Under) Expenditures	\$ (298,801.00)	\$ (298,801.00)	\$ 151,604.29	\$ 450,405.29
Other Financing Sources and (Uses):				
Transfers (Out)	(1,281,689.00)	(1,281,689.00)	(1,233,377.64)	48,311.36
Sale of Surplus Property	1,000.00	1,000.00	9,360.25	8,360.25
Net Changes in Fund Balances	\$ (1,579,490.00)	\$ (1,579,490.00)	\$ (1,072,413.10)	\$ 507,076.90
Change in Nonspendable Fund Balance	0.00	0.00	(1,319.53)	(1,319.53)
Fund Balance - Beginning	1,579,490.00	1,579,490.00	2,287,944.00	708,454.00
Adjustment:				
(Overstatement) of Prior Period Revenues	\$ 0.00	\$ 0.00	\$ (1,500.00)	\$ (1,500.00)
Understatement of Prior Period Revenues	0.00	0.00	239,299.70	239,299.70
Adjusted Fund Balance - Beginning	\$ 1,579,490.00	\$ 1,579,490.00	\$ 2,525,743.70	\$ 946,253.70
FUND BALANCE - ENDING	\$ 0.00	\$ 0.00	\$ 1,452,011.07	\$ 1,452,011.07

**REQUIRED SUPPLEMENTARY INFORMATION
SISSETON SCHOOL DISTRICT NO. 54-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgetary Amount</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 622,000.00	\$ 622,000.00	\$ 659,817.99	\$ 37,817.99
Prior Years' Ad Valorem Taxes	7,000.00	7,000.00	5,904.57	(1,095.43)
Penalties and Interest on Taxes	3,500.00	3,500.00	2,982.88	(517.12)
Earnings on Investments and Deposits	0.00	0.00	19.89	19.89
Other Revenue from Local Sources:				
Refund of Prior Years' Expenditures	0.00	0.00	742.50	742.50
Other	0.00	0.00	1,395.92	1,395.92
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through State	31,300.00	31,300.00	24,440.00	(6,860.00)
TOTAL REVENUE	\$ 663,800.00	\$ 663,800.00	\$ 695,303.75	\$ 31,503.75
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 45,500.00	\$ 45,500.00	\$ 44,209.63	\$ 1,290.37
Middle/Junior High	17,720.00	17,720.00	20,805.47	(3,085.47)
High School	85,715.00	85,715.00	99,299.19	(13,584.19)
Special Programs:				
Programs for Special Education	4,300.00	4,300.00	3,842.98	457.02
Educationally Deprived	0.00	0.00	2,386.00	(2,386.00)
Support Services:				
Pupils:				
Health	1,500.00	1,500.00	909.00	591.00
Instructional Staff:				
Educational Media	22,900.00	22,900.00	20,421.46	2,478.54
General Administration:				
Executive Administration	2,000.00	2,000.00	0.00	2,000.00
School Administration:				
Office of the Principal	6,869.00	6,869.00	4,939.55	1,929.45
Other	0.00	0.00	2,094.00	(2,094.00)
Business:				
Facilities Acquisition and Construction	2,027,100.00	2,027,100.00	1,420,307.40	606,792.60
Operation and Maintenance of Plant	150,000.00	150,000.00	75,274.10	74,725.90
Pupil Transportation	50,000.00	50,000.00	0.00	50,000.00
Food Services	5,000.00	5,000.00	3,578.00	1,422.00
Special Education:				
Special Education Administrative Costs	2,100.00	2,100.00	0.00	2,100.00
Community Services:				
Other Community Services	0.00	0.00	10,000.00	(10,000.00)
Cocurricular Activities:				
Female Activities	3,175.00	3,175.00	1,820.00	1,355.00
TOTAL EXPENDITURES	\$ 2,423,879.00	\$ 2,423,879.00	\$ 1,709,886.78	\$ 713,992.22
Excess of Revenue Over (Under) Expenditures	\$ (1,760,079.00)	\$ (1,760,079.00)	\$ (1,014,583.03)	\$ 745,495.97
Other Financing Sources and (Uses):				
Transfers In	1,091,880.00	1,091,880.00	800,000.00	(291,880.00)
Net Changes in Fund Balances	\$ (668,199.00)	\$ (668,199.00)	\$ (214,583.03)	\$ 453,615.97
Fund Balance - Beginning	668,199.00	668,199.00	1,207,484.99	539,285.99
FUND BALANCE - ENDING	\$ 0.00	\$ 0.00	\$ 992,901.96	\$ 992,901.96

**REQUIRED SUPPLEMENTARY INFORMATION
SISSETON SCHOOL DISTRICT NO. 54-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgetary Amount</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 575,000.00	\$ 575,000.00	\$ 581,103.92	\$ 6,103.92
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	5,308.46	308.46
Penalties and Interest on Taxes	3,000.00	3,000.00	2,628.87	(371.13)
Earnings on Investments and Deposits	150.00	150.00	2.77	(147.23)
Other Revenue from Local Sources:				
Medicaid Direct Services	23,000.00	23,000.00	19,887.18	(3,112.82)
Medicaid Indirect Administrative Services	7,748.00	7,748.00	17,717.00	9,969.00
Other	2,500.00	2,500.00	8,649.01	6,149.01
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	207,384.00	207,384.00	247,813.00	40,429.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received				
Directly from Federal Government	100,000.00	100,000.00	82,973.05	(17,026.95)
Restricted Grants-in-Aid Received				
from Federal Government Through State	326,471.00	326,471.00	321,891.95	(4,579.05)
TOTAL REVENUE	\$ 1,250,253.00	\$ 1,250,253.00	\$ 1,287,975.21	\$ 37,722.21
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	\$ 1,106,324.00	\$ 1,106,324.00	\$ 1,116,713.16	\$ (10,389.16)
Support Services:				
Pupils:				
Psychological	66,778.00	66,778.00	66,179.45	598.55
Speech Pathology	203,480.00	203,480.00	200,924.77	2,555.23
Student Therapy Service	133,843.00	133,843.00	124,264.67	9,578.33
Special Education:				
Special Education Administrative Costs	80,980.00	80,980.00	75,617.54	5,362.46
Transportation Costs	9,100.00	9,100.00	10,548.57	(1,448.57)
TOTAL EXPENDITURES	\$ 1,600,505.00	\$ 1,600,505.00	\$ 1,594,248.16	\$ 6,256.84
Excess of Revenue Over (Under) Expenditures	\$ (350,252.00)	\$ (350,252.00)	\$ (306,272.95)	\$ 43,979.05
Other Financing Sources and (Uses):				
Transfers In	199,600.00	199,600.00	350,000.00	150,400.00
Net Changes in Fund Balances	\$ (150,652.00)	\$ (150,652.00)	\$ 43,727.05	\$ 194,379.05
Fund Balance - Beginning	150,652.00	150,652.00	206,993.99	56,341.99
FUND BALANCE - ENDING	\$ 0.00	\$ 0.00	\$ 250,721.04	\$ 250,721.04

SISSETON SCHOOL DISTRICT NO. 54-2
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
(Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.)
AS OF JUNE 30, 2013 AND FOR THE YEAR THEN ENDED

The Budgetary Comparison Schedules present comparisons of the original budget and legally revised final budget with actual amounts by cost center for which budgets are to be legally adopted. Also presented is a column that reflects the variance between the final budget amount and actual amount. A positive variance reflects unused budget and a negative variance reflects an over expended budget. The Budgetary Comparison Schedules have been prepared on the current financial resources measurement focus and the modified accrual basis of accounting. Also, the Budgetary Comparison Schedules present capital assets acquisitions as expenditures while the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds presents expenditures for capital assets as a separate function.

The school district followed these procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2013.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and special revenue funds, are adopted utilizing the current financial resources measurement focus applied on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP).

The Impact Aid Fund had been blended with the General Fund for the year ended June 30, 2013 with the implementation of the provisions of Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions in the financial statements presented in accordance with* accounting principles generally accepted in the United States of America (GAAP). However, the presentation Required Supplementary Information (RSI), based on provisions of the Governmental Accounting Standards Board, is to be presented for the General Fund and each major special revenue fund. The RSI presented herein reflects the General Fund budgetary and actual information for the General Fund without the blending of the former Impact Aid Fund as that was the manner the General Fund budget was adopted.

SISSETON SCHOOL DISTRICT NO. 54-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

	Federal CDFA Number	Amount
U.S. Department of Agriculture:		
Pass-Through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program (Note 2)	10.555	\$ 24,955.87
Cash Assistance:		
School Breakfast Program (Note 1) (Note 2)	10.553	73,792.58
National School Lunch Program (Note 1) (Note 2)	10.555	257,634.26
Summer Food Service Program for Children (Note 2)	10.559	17,246.51
Total Child Nutrition Cluster:		\$ 373,629.22
Fresh Fruit and Vegetable Program	10.582	36,086.97
Total U.S. Department of Agriculture		\$ 409,716.19
Department of the Interior:		
Pass-Through Roberts County:		
National Wildlife Refuge Fund (Note 1)	15.659	\$ 3,075.71
Pass-Through Marshall County:		
National Wildlife Refuge Fund (Note 1)	15.659	5,666.70
Total Department of the Interior		\$ 8,742.41
General Services Administration:		
Pass-Through the S.D. Federal Property Agency:		
Donation of Federal Surplus Personal Property (Note 3)	39.003	\$ 344.52
Total General Services Administration		\$ 344.52
National Foundation on the Arts and Humanities:		
Pass-Through the S.D. Department of Tourism and State Development:		
Promotion of the Arts - Partnership Agreements	45.025	\$ 2,140.47
Total National Foundation on the Arts and Humanities		\$ 2,140.47
National Science Foundation:		
Pass-Through the S.D. Department of Education:		
Mathematical and Physical Sciences	47.049	\$ 16,730.00
Total National Science Foundation		\$ 16,730.00
U.S. Department of Education:		
Direct Federal Funding:		
Impact Aid (Note 2)	84.041	\$ 1,238,010.06
Indian Education - Grants to Local Educational Agencies	84.060	110,507.41
Pass-Through the S.D. Department of Education:		
Title I Grants to Local Educational Agencies (Note 2)	84.010	665,555.00
Special Education Cluster:		
Special Education - Grants to States (Note 2)	84.027	301,152.00
Special Education - Preschool Grants (Note 2)	84.173	11,319.00
Total Special Education Cluster		\$ 312,471.00
Special Education - Grants for Infants and Families	84.181	12,420.95
Career and Technical Education - Basic Grants to States	84.048	55,043.00
Twenty-First Century Community Learning Centers	84.287	117,498.00
Rural Education	84.358	23,814.00
Improving Teacher Quality State Grants	84.367	177,859.00
School Improvement Grants	84.377	81,283.00
Pass-Through the Mid-Central Educational Cooperative:		
College Access Challenge Grant Program	84.378	\$ 6,716.65
Total U.S. Department of Education		\$ 2,801,178.07
GRAND TOTAL		\$ 3,238,851.66

This schedule of expenditures of federal awards includes the federal grant activity of the school district and has been prepared on the accrual or modified accrual basis of accounting as may be appropriate. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 1: These amounts reflect revenue earned. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 2: This represents a Major Federal Financial Assistance Program.

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the school district. (Original acquisition cost is provided by Federal Surplus Property. It is not what the school district actually paid for the item(s).