

**BRISTOL SCHOOL DISTRICT NO. 18-1**

**Financial Statements With  
Independent Auditor's Reports  
As Of June 30, 2004 And  
For The Year Then Ended**

**SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2004**

**School Board:**

Mark Brandlee, President

Thad Duerre, Vice-President

Chris Hanson

Darron Iverson

Chad Voss

**Superintendent:**

Gene Harstad

**Business Manager:**

Kathryn K. Bury

**BRISTOL SCHOOL DISTRICT NO. 18-1  
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS  
AS OF JUNE 30, 2004 AND FOR THE YEAR THEN ENDED  
TABLE OF CONTENTS**

Page

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	
Auditor's Comments.....	1
Independent Auditor's Report	
Management's Discussion and Analysis.....	2

**BASIC FINANCIAL STATEMENTS:**

**Government-Wide Financial Statements:**

Statement of Net Assets.....	10
Statement of Activities.....	11

**Fund Financial Statements:**

Balance Sheet – Governmental Funds.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-Wide Statement of Activities.....	16
Statement of Net Assets – Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Net Assets.....	20
Statement of Changes in Fiduciary Net Assets.....	21

<b>Notes to the Financial Statements .....</b>	<b>22</b>
--	-----------

**REQUIRED SUPPLEMENTAL INFORMATION:**

**Budgetary Comparison Schedules:**

General Fund.....	33
Capital Outlay Fund.....	34
Special Education Fund.....	35
Pension Fund.....	36

<b>Notes to Required Supplemental Information.....</b>	<b>37</b>
--	-----------

**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  
Bristol School District No. 18-1  
Day County, South Dakota

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 Bristol School District No. 18-1, Day County, South Dakota, as of June 30, 2004 and for the year then ended which collectively comprise the Bristol School District No. 18-1's basic financial statements and have issued my report thereon dated June 2, 2005. 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.

**Internal Control Over Financial Reporting**

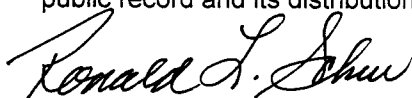
In planning and performing my audit, I considered the Bristol School District No. 18-1's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Bristol School District No. 18-1's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions noted were a lack of segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bristol School District No. 18-1's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

This report is intended solely for the information and use of the South Dakota Legislature; and, the governing board and management of the Bristol School District No. 18-1, and is not intended to be and should not be used by anyone other than these specified parties. However, 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

June 2, 2005

## **BRISTOL SCHOOL DISTRICT NO. 18-1**

### **AUDITOR'S COMMENTS**

#### **CLOSING CONFERENCE**

The audit was discussed with Mr. Mark Brandlee, School Board President and Ms. Kathryn K. Bury, Business Manager of the former Bristol School District No. 18-1; and, Mr. Larry J. Klapperich, Superintendent and Mr. Michael J. Weber, Business Manager of the successor Groton Area School District No. 6-6 on June 2, 2005.

**INDEPENDENT AUDITOR'S REPORT**

School Board  
Bristol School District No. 18-1  
Day County, South Dakota

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 Bristol School District No. 18-1, Day County, South Dakota, as of June 30, 2004 and for the year then ended, which collectively comprise the Bristol School District No. 18-1 basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Bristol School District No. 18-1's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

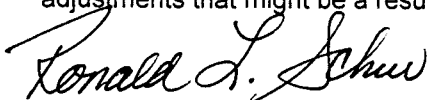
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bristol School District No. 18-1, Day County, South Dakota, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 in the notes to the financial statements, the Bristol School District No. 18-1 implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 2, 2005 on my consideration of the Bristol School District No. 18-1's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of 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* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison schedules listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The accompanying financial statements have been prepared assuming that the Bristol School District No. 18-1 will continue as a going concern. As indicated in Note 12 to the financial statements, the Bristol School District No. 18-1 will be reorganizing with another school district effective July 1, 2004. The financial statements do not include any adjustments that might be a result of this reorganization.



Ronald L. Schur  
Certified Public Accountant

June 2, 2005



**BRISTOL SCHOOL DISTRICT NO. 18-1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As Of June 30, 2004 And For The Year Then Ended**

This section of Bristol School District No. 18-1's annual financial report presents a discussion and analysis of the school district's performance during the year ended on June 30, 2004. Please read it in conjunction with the school district's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Effective July 1, 2004 the Bristol School District No. 18-1 reorganized with the Groton School District No. 6-3 to become the Groton Area School District No. 6-6. This reorganization had financial effects relating to several aspects of financial operations in the final year of operations of the Bristol School District No. 18-1. This reorganization stems from two elections in the Bristol School District No. 18-1 as the first reorganization election failed. In the second election held in January 2004 the voters approved the reorganization. Since tax levy requests are made in the fall of each year the school board adopted a budget with a tax request based on continuing operations. The district had approved a tax levy opt out in excess of the tax limitations in statute without school board approval of an opt out. This opt out was in the amount of \$500,000.00 which first provided revenue in the year ended June 30, 2003. This additional tax request was continued for the year ended June 30, 2004 because of the uncertainty of the reorganization at the time of requesting the levy.

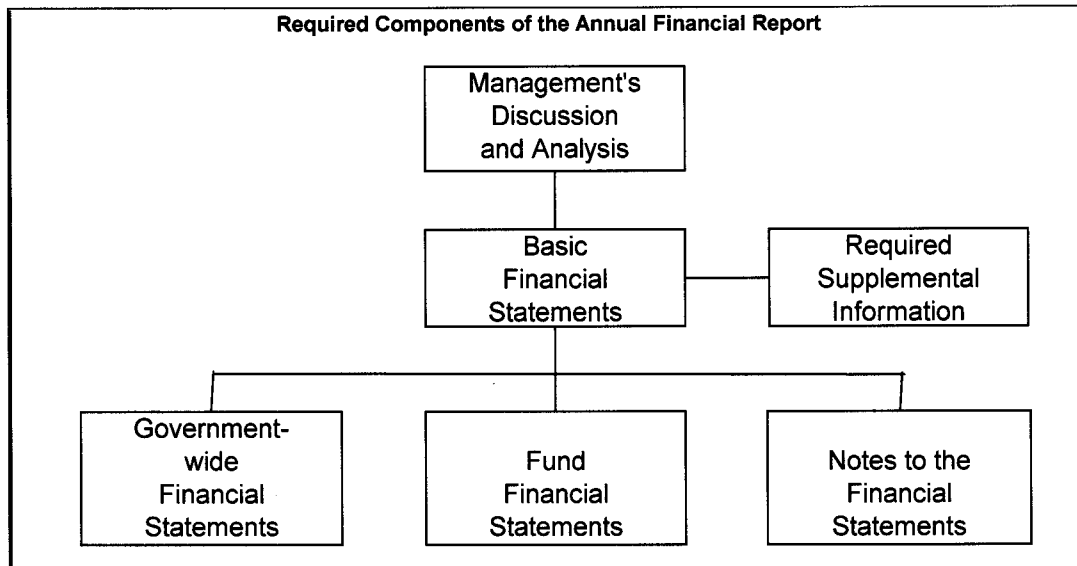
- During the year, the school district's revenues from taxes and other revenues of the governmental and business-type programs were \$578,521.18 more than the \$1,203,586.89 governmental and business-type program expenses.
- The total cost of school programs increased by approximately 12% or \$128,000.00 which was substantially due to general increases in routine operating costs and the costs associated with the salary and benefit increases and bonuses paid to staff to retain and reward them for remaining with the school district in the last year of operations prior to reorganization.

**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 only proprietary fund operated by the school is the Food Service Operation.
  - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the school district acts solely as a trustee for the benefit of others, to whom the resources in question 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 reflects 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	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
<b>Scope</b>	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 operation	Instances in which the School is the trustee or agent for someone else's resources
<b>Required Financial Statements</b>	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets *Statement of Changes in Fiduciary Net Assets
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of Asset/Liability Information</b>	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
<b>Type of Inflow/Outflow Information</b>	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 assets 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 assets and how they have changed. Net assets – 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 assets 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.), extracurricular activities (sports, 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 services to all students. The Food Service Fund is the only business-type activity of the school.

## **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 (one type of proprietary fund) is the same as its 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 assets and a statement of changes in fiduciary net assets. 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 Assets

The school's combined net assets presented on the economic resources measurement focus and accrual basis of accounting increased as follows:

#### Statement of Net Assets As of June 30, 2004 And For The Year Then Ended

	Governmental Activities	Business-Type Activities	Total Activities
Current and Other Assets	\$ 911,337.90	\$ 3,209.08	\$ 914,546.98
Capital Assets	449,189.83	2,629.15	451,818.98
Total Assets	<u>\$ 1,360,527.73</u>	<u>\$ 5,838.23</u>	<u>\$ 1,366,365.96</u>
Other Liabilities	\$ 1,117.09		\$ 1,117.09
Total Liabilities	<u>\$ 1,117.09</u>		<u>\$ 1,117.09</u>
Net Assets			
Invested in Capital Assets Net of Accumulated Depreciation	\$ 449,189.83	\$ 2,629.15	\$ 451,818.98
Restricted	270,680.10	3,209.08	273,889.18
Unrestricted	639,540.71		639,540.71
Total Net Assets	<u>\$ 1,359,410.64</u>	<u>\$ 5,838.23</u>	<u>\$ 1,365,248.87</u>
Beginning Net Assets (After Accounting for Change in Accounting Principle and other adjustments)	<u>\$ 779,118.61</u>	<u>\$ 7,609.08</u>	<u>\$ 786,727.69</u>
Increase (Decrease) in Net Assets	<u>\$ 580,292.03</u>	<u>\$ (1,770.85)</u>	<u>\$ 578,521.18</u>
Percentage Increase (Decrease) in Net Assets for the year ended June 30, 2004	<u>74.48%</u>	<u>(23.27%)</u>	<u>73.54%</u>

This is the first year to report all activities on the accrual basis of accounting therefore a comparison to the prior year is not possible.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of general obligation bonds, early retirement benefits payable, capital outlay certificates, and financing leases, have been reported in this manner on the Statement of Net Assets. The difference between the School's assets and liabilities is its net assets.

## Change in Net Assets

The business-type activities – the business-type enterprise Food Service Fund decreased modestly by \$1,770.85 as a result of efforts to operate at break-even.

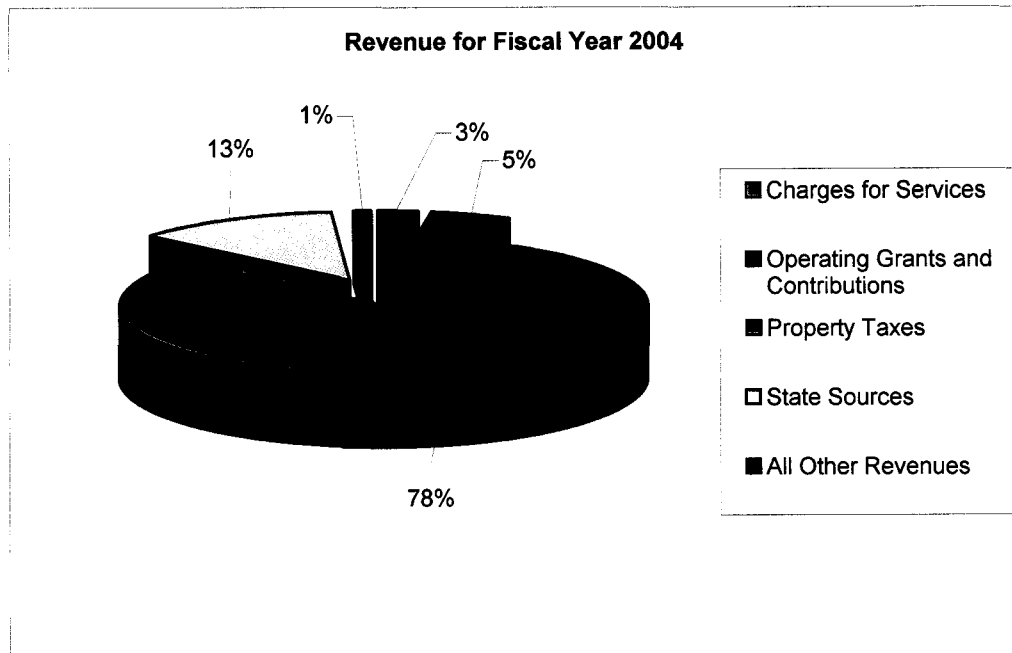
The school's total revenues (excluding special items) totaled \$1,807,650.50 as reflected in the following:

### Changes in Net Assets For The Year Ended June 30, 2004

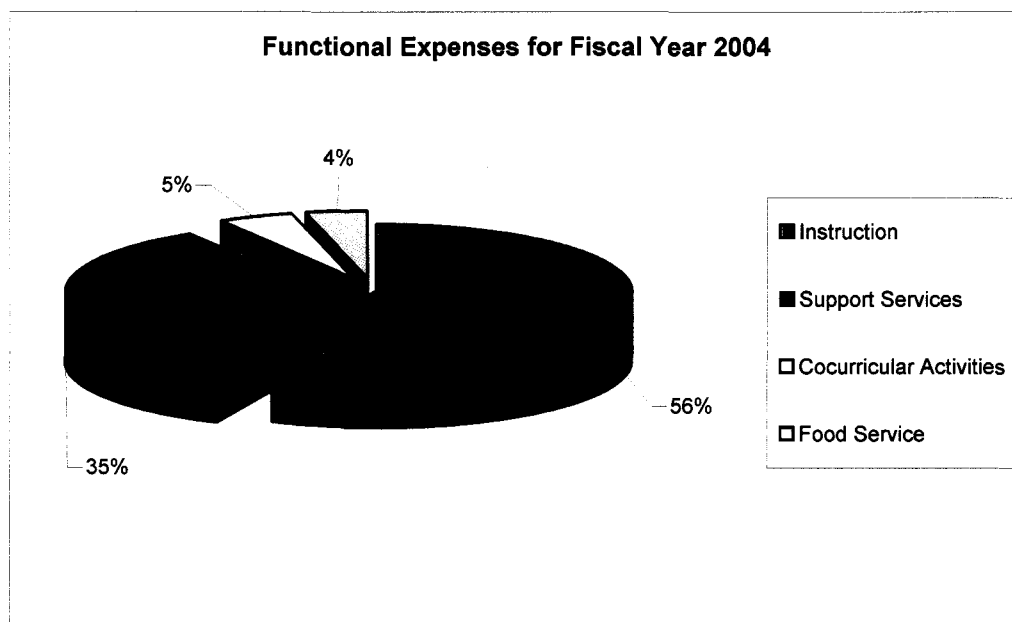
	Total Governmental Activities	Total Business-Type Activities	Total
<b>Revenues</b>			
<b>Program Revenues</b>	\$	\$	\$
Charges for Services	19,033.25	28,544.60	47,577.85
Operating Grants and Contributions	75,262.76	13,964.46	89,227.22
<b>General Revenues</b>			
Property Taxes	1,422,852.22		1,422,852.22
Revenue State Sources	229,438.65		229,438.65
Revenue Intermediate Sources	6,173.57		6,173.57
Unrestricted Investment Earnings	1,601.91	1.99	1,603.90
Other General Revenues	10,777.09		10,777.09
Transfers	(1,500.00)	1,500.00	0.00
<b>Total Revenues</b>	1,763,639.45	44,011.05	1,807,650.50
<b>Expenses</b>			
Instruction	\$ 680,771.33	\$	\$ 680,771.33
Support Services	419,485.65		419,485.65
Cocurricular Activities	57,548.01		57,548.01
Food Service		45,781.90	45,781.90
<b>Total Expenses</b>	\$ 1,157,804.99	\$ 45,781.90	\$ 1,203,586.89
Effect due to accounting change	\$ (25,542.43)	\$	\$ (25,542.43)
<b>Increase (Decrease) in Net Assets</b>	\$ 580,292.03	\$ (1,770.85)	\$ 578,521.18

Again, because this is the first year to report governmental activities on the accrual basis of accounting a comparison to the prior year is not possible.

Approximately 78% of the school's revenue comes from property and other taxes, with approximately another 13% coming from state sources as reflected in the following chart.



The total cost of all programs and services was virtually unchanged over last year. The School District's expenses cover a range of services, encompassing instruction, support services and food services as reflected in the following chart.



## BUSINESS-TYPE ACTIVITIES

Revenues of the school's business-type activity (Food Services Operation) increased by approximately \$7,600.00 and expenses decreased by approximately 3,600.00 when compared to last year. Factors contributing to these results included:

- There was an increase in the meal rate and the federal reimbursement rate during 2004.
- The primary reason for the decrease in expenses was reduced salary and benefit costs and due to the financial management practices utilized to maintain a break-even self-supporting program.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund fund balance increased by approximately \$113,000.00 primarily a result of tax opt out revenues. The Special Education Fund fund balance increased modestly due to the reduction in expenditures. The Capital Outlay Fund fund balance increased modestly primarily due to decreases in expenditures and the Pension Fund fund balance decreased because of increased expenditures for retirement costs being charged to the fund.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the school board revised the school district budget with two budget supplements and contingency transfers. All increases in spending authority were financed by unobligated fund balance. The primary reasons for increases in spending authority were for increases in reorganization related payroll costs and the reallocation of administration costs between the Special Education Fund and the General Fund.

## CAPITAL ASSET ADMINISTRATION

By the end of 2004, the school district had invested \$1,446,408.25 in a broad range of capital assets, including land, buildings, various machinery and equipment as reflected in the following table. This amount represents a very minimal change from the amounts reported at the end of the prior year as school district reorganization was being considered and the school district intentionally limited capital asset acquisitions.

### Capital Assets (Excluding Accumulated Depreciation)

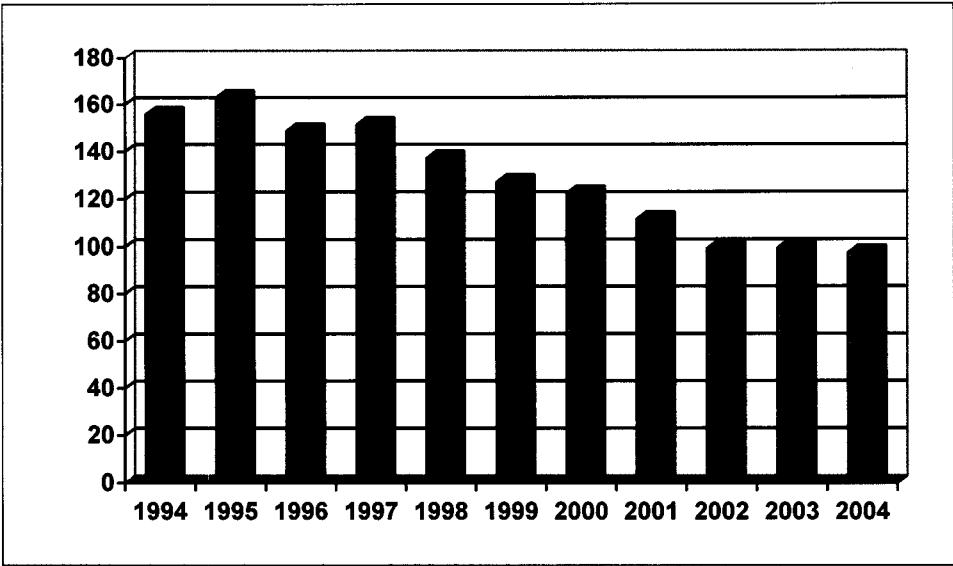
	Governmental Activities		Business-Type Activities		Total Amount of Change 6/30/03 to 6/30/04	Total Percentage of Change 6/30/03 to 6/30/04
	6/30/03	6/30/04	6/30/03	6/30/04		
Land	\$ 150.00	\$ 150.00	\$	\$	\$ 0.00	0.00%
Buildings	1,021,608.30	1,021,608.30			0.00	0.00%
Machinery and Equipment	418,942.16	412,076.16	12,573.79	12,573.79	(6,866.00)	-1.59%
<b>Total Capital Assets</b>	<b>\$ 1,440,700.46</b>	<b>\$ 1,433,834.46</b>	<b>\$ 12,573.79</b>	<b>\$ 12,573.79</b>	<b>\$ (6,866.00)</b>	<b>-0.47%</b>

The 2003-2004 fiscal year is the first year that the depreciation requirements of GASB 34 were implemented.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The school's current economic position has shown little change. The school did experience an increase in total property valuation of \$7,537,837 or approximately 14% from the prior year primarily the result of reappraisal of agricultural land. The increase in property valuation may allow the school the ability to increase the amount of revenue generated from property taxes. However, the total amount of revenue generated from property taxes is limited by the State of South Dakota.

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 2003-2004 ensures that General Fund property taxes plus state aid will equal \$3,968 per pupil. The school's average daily membership for the last eleven years (expressed on a fiscal year basis) has been as follows:



**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 Groton Area School District No. 6-6 Business Office, P.O. Box 410, Groton, South Dakota 57445-0410.

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**STATEMENT OF NET ASSETS**  
June 30, 2004

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 157,288.07	\$ 909.07	\$ 158,197.14
Investments	254,485.31		254,485.31
Taxes Receivable	496,082.47		496,082.47
Accounts Receivable		264.90	264.90
Due from Other Governments	3,482.05		3,482.05
Inventories		2,035.11	2,035.11
<b>Capital Assets:</b>			
Land	150.00		150.00
Other Capital Assets, Net of Depreciation	449,039.83	2,629.15	451,668.98
<b>TOTAL ASSETS</b>	<b>\$ 1,360,527.73</b>	<b>\$ 5,838.23</b>	<b>\$ 1,366,365.96</b>
<b>Liabilities:</b>			
Trade Accounts Payable	\$ 1,117.09		\$ 1,117.09
<b>TOTAL LIABILITIES</b>	<b>\$ 1,117.09</b>		<b>\$ 1,117.09</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Accumulated Depreciation	\$ 449,189.83	\$ 2,629.15	\$ 451,818.98
Restricted for:			
Capital Outlay	129,327.99		129,327.99
Special Education	129,726.07		129,726.07
Pension	11,626.04		11,626.04
Food Service		3,209.08	3,209.08
Unrestricted	639,540.71		639,540.71
<b>TOTAL FUND EQUITY</b>	<b>\$ 1,359,410.64</b>	<b>\$ 5,838.23</b>	<b>\$ 1,365,248.87</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,360,527.73</b>	<b>\$ 5,838.23</b>	<b>\$ 1,366,365.96</b>

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ (680,771.33)	\$ 9,835.75	\$ 65,995.84	\$ (604,939.74)		\$ (604,939.74)
Support Services	(419,485.65)		9,266.92	(410,218.73)		(410,218.73)
Cocurricular Activities	(57,548.01)	9,197.50		(48,350.51)		(48,350.51)
Total Governmental Activities	\$ (1,157,804.99)	\$ 19,033.25	\$ 75,262.76	\$ (1,063,508.98)		\$ (1,063,508.98)
Business-Type Activities:						
Food Service	\$ (45,781.90)	\$ 28,544.60	\$ 13,964.46		\$ (3,272.84)	\$ (3,272.84)
Total Business-Type Activities	\$ (45,781.90)	\$ 28,544.60	\$ 13,964.46		\$ (3,272.84)	\$ (3,272.84)
Total Primary Government	\$ (1,203,586.89)	\$ 47,577.85	\$ 89,227.22	\$ (1,063,508.98)	\$ (3,272.84)	\$ (1,066,781.82)
<b>General Revenues:</b>						
Taxes:						
Property Taxes				\$ 1,422,852.22		\$ 1,422,852.22
Revenue from State Sources:						
State aid				223,637.23		223,637.23
Other				5,801.42		5,801.42
Revenue from Intermediate Sources:				6,173.57		6,173.57
Unrestricted Investment Earnings				1,601.91	1.99	1,603.90
Other General Revenues				10,777.09		10,777.09
Transfers				(1,500.00)	1,500.00	0.00
Total General Revenues, Special Items, Extraordinary Items and Transfers				\$ 1,669,343.44	\$ 1,501.99	\$ 1,670,845.43
Effect due to accounting change				\$ (25,542.43)		\$ (25,542.43)
Changes in Net Assets				\$ 580,292.03	\$ (1,770.85)	\$ 578,521.18
Net Assets - Beginning				\$ 744,999.17	7,609.08	752,608.25
Adjustments:						
Adjustment for Revenue Recognition Restatement				34,119.44		34,119.44
Adjusted Net Assets - Beginning				\$ 779,118.61	\$ 7,609.08	\$ 786,727.69
NET ASSETS - ENDING				\$ 1,359,410.64	\$ 5,838.23	\$ 1,365,248.87

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2004**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 89,490.52	\$ 41,034.91	\$ 23,695.93	\$ 3,066.71	\$ 157,288.07
Investments	127,602.76	66,876.90	60,005.65		254,485.31
Taxes Receivable - Current	417,280.83	21,320.02	45,920.05	8,528.04	493,048.94
Taxes Receivable - Delinquent	2,801.64	96.16	104.44	31.29	3,033.53
Due from Other Governments	3,482.05				3,482.05
<b>TOTAL ASSETS</b>	<b>\$ 640,657.80</b>	<b>\$ 129,327.99</b>	<b>\$ 129,726.07</b>	<b>\$ 11,626.04</b>	<b>\$ 911,337.90</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 1,117.09	\$	\$	\$	\$ 1,117.09
Deferred Revenue	454,201.91	21,416.18	46,024.49	8,559.33	530,201.91
<b>TOTAL LIABILITIES</b>	<b>\$ 455,319.00</b>	<b>\$ 21,416.18</b>	<b>\$ 46,024.49</b>	<b>\$ 8,559.33</b>	<b>\$ 531,319.00</b>
<b>Fund Equity:</b>					
Fund Balance:					
Unreserved:	\$	\$	\$	\$	\$
Undesignated	185,338.80	107,911.81	83,701.58	3,066.71	380,018.90
<b>TOTAL FUND EQUITY</b>	<b>\$ 185,338.80</b>	<b>\$ 107,911.81</b>	<b>\$ 83,701.58</b>	<b>\$ 3,066.71</b>	<b>\$ 380,018.90</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 640,657.80</b>	<b>\$ 129,327.99</b>	<b>\$ 129,726.07</b>	<b>\$ 11,626.04</b>	<b>\$ 911,337.90</b>

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



**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2004**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 380,018.90</b>
---	----------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	449,189.83
---	------------

Governmental funds report property tax revenue on the modified accrual basis of accounting recognizing revenue in the period for which the levy was made subject to meeting availability criteria which results in deferral of some revenue recognition while the statement of net assets recognizes property tax revenue in the period for which it was levied without regard to availability criteria. As a result, in the current reporting period due to the school district's reorganization and therefore no potential subsequent year to defer recognition to future period use all deferrals have been recognized.	530,201.91
--	------------

<b>Net Assets- Governmental Funds</b>	<b>\$ <u>1,359,410.64</u></b>
---------------------------------------	-------------------------------

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenue:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 771,251.27	\$ 40,497.08	\$ 72,882.76	\$ 15,743.62	\$ 900,374.73
Prior Years'Ad Valorem Taxes	885.50	43.47	54.37	16.70	1,000.04
Gross Receipts Taxes	23,279.39				23,279.39
Penalties and Interest on Taxes	1,808.15	108.12	158.36	40.96	2,115.59
Earnings on Investments and Deposits	759.93	450.08	378.10	13.80	1,601.91
Cocurricular Activities:					
Admissions	9,197.50				9,197.50
Other Pupil Activity Income	9,835.75				9,835.75
Other Revenue from Local Sources:					
Rentals	105.00				105.00
Contributions and Donations	1,691.62				1,691.62
Refund fo Prior Years' Expenditures	245.00				245.00
Other	8,918.26				8,918.26
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	5,744.96				5,744.96
Revenue in Lieu of Taxes	359.16	24.36	35.87	9.22	428.61
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	229,438.65				229,438.65
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received Directly from Federal Government	7,023.67				7,023.67
Restricted Grants-in-Aid Received from Federal Government Through State	47,718.47		19,566.72		67,285.19
Other Federal Revenue	708.90				708.90
<b>TOTAL REVENUE</b>	<b>\$ 1,118,971.18</b>	<b>\$ 41,123.11</b>	<b>\$ 93,076.18</b>	<b>\$ 15,824.30</b>	<b>\$ 1,268,994.77</b>
Expenditures:					
Instruction:	\$	\$	\$	\$	\$
Regular Programs:					
Elementary	241,117.17	275.25		10,000.00	251,392.42
Middle/Junior High	61,859.57	643.00		2,705.21	65,207.78
High School	240,424.46	625.40		8,999.12	250,048.98
Class Size Reduction	1,916.93				1,916.93
Other Regular Programs	9,110.97				9,110.97
Special Programs:					
Programs for Special Education			41,441.80		41,441.80
Educationally Deprived	39,065.45				39,065.45

Support Services:					
Pupils:					
Drug and Alcohol	300.00				300.00
Guidance	17,844.17				17,844.17
Health	516.66				516.66
Psychological			7,256.03		7,256.03
Speech Pathology			11,609.64		11,609.64
Physical Therapy			192.00		192.00
Occupational Therapy			5,538.00		5,538.00
Other Therapy			2,100.00		2,100.00
Instructional Staff:					
Educational Media	17,354.37	105.00			17,459.37
General Administration:					
Board of Education	25,648.25				25,648.25
Executive Administration	35,328.04	1,143.36			36,471.40
School Administration:					
Office of the Principal	36,894.15				36,894.15
Other Support Services	27,297.69				27,297.69
Business:					
Fiscal Services	39,543.29	3,179.36			42,722.65
Facilities Acquisition and Construction		5,442.80			5,442.80
Operation and Maintenance of Plant	111,567.56	7,365.73			118,933.29
Pupil Transportation	45,572.74				45,572.74
Central - Staff Services	282.00				282.00
Special Education:					
Administrative Costs			2,535.16		2,535.16
Transportation Costs			8,055.15		8,055.15
Cocurricular Activities:					
Male Activities	5,229.70				5,229.70
Female Activities	8,682.65				8,682.65
Transportation	7,499.14				7,499.14
Combined Activities	31,259.02				31,259.02
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,004,313.98</b>	<b>\$ 18,779.90</b>	<b>\$ 78,727.78</b>	<b>\$ 21,704.33</b>	<b>\$ 1,123,525.99</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>\$ 114,657.20</b>	<b>\$ 22,343.21</b>	<b>\$ 14,348.40</b>	<b>\$ (5,880.03)</b>	<b>\$ 145,468.78</b>
<b>Other Financing Sources and (Uses):</b>					
Sale of Surplus Property	\$ 62.21	\$	\$	\$	\$ 62.21
Transfers (Out)	(1,500.00)				(1,500.00)
<b>Net Changes in Fund Balances</b>	<b>\$ 113,219.41</b>	<b>\$ 22,343.21</b>	<b>\$ 14,348.40</b>	<b>\$ (5,880.03)</b>	<b>\$ 144,030.99</b>
Fund Balance - Beginning	95,809.66	85,568.60	69,353.18	8,946.74	259,678.18
Adjustment for Revenue Recognition Restatement	(23,690.27)				(23,690.27)
<b>Restated Fund Balance - Beginning</b>	<b>72,119.39</b>	<b>85,568.60</b>	<b>69,353.18</b>	<b>8,946.74</b>	<b>235,987.91</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 185,338.80</b>	<b>\$ 107,911.81</b>	<b>\$ 83,701.58</b>	<b>\$ 3,066.71</b>	<b>\$ 380,018.90</b>

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**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, 2004**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>144,030.99</b>
---	-----------	-------------------

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(34,279.00)
---	--	-------------

Governmental funds report property tax revenue on the modified accrual basis of accounting, but the statement of activities reflects property tax revenue on the full accrual basis of accounting.		496,082.47
--	--	------------

The statement of activities includes an amount for effect due to accounting change primarily resulting from implementation the provisions of Governmental Accounting Standards Board Statement No. 34; however, the governmental funds do not recognize this as it did not require the use of current financial resources.		(25,542.43)
--	--	-------------

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>580,292.03</u></b>
--	-----------	--------------------------

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2004**

	<u>Enterprise Funds Food Service Fund</u>
<b>Assets:</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 909.07
Accounts Receivable	264.90
Inventory of Supplies	248.38
Inventory of Stores Purchased for Resale	1,317.53
Inventory of Donated Food	469.20
	<hr/>
Total Current Assets	3,209.08
	<hr/>
<b>Noncurrent Assets:</b>	
Machinery and Equipment	12,573.79
Less: Accumulated Depreciation	(9,944.64)
	<hr/>
Total Noncurrent Assets	2,629.15
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ <u>5,838.23</u></b>
 <b>Net Assets:</b>	
Invested in Capital Assets,	
Net of Accumulated Depreciation	\$ 2,629.15
Unrestricted Net Assets	3,209.08
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 5,838.23</b>
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>5,838.23</u></b>

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

**BRISTOL SCHOOL DISTRICT NO. 18-1  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>
	<u>Food Service Fund</u>
Operating Revenue:	
Sales:	
Pupils	\$ 22,630.60
Adults	2,756.75
Other	3,157.25
	<hr/>
Total Operating Revenue	\$ 28,544.60
	<hr/>
Operating Expenses:	
Salaries	\$ 18,063.70
Employee Benefits	2,877.97
Purchases Services	930.38
Supplies	1,113.11
Cost of Sales - Purchased Food	19,430.65
Cost of Sales - Donated Food	2,829.71
Depreciation - Local Funds	536.38
	<hr/>
Total Operating Expenses	\$ 45,781.90
	<hr/>
Operating Income (Loss)	\$ (17,237.30)
	<hr/>
Nonoperating Revenue (Expense):	
Local Sources:	
Earnings on Investments and Deposits	\$ 1.99
State Sources:	
Cash Reimbursement	267.67
Federal Sources:	
Cash Reimbursement	10,867.92
Donated Food	2,828.87
	<hr/>
Total Nonoperating Revenue (Expense)	\$ 13,966.45
	<hr/>
Income Before Contributions, Special Items, Extraordinary Items and Transfers	\$ (3,270.85)
Transfer In	1,500.00
	<hr/>
Changes in Net Assets	\$ (1,770.85)
Net Assets - Beginning	\$ 7,609.08
	<hr/>
NET ASSETS - ENDING	\$ <u>5,838.23</u>

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

**BRISTOL SCHOOL DISTRICT NO. 18-1  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Enterprise Funds</b>
	<b>Food Service Fund</b>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 28,323.15
Payments to Suppliers	(21,838.80)
Payments to Employees	(20,941.67)
Net Cash Provided (Used) By Operating Activities	\$ (14,457.32)
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	11,135.59
Transfer In	1,500.00
Cash Flows from Investing Activities:	
Interest Earnings	1.99
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ <u>(1,819.74)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 2,728.81
Cash and Cash Equivalents at End of Year	909.07
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ <u>(1,819.74)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (17,237.30)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Value of Commodities Used	2,829.71
Depreciation Expense	536.38
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(172.15)
(Increase) in Inventories	(364.66)
(Decrease) in Deferred Revenue	(49.30)
Net Cash Provided (Used) by Operating Activities	\$ <u>(14,457.32)</u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	\$ 2,828.87

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2004**

	<b>Agency Funds</b>
	<hr/>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,760.00
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,760.00</u></b>
<b>Liabilities:</b>	
Amounts Held for Others	\$ 1,760.00
	<hr/>
<b>Total Liabilities</b>	<b>\$ 1,760.00</b>
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,760.00</u></b>

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



**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2004**

	<b>Private Purpose Trust Funds</b>
Additions:	
Contributions and Donations	\$ 300.00
Other Additions	0.16
	<hr/>
Total Additions	\$ 300.16
	<hr/>
DEDUCTIONS:	
Trust Deductions for Scholarships	\$ 300.16
	<hr/>
Total Deductions	\$ 300.16
	<hr/>
Changes in Net Assets	\$ 0.00
	<hr/>
Net Assets- Beginning	\$ 0.00
	<hr/>
NET ASSETS - ENDING	\$ <u>0.00</u>

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

**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2004 AND FOR THE YEAR THEN ENDED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Financial Reporting Entity:**

The accounting policies of the school district conform to accounting principles generally accepted in the United States of America. 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. The school district participates in cooperative service units with other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the school district.

**b. Basis of Presentation:**

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued *Statement of Governmental Accounting Standards No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB No. 34 amended accounting principles generally accepted in the United States of America by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. The school district has implemented, GASB No. 34, resulting in a lack of comparability between these financial statements and those presented in prior years. The new reporting model significantly changes the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information.

*Government-wide Financial Statements*

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the school district and for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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. 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 Funds** - 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.

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

#### **Proprietary Funds:**

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

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

#### **Fiduciary Funds:**

Fiduciary funds are never considered to be major funds.

**Private-Purpose Trust Funds** - 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 fund, which has been used for the purpose of providing scholarships to students:

- Kambestad Scholarship Fund

**Agency Funds** - Agency funds are used to account for resources held by the school district in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The school district maintained agency funds primarily for the purposes of club and class related activities; and, for resources accumulated from employees for the payment of health insurance premiums.

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

**Measurement Focus:**

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. The "economic resources" measurement focus generally reflects all assets and liabilities, both financial and capital, and short-term and long-term; and, all revenues and expenses during the year regardless of when cash is received or paid. The "current financial resources" measurement focus generally reflects only assets expected to be used up and liabilities that come due during the year or soon thereafter with no capital assets included; and, 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.

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

The fund financial statements provide information about the school district's funds, including fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Management has elected, because of public interest in each fund's operations, to report all related funds (excluding fiduciary funds) of the school district as major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**Basis of Accounting:**

*Government-wide Financial Statements*

In the government-wide Statement of Net Assets and Statement of Activities, governmental, business-type, and component unit 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 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). The government-wide, proprietary, and similar fiduciary fund financial statements are reported using the accrual basis of accounting. In the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the school district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year, which all eligibility requirements have been satisfied.

*Fund Financial Statements*

All governmental funds and similar fiduciary 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 generally does not exceed one bill-paying cycle, and, for the school district, the length of that cycle is

generally considered to be 60 days. The revenues which were accrued at June 30, 2004 included grant reimbursements receivable. Expenditures generally are recognized when the related liability is incurred. All proprietary funds and similar fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and expenses are recognized when incurred. The governmental business-type activities and enterprise funds do not apply FASB Statements and Interpretations issued after November 30, 1989.

**d. Interfund Eliminations and Reclassifications:**

*Government-wide Financial Statement*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified 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.

*Fund Financial Statements*

Noncurrent portions of long-term interfund receivables, when existing, (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

**e. Capital Assets:**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. 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.

*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. 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.

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, 2004 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 with approximately 27% of the total costs reported considered as at estimated cost. The total June 30, 2004 capital assets for business-type activities include approximately 16% for which the costs were determined by estimations of the original cost. The estimated original costs for capital assets for governmental activities were based upon the appraisal referred to above; and, the estimations of capital assets for business-type activities were established by reviewing applicable historical costs and basing the estimations thereon.

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements, and in the proprietary fund financial statements, except for that portion related to common use assets for which allocation would be unduly complex, which, when existent, is reported as Unallocated Depreciation. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	Not Applicable	Not Applicable
Buildings and Improvements Other than Buildings	25,000.00	Straight-Line	40 Years
Machinery and Equipment - Governmental Activities	5,000.00	Straight-Line	5-30 Years
Machinery and Equipment - Business-Type Activities	500.00	Straight-Line	12 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 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. 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 service consumers 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 for the acquisition of capital assets for use in a particular program.

#### **g. 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 expense.

#### **h. Cash and Cash Equivalents:**

The school district pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalent for the purpose of the Statement of Cash Flows.

#### **i. Equity Classifications:**

##### *Government-Wide Statements*

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

- **Invested in Capital Assets, Net of Related Debt** - 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 Assets** - This classification consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** - This classification consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

## *Fund Financial Statements*

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

### j. **Application of Net Assets:**

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

### k. **Deposits and Investments:**

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. Deposits are reported at cost, plus interest, if the account is of the add-on type. State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The governing board of the school district's policy is to generally credit all income from investments to the fund making the investment. The actual bank balances at June 30, 2004 were as follows:

	<b><u>Bank Balance</u></b>
Insured (FDIC/NCUA)	\$ 132,317.92
Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.	94,355.81
Total Deposits	<u>\$ 226,673.73</u>
 School carrying amount of deposits June 30, 2004	 <u>\$ 159,857.14</u>
 <b>Reconciliation of deposits to Government-Wide Statement of Net Assets:</b>	
Cash and Cash Equivalents Government-Wide Statement of Net Assets	\$ 158,197.14
Subtract:	
Petty Cash not on deposit	(100.00)
Add:	
Agency fund cash not included in government-wide statement of net assets	1,760.00
Total Reconciled Deposits to school's carrying amount of deposits at June 30, 2004	<u>\$ 159,857.14</u>

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. Investments are stated at fair value. The school's investments (except for mutual funds) are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name. The investments at June 30, 2004 were in the SDFIT External Investment Pool in the fair value amount of \$254,485.31.

The South Dakota Public Funds Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**l. Receivables and Payables:**

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

**m. Inventory:**

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

*Government-wide Financial Statement*

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 fund financial statements, inventory consists principally of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. When material, inventories are reported and are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**2. DEFERRED REVENUE**

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.

**3. PROPERTY TAX**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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.

*Fund Financial Statements*

In the fund financial statements school district property tax revenues are recognized to the extent that they are used to finance each year's appropriations provided the available criteria are met. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and that do not meet the available criteria; and, therefore are not susceptible to accrual has been reported as deferred revenue.

*Government-wide Financial Statement*

In the government-wide financial statements, school district property tax revenues are generally recognized to the extent that they are used to finance each year's appropriation without regard to meeting the available criteria. However, as discussed further elsewhere herein, the school district ceases to exist as an independent governmental unit as of July 1, 2004 and, as a result, in the government-wide financial statements property taxes receivable are fully recognized as revenue as of June 30, 2004 as there is no subsequent year for which they are to be applied.



#### 4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 150.00			\$ 150.00
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 150.00</u>			<u>\$ 150.00</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	\$ 1,021,608.30		\$	\$ 1,021,608.30
Machinery and Equipment	418,942.16		(6,866.00)	412,076.16
<b>Total Capital Assets Being Depreciated</b>	<u>\$ 1,440,550.46</u>		<u>\$ (6,866.00)</u>	<u>\$ 1,433,684.46</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	\$ 602,439.63	\$ 19,679.00	\$	\$ 622,118.63
Machinery and Equipment	354,792.00	14,600.00	(6,866.00)	362,526.00
<b>Total Accumulated Depreciation</b>	<u>\$ 957,231.63</u>	<u>\$ 34,279.00</u>	<u>\$ (6,866.00)</u>	<u>\$ 984,644.63</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>\$ 483,318.83</u>	<u>\$ (34,279.00)</u>	<u>\$ 0.00</u>	<u>\$ 449,039.83</u>
<b>Total Governmental Activities</b>	<u>\$ 483,468.83</u>	<u>\$ (34,279.00)</u>	<u>\$ 0.00</u>	<u>\$ 449,189.83</u>
<b>Business-Type Activities:</b>				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 12,573.79			\$ 12,573.79
<b>Total Capital Assets Being Depreciated</b>	<u>\$ 12,573.79</u>			<u>\$ 12,573.79</u>
<b>Less Accumulated Depreciation for:</b>				
Machinery and Equipment	9,408.26	536.38		9,944.64
<b>Total Accumulated Depreciation</b>	<u>\$ 9,408.26</u>	<u>\$ 536.38</u>		<u>\$ 9,944.64</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>\$ 3,165.53</u>	<u>\$ (536.38)</u>		<u>\$ 2,629.15</u>
<b>Total Business-Type Activities</b>	<u>\$ 3,165.53</u>	<u>\$ (536.38)</u>		<u>\$ 2,629.15</u>

Depreciation was charged to the functions of government as follows:

	Amount
<b>Governmental Activities:</b>	
Instruction	\$ 22,587.00
Support Services	6,814.50
Cocurricular Activities	4,877.50
<b>Total Governmental Activities</b>	<u>\$ 34,279.00</u>
<b>Business-Like Activities:</b>	
Food Service	<u>\$ 536.38</u>

#### 5. OPERATING LEASES

Copier equipment was leased with monthly payments of \$190.56 being made from the Capital Outlay Fund for 36 months with the first lease payment made in November 2001. As of June 30, 2004 there was a total of \$571.68 of remaining minimum monthly lease payments. These payments were continued by the successor school district following the June 30, 2004 school district reorganization.

## 6. INDIVIDUAL FUND INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2004 were as follows:

		<u>Transfers To</u>
		Food Service Fund
<u>Transfers From</u>		
General Fund	\$	1,500.00
Totals	\$	<u>1,500.00</u>

This transfer was the result of a transfer from the General Fund to the Food Service Fund to provide financial assistance stemming from a shortfall in operating resources in the Food Service Fund.

## 7. RESTRICTED NET ASSETS

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

	<u>Source of Restriction</u>	<u>Amount of Restriction</u>
Capital Outlay	Law	\$ 129,327.99
Special Education	Law	129,726.07
Pension	Law	11,626.04
Food Service	Federal Regulation	3,209.08

## 8. ACCOUNTING CHANGES

The Net Assets as of July 1, 2003 on the Government-Wide Statement of Activities has been adjusted to restate the cumulative effects of applying GASB 34 during the first year of its implementation.

## 9. RETIREMENT PLAN

All employees, except for temporary employees 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 required the employer to contribute an amount equal to the employee's contribution. State statute also required 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, 2004, 2003, and 2002 was \$38,079, \$34,546, and \$30,715, respectively, equal to the required contributions each year.

## 10. JOINT VENTURES

The school district participates in the North Central Special Education Cooperative and the North Central Area Interconnect Cooperative, cooperative service units (co-ops) formed for the purpose of providing generally educationally related services to member school districts.

### *North Central Special Education Cooperative*

The members of the co-op are as follows: (An amount reflecting each member district's relative percentage of participation in the co-op has not been deemed to be a measurable matter.)

Bristol School District No. 18-1  
Conde School District No. 56-1  
Doland School District No. 56-2  
Elm Valley School District No. 6-2  
Groton School District No. 6-3  
Northwestern School District No. 56-3  
Warner School District No. 6-5

The co-op's governing board is composed of one representative from each member school district, who is the superintendent. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net assets of the co-op, but does have a responsibility of fund deficits of the co-op. Separate financial statements for this joint venture are available from the North Central Special Education Cooperative. At June 30, 2004, based upon unaudited financial information, this joint venture had total fund equity of \$447,894.84 and no long-term debt.

### *North Central Area Interconnect Cooperative*

The members of the co-op are as follows with each member district having an equal one-seventh (1/7) share in the co-op:

Aberdeen School District No. 6-1  
Bristol School District No. 18-1  
Elm Valley School District No. 6-2  
Groton School District No. 6-3  
Leola School District No. 44-2  
Warner School District No. 6-5  
Webster School District No. 18-4

The co-op's governing board is composed of the superintendent or designee of each member school district. The board is responsible for adopting the co-op's budget and setting the service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the North Central Area Interconnect Cooperative. At June 30, 2004, based upon unaudited financial information, this joint venture had total fund equity of \$560,113.11 and no long-term debt.

## **11. RISK MANAGEMENT**

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2004, the school district managed its risks as follows:

#### *Employee Health Insurance:*

The school district purchases health insurance for its employees from a commercial insurance carrier.

#### *Liability Insurance:*

The school district purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

#### *Workmen's Compensation:*

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

#### *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.

**12. REORGANIZATION**

A reorganization plan was developed and approved by the governing boards of the Bristol School District No. 18-1 and the Groton School District No. 6-3. In a letter dated July 30, 2003 the Deputy Secretary of the State of South Dakota, Department of Education generally determined that the reorganization plan was acceptable. Elections were held in each of the school districts and the reorganization plan was approved by the voters in each of the school districts. The approved plan results in the two above mentioned school districts to become one school district effective July 1, 2004 to be named the Groton Area School District No. 6-6. The accompanying financial statements and information in the related notes to the financial statements do not reflect any substantive adjustments including adjustments to assets or liabilities as a result of this reorganization.

**13. LEGAL MATTERS**

The Bristol School District No. 18-1 and its successor, the Groton Area School District No. 6-6 have been and are involved in a legal matter regarding a reduction in force. The School Board of the Bristol School District No. 18-1 and the successor School Board of the Groton Area School District No. 6-6 have been and are vigorously defending their actions and anticipates that there is a very remote risk that they will not prevail. A loss, if any, is not currently deemed reasonably determinable.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Budgetary Amount</u>		<u>Actual Amount</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 747,561.00	\$ 747,561.00	\$ 771,251.27	\$ 23,690.27
Prior Years' Ad Valorem Taxes	0.00	0.00	885.50	885.50
Tax Deed Revenue	100.00	100.00	0.00	(100.00)
Gross Receipts Taxes	20,000.00	20,000.00	23,279.39	3,279.39
Penalties and Interest on Taxes	900.00	900.00	1,808.15	908.15
Earnings on Investments and Deposits	500.00	500.00	759.93	259.93
Cocurricular Activities:				
Admissions	6,500.00	6,500.00	9,197.50	2,697.50
Other Pupil Activity Income	3,500.00	3,500.00	9,835.75	6,335.75
Other Revenue from Local Sources:				
Rentals	0.00	0.00	105.00	105.00
Contributions and Donations	600.00	600.00	1,691.62	1,091.62
Refund of Prior Years' Expenditures	0.00	0.00	245.00	245.00
Other	2,500.00	2,500.00	8,918.26	6,418.26
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	7,000.00	7,000.00	5,744.96	(1,255.04)
Revenue in Lieu of Taxes	0.00	0.00	359.16	359.16
Revenue from State Sources:				
Grants-in-Aid - Unrestricted Grants-in-Aid	224,363.00	224,363.00	229,438.65	5,075.65
Other State Revenue	2,000.00	2,000.00	0.00	(2,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Directly from Federal Government	10,067.00	10,067.00	7,023.67	(3,043.33)
Restricted Grants-in-Aid Received from Federal Government Through State	63,792.00	63,792.00	47,718.47	(16,073.53)
Other Federal Revenue	0.00	0.00	708.90	708.90
<b>TOTAL REVENUE</b>	<b>\$ 1,089,383.00</b>	<b>\$ 1,089,383.00</b>	<b>\$ 1,118,971.18</b>	<b>\$ 29,588.18</b>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 246,560.00	\$ 246,560.00	\$ 241,117.17	\$ 5,442.83
Middle/Junior High	80,600.00	80,600.00	61,859.57	18,740.43
High School	217,525.00	247,125.00	240,424.46	6,700.54
Class Size Reduction	16,701.00	16,701.00	1,916.93	14,784.07
Other Regular Programs	13,243.00	13,243.00	9,110.97	4,132.03
Special Programs - Educationally Deprived	40,998.00	40,998.00	39,065.45	1,932.55
Support Services:				
Pupils:				
Drug and Alcohol	750.00	750.00	300.00	450.00
Guidance	20,175.00	20,175.00	17,844.17	2,330.83
Health	650.00	650.00	516.66	133.34
Instructional Staff:				
Improvement of Instruction	2,450.00	2,450.00	0.00	2,450.00
Educational Media	24,281.00	24,281.00	17,354.37	6,926.63
General Administration:				
Board of Education	19,405.00	27,665.00	25,648.25	2,016.75
Executive Administration	29,648.00	35,398.00	35,328.04	69.96
School Administration - Office of the Principal	34,663.00	36,913.00	36,894.15	18.85
School Administration - Other Support Services	24,271.00	27,096.00	27,297.69	(201.69)
Business:				
Fiscal Services	41,896.00	41,896.00	39,543.29	2,352.71
Operation and Maintenance of Plant	114,945.00	114,945.00	111,567.56	3,377.44
Pupil Transportation	45,041.00	49,241.00	45,572.74	3,668.26
Central - Staff Services	350.00	350.00	282.00	68.00
Cocurricular Activities:				
Male Activities	6,740.00	6,740.00	5,229.70	1,510.30
Female Activities	9,535.00	9,535.00	8,682.65	852.35
Transportation	7,500.00	7,500.00	7,499.14	0.86
Combined Activities	23,760.00	31,260.00	31,259.02	0.98
Contingencies	53,769.00	53,769.00		
Amount (Transferred)		(10,500.00)		43,269.00
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,075,456.00</b>	<b>\$ 1,135,841.00</b>	<b>\$ 1,004,313.98</b>	<b>\$ 121,027.02</b>
Excess of Revenue Over (Under) Expenditures	\$ 13,927.00	\$ (46,458.00)	\$ 114,657.20	\$ 161,115.20
Other Financing Sources and (Uses):				
Sale of Surplus Property	0.00	0.00	62.21	62.21
Transfers (Out)	(15,500.00)	(15,500.00)	(1,500.00)	14,000.00
<b>Net Changes in Fund Balances</b>	<b>\$ (1,573.00)</b>	<b>\$ (61,958.00)</b>	<b>\$ 113,219.41</b>	<b>\$ 175,115.20</b>
Fund Balance - Beginning	1,573.00	61,958.00	95,809.66	33,851.66
Adjustment for Revenue Recognition Restatement	0.00	0.00	(23,690.27)	(23,690.27)
Restated Fund Balance - Beginning	\$ 1,573.00	\$ 61,958.00	\$ 72,119.39	\$ 10,161.39
<b>FUND BALANCE - ENDING</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 185,338.80</b>	<b>\$ 185,276.59</b>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRISTOL SCHOOL DISTRICT NO. 18-1  
BUDGETARY COMPARISON SCHEDULE  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	<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	\$ 40,000.00	\$ 40,000.00	\$ 40,497.08	\$ 497.08
Prior Years' Ad Valorem Taxes	200.00	200.00	43.47	(156.53)
Penalties and Interest on Taxes	0.00	0.00	108.12	108.12
Earnings on Investments and Deposits	400.00	400.00	450.08	50.08
Revenue from Intermediate Sources:				
County Sources:				
Revenue in Lieu of Taxes	0.00	0.00	24.36	24.36
<b>TOTAL REVENUE</b>	<b>\$ 40,600.00</b>	<b>\$ 40,600.00</b>	<b>\$ 41,123.11</b>	<b>\$ 523.11</b>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 900.00	\$ 900.00	\$ 275.25	\$ 624.75
Middle/Junior High	500.00	650.00	643.00	7.00
High School	1,500.00	1,500.00	625.40	874.60
Support Services:				
Instructional Staff:				
Educational Media	1,200.00	1,200.00	105.00	1,095.00
General Administration:				
Executive Administration	1,200.00	1,200.00	1,143.36	56.64
Business:				
Fiscal Services	3,300.00	3,300.00	3,179.36	120.64
Facilities Acquisition and Construction	6,000.00	6,000.00	5,442.80	557.20
Operation and Maintenance of Plant	7,500.00	7,500.00	7,365.73	134.27
Pupil Transportation	20,000.00	20,000.00	0.00	20,000.00
Cocurricular Activities:				
Combined Activities	500.00	500.00	0.00	500.00
<b>TOTAL EXPENDITURES</b>	<b>\$ 42,600.00</b>	<b>\$ 42,750.00</b>	<b>\$ 18,779.90</b>	<b>\$ 23,970.10</b>
Excess of Revenue Over (Under) Expenditures	<b>\$ (2,000.00)</b>	<b>\$ (2,150.00)</b>	<b>\$ 22,343.21</b>	<b>\$ 24,493.21</b>
Net Changes in Fund Balances	<b>\$ (2,000.00)</b>	<b>\$ (2,150.00)</b>	<b>\$ 22,343.21</b>	<b>\$ 24,493.21</b>
Fund Balance - Beginning	2,000.00	2,150.00	85,568.60	83,418.60
<b>FUND BALANCE - ENDING</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 107,911.81</b>	<b>\$ 107,911.81</b>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRISTOL SCHOOL DISTRICT NO. 18-1  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	<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	\$ 72,777.00	\$ 72,777.00	\$ 72,882.76	\$ 105.76
Prior Years' Ad Valorem Taxes	50.00	50.00	54.37	4.37
Penalties and Interest on Taxes	50.00	50.00	158.36	108.36
Earnings on Investments and Deposits	600.00	600.00	378.10	(221.90)
Revenue from Intermediate Sources:				
County Sources:				
Revenue in Lieu of Taxes	0.00	0.00	35.87	35.87
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through State	16,600.00	16,600.00	19,566.72	2,966.72
<b>TOTAL REVENUE</b>	<b>\$ 90,077.00</b>	<b>\$ 90,077.00</b>	<b>\$ 93,076.18</b>	<b>\$ 2,999.18</b>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	\$ 70,510.00	\$ 70,510.00	\$ 41,441.80	\$ 29,068.20
Support Services:				
Pupils:				
Psychological	7,500.00	8,600.00	7,256.03	1,343.97
Speech Pathology	12,500.00	12,500.00	11,609.64	890.36
Physical Therapy	5,000.00	5,000.00	192.00	4,808.00
Occupational Therapy	7,500.00	7,500.00	5,538.00	1,962.00
Other Therapy	0.00	2,500.00	2,100.00	400.00
Special Education:				
Administrative Costs	7,050.00	7,050.00	2,535.16	4,514.84
Transportation Costs	11,225.00	11,225.00	8,055.15	3,169.85
<b>TOTAL EXPENDITURES</b>	<b>\$ 121,285.00</b>	<b>\$ 124,885.00</b>	<b>\$ 78,727.78</b>	<b>\$ 46,157.22</b>
Excess of Revenue Over (Under) Expenditures	\$ (31,208.00)	\$ (34,808.00)	\$ 14,348.40	\$ 49,156.40
Net Changes in Fund Balances	\$ (31,208.00)	\$ (34,808.00)	\$ 14,348.40	\$ 49,156.40
Fund Balance - Beginning	31,208.00	34,808.00	69,353.18	34,545.18
<b>FUND BALANCE - ENDING</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 83,701.58</b>	<b>\$ 83,701.58</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**BUDGETARY COMPARISON SCHEDULE**  
**PENSION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Budgetary Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenue:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 15,600.00	\$ 15,600.00	\$ 15,743.62	\$ 143.62
Prior Years' Ad Valorem Taxes	0.00	0.00	16.70	16.70
Penalties and Interest on Taxes	0.00	0.00	40.96	40.96
Earnings on Investments and Deposits	0.00	0.00	13.80	13.80
County Sources:				
Revenue in Lieu of Taxes	0.00	0.00	9.22	9.22
<b>TOTAL REVENUE</b>	<b>\$ 15,600.00</b>	<b>\$ 15,600.00</b>	<b>\$ 15,824.30</b>	<b>\$ 224.30</b>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 9,000.00	\$ 10,000.00	\$ 10,000.00	\$ 0.00
Middle/Junior High	3,000.00	3,000.00	2,705.21	294.79
High School	3,600.00	9,200.00	8,999.12	200.88
<b>TOTAL EXPENDITURES</b>	<b>\$ 15,600.00</b>	<b>\$ 22,200.00</b>	<b>\$ 21,704.33</b>	<b>\$ 495.67</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>\$ 0.00</b>	<b>\$ (6,600.00)</b>	<b>\$ (5,880.03)</b>	<b>\$ 719.97</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 0.00</b>	<b>\$ (6,600.00)</b>	<b>\$ (5,880.03)</b>	<b>\$ 719.97</b>
<b>Fund Balance - Beginning</b>	<b>0.00</b>	<b>6,600.00</b>	<b>8,946.74</b>	<b>2,346.74</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 3,066.71</b>	<b>\$ 2,346.74</b>



**BRISTOL SCHOOL DISTRICT NO. 18-1**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**AS OF JUNE 30, 2004 AND FOR THE YEAR THEN ENDED**

The Budgetary Comparison Schedules present comparisons of the original budget and legally revised final budget with actual amounts for the General Fund and each Special Revenue Fund and 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. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
2. 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 4.
3. 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.
4. 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.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2004.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. 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).