

**SOUTH DAKOTA
HIGH SCHOOL ACTIVITIES ASSOCIATION**

AUDIT REPORT

June 30, 2012

**SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
ASSOCIATION OFFICIALS
June 30, 2012**

Board of Directors:

**Terry Nebelsick – Chairperson
Chris Specht – Vice Chair
Gene Brownell
Rick Weber
Eldon Marshall
Darren Paulson
Todd Trask
Mike Ruth**

Executive Director:

Wayne Carney

Comptroller:

Jeannie Davis

**SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
TABLE OF CONTENTS**

	<u>Page</u>
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>	1
Schedule of Prior and Current Audit Findings	3
Independent Auditor's Report	4
Basic Financial Statements:	
Balance Sheet	6
Statement of Revenues, Expenses and Changes in Fund Net Assets	7
Statement of Cash Flows.....	8
Notes to the Financial Statements	9
Supplementary Data:	
Schedule of Budgeted and Actual Revenues--Cash Basis	16
Schedule of Budgeted and Actual Expenditures--Cash Basis	17



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

Board of Directors
South Dakota High School Activities Association

We have audited the financial statements of the South Dakota High School Activities Association as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the South Dakota High School Activities Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the South Dakota High School Activities Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota High School Activities Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Dakota High School Activities Association's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

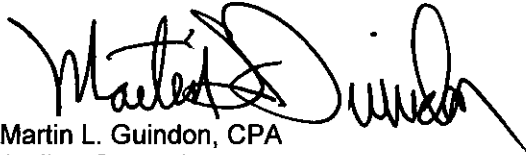
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota High School Activities Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other

matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the South Dakota High School Activities Association in a separate letter dated August 29, 2013.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA
Auditor General

August 29, 2013

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

There are no written current audit findings to report.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Dakota High School Activities Association

We have audited the accompanying financial statements of the South Dakota High School Activities Association, as of and for the fiscal year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the South Dakota High School Activities Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

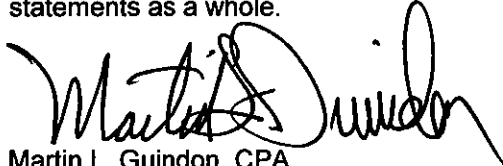
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota High School Activities Association as of June 30, 2012 and the changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2013, on our consideration of the South Dakota High School Activities Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Dakota High School Activities Association's financial statements. The Schedule of Budgeted and Actual Revenue – Cash Basis and Schedule of Budgeted and Actual Expenditures – Cash Basis listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Martin L. Guindon, CPA
Auditor General

August 29, 2013

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
BALANCE SHEET
JUNE 30, 2012

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 701,886.27
Investments	1,094,523.52
Accounts Receivable	2,092.50

Total Current Assets	1,798,502.29
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Non-Current Assets:

Land	163,870.75
Land Improvements	48,027.26
Less: Accumulated Depreciation--Land Improvements	(38,421.84)
Building	787,943.97
Less: Accumulated Depreciation--Building	(122,301.12)
Equipment, Furniture and Fixtures	236,846.49
Less: Accumulated Depreciation--Equipment, Furniture and Fixtures	(153,519.70)

Total Non-Current Assets	922,445.81
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TOTAL ASSETS	\$ 2,720,948.10
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Liabilities and Net Assets:

Current Liabilities:

Vouchers Payable	\$ 7,550.94
Accrued Vacation	6,807.05
Accrued Sick Pay	6,928.57
Post Employment Benefit	4,800.00

Total Current Liabilities	26,086.56
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Non-Current Liabilities:

Accrued Vacation	32,841.91
Accrued Sick Pay	25,193.90
Post Employment Benefit	25,472.77

Total Non-Current Liabilities	83,508.58
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Total Liabilities	109,595.14
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Net Assets:

Invested in Capital Assets	922,445.81
Restricted Net Assets for Recruitment of Native American Officials	12,874.99
Unrestricted Net Assets	1,676,032.16

Total Net Assets	2,611,352.96
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,720,948.10
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The notes to the financial statements are an integral part of this statement

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2012

Operating Revenue:		
Basketball:		
State Tournament - Boys	\$ 384,027.50	
State Tournament - Girls	181,364.00	
Percentage of Sub-State Elimination Tournaments	<u>545,806.79</u>	
Total Basketball Receipts		\$ 1,111,198.29
Wrestling:		
State Tournament	151,168.50	
Percentage of Sub-State	<u>50,069.00</u>	
Total Wrestling Receipts		201,237.50
Volleyball:		
State Tournament	130,980.00	
Percentage of Sub-State	<u>152,056.05</u>	
Total Volleyball Receipts		283,036.05
Football:		
State Tournament	179,517.25	
Percentage of Sub-State Play-Offs	<u>210,054.05</u>	
Total Football Receipts		389,571.30
Cross Country		23,290.00
State Track and Field Meet		93,244.00
State Gymnastics Meet		12,688.00
Cheer and Dance		20,738.00
All-State Chorus and Orchestra		50,765.00
All-State Band		6,759.00
Television Contract		84,546.80
Ball Bids		52,500.00
Corporate Partner		335,000.00
Coaches Education		745.00
Fine Arts Fees		32,869.00
Sports Fees		88,255.00
Subscription/Postage		1,080.00
Ballots/Publications		542.95
Music		328.00
Sale of Medals		1,558.86
Coaches Clinic		1,580.00
Rule Books/Publications		28,139.00
Registration of Officials		49,745.42
Officials/Coaches Penalties		9,865.00
Tennis Court Rental		2,460.00
Sports Leadership Conference		3,440.00
Miscellaneous		<u>20,676.14</u>
Total Operating Revenue		<u>2,905,856.31</u>
Operating Expenses:		
General and Administrative		1,454,993.31
Activities		1,493,577.35
Depreciation Expense		<u>34,370.58</u>
Total Operating Expenses		<u>2,982,941.24</u>
Operating Income (Loss)		<u>(77,084.93)</u>
Non-operating Revenue (Expense):		
Earnings on Deposits and Investments		1,047.14
Unrealized Gain (Loss) on Investments		(40,800.11)
Contributions and Donations		27,377.00
Loss on Disposal of Equipment		<u>(2,130.54)</u>
Total Non-operating Revenue (Expense)		<u>(14,306.51)</u>
Changes in Net Assets		(91,391.44)
Total Net Assets, July 1, 2011		<u>2,702,744.40</u>
TOTAL NET ASSETS, JUNE 30, 2012		<u>\$ 2,611,352.96</u>

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

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,260,014.16	
Cash Payments to Suppliers for Goods and Services	(1,450,769.42)	
Cash Payments to Employees for Services	(851,904.65)	
Net Cash Provided (Used) by Operating Activities		<u>(42,659.91)</u>
Cash Flows from Investing Activities:		
Interest Received on Investments		<u>1,047.14</u>
Cash Flows from Noncapital Financing Activities:		
Loan Repayment from Association Employee		<u>4,502.47</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year		(37,110.30)
Cash and Cash Equivalents at Beginning of Year		<u>738,996.57</u>
Cash and Cash Equivalents at End of Year		<u><u>\$ 701,886.27</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)		\$ (77,084.93)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Increase in Accounts Receivable	(1,212.00)	
Depreciation Expense	34,370.58	
Decrease in Accrued Vacation Liability	(11,651.87)	
Decrease in Accrued Sick Leave Liability	(18,064.98)	
Increase in Vouchers Payable	7,550.94	
Decrease in Accrued Post Employment Benefit Liability	(3,944.65)	
Activities Expense - Value of Donated Automobiles	27,377.00	
Total Adjustments		<u>34,425.02</u>
Net Cash Provided (Used) by Operating Activities		<u><u>\$ (42,659.91)</u></u>
Non-cash Investing, Capital and Financing Activities:		
Value of Donated Automobiles	\$ 27,377.00	
Loss on Disposal of Capital Assets Not Affecting Operating Income	\$ 2,130.54	

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

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The school districts of the State of South Dakota, acting by and through their duly elected school board members, associated together in the creation and development of a voluntary, nonprofit association, the South Dakota High School Activities Association, to direct and coordinate interscholastic activities carried on by member high schools of South Dakota.

b. Basis of Presentation:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Proprietary Funds:

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the constituency 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.

The South Dakota High School Activities Association has one enterprise fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

The “economic resources” measurement focus and the accrual basis of accounting are applied to proprietary fund types.

Basis of Accounting:

The financial statements are presented on the accrual basis of accounting; revenues are recorded when earned and expenses are recorded when the obligation is incurred.

d. Capital Assets:

On July 1, 2004, the South Dakota High School Activities Association and Delta Dental Plan of South Dakota entered into an agreement of joint venture for the construction of an office building together with related improvements. The Association’s undivided interest is 63% and Delta Dental Plan of South Dakota’s is 37%. Each entity was liable for their share of the construction costs of the building and related improvements, in proportion to their undivided interest. Buildings, and land improvements are valued at historical cost.

The value reported by the Association reflects their undivided interest of 63% in the building and land improvements. All non-structural and routine repairs are at the expense of the applicable owner.

Land was valued at estimated fair value at the time the joint venture agreement was executed. This value was arrived at by Delta Dental Plan of South Dakota, who prior to entering into an agreement of joint venture with the South Dakota High School Activities was the sole owner of the property. The value assigned to the property was arrived at by analyzing similar commercial property values. The property is currently held jointly between the South Dakota High School Activities Association and Delta Dental Plan of South Dakota as tenants in common. The value reported by the Association represents their undivided interest of 63% in the property.

Equipment furniture and fixtures is valued at historical cost. Construction period interest is capitalized in accordance with USGAAP.

Capital assets acquired after July 1, 2007 are capitalized, based on the criteria of a useful life of one year or more, tangible in nature, and a unit cost of \$2,500 or more. Capital assets acquired prior to July 1, 2007 were capitalized at a cost of \$300 or more.

Buildings, equipment and furniture, and land improvements are depreciated over their estimated useful life using the straight-line method of depreciation. The estimated useful life for buildings is 45 years. The estimated useful life for land improvements is 10 years. The estimated useful life for equipment and furniture varies from 3 to 50 years.

e. Budget:

The South Dakota High School Activities Association follows these procedures in establishing the budget:

1. At the meeting just prior to the fiscal year end, the Executive Director submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Board of Directors approves the budget at this meeting.
3. The Board of Directors must approve any revisions to the budget.

The budget is developed and approved using the cash basis of accounting. Therefore, the schedule of budget and actual revenue and expenditures in the supplementary data is presented on the cash basis of accounting.

f. Employee Fringe Benefits:

The Association pays the cost of single health insurance coverage for those employees who enroll in the Association's group health plan with Dakotacare. Payments made during fiscal year 2012 amounted to \$136,719.29. The Association paid for health insurance for the spouse of the executive director.

The Association pays dental insurance for all employees. Family coverage is optional at the employee's expense. Payments made during fiscal year 2012 amounted to \$4,076.50.

g. Accumulated Unpaid Vacation and Sick Leave:

Sick Leave:

Executive staff, the technology director, and office support personnel earn sick leave at the rate of 12 days per fiscal year and this can be accumulated without limit.

Board action on April 15-16, 2008 changed the reimbursement of Unused Sick Leave. Only employees employed before June 30, 2008 will be eligible for reimbursement of unused sick leave upon termination. The amount is determined by multiplying current base pay times a maximum of 50 days of unused sick leave. Base pay is computed by dividing the current annual salary by 260 days.

Vacation Leave:

Vacation leave is earned by the executive staff and the technology director at a rate of 12 working days after 1 year of service, 15 working days after 2 years, and 20 working days after 7 years. The full-time office support staff are eligible for 12 working days of paid vacation per year. Office support staff having 7 years of continuous service are granted 18 working days. Vacation leave is accrued monthly, with a maximum amount of accrual equal to twice the annual rate.

Executive staff and the technology director are eligible for reimbursement of unused vacation leave up to a maximum of 40 days. The office support staff are eligible up to a maximum of 36 days. The amount is determined by multiplying current base pay times the number of unused vacation days up to the limits set forth in the policy. Base pay is computed by dividing the current annual salary by 260 days.

The financial statements give effect to these liabilities.

h. Investments:

Investments of the South Dakota High School Activities Association are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Unrealized gains and losses due to fluctuations in market value are included in investment income.

i. Cash Flows:

For purposes of the Statement of Cash Flows, the South Dakota High School Activities Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

j. Revenue and Expense Classifications:

In the Statement of Revenues, Expenses and Changes in Fund Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Equity Classifications:

Equity is classified as net assets and is displayed in components.

1. Invested in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.

2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

i. Application of Net Assets:

It is the Association'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.

m. Long-Term Liabilities:

The accounting for proprietary fund long-term debt is on the accrual basis.

The long-term liabilities consist of compensated absences and a post employment benefit.

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

State law does not limit the Association's deposit and investment choices. The Association does not have a formal custodial credit risk deposit policy.

Credit Risk – The Risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Association's mutual fund investments are susceptible to credit risk because mutual funds are not rated nor does the U.S. Government guarantee them. The Association does not have a formal credit risk investment policy.

As of June 30, 2012, the Association had the following investments:

Mutual Funds:	Fair Value
Genworth Active Return Opportunities – Portfolio – Equities	\$ 519,013.32
Genworth GFAM Preservation Strategy	463,916.71
Genworth Stadion Profile 5	111,593.49
Federated Prime Management Obligations Fund	760,909.30
Total	\$ 1,855,432.82

Concentration of Credit Risk – The association places no limit on the amount that may be invested in any one issuer.

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

3. RECEIVABLES

Receivables are not aggregated in the financial statements.

The Association expects all accounts receivable to be collected within one year. Appropriate allowances for estimated uncollectibles have not been established due to the fact that prior receivables have been collected.

The Board of Directors adopted a policy in fiscal year 2003–2004 authorizing a loan to any Association employee with ten (10) years of continuous employment with the Association the principal amount of \$2,000.00 per each year of employment at an interest rate of 2%, for the purpose of buying back years of credited service in the South Dakota Retirement System (SDRS). As of June 30, 2012, there were no employee loans.

4. CHANGES IN CAPITAL ASSETS:

	Balance 7/01/11	Increases	Decreases	Balance 6/30/12
Capital Assets, not being depreciated:				
Land	\$ 163,870.75	\$	\$	\$ 163,870.75
Capital Assets, being depreciated:				
Land Improvements	48,027.26			48,027.26
Building	787,943.97			787,943.97
Equipment, Furniture and Fixtures	255,218.58		18,372.09	236,846.49
Totals	<u>1,091,189.81</u>		<u>18,372.09</u>	<u>1,072,817.72</u>
Less Accumulated Depreciation for:				
Land Improvements	33,619.11	4,802.73		38,421.84
Building	107,013.48	15,287.64		122,301.12
Equipment, Furniture and Fixtures	155,481.04	14,280.21	16,241.55	153,519.70
Total Accumulated Depreciation	<u>296,113.63</u>	<u>34,370.58</u>	<u>16,241.55</u>	<u>314,242.66</u>
Total Capital Assets, being Depreciated, Net	<u>795,076.18</u>	<u>(34,370.58)</u>	<u>2,130.54</u>	<u>758,575.06</u>
Capital Assets, Net	<u>\$ 958,946.93</u>	<u>\$ (34,370.58)</u>	<u>\$ 2,130.54</u>	<u>\$ 922,445.81</u>

5. LONG-TERM LIABILITES

Long-term obligations at June 30, 2012 and changes to long-term liabilities during the fiscal year ended are as follows:

	Balance 7/01/11	Increases	Decreases	Balance 6/30/12	Due Within One Year
Accrued Vacation	\$51,300.83	\$17,740.96	\$29,392.83	\$39,648.96	\$ 6,807.05
Accrued Sick Pay	\$50,187.45	\$ 5,451.84	\$23,516.82	\$32,122.47	\$ 6,928.57

6. INCOME TAXES

The Association is exempt from income taxes as defined in Internal Revenue Code paragraphs 501 (c) (3).

7. POST EMPLOYMENT BENEFIT

The Association adopted a policy to provide past Executive Director Marlyn Goldhammer \$400.00 a month, for the rest of his life, to purchase supplemental medical insurance. This benefit went into effect July 1, 2001. Maryln Goldhammer is the only retiree eligible to receive this benefit. During fiscal year 2012, a budgeted expense of \$4,800.00 was incurred for this benefit. Future payments have been estimated to total approximately \$30,273. No monies have been set-aside for future payments.

8. SEVERANCE PAY BENEFIT

The Association has a policy where a retirement/severance benefit is available to any qualifying employee. The employee must be at least 55 years of age and no older than 68 years of age. An employee who has been employed by the Association for at least fifteen (15) years will be eligible for 60% of their final salary payable over a three (3) year period. Payment will be made during the month of June each fiscal year. An employee who has been employed by the Association for at least twenty (20) years will be eligible for 80% of their final salary payable over a three (3) year period. Payment will be made during the month of June each fiscal year. An employee who has been employed by the Association for at least twenty- five (25) years will be eligible for 100% of their final salary payable over a three (3) year period. Payment will be made during the month of June each fiscal year. A maximum of one new recipient may become eligible per budget year. Notice of retirement must be submitted in writing a minimum of 180 days prior to the actual retirement date. In the event the employee entitled to the separation pay policy benefit hereunder shall die while all or part of such benefit remains unpaid, such unpaid benefit or part thereof shall be paid to the beneficiary designated in writing by the employee prescribed by the comptroller. In the event no beneficiary has been designated, such unpaid benefit shall be paid to the estate of the deceased.

One retiree is currently receiving this benefit. Severance pay benefits totaling \$17,780.48 were paid in fiscal year 2012.

9. RETIREMENT PLAN

All employees participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan established to provide retirement, disability, and survivor benefits for employees of the State of South Dakota and its political subdivisions. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security. The right to receive retirement benefits vests after three years of credited service. The Association's share of contributions to the SDRS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$35,756.45, \$39,936.81, and \$37,407.46 respectively, equal to the required contributions each year.

10. RISK MANAGEMENT

The Association 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 fiscal year ended June 30, 2012, the Association managed its risks as follows:

Employee Health & Dental Insurance:

See note 1 f.

Liability Insurance:

The Association purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of staff members from a commercial insurance carrier.

Board of Directors coverage includes:

- a) Bodily injury liability, including participant and spectator bodily injury at events under the Association's jurisdiction, sponsorship or control;
- b) Property damage liability at events under the Association's jurisdiction, sponsorship and control;
- c) Auto liability insurance of secondary coverage in the amount of \$1,000,000 when driving personal car for Association business;
- d) Accidental Death/Trip Insurance \$250,000.

Staff member coverage includes any suit brought by a third party for:

- a) Bodily injury liability, including participant and spectator bodily injury at events under the Association's jurisdiction, sponsorship of Directors;
- b) Property damage liability at events under the Association's jurisdiction, sponsorship and control;
- c) Advertising injury liability;
- d) Libel or slander.

Coverage for errors and omissions of staff members is \$1,000,000.

Automobile:

Automobile liability insurance, which covers all staff members, is secondary coverage in the amount of \$1,000,000 when driving personal car for Association business. The insurance coverage is through a commercial carrier.

Property and Building:

Coverage is through a commercial carrier.

Worker's Compensation:

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

Unemployment Benefits:

The Association has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the fiscal year ended June 30, 2012 no claims for unemployment benefits were paid. At June 30, 2012, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

11. **SIGNIFICANT CONTINGENCIES—LITIGATION**

At June 30, 2012, the Association was not involved in any litigation.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL REVENUES - CASH BASIS
For the Fiscal Year Ended June 30, 2012

	Budgeted Income	Actual Income	Variance Favorable/ (Unfavorable)
Activities:			
Boys' "B" Basketball	\$ 105,000.00	\$ 123,344.00	\$ 18,344.00
Boys' "A" Basketball	155,000.00	141,998.00	(13,002.00)
Boys' "AA" Basketball	120,000.00	118,685.50	(1,314.50)
Girls' "B" Basketball	60,000.00	68,448.00	8,448.00
Girls' "A" Basketball	55,000.00	59,216.00	4,216.00
Girls' "AA" Basketball	50,000.00	53,700.00	3,700.00
Boys' "B" Wrestling	80,000.00	99,044.50	19,044.50
Boys' "A" Wrestling	60,000.00	52,124.00	(7,876.00)
Football Finals in the Dome	165,000.00	179,517.25	14,517.25
Gymnastics Tournament	9,000.00	12,688.00	3,688.00
State Track and Field Meet	85,000.00	93,244.00	8,244.00
Cross Country	15,000.00	23,290.00	8,290.00
Volleyball Tournament "AA", "A" & "B"	125,000.00	130,980.00	5,980.00
All-State Chorus and Orchestra	35,000.00	50,765.00	15,765.00
All-State Band	8,000.00	6,759.00	(1,241.00)
Cheer and Dance	18,000.00	20,738.00	2,738.00
Total Activities	<u>1,145,000.00</u>	<u>1,234,541.25</u>	<u>89,541.25</u>
TV Contract - FB/BB/VB/WR	100,000.00	84,546.80	(15,453.20)
Ball Bids	42,000.00	52,500.00	10,500.00
Corporate Partner	307,500.00	335,000.00	27,500.00
Total	<u>449,500.00</u>	<u>472,046.80</u>	<u>22,546.80</u>
Sub-State Events			
Girls' Basketball	75,000.00	73,750.60	(1,249.40)
Boys' Basketball	110,000.00	103,024.81	(6,975.19)
Football Play-offs	70,000.00	68,941.52	(1,058.48)
Wrestling	15,000.00	18,569.70	3,569.70
Volleyball	47,000.00	49,069.11	2,069.11
Total Sub-State Events	<u>317,000.00</u>	<u>313,355.74</u>	<u>(3,644.26)</u>
Fees			
Fine Arts	29,000.00	32,869.00	3,869.00
Sports Fees	80,000.00	88,255.00	8,255.00
Subscription/Postage Fee	-	1,080.00	1,080.00
Coaches Education	500.00	745.00	245.00
Total Fees	<u>109,500.00</u>	<u>122,949.00</u>	<u>13,449.00</u>
General			
Music	1,000.00	328.00	(672.00)
Coaches Clinic	900.00	1,580.00	680.00
Rule Books/Publications	30,000.00	28,139.00	(1,861.00)
Registration of Officials	60,000.00	49,745.42	(10,254.58)
Penalties and Fines	10,000.00	9,865.00	(135.00)
Earnings on Deposits and Investments	2,000.00	1,047.14	(952.86)
Sports Leadership Conference	3,000.00	3,440.00	440.00
Miscellaneous	7,000.00	20,676.14	13,676.14
Tennis Court Rental	2,500.00	2,460.00	(40.00)
Ballots/Publications	800.00	542.95	(257.05)
Sale of Medals	4,500.00	1,556.86	(2,943.14)
SDSCA Operations	1,800.00	-	(1,800.00)
Recruitment of Officials	25,000.00	-	(25,000.00)
Contributions and Donations	30,000.00	-	(30,000.00)
Total General	<u>178,500.00</u>	<u>119,380.51</u>	<u>(59,119.49)</u>
GRAND TOTAL	<u>\$ 2,199,500.00</u>	<u>\$ 2,262,273.30</u>	<u>\$ 62,773.30</u>

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
 SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS
 For the Fiscal Year Ended June 30, 2012

	Budgeted Expenditures	Actual Expenditures	Variance Favorable/ (Unfavorable)
Regular Salaries	\$ 583,500.00	\$ 582,092.05	\$ 1,407.95
Temporary Salaries	8,900.00	3,414.34	5,485.66
Meal Reimbursement	250.00	731.00	(481.00)
Corporate Contract Salary	18,525.00	19,620.08	(1,095.08)
Total Salaries	611,175.00	605,857.47	5,317.53
Social Security	46,800.00	44,588.82	2,211.18
Retirement	36,675.00	35,756.45	918.55
Hospital Insurance	127,581.00	136,719.29	(9,138.29)
Dental Insurance	4,020.00	4,076.50	(56.50)
Workmen's Compensation	5,900.00	4,411.50	1,488.50
Severance Pay	-	48,554.18	(48,554.18)
Post Employment	4,800.00	4,800.00	-
Total Employee Benefits	225,776.00	278,906.74	(53,130.74)
Legal Costs and Fees/Lobbyist	11,000.00	3,205.00	7,795.00
Retirement/Investment Advisor	2,000.00	1,600.00	400.00
Audit	10,000.00	6,916.00	3,084.00
Clinicians-Coaches Clinic	5,000.00	2,189.60	2,810.40
Test Supervisor	250.00	84.00	166.00
Clinicians/Judges/Cheerleaders	2,000.00	2,163.88	(163.88)
Appeals Committees	750.00	142.70	607.30
Satellite	100.00	-	100.00
Section V Meeting	5,000.00	5,080.14	(80.14)
Women in Sports Conference	8,000.00	8,685.39	(685.39)
Utilities	7,500.00	9,618.13	(2,118.13)
Maintenance and Repairs	8,000.00	9,682.15	(1,682.15)
Computer Programs	5,000.00	5,948.11	(948.11)
Staff Travel	45,000.00	35,555.01	9,444.99
Board of Control Travel	30,000.00	27,994.02	2,005.98
Advisory/Ad Hoc Com/Officials	12,000.00	8,730.10	3,269.90
Dues-Regional Wrestling Assoc.	800.00	760.00	40.00
Dues-Regional Basketball Assoc.	4,500.00	4,660.00	(160.00)
Dues-Regional Volleyball Assoc.	2,500.00	2,290.00	210.00
Dues-Football Assoc.	4,400.00	4,265.00	135.00
Dues-Gymnastics Assoc.	400.00	360.00	40.00
Website Development	2,000.00	3,897.50	(1,897.50)
NASO Travel	2,500.00	3,252.18	(752.18)
Telephone	8,000.00	7,973.14	26.86
Postage and Permit	18,000.00	15,129.09	2,870.91
United Parcel Service	12,000.00	10,844.18	1,155.82
Commercial Printing	27,000.00	25,091.79	1,908.21
Printing-Coaches Clinic	1,000.00	890.00	110.00
Printing-Officials	6,500.00	7,052.50	(552.50)
Catastrophic/Liability Insurance	161,000.00	159,448.00	1,552.00
Miscellaneous	8,000.00	15,032.97	(7,032.97)
Staff In-Service	500.00	-	500.00
State Officials Association	12,000.00	11,316.00	684.00
Rule Interpreter-Indianapolis	1,000.00	443.30	556.70
Internet	1,800.00	975.00	825.00
State Event Directors Reception	1,300.00	1,278.99	21.01
NFOA Membership	23,000.00	18,564.00	4,436.00
Media	2,400.00	12.74	2,387.26
Officials Gifts	2,200.00	1,158.64	1,041.36
State Event Directors/Corp Gifts	2,100.00	1,788.42	311.58
Midwest Officials Summit	1,500.00	400.34	1,099.66
FB Rules Meeting	100.00	-	100.00
SDIAAA	2,000.00	2,000.00	-
NIAAA Meeting	1,700.00	-	1,700.00
NF Summer Meeting	25,000.00	20,978.72	4,021.28
NF Winter Meeting	3,000.00	2,381.92	618.08
NF Legal Meeting	2,600.00	2,524.03	75.97
NFHS-Debate Topic Meeting	1,400.00	732.20	667.80
Recruitment of Officials	25,000.00	18,523.88	6,476.12
NFOA Leadership Conference	50.00	-	50.00
Snow Removal/Lawn	500.00	-	500.00
Accounting and Tax	3,000.00	3,632.50	(632.50)
Technology Conference	1,000.00	138.50	861.50
NFHS Coordinators Meetings	1,300.00	112.61	1,187.39
State Officials Coordinator	12,000.00	10,825.61	1,174.39
Total Purchased Services	536,650.00	486,327.98	50,322.02

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS
For the Fiscal Year Ended June 30, 2012

	Budgeted Expenditures	Actual Expenditures	Variance Favorable/ (Unfavorable)
Office Supplies	12,000.00	7,389.96	4,610.04
Custodial Supplies	4,500.00	5,283.23	(783.23)
Subscriptions	1,300.00	874.48	425.52
NF News/NIAAA Subscriptions	100.00	-	100.00
Rule Books and Exams	40,000.00	37,829.00	2,171.00
Transparencies/Films	400.00	-	400.00
Distinguished Service Awards	700.00	46.50	653.50
Inventory of Medals	1,300.00	525.90	774.10
Total Supplies and Materials	60,300.00	51,949.07	8,350.93
NF Dues/Foundation	5,000.00	2,500.00	2,500.00
General Liability/Participant Liability/Auto	12,550.00	12,267.00	283.00
Surety Bond	1,400.00	-	1,400.00
Insurance Office and Contents	2,100.00	2,151.45	(51.45)
Car Liability Insurance	4,750.00	5,965.00	(1,215.00)
CSIET	550.00	550.00	-
D&O Liability Insurance	3,586.00	3,586.00	-
Excess Liability Insurance	3,000.00	2,798.00	202.00
Moving Expenses	3,000.00	3,153.70	(153.70)
Travel Accident	1,000.00	-	1,000.00
Commercial Crime	319.00	319.00	-
Total Other Objects	37,255.00	33,290.15	3,964.85
Classes for Cheer/Spirit Coaches	500.00	-	500.00
Classes for Cheer/Spirit Officials	500.00	35.98	464.02
Total Coaches Education Program	1,000.00	35.98	964.02
Officials Observation	9,000.00	7,614.60	1,385.40
Boys' "B" Basketball	47,850.00	47,448.27	401.73
Boys' "A" Basketball	71,850.00	79,951.70	(8,101.70)
Boys' "AA" Basketball	84,000.00	77,235.70	6,764.30
Girls' "B" Basketball	36,200.00	37,052.08	(852.08)
Girls' "A" Basketball	42,050.00	43,930.63	(1,880.63)
Girls' "AA" Basketball	47,000.00	41,401.60	5,598.40
"B" Wrestling	48,950.00	50,853.49	(1,903.49)
"A" Wrestling	25,050.00	26,039.42	(989.42)
Gymnastics	20,250.00	20,628.04	(378.04)
Track and Field	69,100.00	74,863.34	(5,763.34)
Golf	18,200.00	17,355.44	844.56
Tennis	11,220.00	9,648.55	1,571.45
Cross Country	8,325.00	12,606.18	(4,281.18)
Football Play-Offs	49,735.00	47,550.30	2,184.70
Volleyball AA, A & B	113,600.00	120,440.44	(6,840.44)
Cheer and Dance	17,900.00	17,359.58	540.42
Student Council	6,025.00	2,242.86	3,782.14
Speech	35,900.00	35,289.66	610.34
All-State Chorus and Orchestra	37,225.00	40,168.12	(2,943.12)
All-State Band	30,775.00	31,342.16	(567.16)
Music Miscellaneous	4,865.00	2,650.67	2,214.33
Journalism	2,675.00	2,107.85	567.15
Total Events	828,745.00	838,166.08	(9,421.08)
Contingency Fund (amount transferred)	10,000.00	-	10,000.00
GRAND TOTAL	\$ 2,319,901.00	\$ 2,302,148.07	\$ 17,752.93