

***HURON SCHOOL DISTRICT NO. 2-2***  
***FINANCIAL STATEMENTS***  
***AND***  
***INDEPENDENT AUDITOR'S REPORT***  
***FOR THE YEAR ENDED***  
***JUNE 30, 2016***

**TABLE OF CONTENTS**

	<b>PAGE</b>
<i><b>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</b></i> .....	1-2
<i><b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b></i> .....	3-4
<i><b>SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS</b></i> .....	5
<i><b>INDEPENDENT AUDITOR'S REPORT</b></i> .....	6-7
<i><b>MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&amp;A)</b></i> .....	8-15
<i><b>BASIC FINANCIAL STATEMENTS:</b></i>	
<i><b>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</b></i>	
Statement of Net Position.....	16
Statement of Activities .....	17
<i><b>FUND FINANCIAL STATEMENTS:</b></i>	
<i><b>GOVERNMENTAL FUNDS:</b></i>	
Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	20-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	23
<i><b>PROPRIETARY FUND:</b></i>	
Statement of Net Position .....	24
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	25
Statement of Cash Flows.....	26-27
<i><b>FIDUCIARY FUNDS:</b></i>	
Statement of Net Position .....	28
Statement of Changes in Net Position.....	29
<i><b>NOTES TO THE FINANCIAL STATEMENTS</b></i> .....	30-56
<i><b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A:</b></i> .....	
Budgetary Comparison Schedule – General Fund .....	57
Budgetary Comparison Schedule – Capital Outlay Fund.....	58-59
Budgetary Comparison Schedule – Capital Outlay Fund.....	60
Budgetary Comparison Schedule – Special Education Fund .....	61
Notes to the Required Supplementary Information – Budgetary Comparison Schedules.....	62-63
Schedule of Funding Progress .....	64
Schedule of the School District Contributions – South Dakota Retirement System.....	65
Schedule of the School District’s Proportionate Share of the Net Pension Liability (Asset) – South Dakota Retirement System .....	66
<i><b>SUPPLEMENTARY INFORMATION:</b></i> .....	
Schedule of Expenditures of Federal Awards .....	67
School District Officials .....	68-69
	70



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

School Board  
Huron School District No. 2-2  
Huron, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huron School District No. 2-2, South Dakota, as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 30, 2016.

*Internal Control Over Financial Reporting*

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Huron School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Purpose of this Report*

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

Handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota  
November 30, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**School Board  
Huron School District No. 2-2  
Huron, South Dakota**

***Report on Compliance for Each Major Federal Program***

We have audited Huron School District No. 2-2's, Beadle County, South Dakota compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of Huron School District's major federal programs for the year ended June 30, 2016. Huron School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination on Huron School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Huron School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

*Report on Internal Control Over Compliance*

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

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

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

*Purpose of this Report*

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



Huron, South Dakota  
November 30, 2016

**HURON SCHOOL DISTRICT NO. 2-2**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

**Section I - Summary of Auditor's Results**

**Financial Statements:**

Type of auditor's report issued: **Unmodified**

**Internal control over financial reporting:**

Material weakness(es) identified:           yes      X   no

Significant deficiencies identified  
that are not considered to be  
material weakness(es)?                   yes      X   none reported

Noncompliance material to financial  
statements noted?                           yes      X   no

**Federal Awards:**

**Internal control over major programs:**

Material weakness(es) identified?           yes      X   no

Significant deficiencies identified  
that are not considered to be  
material weakness(es)?                   yes      X   none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.156(a).                           yes      X   no

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<b>Special Education Cluster:</b>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
	<b>Child Nutrition Cluster:</b>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Lunch Program

Dollar threshold used to distinguish  
between type A and type B programs:              \$  750,000  

Auditee qualified as low-risk auditee?      X   Yes           No

**Section II - Financial Statement Findings**

There are no findings which are required to be reported in accordance with Government Auditing Standards.

**Section III - Federal Award Findings and Questioned Costs**

There are no finding or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).



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## **INDEPENDENT AUDITOR'S REPORT**

**School Board  
Huron School District No. 2-2  
Huron, South Dakota**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2, Huron, South Dakota, as of June 30, 2016 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Huron School District's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District's Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron School District's financial statements. The Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally excepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.



Huron, South Dakota  
November 30, 2016

*HURON SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016*

This section of Huron School District No. 2-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the School's revenues of \$26,392,082 generated from taxes and other revenues of the governmental and business-type programs were \$98,934 more than the \$26,293,148 in governmental and business-type program expenditures.
- The total cost of the School's programs increased 5% over the prior year.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the school are the Food Service Operation (Fund 51), and Concessions and Drivers Education (Fund 53).
  - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**HURON SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016**

**Figure A-1**

<b>Major Features of Huron School's Government-wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers' education program	Instances in which the School is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

*HURON SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016*

**Government-wide Statements**

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing breakfast and hot lunch services to all students. The Food Service Fund and the Enterprise Funds (Drivers Ed, and Concessions) are the only business-type activities of the School.

**Fund Financial Statements**

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

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

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**HURON SCHOOL DISTRICT NO. 2-2**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2016**

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service, Drivers Education, and Concessions Enterprise funds are the only proprietary funds maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School’s combined net position increased as follows:

Table A-1  
Huron School District No. 2-2  
Statement of Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Percentage Change</i> 2015-2016
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	
Current and Other Assets	\$ 21,439,528	\$ 18,479,006	\$ 804,289	\$ 421,424	\$ 22,243,817	\$ 18,900,430	-15.03%
Capital Assets (Net of Depreciation)	31,675,846	34,191,569	256,742	366,513	31,932,588	34,558,082	8.22%
Total Assets	53,115,374	52,670,575	1,061,031	787,937	54,176,405	53,458,512	-1.33%
Pension Related Deferred Outflows	4,397,225	5,455,067	--	--	4,397,225	5,455,067	24.06%
Total Deferred Outflows of Resources	4,397,225	5,455,067	--	--	4,397,225	5,455,067	24.06%
Long-Term Liabilities Outstanding	29,449,387	31,509,288	6,138	8,456	29,455,525	31,517,744	7.00%
Other Liabilities	3,140,721	2,710,714	28,065	59,953	3,168,786	2,770,667	-12.56%
Total Liabilities	32,590,108	34,220,002	34,203	68,409	32,624,311	34,288,411	5.10%
Taxes Levied for Future Period	5,133,903	5,211,661	--	--	5,133,903	5,211,661	1.51%
Pension Related Deferred Inflows	5,738,915	4,247,090	--	--	5,738,915	4,247,090	-25.99%
Unearned Revenues	--	--	9,018	13,949	9,018	13,949	54.68%
Total Deferred Inflows of Resources	10,872,818	9,458,751	9,018	13,949	10,881,836	9,472,700	-12.95%
<b>Net Position</b>							
Net Investment in Capital Assets	2,226,459	2,682,281	256,742	366,513	2,483,201	3,048,794	22.78%
Restricted	8,703,984	8,986,424	--	--	8,703,984	8,986,424	3.24%
Unrestricted	3,119,230	2,778,184	761,068	353,015	3,880,298	3,131,199	-19.31%
Total Net Position	14,049,673	14,446,889	1,017,810	719,528	15,067,483	15,166,417	0.66%
Beginning Net Position	14,337,957	14,049,673	850,320	1,017,810	15,188,277	15,067,483	-0.80%
Increase (Decrease) in Net Position	\$ (288,284)	\$ 397,216	\$ 167,490	\$ (298,282)	\$ (120,794)	\$ 98,934	-181.90%
Percentage of Increase (Decrease) in Net Position	-2.01%	2.83%	19.70%	-29.31%	-0.80%	0.66%	

The District’s combined net position of approximately \$15 million is approximately \$98,000 or 1% more than on June 30, 2015.

*N SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016*

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable and bonds, capital outlay certificates and other loans have been reported in this manner on the Statement of Net Position. The difference between the school’s assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

**Changes in Net Position**

The district’s total revenues (excluding transfers) totaled \$26,392,082 (See Table A-4). This was approximately a 6% increase. Approximately 43% of the district’s revenue comes from property and other taxes, with another 31% from state aid. (See Table A-2.)

Table A-2  
Huron School District No. 2-2  
Sources of Revenues  
Fiscal Year 2015-2016

Taxes	\$ 11,400,981	43.20%
State Sources	8,227,265	31.17%
Operating And Capital Grants & Contributions	4,977,579	18.86%
Charges for Services	873,798	3.31%
Other Revenues	847,338	3.21%
Unrestricted Investment Earnings	65,121	0.25%
<i>Total Revenue</i>	\$ 26,392,082	100.00%

Total cost of all programs and services increased by approximately 5%. The district’s expenses totaled \$26,293,148. (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, drivers’ education and concessions. (See Table A-3.)

Table A-3  
Huron School District No. 2-2  
Statement of Expenditures  
Fiscal Year 2015-2016

Instruction	\$ 12,580,026	47.85%
Support Services	9,676,052	36.80%
Community Services	208,076	0.79%
Nonprogrammed charges	108,484	0.41%
Interest - on Long-Term Debt	1,148,009	4.37%
Cocurricular Activities	901,993	3.43%
Food Service	1,514,775	5.76%
Concessions	120,058	0.46%
Drivers Education	35,675	0.13%
<i>Total Expenditures</i>	\$ 26,293,148	100.00%

**HURON SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016**

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

Table A-4  
Huron School District 2-2  
Changes in Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Total</i>
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>Percentage Change 2015-2016</i>
<i>Revenues</i>							
<i>Program Revenues</i>							
Charges for Services	\$ 355,100	\$ 204,507	\$ 657,174	\$ 669,291	\$ 1,012,274	\$ 873,798	-13.68%
Operating Grants and Contributions	3,338,527	3,777,233	931,684	1,039,155	4,270,211	4,816,388	12.79%
Capital Grants and Contributions	--	--	--	161,191	--	161,191	100.00%
<i>General Revenues</i>							
Taxes	11,376,339	11,400,981	--	--	11,376,339	11,400,981	0.22%
Revenue State Sources	7,563,920	8,227,265	--	--	7,563,920	8,227,265	8.77%
Unrestricted Investment Earnings	67,331	62,532	5,226	2,589	72,557	65,121	-10.25%
Other General Revenues	588,536	847,338	--	--	588,536	847,338	43.97%
<i>Total Revenues</i>	<u>23,289,753</u>	<u>24,519,856</u>	<u>1,594,084</u>	<u>1,872,226</u>	<u>24,883,837</u>	<u>26,392,082</u>	<u>6.06%</u>
<i>Expenses</i>							
Instruction	11,136,108	12,580,026	-	-	11,136,108	12,580,026	12.97%
Support Services	8,878,062	9,676,052	--	--	8,878,062	9,676,052	8.99%
Community Services	159,923	208,076	--	--	159,923	208,076	30.11%
Nonprogrammed Charges	407,141	108,484	--	--	407,141	108,484	-73.35%
Interest on Long Term Debt	1,995,948	1,148,009	--	--	1,995,948	1,148,009	-42.48%
Cocurricular Activities	916,852	901,993	--	--	916,852	901,993	-1.62%
Food Service	--	--	1,381,055	1,514,775	1,381,055	1,514,775	9.68%
Other Enterprise Activity	--	--	129,542	155,733	129,542	155,733	20.22%
<i>Total Expenses</i>	<u>23,494,034</u>	<u>24,622,640</u>	<u>1,510,597</u>	<u>1,670,508</u>	<u>25,004,631</u>	<u>26,293,148</u>	<u>5.15%</u>
<i>Excess (Deficiency) Before Transfers</i>	<u>(204,281)</u>	<u>(102,784)</u>	<u>83,487</u>	<u>201,718</u>	<u>(120,794)</u>	<u>98,934</u>	<u>-181.90%</u>
<i>Transfers</i>	<u>(84,003)</u>	<u>500,000</u>	<u>84,003</u>	<u>(500,000)</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
<i>Increase (Decrease) in Net Position</i>	<u>(288,284)</u>	<u>397,216</u>	<u>167,490</u>	<u>(298,282)</u>	<u>(120,794)</u>	<u>98,934</u>	<u>-181.90%</u>
<i>Beginning Net Position</i>	<u>14,337,957</u>	<u>14,049,673</u>	<u>850,320</u>	<u>1,017,810</u>	<u>15,188,277</u>	<u>15,067,483</u>	<u>-0.80%</u>
<i>Ending Net Position</i>	<u>\$ 14,049,673</u>	<u>\$ 14,446,889</u>	<u>\$ 1,017,810</u>	<u>\$ 719,528</u>	<u>\$ 15,067,483</u>	<u>\$ 15,166,417</u>	<u>0.66%</u>

**GOVERNMENTAL ACTIVITIES**

Revenues for the School's governmental activities increased approximately 6% due primarily to increases in ad valorem taxes and state aid. Property taxes did increase in General, Capital Outlay and Special Ed Funds due to increased valuations.

**BUSINESS-TYPE ACTIVITIES**

Net position of the School's business-type activities increased approximately \$201,718 before transfers. Half of that is from the contributed capital from capital outlay for the Madison and Washington elementary schools. The Other Enterprise fund transferred \$500,000 to capital outlay to help with capital outlay expenditures. That amount was from accumulated earnings of the concessions.

*HURON SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016*

**FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS**

Overall the governmental funds have a \$540,000 decrease in fund balance over last year. The main cause was the continued progress of the elementary remodel/additions capital projects.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

**CAPITAL ASSET ADMINISTRATION**

By the end of 2016, the School had invested \$34,191,569 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) The increase in capital assets is mainly due to the remodel/addition at Madison and Washington elementary schools.

Table A-5  
HURON SCHOOL DISTRICT - Capital Assets  
(net of depreciation)

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	<i>Total</i>
	<i>Activities</i>		<i>Activities</i>		<i>Dollar</i>	<i>Percentage</i>
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>Change</i>	<i>Change</i>
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015-2016</u>	<u>2015-2016</u>
Land	\$ 1,111,755	\$ 1,107,646	\$ --	\$ --	\$ (4,109)	-0.37%
Construction in progress	11,650,105	8,809,931	--	--	(2,840,174)	-24.38%
Buildings	16,815,057	22,232,113	--	--	5,417,056	32.22%
Machinery and equipment	2,098,929	2,041,879	256,742	366,513	52,721	2.51%
<i>Total Capital Assets (Net)</i>	<u>\$ 31,675,846</u>	<u>\$ 34,191,569</u>	<u>\$ 256,742</u>	<u>\$ 366,513</u>	<u>\$ 2,625,494</u>	<u>8.29%</u>

This year’s capital asset purchases of \$3,518,100 were mainly the finish of remodel/addition at Madison and Washington elementary, 2 buses, and a variety of smaller purchases.

**HURON SCHOOL DISTRICT NO. 2-2  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2016**

**LONG-TERM DEBT**

At year-end the School had \$31,509,288 in general long term obligations. See individual balances as shown on Table A-6 below.

Table A-6  
HURON SCHOOL DISTRICT - Outstanding Debt and Obligations

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	<i>Total</i>
	<i>Activities</i>		<i>Activities</i>		<i>Dollar</i>	<i>Percentage</i>
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>Change</u>	<u>Change</u>
					<u>2015-2016</u>	<u>2015-2016</u>
General Obligation bonds	\$ 19,955,000	\$ 19,465,000	\$ --	\$ --	\$ (490,000)	-2.46%
Unamortize premium	1,809,384	1,733,994	--	--	(75,390)	-4.17%
Capital outlay certificates	5,640,000	7,845,000	--	--	2,205,000	39.10%
Unamortize premium	--	157,014	--	--	157,014	100.00%
Capital lease	240,509	121,827	--	--	(118,682)	-49.35%
Other loans	1,298,929	1,699,400	--	--	400,471	30.83%
Compensated Absences	120,058	110,376	6,138	8,456	(7,364)	-5.84%
OPEB	385,507	376,677	--	--	(8,830)	-2.29%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 29,449,387</b>	<b>\$ 31,509,288</b>	<b>\$ 6,138</b>	<b>\$ 8,456</b>	<b>\$ 2,062,219</b>	<b>7.00%</b>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. In FY16, the state aid formula for the current year ensures that property taxes plus state aid will equal \$4,876.76.

The school’s enrollment for the last 2 years was as follows:

<u>YEAR</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2016	2472	2.91%
2015	2402	4.25%

**CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Huron School District’s Business Office, 150 5<sup>th</sup> Street Southwest, Huron, SD 57350.

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF NET POSITION – GOVERNMENT-WIDE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>PRIMARY GOVERNMENT</u>		<u>TOTAL</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 9,353,928	\$ 326,306	\$ 9,680,234
Taxes receivable	5,315,855	--	5,315,855
Inventories	--	37,972	37,972
Other assets	930,853	57,146	987,999
Restricted Assets:			
Net pension asset	2,878,370	--	2,878,370
Capital assets:			
Land and Construction in Progress	9,917,577	--	9,917,577
Other capital assets, net of depreciation	24,273,992	366,513	24,640,505
<b>TOTAL ASSETS</b>	<b>52,670,575</b>	<b>787,937</b>	<b>53,458,512</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	5,455,067	--	5,455,067
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES:</b>	<b>5,455,067</b>	<b>--</b>	<b>5,455,067</b>
<b>LIABILITIES:</b>			
Accounts payable	979,490	25,323	1,004,813
Other current liabilities	1,731,224	20,681	1,751,905
Unearned revenue	--	13,949	13,949
Noncurrent liabilities:			
Due within one year	1,775,979	5,000	1,780,979
Due in more than one year	29,733,309	3,456	29,736,765
<b>TOTAL LIABILITIES</b>	<b>34,220,002</b>	<b>68,409</b>	<b>34,288,411</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property taxes levied for future period	5,211,661	--	5,211,661
Pension related deferred inflows	4,247,090	--	4,247,090
<b>TOTAL DEFERRED INFLOWS OF RESOURCES:</b>	<b>9,458,751</b>	<b>--</b>	<b>9,458,751</b>
<b>NET POSITION:</b>			
Net investment in capital assets	2,682,281	366,513	3,048,794
Restricted for:			
Capital outlay	3,955,221	--	3,955,221
Special education	821,207	--	821,207
Pension	34,074	--	34,074
Debt services	76,453	--	76,453
Auditorium	13,122	--	13,122
SDRS pension purposes	4,086,347	--	4,086,347
Unrestricted	2,778,184	353,015	3,131,199
<b>TOTAL NET POSITION</b>	<b>\$ 14,446,889</b>	<b>\$ 719,528</b>	<b>\$ 15,166,417</b>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*



**HURON SCHOOL DISTRICT NO. 2-2**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 3,387,326	\$ 4,818,373	\$ 1,023,019	\$ 125,210	\$ 9,353,928
Taxes receivable--current	2,261,764	1,566,629	553,154	830,114	5,211,661
Taxes receivable--delinquent	55,498	25,429	10,980	12,287	104,194
Accounts receivable	256,059	--	--	--	256,059
Due from other government	539,378	--	110,416	--	649,794
Advance to other funds	25,000	--	--	--	25,000
<b>TOTAL ASSETS</b>	<b><u>\$ 6,525,025</u></b>	<b><u>\$ 6,410,431</u></b>	<b><u>\$ 1,697,569</u></b>	<b><u>\$ 967,611</u></b>	<b><u>\$ 15,600,636</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<i>Liabilities:</i>					
Accounts payable	\$ 98,053	\$ 863,152	\$ 16,724	\$ 1,561	\$ 979,490
Contracts payable	1,089,335	--	221,505	--	1,310,840
Payroll deductions and withholding and employer matching payable	346,385	--	73,999	--	420,384
Advance from other funds	--	--	--	--	--
<b>TOTAL LIABILITIES</b>	<b><u>1,533,773</u></b>	<b><u>863,152</u></b>	<b><u>312,228</u></b>	<b><u>1,561</u></b>	<b><u>2,710,714</u></b>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue-Property Taxes	55,498	25,429	10,980	12,287	104,194
Property taxes levied for future period	2,261,764	1,566,629	553,154	830,114	5,211,661
<b>Total Deferred Inflows of Resources</b>	<b><u>2,317,262</u></b>	<b><u>1,592,058</u></b>	<b><u>564,134</u></b>	<b><u>842,401</u></b>	<b><u>5,315,855</u></b>
<i>Fund Balances:</i>					
<i>Assigned</i>	437,000	--	--	--	437,000
<i>Restricted</i>					
Capital outlay	--	3,955,221	--	--	3,955,221
Special education	--	--	821,207	--	821,207
Pension	--	--	--	34,074	34,074
Debt service	--	--	--	76,453	76,453
Auditorium	--	--	--	13,122	13,122
Unassigned	2,236,990	--	--	--	2,236,990
<b>Total Fund Balances</b>	<b><u>2,673,990</u></b>	<b><u>3,955,221</u></b>	<b><u>821,207</u></b>	<b><u>123,649</u></b>	<b><u>7,574,067</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 6,525,025</u></b>	<b><u>\$ 6,410,431</u></b>	<b><u>\$ 1,697,569</u></b>	<b><u>\$ 967,611</u></b>	<b><u>\$ 15,600,636</u></b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS  
JUNE 30, 2016**

<b><i>Total Fund Balances - Governmental Funds</i></b>	<b>\$</b>	<b>7,574,067</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		2,878,370
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,191,569
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		5,455,067
Delinquent taxes receivable not available to pay current year expenditures are deferred in the funds		104,194
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(4,247,090)
Long-term liabilities, including bonds payable, other post employment benefits, and accrued vacation are not due and payable in the current period and therefore are not reported in the funds.		<u>(31,509,288)</u>
<b><i>Net Position-Governmental Funds</i></b>	<b>\$</b>	<b><u>14,446,889</u></b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
<i>Revenue from Local Sources:</i>					
<i>Taxes:</i>					
Ad valorem taxes	\$ 4,741,939	\$ 3,176,112	\$ 1,226,048	\$ 1,735,790	\$ 10,879,889
Prior years' ad valorem taxes	37,787	19,865	8,615	10,555	76,822
Utility taxes	410,758	--	--	--	410,758
Penalties and interest on taxes	10,759	6,700	2,858	3,594	23,911
<i>Revenue from Local Governmental Units Other Than LEAs:</i>					
Revenue in lieu of taxes	5,383	--	--	--	5,383
<i>Tuition and Fees:</i>					
Student Tuition	--	--	498	--	498
Regular day school tuition	105,010	--	--	--	105,010
Earnings on Investments and Deposits	30,557	20,662	9,721	1,592	62,532
<i>Cocurricular Activities:</i>					
Admissions	74,394	--	--	5,375	79,769
Other pupil activity income	12,930	--	--	--	12,930
<i>Other Revenue from Local Sources:</i>					
Rentals	48,355	--	--	--	48,355
Contributions and donations	14,080	45,000	--	--	59,080
Services Provided Other LEAs	6,300	--	--	--	6,300
Charges for services	34,991	--	118,986	--	153,977
Other	229,149	--	--	--	229,149
<i>Revenue from Intermediate Sources:</i>					
<i>County Sources:</i>					
County apportionment	271,110	--	--	--	271,110
Revenue in Lieu of Taxes	4,138	2	1	2	4,143
<i>Revenue from State Sources:</i>					
<i>Grants-in-Aid:</i>					
Unrestricted grants-in-aid	8,227,265	--	--	--	8,227,265
Restricted grants-in-aid	2,015	--	1,348,083	--	1,350,098
<i>Tuition:</i>					
Regular	108,024	--	--	--	108,024
<i>Revenue from Federal Sources:</i>					
<i>Grants-in-Aid:</i>					
Restricted grants-in-aid received from federal government through the state	1,699,968	--	619,143	--	2,319,111
Other Federal Revenue	76,141	--	--	--	76,141
<b>TOTAL REVENUES:</b>	<b>\$ 16,151,053</b>	<b>\$ 3,268,341</b>	<b>\$ 3,333,953</b>	<b>\$ 1,756,908</b>	<b>\$ 24,510,255</b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>EXPENDITURES:</b>					
<i>Instruction:</i>					
<i>Regular Programs:</i>					
Elementary	\$ 3,765,884	\$ 98,746	\$ --	\$ --	\$ 3,864,630
Middle/junior high	1,769,040	83,714	--	--	1,852,754
High school	2,441,882	83,638	--	--	2,525,520
Preschool services	3,902	--	--	--	3,902
<i>Special Programs:</i>					
Programs for special education	--	--	2,424,702	--	2,424,702
Culturally different	741,307	--	--	--	741,307
Educationally deprived	937,161	--	--	--	937,161
<i>Support Services:</i>					
<i>Pupils:</i>					
Attendance and social work	83,390	--	24,688	--	108,078
Guidance	369,163	--	12,638	--	381,801
Health	82,004	--	79,711	--	161,715
Psychological	178	--	125,279	--	125,457
Speech pathology	--	--	431,994	--	431,994
Student therapy services	--	--	133,761	--	133,761
<i>Instructional Staff:</i>					
Improvement of instruction	445,332	--	10,243	--	455,575
Educational media	593,058	149,399	--	--	742,457
<i>General Administration:</i>					
Board of education	175,873	984	--	--	176,857
Executive administration	213,100	--	--	--	213,100
<i>School Administration:</i>					
Office of the principal	736,297	--	--	--	736,297
Other	278,038	8,335	--	--	286,373
<i>Business:</i>					
Fiscal services	330,139	1,346	--	--	331,485
Facilities acquisition and construction	--	1,139,786	--	218,184	1,357,970
Operation and maintenance of plant	1,973,691	902,132	--	--	2,875,823
Pupil transportation	679,829	34,142	--	--	713,971
Food services	68,127	25,017	--	--	93,144
<i>Central:</i>					
Staff	682	--	--	--	682

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>EXPENDITURES:</b>					
<i>Special Education:</i>					
Administrative costs	\$ --	\$ --	\$ 155,716	\$ --	\$ 155,716
Other special education costs	--	--	89,246	--	89,246
<i>Community Services:</i>					
Recreation	23,215	--	--	--	23,215
Custody and care of children	175,512	--	--	--	175,512
Nonpublic school	13,465	--	--	--	13,465
<i>Nonprogrammed Charges:</i>					
Payments to State - Unemployment	1,110	--	--	--	1,110
Early Retirement Payments	--	--	--	107,374	107,374
<i>Debt Services</i>	--	4,094,439	--	1,420,088	5,514,527
<i>Cocurricular Activities:</i>					
Male activities	311,688	--	--	--	311,688
Female activities	284,552	--	--	--	284,552
Combined activities	253,714	18,195	--	--	271,909
<i>Capital Outlay</i>	6,097	2,548,454	--	963,549	3,518,100
<b>TOTAL EXPENDITURES</b>	<b>16,757,430</b>	<b>9,188,327</b>	<b>3,487,978</b>	<b>2,709,195</b>	<b>32,142,930</b>
<i>Excess of Revenue Over (Under) Expenditures</i>	<b>(606,377)</b>	<b>(5,919,986)</b>	<b>(154,025)</b>	<b>(952,287)</b>	<b>(7,632,675)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	30,178	500,000	--	--	530,178
Transfers out	--	(19,071)	(9,721)	(1,386)	(30,178)
General long term debt issued	--	6,444,931	--	--	6,444,931
Sale of surplus property	21,554	19,401	--	--	40,955
Compensation for loss of capital asset	24,912	80,797	--	--	105,709
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>76,644</b>	<b>7,026,058</b>	<b>(9,721)</b>	<b>(1,386)</b>	<b>7,091,595</b>
<i>Net Change in Fund Balances</i>	<b>(529,733)</b>	<b>1,106,072</b>	<b>(163,746)</b>	<b>(953,673)</b>	<b>(541,080)</b>
<i>FUND BALANCE - Beginning of Year</i>	<b>3,203,723</b>	<b>2,849,149</b>	<b>984,953</b>	<b>1,077,322</b>	<b>8,115,147</b>
<i>FUND BALANCE - End of Year</i>	<b>\$ 2,673,990</b>	<b>\$ 3,955,221</b>	<b>\$ 821,207</b>	<b>\$ 123,649</b>	<b>\$ 7,574,067</b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$	(541,080)
 Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		3,518,100
The receipt of donated capital assets is not reported on the fund statements but is reported as a program revenue on the government wide statements.		2,049
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(976,441)
In the statement of activities gain and losses of \$27,985 on disposal of capital are reported, whereas, in the governmental funds, the proceeds of \$40,955 from the sale of surplus property and compensation for loss of capital asset of \$105,709 is reflected regardless of whether a gain or loss is realized (+gains -losses -proceeds =amount).		(27,985)
The issuance of long-term debt (\$ 6,444,931) provides current financing source in the governmental funds, while the repayment of the principal of long-term debt (4,273,682) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide financial statements. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items (\$92,836) when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(2,078,413)
In both the government-wide and the fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		9,601
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	Other postemployment benefits	8,830
	Compensated absences	9,682
		18,512
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		472,873
<i>Change in Net Position of Governmental Activities</i>		\$ 397,216

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**JUNE 30, 2016**

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD</i>	<i>OTHER</i>	<i>TOTAL</i>
	<i>SERVICE</i>	<i>ENTERPRISE</i>	
	<i>FUND</i>	<i>FUNDS</i>	
<b>ASSETS:</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 247,766	\$ 78,540	\$ 326,306
Accounts Receivable	4,182	--	4,182
Due from other government	52,964	--	52,964
Inventory of supplies	6,782	1,550	8,332
Inventory of stores purchased for resale	19,899	4,855	24,754
Inventory of donated food	4,886	--	4,886
<i>Total Current Assets</i>	<u>336,479</u>	<u>84,945</u>	<u>421,424</u>
<i>Capital Assets:</i>			
Buildings	13,900	--	13,900
Machinery and equipment--local funds	1,034,015	32,421	1,066,436
Machinery and equipment--federal assistance	12,043	--	12,043
Accumulated depreciation	(704,469)	(21,397)	(725,866)
<i>Capital Assets - Net</i>	<u>355,489</u>	<u>11,024</u>	<u>366,513</u>
<b>TOTAL ASSETS</b>	<u>\$ 691,968</u>	<u>\$ 95,969</u>	<u>\$ 787,937</u>
<b>LIABILITIES AND NET POSITION:</b>			
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 24,523	\$ 800	\$ 25,323
Contract payable	12,612	2,145	14,757
Payroll deductions and withholdings	5,738	186	5,924
Unearned revenue	13,949	--	13,949
<i>Total Current Liabilities</i>	<u>56,822</u>	<u>3,131</u>	<u>59,953</u>
<i>Noncurrent Liabilities:</i>			
Accrued leave payable	8,456	--	8,456
<i>Total Noncurrent Liabilities</i>	<u>8,456</u>	<u>--</u>	<u>8,456</u>
<i>Net Position:</i>			
Net investment in capital assets	355,489	11,024	366,513
Unrestricted net position	271,201	81,814	353,015
<i>Total Net Position</i>	<u>626,690</u>	<u>92,838</u>	<u>719,528</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 691,968</u>	<u>\$ 95,969</u>	<u>\$ 787,937</u>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>ENTERPRISE FUNDS</b>		
	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE FUND</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>			
<i>Sales:</i>			
To pupils	\$ 352,193	\$ 162,905	\$ 515,098
To adults	16,761	--	16,761
A la carte	61,849	--	61,849
Other	47,196	28,387	75,583
<i>Total Operating Revenue</i>	<u>477,999</u>	<u>191,292</u>	<u>669,291</u>
<b>OPERATING EXPENSES:</b>			
Salaries	587,245	74,133	661,378
Employee benefits	204,200	10,183	214,383
Purchased services	28,349	5,343	33,692
Supplies	51,566	4,566	56,132
Cost of sales - purchased food	488,505	60,055	548,560
Cost of sales - donated food	104,943	--	104,943
Depreciation - local funds	49,967	1,453	51,420
<i>Total Operating Expenses</i>	<u>1,514,775</u>	<u>155,733</u>	<u>1,670,508</u>
<i>Operating Income (Loss)</i>	<u>(1,036,776)</u>	<u>35,559</u>	<u>(1,001,217)</u>
<b>NONOPERATING REVENUES:</b>			
<i>Local Sources:</i>			
Investment earnings	1,917	672	2,589
<i>State Sources:</i>			
Cash reimbursements	8,472	--	8,472
<i>Federal Sources:</i>			
Cash reimbursements	934,109	--	934,109
Donated food	96,574	--	96,574
<i>Total Nonoperating Revenue</i>	<u>1,041,072</u>	<u>672</u>	<u>1,041,744</u>
<i>Income Before Contributions and Transfers</i>	<u>4,296</u>	<u>36,231</u>	<u>40,527</u>
<i>Capital Contributions</i>	161,191	--	161,191
<i>Transfers Out</i>	--	(500,000)	(500,000)
<i>Change in Net Position</i>	165,487	(463,769)	(298,282)
<b>NET POSITION - Beginning of Year</b>	<u>461,203</u>	<u>556,607</u>	<u>1,017,810</u>
<b>NET POSITION - End of Year</b>	<u>\$ 626,690</u>	<u>\$ 92,838</u>	<u>\$ 719,528</u>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUND</i>	<i>TOTALS</i>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES:</i></b>			
Cash receipts from customers	\$ 478,748	\$ 191,292	\$ 670,040
Cash payments to suppliers	(780,696)	(81,985)	(862,681)
Cash payments to employees	(562,211)	(71,314)	(633,525)
<b><i>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i></b>	<b>(864,159)</b>	<b>37,993</b>	<b>(826,166)</b>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i></b>			
Transfers To Capital Outlay Fund	--	(500,000)	(500,000)
Cash reimbursements - state	8,472	--	8,472
Cash reimbursements - federal	890,421	--	890,421
<b><i>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</i></b>	<b>898,893</b>	<b>(500,000)</b>	<b>398,893</b>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES:</i></b>			
Interest earnings	1,917	672	2,589
<b><i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	<b>1,917</b>	<b>672</b>	<b>2,589</b>
<b><i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i></b>	<b>36,651</b>	<b>(461,335)</b>	<b>(424,684)</b>
<b><i>CASH AND CASH EQUIVALENTS, Beginning of Year</i></b>	<b>211,115</b>	<b>539,875</b>	<b>750,990</b>
<b><i>CASH AND CASH EQUIVALENTS, End of Year</i></b>	<b>\$ 247,766</b>	<b>\$ 78,540</b>	<b>\$ 326,306</b>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>ENTERPRISE FUNDS</u>		
	<u>FOOD SERVICE FUND</u>	<u>OTHER ENTERPRISE FUND</u>	<u>TOTALS</u>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO</i>			
<i>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</i>			
Operating Income (Loss)	\$ (1,036,974)	\$ 35,559	\$ (1,001,415)
<i>Adjustments to Reconcile Operating Income to</i>			
<i>Net Cash Provided (Used) by Operating Activities:</i>			
Depreciation expense	49,967	1,453	51,420
Noncash cost of sales - commodities	104,943	--	104,943
<i>Change in Assets and Liabilities:</i>			
Accounts receivable	(4,182)	--	(4,182)
Inventories	(1,247)	(1,072)	(2,319)
Accounts and other payables	7,455	(278)	7,177
Accrued wages payable	10,948	2,331	13,279
Unearned Revenue	4,931	--	4,931
<i>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	<u>\$ (864,159)</u>	<u>\$ 37,993</u>	<u>\$ (826,166)</u>
<i>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</i>			
Value of commodities received	<u>\$ 96,574</u>	<u>\$ --</u>	<u>\$ 96,574</u>
Capital assets purchased by the capital outlay fund	<u>\$ 1,507</u>	<u>\$ --</u>	<u>\$ 1,507</u>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<i>PRIVATE PURPOSE TRUST FUND</i>	<i>AGENCY FUNDS</i>
<i>ASSETS:</i>		
Cash and cash equivalents	\$ 186,104	\$ 196,765
<b>TOTAL ASSETS</b>	<b>\$ 186,104</b>	<b>\$ 196,765</b>
<i>LIABILITIES:</i>		
Amounts held for others	\$ --	\$ 196,765
<i>NET POSITION</i>		
Held in trust for school scholarship	186,104	--
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 186,104</b>	<b>\$ 196,765</b>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>PURPOSE</i>
	<i>TRUST FUND</i>
<b>ADDITIONS:</b>	
Contributions and donations	\$ 13,040
Other additions	2,236
<i>Total Additions</i>	15,276
<b>DEDUCTIONS:</b>	
Trust deductions for scholarships	16,856
<i>Total Deductions</i>	16,856
<i>Change in Net Position</i>	(1,580)
<b>NET POSITION - Beginning of Year</b>	187,684
<b>NET POSITION - End of Year</b>	\$ 186,104

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

a. *Financial Reporting Entity:*

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to government entities in the United States of America.

b. *Basis of Presentation:*

**Government-Wide Financial Statements:**

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

**Fund Financial Statements:**

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

**General Fund** – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

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

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

**Governmental Funds: (continued)**

**Pension Fund** – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District’s share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

**Auditorium Building Fund** – A fund established by SDCL 6-4-1 for the purpose of erecting or remodeling an auditorium, coliseum, public gymnasium, or public community house and for the acquisition of sites and equipment therefore. This is not a major fund.

**Debt Service Fund Types** – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Bond Redemption Fund** – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This fund is the only debt service fund maintained by the School District. This is not a major fund.

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

There is only one Capital Projects Fund maintained by the School District and it is used to account for construction on some of the School Districts existing grade schools. This is not a major fund.

**Proprietary Funds:**

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government of component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Proprietary Funds: (continued)

2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

The Enterprise Fund is an enterprise fund maintained by the School District for concessions and driver's education. It is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other organizations. The School District maintains the following private-purpose trust funds: Harrigle, Kittinger, Peppers and Huron Community Scholarship Trusts and their purpose is scholarships.

Agency Funds – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. *Measurement Focus and Basis of Accounting:*

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

Measurement Focus:

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

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

c. *Measurement Focus and Basis of Accounting: (continued)*

**Measurement Focus: (continued)**

**Fund Financial Statements:** In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**Basis of Accounting:**

**Government-Wide Financial Statements:** In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**Fund Financial Statements:** All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Huron School District No. 2-2, the length of that cycle is sixty days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

*HURON SCHOOL DISTRICT NO. 2-2*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

d. *Interfund Eliminations and Reclassifications:*

**Government-Wide Financial Statements:**

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

**Fund Financial Statements:**

Noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned, and are reported in the appropriate fund balance category. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

e. *Capital Assets:*

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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

**Government-Wide Financial Statements:**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construct period interest is capitalized in accordance with USGAAP.

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

e. **Capital Assets:** (continued)

**Government-Wide Financial Statements:** (continued)

The total June 30, 2016 balance of capital assets for governmental activities includes approximately fifty percent for which the costs were determined by estimates of the original costs. The total June 30, 2016 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by appraisals or deflated current replacement cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land	\$1,000	--	--
Land improvements	\$1,000	straight-line	20 years
Buildings	\$50,000	straight-line	50 years
Machinery and equipment	\$1,000	straight-line	4-20 years

Land, an inexhaustible capital asset, is not depreciated.

**Fund Financial Statements:**

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

f. **Long-Term Liabilities:**

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

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

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

f. **Long-Term Liabilities: (continued)**

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

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

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

g. **Program Revenues:**

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

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

h. **Proprietary Funds Revenue and Expense Classifications:**

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions 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.

i. **Cash and Cash Equivalents:**

The School District pools its cash resources for depositing and investing purposes. The enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise funds deposits and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

j. **Equity Classifications:**

**Government-Wide Financial Statements:**

**Equity is classified as Net Position and is displayed in three components:**

- 1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.**
- 2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.**
- 3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”**

**Fund Financial Statements:**

**Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.**

k. **Application of Net Position:**

**It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.**

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

l. *Fund Balance Classification Policies and Procedures:*

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

**Nonspendable** – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

**Restricted** – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

**Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by School Board.

**Unassigned** – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

m. *Pensions:*

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

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

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

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

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

**Credit Risk** – State law limits eligible investments for the School District, as discusses above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2016, the school did not have investments.

**Concentration of Credit Risk** – The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2016, the School District did not have investments.

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income form deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

**3. *PROPERTY TAX:***

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

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

**4. *RECIEVABLES AND PAYABLES:***

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts receivable and due from other governments include reimbursements for various programs. These amounts include \$260,241 for accounts receivable and \$702,758 for due from the state or federal government.

**5. *INVENTORY:***

Inventory held for consumption is stated at cost. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a nonspendable fund balance. No material inventories were on hand at June 30, 2016, for the governmental funds.

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**6. CHANGES IN CAPITAL ASSETS:**

A summary of changes in capital assets for the fiscal year ended June 30, 2016 is as follows:

	<u>Balance 7/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/16</u>
<b>PRIMARY GOVERNMENT:</b>				
Land	\$ 1,111,755	\$ --	\$ (4,109)	\$ 1,107,646
Construction in progress	<u>11,650,105</u>	<u>--</u>	<u>(2,840,174)</u>	<u>8,809,931</u>
<i>Total, not being depreciated</i>	<u>12,761,860</u>	<u>--</u>	<u>(2,844,283)</u>	<u>9,917,577</u>
<i>Capital assets, being depreciated:</i>				
Buildings	24,983,475	5,927,930	(134,000)	30,777,405
Improvements other than buildings	2,967,300	--	--	2,967,300
Machinery and equipment	<u>5,849,272</u>	<u>432,393</u>	<u>(217,062)</u>	<u>6,064,603</u>
<i>Total, being depreciated</i>	<u>33,800,047</u>	<u>6,360,323</u>	<u>(351,062)</u>	<u>39,809,308</u>
<i>Less accumulated depreciation for:</i>				
Buildings	8,168,418	510,874	(134,000)	8,545,292
Improvements other than buildings	2,967,300	--	--	2,967,300
Machinery and equipment	<u>3,750,343</u>	<u>465,567</u>	<u>(193,186)</u>	<u>4,022,724</u>
<i>Total accumulated depreciation</i>	<u>14,886,061</u>	<u>976,441</u>	<u>(327,186)</u>	<u>15,535,316</u>
<i>Total capital assets, being depreciated, net</i>	<u>18,913,986</u>	<u>5,383,882</u>	<u>(23,876)</u>	<u>24,273,992</u>
<i>Governmental activity capital assets, net</i>	<u>\$ 31,675,846</u>	<u>\$ 5,383,882</u>	<u>\$ (2,868,159)</u>	<u>\$ 34,191,569</u>

Depreciation expense was charged to functions as follows:

<i>Governmental activities:</i>	
Instruction	\$ 683,509
Support services	244,110
Co-curricular activities	<u>48,822</u>
<i>Total Depreciation Expense -     Governmental Activities</i>	<u>\$ 976,441</u>

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**6. CHANGES IN CAPITAL ASSETS: (continued)**

	<u>Balance 7/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/16</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 13,900	\$ --	\$ --	\$ 13,900
Machinery and equipment	919,538	161,191	(13,783)	1,066,946
<i>Total, being depreciated</i>	<u>933,438</u>	<u>161,191</u>	<u>(13,783)</u>	<u>1,080,846</u>
<i>Less accumulated depreciation for:</i>				
Buildings	13,900	--	--	13,900
Machinery and equipment	662,796	51,420	(13,783)	700,433
<i>Total accumulated depreciation</i>	<u>676,696</u>	<u>51,420</u>	<u>(13,783)</u>	<u>714,333</u>
<i>Business-type activity capital assets, net</i>	<u>\$ 256,742</u>	<u>\$ 109,771</u>	<u>\$ --</u>	<u>\$ 366,513</u>

Depreciation expense was charged to functions as follows:

<i>Business-type activities:</i>	
Food service	\$ 49,967
Other enterprise funds	<u>1,453</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<u>\$ 51,420</u>

Construction Work in Progress at June 30, 2016 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Through 6/30/2016</u>	<u>Committed</u>	<u>Required Future Financing</u>
School building additions and remodel	<u>\$ 23,262,397</u>	<u>\$ 16,171,976</u>	<u>\$ --</u>	<u>\$ --</u>

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**7. LONG-TERM LIABILITIES:**

	<i>Balance 7/1/2015</i>	<i>Balance Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2016</i>	<i>Amount Due Within One Year</i>
<i>Governmental Activities:</i>					
<b>General obligation</b>					
<b>Bond:</b>					
Series 2013	\$ 19,955,000	\$ --	\$ 490,000	\$ 19,465,000	\$ 505,000
Plus unamortized premium	1,809,384	--	75,390	1,733,994	75,390
<b>Capital outlay certificates:</b>					
Series 2016	--	5,840,000	155,000	5,685,000	400,000
Plus unamortized premium	--	174,460	17,446	157,014	17,446
Series 2013	1,805,000	--	80,000	1,725,000	80,000
Series 2012	720,000	--	285,000	435,000	290,000
Series 2009B	3,115,000	--	3,115,000	--	--
Capital lease	240,509	--	118,682	121,827	121,827
REED loan	270,000	--	30,000	240,000	30,000
SD Energy Efficient loan	1,028,929	430,471	--	1,459,400	145,940
Compensated absences	120,058	157,796	167,478	110,376	110,376
OPEB	385,507	111,545	120,375	376,677	--
<i>Governmental Activities Long-term Liabilities</i>	<u>\$ 29,449,387</u>	<u>\$ 6,714,272</u>	<u>\$ 4,654,371</u>	<u>\$ 31,509,288</u>	<u>\$ 1,775,979</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

	<i>Balance 7/1/2015</i>	<i>Balance Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2016</i>	<i>Amount Due Within One Year</i>
Compensated Absences	<u>\$ 6,138</u>	<u>\$ 8,964</u>	<u>\$ 6,646</u>	<u>\$ 8,456</u>	<u>\$ 8,456</u>

During fiscal year 2016 the School District issued \$5,840,000 in Capital Outlay Refunding Certificates with an average interest rate of .85% to 3.5% to refund the following:

<i>Year Issued</i>	<i>Project</i>	<i>Average Interst Rate</i>	<i>Unpaid Principal at Time of Refunding</i>
2009	Arena Remodel	5%	\$ 3,115,000

The School District refunded the debt to reduce its total debt service payments over the next years by \$493,050 and to obtain an economic gain of \$321,321.

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**7. LONG-TERM LIABILITIES: (continued)**

**Debt Payable at June 30, 2016 is comprised of the following:**

**General Obligation Bonds:**

The School District issued \$20,195,000 of General Obligation Bonds, Series 2013. The bonds are payable on December 15, 2014 through June 15, 2039 with fixed interest rates from 2.0% to 5.0% that vary depending on the term of maturity. The Bond Redemption Fund makes payment on this

\$ 19,465,000

**Capital Outlay Certificates:**

The School District issued \$5,840,000 of Capital Outlay Refunding Certificates, Series 2016. The certificates are payable on June 1, 2016 through June 1, 2026 with fixed interest rates from 0.85% to 3.5% that vary depending on the term of maturity. The Capital Outlay Fund makes payment on this debt.

5,685,000

The School District issued \$1,945,000 of Limited Tax General Obligation Certificates, Series 2013. The bonds are payable on December 1, 2013 through December 1, 2032 with fixed interest rate of 3.45%. The Capital Outlay Fund makes payment on this debt.

1,725,000

The School District issued \$1,140,000 of Capital Outlay Refunding Certificates, Series 2012 on April 26, 2012. The certificates are payable from August 1, 2012 through August 1, 2017 with fixed interest rates from .40% to 1.0% that vary depending on the term of maturity. The Capital Outlay Fund makes payments on this debt.

435,000

**Capital Lease:**

The School District entered into a lease agreement with apple Inc. on June 1, 2014. Annual payments of \$125,055 with an interest rate of 2.65% are payable on July 20, 2014 through July 20, 2016. The Capital Outlay Fund makes payment on this debt.

121,827

**Rural Electric Economic Development Inc. loan:**

The School District received a \$300,000, 0% REED loan on October 2, 2013. Annual payments of \$30,000 are due for 10 years beginning November 1, 2014. The Capital Outlay Fund makes payment on this debt.

240,000

**SD Energy Efficient loan:**

The School District received a \$1,028,929 0% SD Energy Efficiency loan on November 25, 2013. Annual payments of \$102,893 are due for 10 years beginning July 31, 2016. The Capital Outlay Fund makes payment on this debt.

1,459,400

**Compensated Absences:**

Payments for vested accrued vacation leave from the fund from which the employee is generally compensated.

110,376

**Other Postemployment Benefits:**

Obligations to individuals who are retired or will retire from the school district and who will receive postemployment benefits. Payments are to be made from the General Fund.

376,677

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**7. LONG-TERM LIABILITIES: (continued)**

The annual requirements to amortize the general obligation bonds, and capital outlay certificates outstanding at June 30, 2016, are as follows:

**General Obligation Bonds**

<i>Year Ending June 30</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 505,000	\$ 916,037	\$ 1,421,037
2018	520,000	900,737	1,420,737
2019	535,000	885,062	1,420,062
2020	555,000	864,788	1,419,788
2021	575,000	842,387	1,417,387
2022-2026	3,310,000	3,790,000	7,100,000
2027-2031	4,190,000	2,915,750	7,105,750
2032-2036	5,360,000	1,743,000	7,103,000
2037-2039	3,915,000	349,750	4,264,750
	<u>\$ 19,465,000</u>	<u>\$ 13,207,511</u>	<u>\$ 32,672,511</u>

**Capital Outlay Certificates**

<i>Year Ending June 30</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 770,000	\$ 193,687	\$ 963,687
2018	705,000	184,218	889,218
2019	645,000	175,132	820,132
2020	650,000	164,624	814,624
2021	665,000	151,154	816,154
2022-2026	3,615,000	470,595	4,085,595
2027-2031	595,000	92,546	687,546
2032-2033	200,000	6,986	206,986
	<u>\$ 7,845,000</u>	<u>\$ 1,438,942</u>	<u>\$ 9,283,942</u>

**Capital Leases**

<i>Year Ending June 30</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 121,827	\$ 3,228	\$ 125,055
	<u>\$ 121,827</u>	<u>\$ 3,228</u>	<u>\$ 125,055</u>

**Other Loans**

<i>Year Ending June 30</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 175,940	\$ --	\$ 175,940
2018	175,940	--	175,940
2019	175,940	--	175,940
2020	175,940	--	175,940
2021	175,940	--	175,940
2022-2026	819,700	--	819,700
	<u>\$ 1,699,400</u>	<u>\$ --</u>	<u>\$ 1,699,400</u>

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

8. *RESTRICTED NET POSITION:*

Restricted Net Position for the year ended June 30, 2016 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital outlay	Law	\$ 3,955,221
Special education	Law	821,207
Pension	Law	34,074
Debt services	Debt covenants	76,453
Auditorium	Law	13,122
SDRS Pension purposes	Law	<u>4,086,347</u>
Total Restricted Net Position		<u>\$ 8,986,424</u>

9. *INTERFUND TRANSFERS:*

Transfers to/from other funds at June 30, 2016, consist of the following:

Transfers from the other governmental funds to the General Fund for income earned on	<u>\$ 30,178</u>
Transfer from Concessions Fund to the Capital Outlay fund to help purchase of bus barn	<u>\$ 500,000</u>

10. *PENSION PLAN:*

a. *Plan Information:*

All employees, except for non-contracted staff, participate in the South Dakota Retirement System, (SDRS) a cost-sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

10. *PENSION PLAN: (continued)*

b. *Benefits Provided:*

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3 year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - ^ 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
  - ^ 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

c. *Contributions:*

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for Social Security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2016, 2015, and 2014, were \$795,497, \$743,368, and \$721,683, respectively, equal to the required contributions each year.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

10. *PENSION PLAN: (continued)*

c. *Contributions: (continued)*

**Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 73,135,484
Less proportionate share of total pension liability	<u>70,257,114</u>
<i>Proportionate share of net pension liability (asset)</i>	<u><u>\$ (2,878,370)</u></u>

At June 30 2016, the School District reported a liability (asset) of \$(2,878,370) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the School District's proportion was .6786550%, which is a decrease of .0091236% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense (revenue) of \$(314,146). At June 30, 2016 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 589,359	\$ --
Changes in assumption	2,282,366	--
Net difference between projected and actual earnings on	1,758,347	4,247,090
Changes in proportion and difference between District	29,498	--
District contributions subsequent to the measurement date	<u>795,497</u>	<u>--</u>
<b>TOTAL</b>	<u><u>\$ 5,455,067</u></u>	<u><u>\$ 4,247,090</u></u>

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

10. *PENSION PLAN: (continued)*

c. *Contributions: (continued)*

\$795,497 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<i>Year Ended June 30,</i>	
2017	\$ 144,965
2018	144,965
2019	(358,351)
2020	480,902
<b>TOTAL</b>	<b><u><u>\$ 412,481</u></u></b>

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	<b>3.25 percent</b>
<b>Salary Increases</b>	<b>5.83 percent at entry to 3.87 percent after 30 years of service</b>
<b>Investment Rate of Return</b>	<b>7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense</b>

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

10. *PENSION PLAN: (continued)*

c. *Contributions: (continued)*

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Global equity	61.0%	4.5%
Fixed income	27.0%	1.8%
Real estate	10.0%	5.2%
Cash	2.0%	0.8%
<i>TOTAL</i>	<u>100.0%</u>	

d. *Discount Rate:*

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

10. *PENSION PLAN: (continued)*

d. *Discount Rate: (continued)*

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension liability (asset)	\$ 7,244,824	\$ (2,878,370)	\$(11,132,963)

e. *Pension Plan Fiduciary Net Position:*

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

f. *Payables to the Pension Plan:*

No payables were reported to the defined benefit plan at end of year.

11. *RISK MANAGEMENT:*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2016, the School District managed its risks as follows:

**Employee Health Insurance:**

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not have a maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

**11. RISK MANAGEMENT: (continued)**

**Liability Insurance:**

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage.

The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident, which could result in a claim being made by or against the School District. The School District pays an annual premium to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: General Liability, Automobile Liability, Employee Benefits, School Board Liability, Sexual Harassment, Sexual Abuse, Loss Fund – Liability & Property, Employee Practices Liability, Property and Boiler & Machinery, Crime, and Excess Liability.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$2,000,000 limit for General Liability, Automobile Liability, Employee Benefits, School Board Liability, Sexual Harassment, Sexual Abuse, and Employee Practices. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 auto damage, \$500 property damage, \$1,000 crime, \$1,000 boiler & machinery, \$10,000 school board legal liability with monetary demand, and \$5,000 without monetary demand deductibles.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Workers' Compensation:**

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, of behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

**11. RISK MANAGEMENT: (continued)**

**Workers' Compensation (continued)**

The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

**Unemployment Benefits:**

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2016, claims of \$1,110 for unemployment benefits were paid.

**12. CONTINGENCY:**

Huron School District is a member of the South Dakota School District Benefits Fund which has been operating at a deficit for several years. The debt associated with the fund is related to schools using the Avera network. Huron School District uses the Wellmark network. Huron was not assessed any debt by the Board of Directors of the ASBSD Health Insurance Pool.

**13. OTHER POSTEMPLOYMENT BENEFITS:**

Other Postemployment Benefits (OPEB) Plan is a single-employer defined benefit healthcare plan administered by the Huron School District. The OPEB Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding policy – The District funds the other post-retirement benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required. The retired employee's monthly contributions are based on 100% of the full active employee premium rate plus a \$5.00 monthly fee.

*HURON SCHOOL DISTRICT NO. 2-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016*

13. *OTHER POSTEMPLOYMENT BENEFITS: (continued)*

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

*Governmental Activities*

Annual required contribution	\$ 118,193
Interest on net OPEB obligation	16,191
Adjustment to annual required contribution	<u>(22,839)</u>
Annual OPEB cost (expense)	111,545
Contributions made	<u>(120,375)</u>
Increase in net OPEB obligation	(8,830)
OPEB obligation - beginning	<u>385,507</u>
OPEB obligation - ending	<u><u>\$ 376,677</u></u>

The entity’s annual OPEB cost data and net OPEB obligation was as follows:

<u><i>Fiscal Year End</i></u>	<u><i>Annual OPEB Cost</i></u>	<u><i>Percentage Contributed</i></u>	<u><i>Net OPEB Obligation</i></u>
6/30/2014	\$ 137,186	-56.8%	\$ 383,578
6/30/2015	\$ 111,579	98.3%	\$ 385,507
6/30/2016	\$ 111,545	107.9%	\$ 376,677

Funded Status – As of July 1, 2014 the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the District’s unfunded actuarial accrued liability (UAAL) was \$1,377,053. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2014-2015 fiscal year was \$10,560,892 for a ratio of the UAAL to covered payroll of 13.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, morality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future.

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

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**13. OTHER POSTEMPLOYMENT BENEFITS: (continued)**

In the July 1, 2014 actuarial valuation, the projected credit method was used. The actuarial assumptions included a rate of 4.2% investment return and annual healthcare cost trend rate of 5%. Both rates include a 3% salary increase per year. The assumed claim costs were determined from the fully insured premiums and underlying claim experience of OPEB plans and actuarial age adjustment factors. The dental claims were assumed to be equal to the dental premiums.

**14. EARLY RETIREMENT PLAN:**

The district maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 65% to 80% of their salary received during their last full year of employment in one lump sum. Payment will be made to the South Dakota Retirement Special Pay Plan on behalf of the employee. All employees reaching the retirement age factor prior to September 1 of the next year are eligible to submit, in writing, a binding intent to elect early retirement, effective on the date the retiring employee reaches the retirement age factor. All retiring employees will receive the balance of their contractual salary on their last day of employment the Huron School District. If the employee elects retirement during the summer months, payment will be made within 45 days from the time the employee notifies the superintendent, in writing. In the fiscal year 2016 three retiring employees received benefits. The amount paid for such benefits during the year was \$107,374.

***REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A***

**HURON SCHOOL DISTRICT NO. 2-2**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 4,845,000	\$ 4,845,000	\$ 4,741,939	\$ (103,061)
Prior years' ad valorem taxes	55,000	55,000	37,787	(17,213)
Tax deed revenue	8,000	8,000	--	(8,000)
Utility taxes	395,000	395,000	410,758	15,758
Penalties and interest on taxes	15,000	15,000	10,759	(4,241)
<i>Revenue from Local Governmental Units</i>				
<i>Other Than LEAs:</i>				
Revenue in lieu of taxes	10,000	10,000	5,383	(4,617)
<i>Tuition and Fees:</i>				
Regular day school tuition	60,000	60,000	105,010	45,010
<i>Earnings on Investments and Deposits</i>	50,000	50,000	30,557	(19,443)
<i>Cocurricular Activities:</i>				
Admissions	80,000	80,000	74,394	(5,606)
Other pupil activity income	22,000	22,000	12,930	(9,070)
<i>Other Revenue from Local Sources:</i>				
Rentals	50,000	50,000	48,355	(1,645)
Contributions and donations	12,000	12,000	14,080	2,080
Services Provided Other LEAs	--	--	6,300	6,300
Charges for services	120,000	120,000	34,991	(85,009)
Other	131,000	131,000	229,149	98,149
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	240,000	240,000	271,110	31,110
Revenue in Lieu of Taxes	3,000	3,000	4,138	1,138
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	7,793,000	7,793,000	8,227,265	434,265
Restricted grants-in-aid	1,000	1,000	2,015	1,015
<i>Tuition:</i>				
Regular	105,000	105,000	108,024	3,024
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through the state	1,665,000	1,665,000	1,699,968	34,968
<i>Other Federal Revenue</i>	--	--	76,141	76,141
<b>TOTAL REVENUE</b>	<u>15,660,000</u>	<u>15,660,000</u>	<u>16,151,053</u>	<u>491,053</u>

*The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 3,662,200	\$ 3,767,200	\$ 3,765,884	\$ 1,316
Middle/junior high	1,736,200	1,813,200	1,769,040	44,160
High school	2,456,900	2,456,900	2,447,979	8,921
Preschool services	--	4,000	3,902	98
<i>Special Programs:</i>				
Culturally different	796,700	796,700	741,307	55,393
Educationally deprived	1,135,000	1,135,000	937,161	197,839
<i>Support Services:</i>				
<i>Pupils:</i>				
Attendance and social work	--	84,000	83,390	610
Guidance	378,300	383,300	369,163	14,137
Health	86,600	86,600	82,004	4,596
Psychological	5,000	5,000	178	4,822
<i>Instructional Staff:</i>				
Improvement of instruction	363,000	459,000	445,332	13,668
Educational media	594,300	602,100	593,058	9,042
<i>General Administration:</i>				
Board of education	174,500	182,170	175,873	6,297
Executive administration	218,500	218,500	213,100	5,400
<i>School Administration:</i>				
Office of the principal	742,500	742,500	736,297	6,203
Other	283,500	283,500	278,038	5,462
<i>Business:</i>				
Fiscal services	343,400	343,400	330,139	13,261
Operation and maintenance of plant	1,645,400	1,974,400	1,973,691	709
Pupil transportation	739,200	740,200	679,829	60,371
Food services	50,000	69,000	68,127	873
<i>Central:</i>				
Staff	3,000	3,000	682	2,318
<i>Community Services:</i>				
Recreation	16,500	23,300	23,215	85
Custody and care of children	150,000	176,000	175,512	488
Nonpublic school	--	14,000	13,465	535
<i>Nonprogrammed Charges:</i>				
Payments to state - unemployment	5,000	5,000	1,110	3,890
<i>Cocurricular Activities:</i>				
Male activities	317,000	322,769	311,688	11,081
Female activities	294,700	297,010	284,552	12,458
Combined activities	267,600	268,503	253,714	14,789
<i>Contingencies</i>	100,000	100,000	--	100,000
<i>Amounts Transferred (Enter as Negative)</i>	--	(99,088)	--	(99,088)
<b>TOTAL EXPENDITURES</b>	<b>16,565,000</b>	<b>17,257,164</b>	<b>16,757,430</b>	<b>499,734</b>
<i>Excess of Revenue Over (Under) Expenditures</i>	<b>(905,000)</b>	<b>(1,597,164)</b>	<b>(606,377)</b>	<b>990,787</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	35,000	35,000	30,178	(4,822)
Sale of surplus property	20,000	20,000	21,554	1,554
Compensation for loss of capital assets	--	--	24,912	24,912
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>55,000</b>	<b>55,000</b>	<b>76,644</b>	<b>21,644</b>
<i>Net Change in Fund Balances</i>	<b>(850,000)</b>	<b>(1,542,164)</b>	<b>(529,733)</b>	<b>1,012,431</b>
<i>FUND BALANCE, Beginning of Year</i>	<b>3,203,723</b>	<b>3,203,723</b>	<b>3,203,723</b>	<b>--</b>
<i>FUND BALANCE, End of Year</i>	<b>\$ 2,353,723</b>	<b>\$ 1,661,559</b>	<b>\$ 2,673,990</b>	<b>\$ 1,012,431</b>

*The accompanying Notes to Required Supplementary Information are  
an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**BUDGETARY COMPARISON SCHEDULE – CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET-</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u> <u>BASIS</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 3,092,000	\$ 3,092,000	\$ 3,176,112	\$ 84,112
Prior years' ad valorem taxes	20,000	20,000	19,865	(135)
Penalties and interest on taxes	5,000	5,000	6,700	1,700
<i>Earnings on Investments and Deposits</i>	--	--	20,662	20,662
<i>Other Revenue From Local Sources:</i>				
Contributions and donations	--	--	45,000	45,000
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	--	--	2	2
<b>TOTAL REVENUES</b>	<b>3,117,000</b>	<b>3,117,000</b>	<b>3,268,341</b>	<b>151,341</b>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	140,000	140,000	128,121	11,879
Middle/junior high	103,000	103,000	98,104	4,896
High school	222,000	222,000	89,381	132,619
<i>Special Programs:</i>				
Programs for special education	4,000	4,000	--	4,000
<i>Instructional Staff:</i>				
Improvement of institution	2,000	2,000	--	2,000
Educational media	183,000	183,694	180,411	3,283
<i>General Administration:</i>				
Board of education	5,000	5,000	4,459	541
Executive administration	2,000	2,000	2,000	--
<i>School Administration:</i>				
Other	9,000	9,000	8,335	665
<i>Business:</i>				
Fiscal services	5,000	5,000	1,346	3,654
Facilities acquisition and construction	1,700,000	3,424,000	3,308,663	115,337
Operation and maintenance of plant	821,000	1,274,852	972,321	302,531
Pupil transportation	222,000	222,000	215,741	6,259
Food services	25,000	25,017	25,017	--
Internal services	15,000	15,000	15,000	--
<i>Debt Services</i>	914,000	4,094,439	4,094,439	--
<i>Cocurricular Activities:</i>				
Combined activities	45,000	45,000	44,989	11
<b>TOTAL EXPENDITURES</b>	<b>4,417,000</b>	<b>9,776,002</b>	<b>9,188,327</b>	<b>587,675</b>
<i>Excess of Revenue Over (Under) Expenditures</i>	<b>(1,300,000)</b>	<b>(6,659,002)</b>	<b>(5,919,986)</b>	<b>739,016</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	--	--	500,000	500,000
Transfers out	--	--	(19,071)	(19,071)
General long term debt issued	--	--	6,444,931	6,444,931
Sale of surplus property	--	--	19,401	19,401
Compensation for loss of general capital assets	--	--	80,797	80,797
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>--</b>	<b>--</b>	<b>7,026,058</b>	<b>7,026,058</b>
<i>Net Change in Fund Balances</i>	<b>(1,300,000)</b>	<b>(6,659,002)</b>	<b>1,106,072</b>	<b>7,765,074</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>2,849,149</b>	<b>2,849,149</b>	<b>2,849,149</b>	<b>--</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 1,549,149</b>	<b>\$ (3,809,853)</b>	<b>\$ 3,955,221</b>	<b>\$ 7,765,074</b>

*The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u>	<u>FINAL BUDGET-</u>
			<u>BASIS</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,305,000	\$ 1,305,000	\$ 1,226,048	\$ (78,952)
Prior years' ad valorem taxes	10,000	10,000	8,615	(1,385)
Penalties and interest on taxes	3,000	3,000	2,858	(142)
<i>Tuition and Fees:</i>				
Regular day school tuition	--	--	498	498
<i>Earnings on Investments and Deposits</i>	--	--	9,721	9,721
<i>Other Revenue from Local Sources:</i>				
Charges for services	80,000	80,000	118,986	38,986
Other	2,000	2,000	--	(2,000)
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	--	--	1	1
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid	1,363,000	1,363,000	1,348,083	(14,917)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through the state	626,000	626,000	619,143	(6,857)
<b>TOTAL REVENUES</b>	<u>3,389,000</u>	<u>3,389,000</u>	<u>3,333,953</u>	<u>(55,047)</u>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	2,471,100	2,545,100	2,424,702	120,398
<i>Support Services:</i>				
<i>Pupils:</i>				
Attendance and social work	48,000	48,000	24,688	23,312
Guidance	16,600	16,600	12,638	3,962
Health	89,200	89,200	79,711	9,489
Psychological	136,400	136,600	125,279	11,321
Speech pathology	411,600	432,600	431,994	606
Student therapy services	132,900	141,600	133,761	7,839
<i>Instructional Staff:</i>				
Improvement of instruction	22,000	22,000	10,243	11,757
<i>School Administration:</i>				
Office of principal	162,400	162,400	--	162,400
<i>Business:</i>				
Pupil transportation	84,800	84,800	--	84,800
<i>Special Education:</i>				
Administrative costs	--	--	155,716	(155,716)
Other special education costs	--	--	89,246	(89,246)
<b>TOTAL EXPENDITURES</b>	<u>3,575,000</u>	<u>3,678,900</u>	<u>3,487,978</u>	<u>190,922</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(186,000)</u>	<u>(289,900)</u>	<u>(154,025)</u>	<u>135,875</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	--	--	(9,721)	(9,721)
<b>TOTAL OTHER FINANCING USES</b>	<u>--</u>	<u>--</u>	<u>(9,721)</u>	<u>(9,721)</u>
<i>Net Change in Fund Balances</i>	(186,000)	(289,900)	(163,746)	126,154
<i>FUND BALANCE, Beginning of Year</i>	984,953	984,953	984,953	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 798,953</u>	<u>\$ 695,053</u>	<u>\$ 821,207</u>	<u>\$ 126,154</u>

*The accompanying Notes to Required Supplementary Information are  
an integral part of these financial statements.*

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**1. BUDGETS AND BUDGETARY ACCOUNTING:**

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter h.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**HURON SCHOOL DISTRICT NO. 2-2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:**

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**HURON SCHOOL DISTRICT NO. 2-2  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2016**

<b>ACTUARIAL VALUATION DATE</b>	<b>ACTUARIAL VALUE OF ASSETS (a)</b>	<b>ACTUARIAL ACCRUED LIABILITY (b)</b>	<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (b-a)</b>	<b>FUNDED RATIO (a/b)</b>	<b>COVERED PAYROLL (c)</b>	<b>UAAL AS A PERCENTAGE OF COVERED PAYROLL [(b-a)/c]</b>
7/1/2008	--	Unit Credit	\$ 1,255,139	0.00%	\$ 5,489,234	22.90%
7/1/2011	--	Unit Credit	1,599,173	0.00%	4,844,183	32.20%
7/1/2014	--	Unit Credit	1,377,053	0.00%	10,560,892	13.00%

**HURON SCHOOL DISTRICT NO. 2-2  
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM**

	<u>2016</u>	<u>2015</u>
<b>Contractually required contribution</b>	<b>\$ 795,497</b>	<b>\$ 743,368</b>
<b>Contributions in relation to the contractually required contribution</b>	<u>795,497</u>	<u>743,368</u>
<b>Contribution deficiency (excess)</b>	<u>\$ --</u>	<u>\$ --</u>
<b>District's covered-employee payroll</b>	<b>\$ 13,258,233</b>	<b>\$ 12,389,467</b>
<b>Contributions as a percentage of covered-employee payroll</b>	<b>6.00%</b>	<b>6.00%</b>

**HURON SCHOOL DISTRICT NO. 2-2**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY (ASSET)**  
**OF THE SOUTH DAKOTA RETIREMENT SYSTEM**

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.6786550%	0.6877786%
District's proportionate share of net pension liability (asset)	\$ (2,878,370)	\$ (4,955,164)
District's covered-employee payroll	\$12,389,436	\$ 12,027,350
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%	107.29%

***SUPPLEMENTARY INFORMATION***

**HURON SCHOOL DISTRICT NO. 2-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS-THROUGH ENTITY IDENTIFYING NUMBER</i>	<i>PASSED THROUGH TO SUBRECIPIENTS</i>	<i>FEDERAL EXPENDITURES</i>
<i>US Department of Agriculture:</i>				
<i>Pass-Through the SD Department of Education</i>				
<i>Child nutrition cluster:</i>				
School Breakfast Program (Note 3)	10.553	N/A		\$ 161,794
National School Lunch Program (Note 3)	10.555	N/A		705,658
National School Lunch Program - commodities	10.555	N/A		96,574
Summer Food Service Program for Children	10.559	N/A		66,657
<i>Total for Child Nutrition Cluster</i>				<u>1,030,683</u>
<i>Other Programs:</i>				
Fresh Fruit and Vegetable Program	10.582	N/A		68,127
<i>Total US Department of Agriculture</i>				<u>1,098,810</u>
<i>US Department of the Interior:</i>				
<i>Pass-Through Beadle and Jerauld Counties:</i>				
Payments in lieu of taxes (Note 3)	15.226	N/A		4,138
<i>Total Department of the Interior</i>				<u>4,138</u>
<i>General Services Administration:</i>				
<i>Pass-Through the SD Federal Property Agency:</i>				
Donation of Federal Surplus Personal Property (Note 4)	39.003	N/A		3,342
<i>Total General Services Administration</i>				<u>3,342</u>
<i>National Endowment for the Humanities</i>				
<i>Promotion of the Arts Partnership Agreements</i>				
Promotion of the Arts Partnership Agreements	45.025	N/A		860
<i>Total National Endowment for the Humanities</i>				<u>860</u>
<i>US Department of Education:</i>				
<i>Pass-Through the SD Department of Education:</i>				
<i>Early Intervention Services (IDEA) Cluster: Special education - grants to states (Note 2)</i>				
	84.181	H181A150091		1,081
<i>Total for Early Intervention Services (IDEA) Cluster</i>				<u>1,081</u>
<i>Other Programs:</i>				
Migrant education - state grant program	84.011	N/A		234,052
Career and technical education	84.048	VO48A150041		34,008
Title I grants to local educational agencies	84.010	N/A		856,650
Twenty-First Century Community Learning Centers	84.013	N/A		175,507
Rural Education	84.358	N/A		38,853
English language acquisition grants (Title III)	84.365	S365A150041		140,484
Improving teacher quality state grants	84.367	N/A		151,427
<i>Total for Department of Education Other Programs</i>				<u>1,630,981</u>
<i>Special Education Cluster:</i>				
Special education - grants to states	84.027	H027A150091		609,635
Special education - preschool grants	84.173	H173A150091		8,427
<i>Total for Special Education Cluster</i>				<u>618,062</u>
<i>Total US Department of Education</i>				<u>2,250,124</u>
<i>Department of Health and Human Service:</i>				
<i>Pass-Through Luthern Social Services Of South Dakota:</i>				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0195	76,141	76,141
<i>Total Department of Health and Human Service</i>			<u>76,141</u>	<u>76,141</u>
<b>GRAND TOTAL</b>			<u>\$ 76,141</u>	<u>\$ 3,433,415</u>

**HURON SCHOOL DISTRICT NO. 2-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

**Note 3: Federal Reimbursement**

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

**Note 4: Federal Surplus Property**

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

*HURON SCHOOL DISTRICT NO. 2-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2016*

**Board Members:**

**David Wheeler - President  
Garret Bischoff - Vice President  
Tim Van Berkum  
Sherman Gose  
Kerwin Haeder**

**Superintendent:**

**Terry Nebelsick**

**Business Manager:**

**Kelly Christopherson**