

**SOUTH DAKOTA
HIGH SCHOOL ACTIVITIES ASSOCIATION**

AUDIT REPORT

June 30, 2013

**SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
ASSOCIATION OFFICIALS
June 30, 2013**

Board of Directors:

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

Executive Director:

Wayne Carney

Comptroller:

Jeannie Davis

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

Board of Directors
South Dakota High School Activities Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Dakota High School Activities Association, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

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

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

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

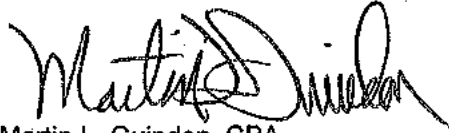
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota High School Activities Association's financial statements are free from 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*.

Purpose of this Report

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



Martin L. Guindon, CPA
Auditor General

February 28, 2014

**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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the South Dakota High School Activities Association's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

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

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

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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

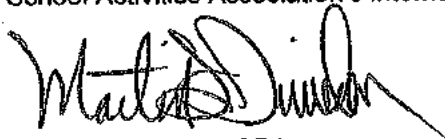
Supplementary Information

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 basic 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.

The Schedule of Budgeted and Actual Revenue – Cash Basis and Schedule of Budgeted and Actual Expenditures – Cash Basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Budgeted and Actual Revenue – Cash Basis and Schedule of Budgeted and Actual Expenditures – Cash Basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2014 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* in considering South Dakota High School Activities Association's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

February 28, 2014

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF NET POSITION
JUNE 30, 2013

| | |
|-------------------------------------------------------------------|------------------------|
| Assets: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 458,649.49 |
| Investments | 1,185,298.29 |
| Accounts Receivable | 1,523.00 |
| Total Current Assets | <u>1,645,470.78</u> |
| Non-Current Assets: | |
| Land | 163,870.75 |
| Land Improvements | 48,027.26 |
| Less: Accumulated Depreciation--Land Improvements | (43,224.84) |
| Building | 787,943.97 |
| Less: Accumulated Depreciation--Building | (137,589.12) |
| Equipment, Furniture and Fixtures | 240,411.48 |
| Less: Accumulated Depreciation--Equipment, Furniture and Fixtures | (167,382.70) |
| Beneficial Interest in Assets held by SD Community Foundation | 55,000.00 |
| Total Non-Current Assets | <u>947,056.80</u> |
| Total Assets | <u>\$ 2,592,527.58</u> |
| Liabilities: | |
| Current Liabilities: | |
| Vouchers Payable | \$ 59.94 |
| Accrued Vacation | 11,507.83 |
| Accrued Sick Pay | 4,994.36 |
| Post Employment Benefit | 4,800.00 |
| Total Current Liabilities | <u>21,362.13</u> |
| Non-Current Liabilities: | |
| Accrued Vacation | 28,374.62 |
| Accrued Sick Pay | 27,802.54 |
| Post Employment Benefit | 20,672.77 |
| Total Non-Current Liabilities | <u>76,849.93</u> |
| Total Liabilities | <u>98,212.06</u> |
| Net Position: | |
| Net Investment in Capital Assets | 892,056.80 |
| Restricted for: | |
| Nonexpendable Interest in SD Community Foundation | 55,000.00 |
| Recruitment of Native American Officials | 12,874.99 |
| Unrestricted | <u>1,534,383.73</u> |
| Total Net Position | <u>\$ 2,494,315.52</u> |

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 POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | | |
|---------------------------------------|-------------------|------------------------|
| Operating Revenue: | | |
| Basketball: | | |
| State Tournament - Boys | \$ 423,653.22 | |
| State Tournament - Girls | 174,557.30 | |
| Sub-State Events | | |
| Elimination Tournaments | <u>565,798.21</u> | |
| Total Basketball Receipts | | \$ 1,164,008.73 |
| Wrestling: | | |
| State Tournament | 131,878.00 | |
| Sub-State Events | <u>32,889.00</u> | |
| Total Wrestling Receipts | | 164,567.00 |
| Volleyball: | | |
| State Tournament | 101,959.00 | |
| Sub-State Events | <u>150,710.50</u> | |
| Total Volleyball Receipts | | 252,669.50 |
| Football: | | |
| State Tournament | 167,284.07 | |
| Sub-State Events | <u>176,942.73</u> | |
| Total Football Receipts | | 344,226.80 |
| Cross Country | | 17,739.00 |
| State Track and Field Meet | | 97,756.00 |
| State Gymnastics Meet | | 8,214.00 |
| Cheer and Dance | | 17,354.00 |
| Soccer | | 9,276.00 |
| All-State Chorus and Orchestra | | 43,266.00 |
| All-State Band | | 8,543.50 |
| Television Contract | | 84,749.00 |
| Ball Bids | | 31,500.00 |
| Corporate Partner | | 243,750.00 |
| Coaches Education | | 1,855.00 |
| Fine Arts Fees | | 37,170.00 |
| Sports Fees | | 87,351.00 |
| Subscription/Postage | | 1,074.00 |
| Ballots/Publications | | 124.50 |
| Music | | 226.50 |
| Sale of Medals | | 1,674.50 |
| Coaches Clinic | | 840.00 |
| Rule Books/Publications | | 29,441.00 |
| Recruitment of Officials | | 14,275.00 |
| Registration of Officials | | 73,112.87 |
| Officials/Coaches Penalties | | 8,220.00 |
| Tennis Court Rental | | 2,400.00 |
| Miscellaneous | | <u>9,694.36</u> |
| Total Operating Revenue | | <u>2,755,078.26</u> |
| Operating Expenses: | | |
| General and Administrative | | 1,454,288.10 |
| Activities | | 1,446,101.54 |
| Depreciation Expense | | <u>33,954.00</u> |
| Total Operating Expenses | | <u>2,934,343.64</u> |
| Operating Loss | | <u>(179,265.38)</u> |
| Non-operating Revenue (Expense): | | |
| Earnings on Deposits and Investments | | 637.17 |
| Unrealized Gain (Loss) on Investments | | 32,024.77 |
| Contributions and Donations | | <u>29,566.00</u> |
| Total Non-operating Revenue (Expense) | | <u>62,227.94</u> |
| Changes in Net Position | | (117,037.44) |
| Net Position, July 1, 2012 | | <u>2,611,352.96</u> |
| Net Position, June 30, 2013 | | <u>\$ 2,494,315.52</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, 2013

| | | |
|----------------------------------------------------------------------------------------------------------|---------------------|------------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 2,146,100.23 | |
| Cash Payments to Suppliers for Goods and Services | (1,336,601.84) | |
| Cash Payments to Employees for Services | <u>(881,057.35)</u> | |
| Net Cash Used by Operating Activities | | \$ <u>(71,558.96)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Contribution to SD Community Foundation | | <u>(55,000.00)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchase of Equipment | | <u>(3,564.99)</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of Investments | (58,750.00) | |
| Interest Received on Investments | <u>637.17</u> | |
| Net Cash Used by Investing Activities | | <u>(58,112.83)</u> |
| Net Decrease in Cash and Cash Equivalents During the Fiscal Year | | (188,236.78) |
| Cash and Cash Equivalents at Beginning of Year | | <u>701,886.27</u> |
| Cash and Cash Equivalents at End of Year | | <u>\$ 513,649.49</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | | \$ (179,265.38) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Activities Expense - Value of Donated Automobiles | 29,566.00 | |
| Depreciation Expense | 33,954.00 | |
| Increase in Accrued Vacation Liability | 233.49 | |
| Increase in Accrued Sick Leave Liability | 674.43 | |
| Decrease in Vouchers Payable | (7,491.00) | |
| Decrease in Accrued Post Employment Benefit Liability | (4,800.00) | |
| Decrease in Accounts Receivable | 569.50 | |
| Total Adjustments | | <u>52,706.42</u> |
| Net Cash Provided (Used) by Operating Activities | | <u>\$ (126,558.96)</u> |
| Non-cash Investing, Capital and Financing Activities: | | |
| Value of Donated Automobiles | | \$ 29,566.00 |
| Increase in Fair Value of Investments | | 32,024.77 |

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

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

a. Nature of Activities:

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 (Association), to direct and coordinate interscholastic activities carried on by member high schools of South Dakota.

b. Significant Accounting Policies:

Date of Management's Review:

Management has evaluated subsequent events through February 28, 2014, the date the financial statements were available to be issued.

Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. 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 Association has one enterprise fund.

d. 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.

e. **Capital Assets:**

On July 1, 2004, the 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 Association 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 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.

f. **Budget:**

The 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 information is presented on the cash basis of accounting.

g. 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 2013 amounted to \$147,806.77. Executive staff are offered full family coverage paid by the Association.

The Association pays dental insurance for all employees. Family coverage is optional at the employee's expense. Payments made during fiscal year 2013 amounted to \$4,275.00.

h. 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.

i. Investments:

Investments of the 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.

j. Cash Flows:

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

k. Revenue and Expense Classifications:

In the Statement of Revenues, Expenses and Changes in Fund Net Position, 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.

l. Net Position:

Net Position is classified in the following three components:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation; or (c) contractual constraints.
3. Unrestricted -- Consists of net position that does not meet the definition of restricted or net investment in capital assets.

m. Application of Net Position:

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

n. 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.

o. Adoption of New Accounting Pronouncements:

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows, Deferred Inflows, and Net Position*. The statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources and net positions, elements of financial statements identified and defined by previously issued Concepts Statement 4. The Association has adopted this new pronouncement in the current year. The effect of this statement is limited to the reclassification of Net Assets to Net Position.

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.

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.

As of June 30, 2013, the Association had the following investments:

| Mutual Funds: | <u>Fair Value</u> |
|----------------------------------------------------------------|-------------------------------|
| Genworth Active Return Opportunities – Portfolio – Equities | \$ 543,072.78 |
| Genworth GFAM Preservation Strategy | 463,757.69 |
| Genworth Stadion Profile 5 | 178,467.82 |
| Federated Prime Management Obligations Fund | <u>509,001.93</u> |
| Total | <u>\$ 1,694,300.22</u> |

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 2004 authorizing a loan to any Association employee with ten (10) years of continuous employment with the Association with a 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, 2013, there were no employee loans.

4. CHANGES IN CAPITAL ASSETS:

| | Balance 7/01/12 | Increases | Decreases | Balance 6/30/13 |
|----------------------------------------------|--------------------|----------------|-----------|--------------------|
| 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 | 236,846.49 | 3,564.99 | | 240,411.48 |
| Totals | 1,072,817.72 | 3,564.99 | | 1,076,382.71 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | 38,421.84 | 4,803.00 | | 43,224.84 |
| Building | 122,301.12 | 15,288.00 | | 137,589.12 |
| Equipment, Furniture and Fixtures | 153,519.70 | 13,863.00 | | 167,382.70 |
| Total Accumulated Depreciation | 314,242.66 | 33,954.00 | | 348,196.66 |
| Total Capital Assets, being Depreciated, Net | 758,575.06 | (30,389.01) | | 728,186.05 |
| Capital Assets, Net | \$ 922,445.81 | \$ (30,389.01) | \$ | \$ 892,056.80 |

5. LONG-TERM LIABILITIES:

Long-term obligations at June 30, 2013 and changes to long-term liabilities during the fiscal year ended are as follows:

| | Balance 7/01/12 | Increases | Decreases | Balance 6/30/13 | Due Within One Year |
|------------------|--------------------|--------------|--------------|--------------------|------------------------|
| Accrued Vacation | \$ 39,648.96 | \$ 17,869.51 | \$ 17,636.02 | \$ 39,882.45 | \$ 11,507.83 |
| Accrued Sick Pay | \$ 32,122.47 | \$ 5,668.80 | \$ 4,994.37 | \$ 32,796.90 | \$ 4,994.36 |

6. INCOME TAXES:

The Association is exempt from federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Contributions to the organization are deductible for income tax purposes.

Accounting standards prescribe a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. At June 30, 2013, the Association believes that there are no uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions. If the Association had interest and penalties related to uncertain tax positions, it would be accounted for as a component of income tax expense. In accordance with the applicable statute of limitations, the Association's tax returns could be audited by the Internal Revenue Service for the years ended June 30, 2010 to 2013.

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. Marlyn Goldhammer is the only retiree eligible to receive this benefit.

During fiscal year 2013, a budgeted expense of \$4,800.00 was incurred for this benefit. Future payments have been estimated to total approximately \$25,472.77. 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 \$29,634.14 were paid in fiscal year 2013.

9. RETIREMENT PLAN:

All employees participate in the 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, 2013, 2012, and 2011 were \$38,076.03, \$35,756.45, and \$39,936.81, 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, 2013, the Association managed its risks as follows:

Employee Health & Dental Insurance:

See Note 1.g.

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 a personal car for Association business; and
- d) Accidental Death/Trip Insurance for \$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; and
- 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 a 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, 2013, no claims for unemployment benefits were paid. At June 30, 2013, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

11. **SIGNIFICANT CONTINGENCIES—LITIGATION:**

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

12. **INTEREST IN SOUTH DAKOTA COMMUNITY FOUNDATION:**

Permanent, irrevocable transfers have been made from the Association to the endowment fund maintained by the South Dakota Community Foundation (the Foundation). The Association retains no rights to the principal. The endowment was established on April 22, 2013. The expectation is the earnings from the endowment will be distributed to the Association. Distributed income from the fund will be made available for distribution not less often than annually, which may be on an annualized basis, or calendar year basis, or a portion of either, as determined by the Directors of the Foundation. The total amount contributed for the fiscal year ended June 30, 2013 was \$55,000. The Association received no investment earnings from the fund in fiscal year 2013.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL REVENUES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Income | Actual Income | Variance Favorable/ (Unfavorable) |
|---------------------------------------|------------------------|------------------------|-----------------------------------------|
| Activities: | | | |
| Boys' "B" Basketball | \$ 105,000.00 | \$ 119,598.00 | \$ 14,598.00 |
| Boys' "A" Basketball | 130,000.00 | 103,234.22 | (26,765.78) |
| Boys' "AA" Basketball | 150,000.00 | 200,821.00 | 50,821.00 |
| Girls' "B" Basketball | 60,000.00 | 71,740.95 | 11,740.95 |
| Girls' "A" Basketball | 65,000.00 | 63,998.10 | (1,001.90) |
| Girls' "AA" Basketball | 45,000.00 | 38,818.25 | (6,181.75) |
| Boys' "B" Wrestling | 85,000.00 | 74,140.00 | (10,860.00) |
| Boys' "A" Wrestling | 55,000.00 | 57,538.00 | 2,538.00 |
| Football Finals in the Dome | 175,000.00 | 167,284.07 | (7,715.93) |
| Gymnastics Tournament | 7,000.00 | 8,214.00 | 1,214.00 |
| State Track and Field Meet | 90,000.00 | 97,756.00 | 7,756.00 |
| Cross Country | 15,000.00 | 17,739.00 | 2,739.00 |
| Volleyball Tournament "AA", "A" & "B" | 95,000.00 | 101,959.00 | 6,959.00 |
| Soccer | 17,500.00 | 9,276.00 | (8,224.00) |
| All-State Chorus and Orchestra | 40,000.00 | 43,266.00 | 3,266.00 |
| All-State Band | 7,000.00 | 8,543.50 | 1,543.50 |
| Cheer and Dance | 18,000.00 | 17,354.00 | (646.00) |
| Total Activities | <u>1,159,500.00</u> | <u>1,201,280.09</u> | <u>41,780.09</u> |
| TV Contract - FB/BB/VB/WR | 85,000.00 | 84,749.00 | (251.00) |
| Ball Bids | 42,000.00 | 31,500.00 | (10,500.00) |
| Corporate Partner | 287,500.00 | 243,750.00 | (43,750.00) |
| Total | <u>414,500.00</u> | <u>359,999.00</u> | <u>(54,501.00)</u> |
| Sub-State Events | | | |
| Girls' Basketball | 75,000.00 | 70,186.41 | (4,813.59) |
| Boys' Basketball | 110,000.00 | 113,767.00 | 3,767.00 |
| Football Play-offs | 70,000.00 | 70,948.40 | 948.40 |
| Wrestling | 15,000.00 | 13,155.60 | (1,844.40) |
| Volleyball | 45,000.00 | 48,735.50 | 3,735.50 |
| Total Sub-State Events | <u>315,000.00</u> | <u>316,792.91</u> | <u>1,792.91</u> |
| Fees | | | |
| Fine Arts | 30,000.00 | 37,170.00 | 7,170.00 |
| Sports Fees | 80,000.00 | 87,351.00 | 7,351.00 |
| Subscription/Postage Fee | 0.00 | 1,074.00 | 1,074.00 |
| Coaches Education | 500.00 | 1,855.00 | 1,355.00 |
| Total Fees | <u>110,500.00</u> | <u>127,450.00</u> | <u>16,950.00</u> |
| General | | | |
| Music | 500.00 | 228.50 | (273.50) |
| Coaches Clinic | 1,400.00 | 840.00 | (560.00) |
| Rule Books/Publications | 30,000.00 | 29,441.00 | (559.00) |
| Registration of Officials | 60,000.00 | 73,112.87 | 13,112.87 |
| Penalties and Fines | 10,000.00 | 8,220.00 | (1,780.00) |
| Earnings on Deposits and Investments | 1,000.00 | 637.17 | (362.83) |
| Miscellaneous | 15,000.00 | 9,694.36 | (5,305.64) |
| Tennis Court Rental | 2,500.00 | 2,400.00 | (100.00) |
| Ballots/Publications | 800.00 | 124.50 | (675.50) |
| Safe of Medals | 1,500.00 | 1,674.50 | 174.50 |
| SDSCA Operations | 1,800.00 | 0.00 | (1,800.00) |
| Recruitment of Officials | 15,000.00 | 14,275.00 | (725.00) |
| Contributions and Donations | 30,000.00 | 0.00 | (30,000.00) |
| Total General | <u>169,500.00</u> | <u>140,645.90</u> | <u>(28,854.10)</u> |
| GRAND TOTAL | <u>\$ 2,169,000.00</u> | <u>\$ 2,146,167.90</u> | <u>\$ (22,832.10)</u> |

The Notes to the Schedules of Budgeted and Actual Revenues and Expenditures are an integral part of this schedule.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Expenditures | Actual Expenditures | Variance Favorable/ (Unfavorable) |
|----------------------------------|--------------------------|------------------------|-----------------------------------------|
| Regular Salaries | \$ 579,108.00 | \$ 583,894.02 | \$ (4,786.02) |
| Temporary Salaries | 4,000.00 | 1,986.26 | 2,013.74 |
| Meal Reimbursement | 500.00 | 477.00 | 23.00 |
| Corporate Contract Salary | 21,375.00 | 22,557.64 | (1,182.64) |
| Total Salaries | 604,983.00 | 608,914.92 | (3,931.92) |
| Social Security | 46,500.00 | 45,646.57 | 854.43 |
| Retirement | 36,300.00 | 38,076.03 | (1,776.03) |
| Hospital Insurance | 147,825.00 | 147,806.77 | 18.23 |
| Dental Insurance | 4,200.00 | 4,275.00 | (75.00) |
| Workmen's Compensation | 4,500.00 | 5,797.00 | (1,297.00) |
| Severance Pay | 29,635.00 | 29,634.14 | 0.86 |
| Post Employment | 4,800.00 | 4,800.00 | 0.00 |
| Total Employee Benefits | 273,760.00 | 276,034.51 | (2,274.51) |
| Legal Costs and Fees/Lobbyist | 4,500.00 | 8,020.00 | (3,520.00) |
| Retirement/Investment Advisor | 1,100.00 | 1,698.75 | (598.75) |
| Audit | 7,000.00 | 2,106.00 | 4,894.00 |
| Clinicians-Coaches Clinic | 3,500.00 | 3,276.43 | 223.57 |
| Test Supervisor | 150.00 | 0.00 | 150.00 |
| Clinicians/Judges/Cheerleaders | 2,200.00 | 100.00 | 2,100.00 |
| Appeals Committees | 250.00 | 313.54 | (63.54) |
| Section V Meeting | 3,000.00 | 504.86 | 2,495.14 |
| Utilities | 9,500.00 | 8,047.64 | 1,452.36 |
| Maintenance and Repairs | 10,000.00 | 6,905.77 | 3,094.23 |
| Computer Programs | 8,500.00 | 7,837.07 | 662.93 |
| Staff Travel | 60,000.00 | 31,385.24 | 28,614.76 |
| Board of Control Travel | 29,000.00 | 23,474.02 | 5,525.98 |
| Advisory/Ad Hoc Com/Officials | 9,500.00 | 10,553.17 | (1,053.17) |
| Dues-Regional Wrestling Assoc. | 800.00 | 660.00 | 140.00 |
| Dues-Regional Basketball Assoc. | 4,600.00 | 4,470.00 | 130.00 |
| Dues-Regional Volleyball Assoc. | 2,400.00 | 2,523.67 | (123.67) |
| Dues-Football Assoc. | 4,400.00 | 4,270.00 | 130.00 |
| Dues-Gymnastics Assoc. | 400.00 | 330.00 | 70.00 |
| NASO Travel | 3,000.00 | 1,454.02 | 1,545.98 |
| Telephone | 8,000.00 | 9,361.22 | (1,361.22) |
| Postage and Permit | 16,000.00 | 16,064.09 | (64.09) |
| United Parcel Service | 12,000.00 | 5,470.47 | 6,529.53 |
| Commercial Printing | 25,500.00 | 21,562.90 | 3,937.10 |
| Printing-Coaches Clinic | 1,000.00 | 0.00 | 1,000.00 |
| Printing-Officials | 7,000.00 | 6,288.00 | 712.00 |
| Catastrophic/Liability Insurance | 160,000.00 | 159,601.00 | 399.00 |
| Miscellaneous | 15,000.00 | 11,518.39 | 3,481.61 |
| Staff In-Service | 500.00 | 0.00 | 500.00 |
| State Officials Association | 12,000.00 | 11,512.00 | 488.00 |
| Rule Interpreter-Indianapolis | 1,000.00 | 1,209.70 | (209.70) |
| Internet | 1,200.00 | 920.00 | 280.00 |
| State Event Directors Reception | 1,300.00 | 1,256.20 | 43.80 |
| NFOA Membership | 20,000.00 | 18,700.00 | 1,300.00 |
| Media | 2,400.00 | 0.00 | 2,400.00 |
| Officials Gifts | 2,000.00 | 1,939.05 | 60.95 |
| State Event Directors/Corp Gifts | 2,100.00 | 2,607.96 | (507.96) |
| Midwest Officials Summit | 1,500.00 | 988.56 | 511.44 |
| FB Rules Meeting | 0.00 | 448.47 | (448.47) |
| SDIAAA | 2,000.00 | 2,000.00 | 0.00 |
| NIAAA Meeting | 1,700.00 | 0.00 | 1,700.00 |
| NF Summer Meeting | 25,000.00 | 18,173.04 | 6,826.96 |
| NF Winter Meeting | 3,000.00 | 2,309.18 | 690.82 |
| NF Legal Meeting | 2,600.00 | 2,748.65 | (148.65) |
| NFHS-Debate Topic Meeting | 1,400.00 | 1,330.06 | 69.94 |
| NFHS-Music/Speech Meeting | 250.00 | 208.65 | 41.35 |
| Recruitment of Officials | 15,000.00 | 21,078.16 | (6,078.16) |
| Snow Removal/Lawn | 500.00 | 2,325.13 | (1,825.13) |
| Accounting and Tax | 4,000.00 | 0.00 | 4,000.00 |
| Technology Conference | 1,000.00 | 0.00 | 1,000.00 |
| State Officials Coordinator | 13,400.00 | 11,849.58 | 1,550.42 |
| Total Purchased Services | 522,150.00 | 449,400.64 | 72,749.36 |

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Expenditures | Actual Expenditures | Variance Favorable/ (Unfavorable) |
|----------------------------------------------|--------------------------|------------------------|-----------------------------------------|
| Office Supplies | 9,000.00 | 6,677.18 | 2,322.82 |
| Custodial Supplies | 5,000.00 | 2,032.32 | 2,967.68 |
| Subscriptions | 1,300.00 | 1,641.23 | (341.23) |
| NF News/NIAAA Subscriptions | 100.00 | 0.00 | 100.00 |
| Rule Books and Exams | 37,000.00 | 38,928.55 | (1,928.55) |
| Transparencies/Films | 400.00 | 0.00 | 400.00 |
| Distinguished Service Awards | 700.00 | 772.50 | (72.50) |
| Inventory of Medals | 760.00 | 808.48 | (58.48) |
| Total Supplies and Materials | 54,250.00 | 50,860.28 | 3,389.74 |
| NF Dues/Foundation | 2,500.00 | 2,500.00 | 0.00 |
| General Liability/Participant Liability/Auto | 12,575.00 | 12,561.00 | 14.00 |
| Surety Bond | 1,400.00 | 0.00 | 1,400.00 |
| Insurance Office and Contents | 4,000.00 | 0.00 | 4,000.00 |
| Car Liability Insurance | 6,400.00 | 6,333.00 | 67.00 |
| CSJET | 550.00 | 580.00 | (30.00) |
| D&O Liability Insurance | 4,025.00 | 4,006.00 | 19.00 |
| Excess Liability Insurance | 2,875.00 | 2,875.00 | 0.00 |
| South Dakota Community Foundation | 0.00 | 55,000.00 | (55,000.00) |
| Moving Expenses | 4,500.00 | 4,559.81 | (59.81) |
| Travel Accident | 1,000.00 | 1,000.00 | 0.00 |
| Commercial Crime | 320.00 | 319.00 | 1.00 |
| Total Other Objects | 40,145.00 | 89,733.81 | (49,588.81) |
| Classes for Cheer/Spirit Coaches | 125.00 | 0.00 | 125.00 |
| Classes for Cheer/Spirit Officials | 125.00 | 43.22 | 81.78 |
| Total Coaches Education Program | 250.00 | 43.22 | 206.78 |
| Officials Observation | 9,000.00 | 8,626.82 | 373.18 |
| Boys' "B" Basketball | 48,050.00 | 46,203.66 | 1,846.34 |
| Boys' "A" Basketball | 87,450.00 | 60,745.00 | 26,705.00 |
| Boys' "AA" Basketball | 69,250.00 | 99,062.07 | (29,812.07) |
| Girls' "B" Basketball | 36,250.00 | 37,542.24 | (1,292.24) |
| Girls' "A" Basketball | 41,700.00 | 43,455.73 | (1,755.73) |
| Girls' "AA" Basketball | 53,650.00 | 48,269.65 | 5,380.35 |
| "B" Wrestling | 26,450.00 | 26,408.89 | 41.11 |
| "A" Wrestling | 24,400.00 | 23,294.97 | 1,105.03 |
| Gymnastics | 21,350.00 | 21,966.77 | (616.77) |
| Track and Field | 66,800.00 | 62,704.79 | 4,095.21 |
| Golf | 17,700.00 | 18,377.59 | (677.59) |
| Tennis | 11,620.00 | 8,112.77 | 3,507.23 |
| Cross Country | 9,925.00 | 9,687.19 | 237.81 |
| Football Play-Offs | 70,330.00 | 73,006.30 | (2,676.30) |
| Volleyball AA, A & B | 97,500.00 | 100,307.62 | (2,807.62) |
| Cheer and Dance | 18,850.00 | 17,882.15 | 967.85 |
| Soccer | 20,450.00 | 18,430.66 | 2,019.34 |
| Student Council | 5,600.00 | 5,202.33 | 397.67 |
| Speech | 34,425.00 | 35,022.95 | (597.95) |
| All-State Chorus and Orchestra | 37,550.00 | 37,067.30 | 482.70 |
| All-State Band | 33,500.00 | 38,811.66 | (5,311.66) |
| Music Miscellaneous | 4,165.00 | 2,621.96 | 1,543.04 |
| Journalism | 2,675.00 | 2,369.76 | 305.24 |
| Total Events | 839,640.00 | 836,554.01 | 3,085.99 |
| Capital Expenditures | 5,000.00 | 3,564.99 | 1,435.01 |
| GRAND TOTAL | \$ 2,349,178.00 | \$ 2,323,733.18 | \$ 25,444.82 |

The Notes to the Schedules of Budgeted and Actual Revenues and Expenditures are an integral part of this schedule.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
NOTES TO THE SCHEDULES OF BUDGET AND ACTUAL REVENUES AND EXPENDITURES
JUNE 30, 2013

NOTE 1: Purpose of the Schedule

Article IV of the South Dakota High School Activities Association's (Association) Constitution requires the Board of Directors to adopt a budget for each fiscal year.

NOTE 2: Significant Accounting Policies

- A. **Reporting Entity** - The accompanying schedules include primary activities, events, fees, and general areas administered by the Association for the fiscal year ended June 30, 2013.
- B. **Basis of Accounting** - The information presented in the Schedules of Budget and Actual Revenues and Expenditures are presented on the cash basis of accounting. The Association's basic financial statements are reported on the accrual basis of accounting and, therefore, the schedule's data may not be directly traceable to the basic financial statements.
- C. **Sub-State Events** – School districts throughout the state host sub-state events. The school districts collect the revenue and subtract from that revenue the expenditures applicable to hosting the sub-state events. The school districts then remit payment to the Association for the Association's share of the sub-state event proceeds. The payment received by the Association is reflected in the Schedule of Budgeted and Actual Revenues. Generally accepted accounting principles require the total revenue earned and the total expenditures incurred be reported on the accrual basis of accounting in the basic financial statements, therefore, the schedule's data may not be directly traceable to the basic financial statements.

