

***HURON SCHOOL DISTRICT NO. 2-2
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015***

*HURON SCHOOL DISTRICT NO. 2-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015*

Board Members:

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

Superintendent:

Terry Nebelsick

Business Manager:

Kelly Christopherson

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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, 2015, 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 March 23, 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.

CIO Prof LLC

Huron, South Dakota
March 23, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

**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 OMB Circular A-133 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, 2015. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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.

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 OMB Circular A-133. 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
March 23, 2016

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

- a) An unqualified opinion was issued on the financial statements of each opinion unit.
- b) No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c) Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d) An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e) Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office Management and Budget Circular A-133, Section .510(a).
- f) The federal awards tested as major programs were:

Title I Grants to Local Educational Agencies CFDA 84.010
Migrant Education – State Grant Program CFDA 84.011

- g) The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h) Huron School District No 2-2 did qualify as a low risk auditee.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.



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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, 2015 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

The Huron School District's 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, 2015, 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.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 13 to the financial statements, the Huron School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transaction for Contributions Made Subsequent to the Measurement Date. As discussed in Note 12 to the financial statements, the Huron School District has retroactively restated the previously reported Net Position in accordance with these statements. Our opinions are not modified with respect to this matter.

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 the U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 March 23, 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.

A handwritten signature in cursive script that reads "CIO Prof LLC".

Huron, South Dakota
March 23, 2016

**HURON SCHOOL DISTRICT NO. 2-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015**

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, 2015. 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 \$24,883,837 generated from taxes and other revenues of the governmental and business-type programs were \$120,794 less than the \$25,004,631 in governmental and business-type program expenditures.
- The total cost of the School's programs remained relatively close to the prior years with only a 3% increase.
- 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 funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the school are 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, 2015**

Figure A-1

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

*HURON SCHOOL DISTRICT NO. 2-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015*

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, Preschool, and PASS) 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 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, 2015

- **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</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>Change</i>
							<i>2014-2015</i>
Current and Other Assets	\$ 29,705,334	\$ 21,439,528	\$ 678,461	\$ 804,289	\$ 30,383,795	\$ 22,243,817	-26.79%
Capital Assets (Net of Depreciation)	19,687,457	31,675,846	210,022	256,742	19,897,479	31,932,588	60.49%
Total Assets	49,392,791	53,115,374	888,483	1,061,031	50,281,274	54,176,405	7.75%
Pension Related Deferred Outflows	--	4,397,225	--	--	--	4,397,225	100.00%
Total Deferred Outflows of Resources	--	4,397,225	--	--	--	4,397,225	100.00%
Long-Term Liabilities Outstanding	29,404,458	29,449,387	6,233	6,138	29,410,691	29,455,525	0.15%
Other Liabilities	3,081,435	3,140,721	22,091	28,065	3,103,526	3,168,786	2.10%
Total Liabilities	32,485,893	32,590,108	28,324	34,203	32,514,217	32,624,311	0.34%
Taxes Levied for Future Period	5,229,742	5,133,903	--	--	5,229,742	5,133,903	-1.83%
Pension Related Deferred Inflows	--	5,738,915	--	--	--	5,738,915	100.00%
Unearned Revenues	--	--	--	9,018	--	9,018	100.00%
Total Deferred Inflows of Resources	5,229,742	10,872,818	--	9,018	5,229,742	10,881,836	108.08%
Net Position							
Net Investment in Capital Assets	(9,216,567)	2,226,459	210,022	256,742	(9,006,545)	2,483,201	-127.57%
Restricted	18,074,450	8,703,984	--	--	18,074,450	8,703,984	-51.84%
Unrestricted	2,819,273	3,119,230	640,298	761,068	3,459,571	3,880,298	12.16%
Total Net Position	11,677,156	14,049,673	850,320	1,017,810	12,527,476	15,067,483	20.28%
Beginning Net Position	12,721,938	14,337,957	760,124	850,320	13,482,062	15,188,277	12.66%
Increase (Decrease) in Net Position	\$ (1,044,782)	\$ (288,284)	\$ 90,196	\$ 167,490	\$ (954,586)	\$ (120,794)	-87.35%
Percentage of Increase (Decrease) in Net Position	-8.21%	-2.01%	11.87%	19.70%	-7.08%	-0.80%	

The District’s combined net position of approximately \$15 million is approximately \$120,000 or 1% less than on June 30, 2014.

HURON SCHOOL DISTRICT NO. 2-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015

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 \$24,883,837 (See Table A-4). This was approximately an 7% increase. Approximately 45% of the district’s revenue comes from property and other taxes, with another 30% from state aid. (See Table A-2.)

Table A-2
Huron School District No. 2-2
Sources of Revenues
Fiscal Year 2014-2015

Taxes	\$ 11,376,339	45.72%
State Sources	7,563,920	30.40%
Operating Grants & Contributions	4,270,211	17.16%
Charges for Services	1,012,274	4.07%
Other Revenues	588,536	2.37%
Unrestricted Investment Earnings	72,557	0.28%
<i>Total Revenue</i>	\$ 24,883,837	100.00%

All total cost of all programs and service increased by approximately 1%. The district’s total expenses totaled \$25,004,631. (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 2014-2015

Instruction	\$ 11,136,108	44.54%
Support Services	8,878,062	35.51%
Community Services	159,923	0.64%
Nonprogrammed charges	407,141	1.63%
Interest - on Long-Term Debt	1,995,948	7.98%
Cocurricular Activities	916,852	3.67%
Food Service	1,381,055	5.52%
Concessions	114,190	0.46%
Drivers Education	15,352	0.05%
<i>Total Expenditures</i>	\$ 25,004,631	100.00%

HURON SCHOOL DISTRICT NO. 2-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015

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 Percentage Change 2014-2015</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	
<i>Revenues</i>							
<i>Program Revenues</i>							
Charges for Services	\$ 496,236	\$ 355,100	\$ 681,064	\$ 657,174	\$ 1,177,300	\$ 1,012,274	-14.02%
Operating Grants and Contributions	2,929,570	3,338,527	918,915	931,684	3,848,485	4,270,211	10.96%
<i>General Revenues</i>							
Taxes	10,689,342	11,376,339	--	--	10,689,342	11,376,339	6.43%
Revenue State Sources	6,950,384	7,563,920	--	--	6,950,384	7,563,920	8.83%
Unrestricted Investment Earnings	70,338	67,331	3,097	5,226	73,435	72,557	-1.20%
Other General Revenues	556,981	588,536	--	--	556,981	588,536	5.67%
<i>Total Revenues</i>	<u>\$ 21,692,851</u>	<u>\$ 23,289,753</u>	<u>\$ 1,603,076</u>	<u>\$ 1,594,084</u>	<u>\$ 23,295,927</u>	<u>\$ 24,883,837</u>	<u>6.82%</u>
<i>Expenses</i>							
Instruction	\$ 12,650,621	\$ 11,136,108	\$ --	\$ --	\$ 12,650,621	\$ 11,136,108	-11.97%
Support Services	8,771,747	8,878,062	--	--	8,771,747	8,878,062	1.21%
Community Services	131,474	159,923	--	--	131,474	159,923	21.64%
Nonprogrammed Charges	239,483	407,141	--	--	239,483	407,141	70.01%
Interest on Long Term Debt	186,109	1,995,948	--	--	186,109	1,995,948	972.46%
Cocurricular Activities	751,942	916,852	--	--	751,942	916,852	21.93%
Food Service	--	--	1,372,509	1,381,055	1,372,509	1,381,055	0.62%
Other Enterprise Activity	--	--	146,628	129,542	146,628	129,542	-11.65%
<i>Total Expenses</i>	<u>\$ 22,731,376</u>	<u>\$ 23,494,034</u>	<u>\$ 1,519,137</u>	<u>\$ 1,510,597</u>	<u>\$ 24,250,513</u>	<u>\$ 25,004,631</u>	<u>3.11%</u>
<i>Excess (Deficiency) Before Transfers</i>	<u>(1,038,525)</u>	<u>(204,281)</u>	<u>83,939</u>	<u>83,487</u>	<u>(954,586)</u>	<u>(120,794)</u>	<u>-87.35%</u>
<i>Transfers</i>	<u>(6,257)</u>	<u>(84,003)</u>	<u>6,257</u>	<u>84,003</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ (1,044,782)</u>	<u>\$ (288,284)</u>	<u>\$ 90,196</u>	<u>\$ 167,490</u>	<u>\$ (954,586)</u>	<u>\$ (120,794)</u>	<u>-87.35%</u>
<i>Beginning Net Position</i>	<u>12,721,938</u>	<u>14,337,957</u>	<u>760,124</u>	<u>850,320</u>	<u>13,482,062</u>	<u>15,188,277</u>	<u>12.66%</u>
<i>Ending Net Position</i>	<u>\$ 11,677,156</u>	<u>\$ 14,049,673</u>	<u>\$ 850,320</u>	<u>\$ 1,017,810</u>	<u>\$ 12,527,476</u>	<u>\$ 15,067,483</u>	<u>20.28%</u>

GOVERNMENTAL ACTIVITIES

Revenues for the School's governmental activities increased approximately 7% 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. Net position was restated due to a change in reporting of Pension accumulated in the South Dakota Retirement System as per GASB 68.

BUSINESS-TYPE ACTIVITIES

Net position of the School's business-type activities increased approximately \$167,490. Half of that is from the contributed capital from capital outlay for the Buchanan school remodel.

*HURON SCHOOL DISTRICT NO. 2-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015*

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Overall the governmental funds have a \$13 million decrease in net position 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 2015, the School had invested \$31,932,588 (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 Activities</i>		<i>Business-type Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014-2015</i>	<i>2014-2015</i>
Land	\$ 1,111,755	\$ 1,111,755	\$ --	\$ --	\$ --	0.00%
Constuction in Progress	6,159,599	11,650,105	--	--	5,490,506	89.14%
Buildings	10,163,324	16,815,057	--	--	6,651,733	65.45%
Improments Other than Buildings	--	--	--	--	--	--
Machinery and Equipment	2,252,779	2,098,929	210,022	256,742	(107,130)	-4.35%
<i>Total Capital Assets (Net)</i>	<u>\$ 19,687,457</u>	<u>\$ 31,675,846</u>	<u>\$ 210,022</u>	<u>\$ 256,742</u>	<u>\$ 12,035,109</u>	<u>60.49%</u>

This year's capital asset purchases of \$7,085,295 were mainly the finish of remodel/addition at Madison elementary, 2 buses, a tool cat, and a variety of smaller purchases.

**HURON SCHOOL DISTRICT NO. 2-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015**

LONG-TERM DEBT

At year-end the School had \$29,449,387 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 Activities</i>		<i>Business-type Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014-2015</i>	<i>2014-2015</i>
General Obligation bonds	\$ 20,195,000	\$ 19,955,000	\$ --	\$ --	\$ (240,000)	-1.19%
Unamortize premium	1,884,774	1,809,384	--	--	(75,390)	-4.00%
Capital outlay certificates	6,160,000	5,640,000	--	--	(520,000)	-8.44%
Capital lease	364,250	240,509	--	--	(123,741)	-33.97%
Other loans	300,000	1,298,929	--	--	998,929	332.98%
Compensated Absences	116,856	120,058	6,233	6,138	3,107	2.66%
OPEB	383,578	385,507	--	--	1,929	0.50%
Total Outstanding Debt and Obligations	\$ 29,404,458	\$ 29,449,387	\$ 6,233	\$ 6,138	\$ 44,834	0.15%

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 FY15, the state aid formula for the current year ensures that property taxes plus state aid will equal \$4,781.14.

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

<i>YEAR</i>	<i>ADM</i>	<i>Percent (Decrease) in ADM</i>
2015	2402	4.25%
2014	2304	-0.82%
2013	2323	4.00%

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 5th Street Southwest, Huron, SD 57350.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>PRIMARY GOVERNMENT</u>		<u>TOTAL</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
ASSETS:			
Cash and cash equivalents	\$ 10,423,577	\$ 750,990	\$ 11,174,567
Taxes receivable	5,228,496	--	5,228,496
Inventories	--	44,023	44,023
Other assets	832,292	9,276	841,568
Restricted Assets:			
Net pension asset	4,955,163	--	4,955,163
Capital assets:			
Land and Construction in Progress	12,761,860	13,900	12,775,760
Other capital assets, net of depreciation	18,913,986	242,842	19,156,828
TOTAL ASSETS	53,115,374	1,061,031	54,176,405
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	4,397,225	--	4,397,225
TOTAL DEFERRED INFLOWS OF RESOURCES:	4,397,225	--	4,397,225
LIABILITIES:			
Accounts payable	1,609,790	18,146	1,627,936
Other current liabilities	1,530,931	9,919	1,540,850
Unearned revenue	--	9,018	9,018
Noncurrent liabilities:			
Due within one year	1,364,072	5,000	1,369,072
Due in more than one year	28,085,315	1,138	28,086,453
TOTAL LIABILITIES	32,590,108	43,221	32,633,329
DEFERRED INFLOWS OF RESOURCES:			
Property taxes levied for future period	5,133,903	--	5,133,903
Pension related deferred inflows	5,738,915	--	5,738,915
TOTAL DEFERRED INFLOWS OF RESOURCES:	10,872,818	--	10,872,818
NET POSITION:			
Net investment in capital assets	2,226,459	256,742	2,483,201
Restricted for:			
Capital outlay	2,849,149	--	2,849,149
Special education	984,953	--	984,953
Capital projects	1,176,527	--	1,176,527
Debt services	67,135	--	67,135
Auditorium	12,747	--	12,747
SDRS pension purposes	3,613,473	--	3,613,473
Unrestricted	3,119,230	761,068	3,880,298
TOTAL NET POSITION	\$ 14,049,673	\$ 1,017,810	\$ 15,067,483

*The accompanying notes to financial statements are
an integral part of these financial statements.*

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
PRIMARY GOVERNMENT:							
<i>Governmental Activities:</i>							
Instruction	\$ 11,136,108	\$ 255,027	\$ 3,338,527	\$ --	\$ (7,542,554)	\$ --	\$ (7,542,554)
Support services	8,878,062	--	--	--	(8,878,062)	--	(8,878,062)
Community services	159,923	--	--	--	(159,923)	--	(159,923)
Nonprogrammed charges	407,141	--	--	--	(407,141)	--	(407,141)
Interest - on long-term debt*	1,995,948	--	--	--	(1,995,948)	--	(1,995,948)
Cocurricular activities	916,852	100,073	--	--	(816,779)	--	(816,779)
<i>Total Governmental Activities</i>	<u>23,494,034</u>	<u>355,100</u>	<u>3,338,527</u>	<u>--</u>	<u>(19,800,407)</u>	<u>--</u>	<u>(19,800,407)</u>
BUSINESS-TYPE ACTIVITIES:							
Food service	1,381,055	474,686	931,684	--	--	25,315	25,315
Concessions	114,190	153,943	--	--	--	39,753	39,753
Driver's sducation	15,352	28,545	--	--	--	13,193	13,193
<i>Total Business-Type Activities</i>	<u>1,510,597</u>	<u>657,174</u>	<u>931,684</u>	<u>--</u>	<u>--</u>	<u>78,261</u>	<u>78,261</u>
<i>Total Primary Government</i>	<u>\$ 25,004,631</u>	<u>\$ 1,012,274</u>	<u>\$ 4,270,211</u>	<u>\$ --</u>	<u>(19,800,407)</u>	<u>78,261</u>	<u>(19,722,146)</u>
GENERAL REVENUES:							
<i>Taxes:</i>							
					10,956,875	--	10,956,875
					419,464	--	419,464
<i>Revenue from State Sources:</i>							
					7,563,920	--	7,563,920
					67,331	5,226	72,557
					588,536	--	588,536
					(84,003)	84,003	--
					<u>19,512,123</u>	<u>89,229</u>	<u>19,601,352</u>
					(288,284)	167,490	(120,794)
					<u>11,677,156</u>	<u>850,320</u>	<u>12,527,476</u>
					<u>2,660,801</u>	<u>--</u>	<u>2,660,801</u>
					<u>14,337,957</u>	<u>850,320</u>	<u>15,188,277</u>
					<u>\$ 14,049,673</u>	<u>\$ 1,017,810</u>	<u>\$ 15,067,483</u>

* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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, 2015

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:						
Cash and cash equivalents	\$ 3,782,949	\$ 3,240,144	\$ 1,213,384	\$ 2,066,202	\$ 120,898	\$ 10,423,577
Taxes receivable--current	2,270,551	1,437,012	612,027	--	814,313	5,133,903
Taxes receivable--delinquent	53,857	22,234	9,818	--	8,684	94,593
Accounts receivable	523,056	--	--	--	--	523,056
Due from other government	200,050	--	109,186	--	--	309,236
Advance to other funds	175,000	--	--	--	--	175,000
TOTAL ASSETS	\$ 7,005,463	\$ 4,699,390	\$ 1,944,415	\$ 2,066,202	\$ 943,895	\$ 16,659,365
LIABILITIES AND FUND BALANCES:						
<i>Liabilities:</i>						
Accounts payable	\$ 205,829	\$ 390,995	\$ 78,189	\$ 889,675	\$ 45,102	\$ 1,609,790
Contracts payable	972,940	--	196,903	--	--	1,169,843
Payroll deductions and withholding and employer matching payable	298,563	--	62,525	--	--	361,088
Advance from other funds	--	--	--	--	175,000	175,000
TOTAL LIABILITIES	1,477,332	390,995	337,617	889,675	220,102	3,315,721
<i>Deferred Inflows of Resources:</i>						
Unavailable Revenue-Property Taxes	53,857	22,234	9,818	--	8,684	94,593
Property taxes levied for future period	2,270,551	1,437,012	612,027	--	814,313	5,133,903
Total Deferred Inflows of Resources	2,324,408	1,459,246	621,845	--	822,997	5,228,496
<i>Fund Balances:</i>						
Nonspendable advance to pension fund	175,000	--	--	--	--	175,000
<i>Restricted</i>						
Auditorium	--	--	--	--	12,747	12,747
Capital outlay	--	2,849,149	--	--	--	2,849,149
Special education	--	--	984,953	--	--	984,953
Debt service	--	--	--	--	67,135	67,135
Capital projects	--	--	--	1,176,527	--	1,176,527
Unassigned	3,028,723	--	--	--	(179,086)	2,849,637
Total Fund Balances	3,203,723	2,849,149	984,953	1,176,527	(99,204)	8,115,148
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,005,463	\$ 4,699,390	\$ 1,944,415	\$ 2,066,202	\$ 943,895	\$ 16,659,365

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, 2015**

Total Fund Balances - Governmental Funds	\$	8,115,148
 <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.		4,955,163
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		31,675,846
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		4,397,225
Delinquent taxes receivable not available to pay current year expenditures are deferred in the funds		94,593
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(5,738,915)
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.		(29,449,387)
		14,049,673
Net Position-Governmental Funds	\$	14,049,673

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, 2015

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:						
<i>Revenue from Local Sources:</i>						
<i>Taxes:</i>						
Ad valorem taxes	\$ 4,928,252	\$ 2,930,567	\$ 1,281,310	\$ --	\$ 1,698,773	\$ 10,838,902
Prior years' ad valorem taxes	40,318	18,181	7,906	--	8,073	74,478
Utility taxes	419,464	--	--	--	--	419,464
Penalties and interest on taxes	9,883	5,495	2,439	--	2,976	20,793
<i>Revenue from Local Governmental Units Other Than LEAs:</i>						
Revenue in lieu of taxes	6,351	--	--	--	--	6,351
<i>Tuition and Fees:</i>						
Regular day school tuition	67,428	--	--	--	--	67,428
Earnings on Investments and Deposits	26,688	16,260	8,393	13,235	2,755	67,331
<i>Cocurricular Activities:</i>						
Admissions	74,607	--	--	--	5,225	79,832
Other pupil activity income	20,241	--	--	--	--	20,241
<i>Other Revenue from Local Sources:</i>						
Rentals	49,532	--	--	--	--	49,532
Contributions and donations	12,109	11,137	--	--	--	23,246
Charges for services	70,069	--	69,708	--	--	139,777
Other	196,693	7,506	--	5,782	--	209,981
<i>Revenue from Intermediate Sources:</i>						
<i>County Sources:</i>						
County apportionment	230,433	--	--	--	--	230,433
Revenue in Lieu of Taxes	7,735	3	1	--	1	7,740
<i>Revenue from State Sources:</i>						
<i>Grants-in-Aid:</i>						
Unrestricted grants-in-aid	7,563,920	--	--	--	--	7,563,920
Restricted grants-in-aid	32,811	--	1,108,767	--	--	1,141,578
<i>Tuition:</i>						
Regular	115,250	--	--	--	--	115,250
<i>Revenue from Federal Sources:</i>						
<i>Grants-in-Aid:</i>						
Restricted grants-in-aid received from federal government through the state	1,531,291	8,719	589,511	--	--	2,129,521
Other Federal Revenue	61,253	--	--	--	--	61,253
TOTAL REVENUES:	\$ 15,464,328	\$ 2,997,868	\$ 3,068,035	\$ 19,017	\$ 1,717,803	\$ 23,267,051

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, 2015

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
EXPENDITURES:						
<i>Instruction:</i>						
<i>Regular Programs:</i>						
Elementary	\$ 3,103,320	\$ 141,940	\$ --	\$ --	\$ --	\$ 3,245,260
Middle/junior high	1,953,395	105,885	--	--	--	2,059,280
High school	2,304,651	155,491	--	--	--	2,460,142
Preschool services	10,316	--	--	--	--	10,316
<i>Special Programs:</i>						
Programs for special education	--	1,110	2,110,027	--	--	2,111,137
Culturally different	678,591	--	--	--	--	678,591
Educationally deprived	854,847	--	--	--	--	854,847
<i>Support Services:</i>						
<i>Pupils:</i>						
Attendance and social work	86,885	--	22,679	--	--	109,564
Guidance	380,208	--	14,849	--	--	395,057
Health	74,894	--	73,909	--	--	148,803
Psychological	1,737	--	118,356	--	--	120,093
Speech pathology	--	--	334,611	--	--	334,611
Student therapy services	--	--	144,698	--	--	144,698
<i>Instructional Staff:</i>						
Improvement of instruction	413,246	--	12,092	--	--	425,338
Educational media	552,495	145,064	--	--	--	697,559
<i>General Administration:</i>						
Board of education	171,942	--	--	--	--	171,942
Executive administration	225,021	958	--	--	--	225,979
<i>School Administration:</i>						
Office of the principal	700,794	--	--	--	--	700,794
Other	261,283	5,000	--	--	--	266,283
<i>Business:</i>						
Fiscal services	305,435	4,925	--	--	--	310,360
Facilities acquisition and construction	--	1,000	--	472,419	4,500	477,919
Operation and maintenance of plant	1,901,834	1,337,032	--	--	--	3,238,866
Pupil transportation	633,209	2,060	--	--	--	635,269
Food services	52,579	24,822	--	--	--	77,401
Internal services	--	--	--	--	--	--
<i>Central:</i>						
Staff	1,233	--	--	--	--	1,233

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, 2015

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
EXPENDITURES:						
<i>Special Education:</i>						
Administrative costs	\$ --	\$ --	\$ 164,320	\$ --	\$ --	\$ 164,320
Other special education costs	--	--	80,118	--	--	80,118
<i>Community Services:</i>						
Recreation	19,975	--	--	--	--	19,975
Custody and care of children	130,456	--	--	--	--	130,456
Nonpublic school	9,492	--	--	--	--	9,492
<i>Nonprogrammed Charges:</i>						
Early retirement benefits	--	--	--	--	407,141	407,141
Debt Services	--	876,108	--	--	2,108,971	2,985,079
<i>Cocurricular Activities:</i>						
Male activities	305,787	--	--	--	--	305,787
Female activities	275,463	--	--	--	--	275,463
Combined activities	227,233	61,197	--	--	--	288,430
Capital Outlay	1,541	391,639	1,429	12,575,801	--	12,970,410
TOTAL EXPENDITURES	15,637,862	3,254,231	3,077,088	13,048,220	2,520,612	37,538,013
<i>Excess of Revenue Over (Under) Expenditures</i>	(173,534)	(256,363)	(9,053)	(13,029,203)	(802,809)	(14,270,962)
OTHER FINANCING SOURCES (USES):						
Transfers in	27,408	--	--	--	--	27,408
Transfers out	--	(16,260)	(8,393)	--	(2,755)	(27,408)
General long term debt issued	--	1,028,929	--	--	--	1,028,929
Sale of surplus property	29,218	--	--	--	--	29,218
Compensation for loss of capital asset	4,099	1,598	--	--	--	5,697
TOTAL OTHER FINANCING SOURCES (USES)	60,725	1,014,267	(8,393)	--	(2,755)	1,063,844
<i>Net Change in Fund Balances</i>	(112,809)	757,904	(17,446)	(13,029,203)	(805,564)	(13,207,118)
<i>FUND BALANCE - Beginning of Year</i>	3,316,532	2,091,245	1,002,399	14,205,730	706,360	21,322,266
<i>FUND BALANCE - End of Year</i>	\$ 3,203,723	\$ 2,849,149	\$ 984,953	\$ 1,176,527	\$ (99,204)	\$ 8,115,148

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, 2015

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ (13,207,118)						
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.	12,970,410						
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.	(943,433)						
In the statement of activities gain and losses \$6,998 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$20,530 from the sale of surplus property and compensation for loss of capital asset is reflected regardless of whether a gain or loss is realized (+gains -losses -proceeds =amount).	(38,588)						
The issuance of long-term debt (\$ 1,028,929) provides current financing source in the governmental funds, while the repayment of the principal of long-term debt (913,741) 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 (\$75,390) 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.	(39,798)						
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".	22,702						
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.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Other postemployment benefits</td> <td style="width: 10%; text-align: right;">(1,929)</td> <td style="width: 10%;"></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right; border-top: 1px solid black;">(3,202)</td> <td style="text-align: right; vertical-align: bottom;">(5,131)</td> </tr> </table>	Other postemployment benefits	(1,929)		Compensated absences	(3,202)	(5,131)
Other postemployment benefits	(1,929)						
Compensated absences	(3,202)	(5,131)					
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds such as pension revenue	743,368						
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	209,304						
<i>Change in Net Position of Governmental Activities</i>	\$ (288,284)						

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, 2015

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUNDS</i>	<i>TOTAL</i>
ASSETS:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 211,115	\$ 539,875	\$ 750,990
Due from other government	9,276	--	9,276
Inventory of supplies	7,999	1,182	9,181
Inventory of stores purchased for resale	17,436	4,151	21,587
Inventory of donated food	13,255	--	13,255
<i>Total Current Assets</i>	<u>259,081</u>	<u>545,208</u>	<u>804,289</u>
<i>Capital Assets:</i>			
Buildings	13,900	--	13,900
Machinery and equipment--local funds	872,087	34,788	906,875
Machinery and equipment--federal assistance	12,663	--	12,663
Accumulated depreciation	(654,385)	(22,311)	(676,696)
<i>Capital Assets - Net</i>	<u>244,265</u>	<u>12,477</u>	<u>256,742</u>
TOTAL ASSETS	<u>\$ 503,346</u>	<u>\$ 557,685</u>	<u>\$ 1,061,031</u>
LIABILITIES AND NET POSITION:			
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 17,068	\$ 1,078	\$ 18,146
Contract payable	8,703	--	8,703
Payroll deductions and withholdings	1,216	--	1,216
Unearned revenue	9,018	--	9,018
<i>Total Current Liabilities</i>	<u>36,005</u>	<u>1,078</u>	<u>37,083</u>
<i>Noncurrent Liabilities:</i>			
Accrued leave payable	6,138	--	6,138
<i>Total Noncurrent Liabilities</i>	<u>6,138</u>	<u>--</u>	<u>6,138</u>
<i>Net Position:</i>			
Net investment in capital assets	244,265	12,477	256,742
Unrestricted net position	216,938	544,130	761,068
<i>Total Net Position</i>	<u>461,203</u>	<u>556,607</u>	<u>1,017,810</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 503,346</u>	<u>\$ 557,685</u>	<u>\$ 1,061,031</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, 2015

	ENTERPRISE FUNDS		
	FOOD	OTHER	TOTAL
	SERVICE	ENTERPRISE	
	FUND	FUND	
OPERATING REVENUES:			
<i>Sales:</i>			
To pupils	\$ 338,908	\$ 153,337	\$ 492,245
To adults	15,761	--	15,761
A la carte	93,834	--	93,834
Other	26,183	29,151	55,334
<i>Total Operating Revenue</i>	<u>474,686</u>	<u>182,488</u>	<u>657,174</u>
OPERATING EXPENSES:			
Salaries	546,280	51,398	597,678
Employee benefits	162,730	7,259	169,989
Purchased services	24,325	6,098	30,423
Supplies	44,327	4,514	48,841
Cost of sales - purchased food	466,683	58,835	525,518
Cost of sales - donated food	92,998	--	92,998
Depreciation - local funds	43,712	1,438	45,150
<i>Total Operating Expenses</i>	<u>1,381,055</u>	<u>129,542</u>	<u>1,510,597</u>
<i>Operating Income (Loss)</i>	<u>(906,369)</u>	<u>52,946</u>	<u>(853,423)</u>
NONOPERATING REVENUES:			
<i>Local Sources:</i>			
Investment earnings	1,167	4,059	5,226
Other local revenue	6,035	--	6,035
<i>State Sources:</i>			
Cash reimbursements	7,170	--	7,170
<i>Federal Sources:</i>			
Cash reimbursements	826,722	--	826,722
Donated food	91,757	--	91,757
<i>Total Nonoperating Revenue</i>	<u>932,851</u>	<u>4,059</u>	<u>936,910</u>
<i>Income Before Contributions and Transfers</i>	<u>26,482</u>	<u>57,005</u>	<u>83,487</u>
<i>Capital Contributions</i>	<u>84,003</u>	<u>--</u>	<u>84,003</u>
<i>Change in Net Position</i>	110,485	57,005	167,490
<i>NET POSITION - Beginning of Year</i>	<u>350,718</u>	<u>499,602</u>	<u>850,320</u>
<i>NET POSITION - End of Year</i>	<u>\$ 461,203</u>	<u>\$ 556,607</u>	<u>\$ 1,017,810</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, 2015

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD</i>	<i>OTHER</i>	<i>TOTALS</i>
	<i>SERVICE</i>	<i>ENTERPRISE</i>	
	<i>FUND</i>	<i>FUND</i>	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Cash receipts from customers	\$ 478,025	\$ 182,488	\$ 660,513
Cash payments to suppliers	(532,753)	(73,056)	(605,809)
Cash payments to employees	(707,058)	(61,380)	(768,438)
<i>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	<u>(761,786)</u>	<u>48,052</u>	<u>(713,734)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>			
Cash reimbursements - state	7,170	--	7,170
Cash reimbursements - federal	824,944	--	824,944
<i>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</i>	<u>832,114</u>	<u>--</u>	<u>832,114</u>
<i>CASH FLOWS FROM CAPITAL AND REALTED RELATED FINANCING ACTIVITIES:</i>			
Purchase of capital assets	--	(1,832)	(1,832)
<i>NET CASH FLOWS FROM CAPITAL AND REALTED RELATED FINANCING ACTIVITIES</i>	<u>--</u>	<u>(1,832)</u>	<u>(1,832)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>			
Interest earnings	1,167	4,059	5,226
<i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i>	<u>1,167</u>	<u>4,059</u>	<u>5,226</u>
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	71,495	50,279	121,774
<i>CASH AND CASH EQUIVALENTS, Beginning of Year</i>	<u>139,620</u>	<u>489,596</u>	<u>629,216</u>
<i>CASH AND CASH EQUIVALENTS, End of Year</i>	<u>\$ 211,115</u>	<u>\$ 539,875</u>	<u>\$ 750,990</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, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTALS
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (906,369)	\$ 52,946	\$ (853,423)
<i>Adjustments to Reconcile Operating Income to</i>			
<i>Net Cash Provided (Used) by Operating Activities:</i>			
Depreciation expense	43,712	1,438	45,150
Noncash cost of sales - commodities	92,998	--	92,998
<i>Change in Assets and Liabilities:</i>			
Accounts receivable	4,160	--	4,160
Inventories	(6,384)	(1,293)	(7,677)
Accounts and other payables	8,966	(2,316)	6,650
Accrued wages payable	1,952	(2,723)	(771)
Deferred revenues	(821)	--	(821)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (761,786)	\$ 48,052	\$ (713,734)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 91,757	\$ --	\$ 91,757
Capital assets purchased by the capital outlay fund	\$ 84,003	\$ --	\$ 84,003

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, 2015

	<i>PURPOSE</i> <i>TRUST FUND</i>	<i>AGENCY</i> <i>FUNDS</i>
<i>ASSETS:</i>		
Cash and cash equivalents	\$ 187,684	\$ 233,488
TOTAL ASSETS	\$ 187,684	\$ 233,488
<i>LIABILITIES:</i>		
Amounts held for others	\$ --	\$ 233,488
<i>NET POSITION</i>		
Held in trust for school scholarship	187,684	--
TOTAL LIABILITIES AND NET POSITION	\$ 187,684	\$ 233,488

*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, 2015

	<i>PURPOSE TRUST FUND</i>
ADDITIONS:	
Contributions and donations	\$ 21,875
Other additions	1,312
<i>Total Additions</i>	23,187
DEDUCTIONS:	
Trust deductions for scholarships	13,045
<i>Total Deductions</i>	13,045
<i>Change in Net Position</i>	10,142
<i>NET POSITION - Beginning of Year</i>	177,542
<i>NET POSITION - End of Year</i>	\$ 187,684

*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, 2015*

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.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

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

b. *Basis of Presentation: (continued)*

Government-Wide Financial Statements: (continued)

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.

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.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

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

b. *Basis of Presentation: (continued)*

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.

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.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

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

b. *Basis of Presentation: (continued)*

Governmental Funds: (continued)

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 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.)
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.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

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

b. *Basis of Presentation: (continued)*

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.

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.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

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

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

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, 2015

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, 2015*

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

e. *Capital Assets: (continued)*

Government-Wide Financial Statements: (continued)

The total June 30, 2015 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, 2015 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, early retirement benefits payable, capital outlay certificates payable and general obligation bonds payable.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.**

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

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

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.

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, 2015*

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

1. *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 Nonspendable Fund Balance is comprised of an advance due from the pension fund to the general fund.

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

2. *DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL NONMAJOR FUND:*

As of June 30, 2015, the following non-major fund had a deficit fund balance in the amount shown:

Pension Fund	\$(108,661)
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Management's plan is to contribute cash to the Pension Fund as needed to make the fund cash flow.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

3. 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, 2015, 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, 2015, 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, 2015*

4. *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.

5. *RECEIVABLES 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 due from other governments include reimbursements for various programs. These amounts include \$ 309,236 due from the state or federal government.

6. *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, 2015, for the governmental funds.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2015 is as follows:

	<u>Balance 7/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/15</u>
<i>PRIMARY GOVERNMENT:</i>				
Land	\$ 1,111,755	\$ --	\$ --	\$ 1,111,755
Construction in progress	<u>6,159,599</u>	<u>5,490,506</u>		<u>11,650,105</u>
<i>Total, not being depreciated</i>	<u>7,271,354</u>	<u>5,490,506</u>	<u>--</u>	<u>12,761,860</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,898,180	7,085,295	--	24,983,475
Improvements other than buildings	2,967,300	--	--	2,967,300
Machinery and equipment	<u>6,082,909</u>	<u>394,609</u>	<u>628,246</u>	<u>5,849,272</u>
<i>Total, being depreciated</i>	<u>26,948,389</u>	<u>7,479,904</u>	<u>628,246</u>	<u>33,800,047</u>
<i>Less accumulated depreciation for:</i>				
Buildings	7,734,856	433,562	--	8,168,418
Improvements other than buildings	2,967,300	--	--	2,967,300
Machinery and equipment	<u>3,830,130</u>	<u>509,871</u>	<u>589,658</u>	<u>3,750,343</u>
<i>Total accumulated depreciation</i>	<u>14,532,286</u>	<u>943,433</u>	<u>589,658</u>	<u>14,886,061</u>
<i>Total capital assets, being depreciated, net</i>	<u>12,416,103</u>	<u>6,536,471</u>	<u>38,588</u>	<u>18,913,986</u>
<i>Governmental activity capital assets, net</i>	<u>\$ 19,687,457</u>	<u>\$ 12,026,977</u>	<u>\$ 38,588</u>	<u>\$ 31,675,846</u>

Depreciation expense was charged to functions as follows:

<i>Governmental activities:</i>	
Instruction	\$ 660,403
Support services	235,858
Co-curricular activities	<u>47,172</u>
<i>Total Depreciation Expense - Governmental Activities</i>	<u>\$ 943,433</u>

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

7. CHANGES IN CAPITAL ASSETS: (continued)

	<i>Balance 7/01/14</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/15</i>
<i>BUSINESS-TYPE ACTIVITIES:</i>				
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 13,900			\$ 13,900
Machinery and equipment	836,887	98,118	15,467	919,538
<i>Total, being depreciated</i>	850,787	98,118	15,467	933,438
<i>Less accumulated depreciation for:</i>				
Buildings	13,900	--	--	13,900
Machinery and equipment	626,865	45,150	9,219	662,796
<i>Total accumulated depreciation</i>	640,765	45,150	9,219	676,696
<i>Business-type activity capital assets, net</i>	\$ 210,022	\$ 52,968	\$ 6,248	\$ 256,742

Depreciation expense was charged to functions as follows:

<i>Business-type activities:</i>	
Food service	\$ 43,712
Other enterprise funds	1,438
Total Depreciation Expense - Business-Type Activities	\$ 45,150

Construction Work in Progress at June 30, 2015 is composed of the following:

<i>Project Name</i>	<i>Project Authorization</i>	<i>Expended Through 6/30/2015</i>	<i>Committed</i>	<i>Required Future Financing</i>
School building additions and remodel	\$ 23,262,397	\$ 13,084,220	\$ --	\$ --

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

8. LONG-TERM LIABILITIES:

	<i>Balance 7/1/2014</i>	<i>Balance Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2015</i>	<i>Amount Due Within One Year</i>
<i>Governmental Activities:</i>					
General obligation					
Bond:					
Series 2013	\$ 20,195,000	\$ --	\$ 240,000	\$ 19,955,000	\$ 490,000
Plus unamortized premium	1,884,774	--	75,390	1,809,384	75,390
<i>Capital outlay certificates:</i>					
Series 2013	1,875,000	--	70,000	1,805,000	80,000
Series 2009B	3,285,000	--	170,000	3,115,000	175,000
Series 2012	1,000,000	--	280,000	720,000	280,000
Capital lease	364,250	--	123,741	240,509	118,682
REED loan	300,000	--	30,000	270,000	30,000
SD Energy Efficient loan	--	1,028,929	--	1,028,929	--
Compensated absences	116,856	154,012	150,810	120,058	115,000
OPEB	383,578	111,579	109,650	385,507	--
<i>Governmental Activities Long-term Liabilities</i>	<u>\$ 29,404,458</u>	<u>\$ 1,294,520</u>	<u>\$ 1,249,591</u>	<u>\$ 29,449,387</u>	<u>\$ 1,364,072</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds. Early Retirement Benefits payable for governmental activities have been liquidated from the Pension Fund.

	<i>Balance 7/1/2014</i>	<i>Balance Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2015</i>	<i>Amount Due Within One Year</i>
Compensated Absences	<u>\$ 6,233</u>	<u>\$ 7,516</u>	<u>\$ 7,611</u>	<u>\$ 6,138</u>	<u>\$ 6,138</u>

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

8. LONG-TERM LIABILITIES: (continued)

Debt Payable at June 30, 2015 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 debt. \$ 19,955,000

Capital Outlay Certificates:

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. 1,805,000

The School District issued \$3,475,000 of Capital Outlay Limited Tax General Obligation Outlay Certificates, Series 2009B on June 25, 2009. The certificates are payable from June 25, 2009 through June 1, 2029 with fixed interest rates from 3.5% to 6.5% that vary depending on the term of maturity. The certificates are designated as "Build America Bonds," 35% of the interest payment is refunded to the District from the United States Department of Treasury under Section 54AA(g) of the Code. The Capital Outlay Fund makes payment on this debt. 3,115,000

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. 720,000

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. 240,509

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. 270,000

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. 1,028,929

Compensated Absences:

Payments for vested accrued vacation leave from the fund from which the employee is generally compensated. 126,196

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. 385,507

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

8. LONG-TERM LIABILITIES: (continued)

The annual requirements to amortize the general obligation bonds, and capital outlay certificates outstanding at June 30, 2015, are as follows:

General Obligation Bonds

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 490,000	\$ 929,588	\$ 1,419,588
2017	505,000	916,038	1,421,038
2018	520,000	900,738	1,420,738
2019	535,000	885,063	1,420,063
2020	555,000	864,788	1,419,788
2021-2025	3,165,000	3,932,013	7,097,013
2026-2030	3,990,000	3,117,750	7,107,750
2031-2035	5,100,000	2,001,250	7,101,250
2036-2039	5,095,000	589,872	5,684,872
	<u>\$ 19,955,000</u>	<u>\$ 14,137,100</u>	<u>\$ 34,092,100</u>

Capital Outlay Certificates

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 540,000	\$ 186,562	\$ 726,562
2017	550,000	176,053	726,053
2018	410,000	164,601	574,601
2019	275,000	154,808	429,808
2020	290,000	144,968	434,968
2021-2025	1,600,000	556,681	2,156,681
2026-2030	1,645,000	216,914	1,861,914
2031-2033	330,000	17,250	347,250
	<u>\$ 5,640,000</u>	<u>\$ 1,617,837</u>	<u>\$ 7,257,837</u>

Capital Leases

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 118,682	\$ 6,373	\$ 125,055
2017	121,827	3,228	125,055
	<u>\$ 240,509</u>	<u>\$ 9,601</u>	<u>\$ 250,110</u>

Other Loans

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 30,000	\$ --	\$ 30,000
2017	132,893	--	132,893
2018	132,893	--	132,893
2019	132,893	--	132,893
2020	132,893	--	132,893
2021-2025	634,464	--	634,464
2026	102,893	--	102,893
	<u>\$ 1,298,929</u>	<u>\$ --</u>	<u>\$ 1,298,929</u>

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

9. INTERFUND BALANCES AND TRANSACTIONS:

Interfund receivable and payable balances at June 30, 2015 consist of the following for loans for operations:

<i>Fund</i>	<i>Interfund Receivables</i>	<i>Interfund Payables</i>
General fund	\$ 175,000	\$ --
Pension fund	\$ --	\$ 175,000

10. RESTRICTED NET POSITION:

Restricted Net Position for the year ended June 30, 2015 was as follows:

<i>Fund</i>	<i>Restricted By</i>	<i>Amount</i>
Capital outlay	Law	\$ 2,849,159
Special education	Law	984,953
Capital projects	Law	1,176,527
Debt services	Debt covenants	67,135
Auditorium	Law	12,747
SDRS Pension purposes	Law	3,613,473
Total Restricted Net Position		\$ 8,703,994

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

11. INTERFUND TRANSFERS:

Transfers to/from other funds at June 30, 2015, consist of the following:

Transfers from the other governmental funds to the General Fund for income earned on deposits	<u>\$ 27,408</u>
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12. PRIOR PERIOD ADJUSTMENTS:

The School District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of July 1, 2014 as follows:

Net position July 1, 2014, as previously reported	\$12,721,938
<i>Restatement for pension accounting:</i>	
Net pension asset - pension related to deferred outflows of resources	<u>2,660,801</u>
<i>Net position July, 2014, as restated</i>	<u><u>\$15,382,739</u></u>

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

13. *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.

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 1st 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.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

13. *PENSION PLAN: (continued)*

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, 2015, 2014, and 2013, were \$743,368, \$721,683, and \$676,606, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107.% 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, 2014 are as follows:

Proportionate share of net position restricted for pension benefits		\$ 72,956,490
Less proportionate share of total pension liability		<u>68,001,326</u>
<i>Proportionate share of net pension liability (asset)</i>		<u><u>\$ (4,955,164)</u></u>

At June 30 2015, the School District reported a liability (asset) of \$(4,955,164) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 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, 2014, the School District's proportion was .6877786%, which is an increase of .6877786% from its proportion measured as of June 30, 2013.

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

13. *PENSION PLAN: (continued)*

c. *Contributions: (continued)*

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(209,304). At June 30, 2015 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	\$ 419,274	\$ --
Changes in assumption	860,804	--
Net difference between projected and actual earnings on	--	5,738,915
Changes in proportion and difference between District	--	--
District contributions subsequent to the measurement date	<u>743,368</u>	<u>--</u>
TOTAL	<u>\$ 2,023,446</u>	<u>\$ 5,738,915</u>

\$743,368 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, 2016. 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>	
2016	\$ (393,744)
2017	(393,744)
2018	(393,744)
2019	(903,826)
2020	--
Thereafter	--
TOTAL	<u>\$ (2,085,058)</u>

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

13. *PENSION PLAN: (continued)*

c. *Contributions: (continued)*

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2014 (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	64.0%	4.7%
Fixed income	26.0%	1.8%
Real estate	8.0%	5.5%
Cash	2.0%	0.8%
<i>TOTAL</i>	<u>100.0%</u>	

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

13. *PENSION PLAN: (continued)*

d. *Discount Rate: (continued)*

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 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). (NOTE: If there had been a change in the discount rate since the prior measurement date, the School District should disclose information about that change, as required by paragraph 78a of Statement 68.)

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 2016 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)	\$ 4,896,634	\$ (4,955,164)	\$ (12,990,332)

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.

14. *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, 2015, the School District managed its risks as follows:

Health Insurance – The School District purchases health insurance for its employees from a commercial insurance carrier. 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, 2015*

14. RISK ASSESSMENT: (continued)

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, 2015, claims of \$0 for unemployment benefits were paid.

Liability Insurance – The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation – The School District purchases liability insurance for workmen's compensation from a commercial carrier.

15. 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.

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 and 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	16,110
Adjustment to annual required contribution	<u>(22,724)</u>
Annual OPEB cost (expense)	111,579
Contributions made	<u>(109,650)</u>
Increase in net OPEB obligation	1,929
OPEB obligation - beginning	<u>383,578</u>
OPEB obligation - ending	<u><u>\$ 385,507</u></u>

*HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015*

15. OTHER POSTEMPLOYMENT BENEFITS: (continued)

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

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 137,781	74.8%	\$ 168,380
6/30/2014	\$ 137,186	-56.8%	\$ 383,578
6/30/2015	\$ 111,579	98.3%	\$ 385,507

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) and 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.

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.

16. 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 2015 eight retiring employees received benefits. The amount paid for such benefits during the year was \$407,141.

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

HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<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>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 5,097,500	\$ 5,097,500	\$ 4,928,252	\$ (169,248)
Prior years' ad valorem taxes	30,000	30,000	40,318	10,318
Tax deed revenue	8,000	8,000	--	(8,000)
Utility taxes	375,000	375,000	419,464	44,464
Penalties and interest on taxes	12,000	12,000	9,883	(2,117)
<i>Revenue from Local Governmental Units</i>				
<i>Other Than LEAs:</i>				
Revenue in lieu of taxes	5,000	5,000	6,351	1,351
<i>Tuition and Fees:</i>				
Regular day school tuition	40,000	40,000	67,428	27,428
<i>Earnings on Investments and Deposits</i>	30,000	30,000	26,688	(3,312)
<i>Cocurricular Activities:</i>				
Admissions	77,000	77,000	74,607	(2,393)
Other pupil activity income	17,000	17,000	20,241	3,241
<i>Other Revenue from Local Sources:</i>				
Rentals	45,000	45,000	49,532	4,532
Contributions and donations	11,500	11,500	12,109	609
Charges for services	120,000	120,000	70,069	(49,931)
Other	79,000	79,000	196,693	117,693
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	240,000	240,000	230,433	(9,567)
Revenue in Lieu of Taxes	3,000	3,000	7,735	4,735
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	6,877,000	6,877,000	7,563,920	686,920
Restricted grants-in-aid	1,000	1,000	32,811	31,811
<i>Tuition:</i>				
Regular	100,000	100,000	115,250	15,250
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through the state	1,500,000	1,500,000	1,531,291	31,291
Other Federal Revenue	82,000	82,000	61,253	(20,747)
TOTAL REVENUE	14,750,000	14,750,000	15,464,328	714,328

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, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 3,103,500	\$ 3,103,500	\$ 3,103,320	\$ 180
Middle/junior high	1,954,650	1,954,650	1,953,395	1,255
High school	2,400,200	2,400,200	2,306,192	94,008
Preschool services	10,400	10,400	10,316	84
<i>Special Programs:</i>				
Culturally different	745,800	745,800	678,591	67,209
Educationally deprived	1,120,000	1,120,000	854,847	265,153
<i>Support Services:</i>				
<i>Pupils:</i>				
Attendance and social work	87,000	87,000	86,885	115
Guidance	411,300	411,300	380,208	31,092
Health	80,000	80,000	74,894	5,106
Psychological	5,000	5,000	1,737	3,263
<i>Instructional Staff:</i>				
Improvement of instruction	413,550	413,550	413,246	304
Educational media	591,400	591,400	552,495	38,905
<i>General Administration:</i>				
Board of education	174,900	174,900	171,942	2,958
Executive administration	226,400	226,400	225,021	1,379
<i>School Administration:</i>				
Office of the principal	705,900	705,900	700,794	5,106
Other	274,400	274,400	261,283	13,117
<i>Business:</i>				
Fiscal services	335,800	335,800	305,435	30,365
Operation and maintenance of plant	1,904,150	1,904,150	1,901,834	2,316
Pupil transportation	719,900	719,900	633,209	86,691
Food services	102,600	102,600	52,579	50,021
<i>Central:</i>				
Staff	3,000	3,000	1,233	1,767
<i>Community Services:</i>				
Recreation	20,000	20,000	19,975	25
Custody and care of children	130,500	130,500	130,456	44
Nonpublic school	9,500	9,500	9,492	8
<i>Nonprogrammed Charges:</i>				
Payments to state - unemployment	5,000	5,000	--	5,000

*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, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BASIS</u>	
EXPENDITURES:				
<i>Cocurricular Activities:</i>				
Male activities	\$ 307,700	\$ 307,700	\$ 305,787	\$ 1,913
Female activities	277,400	277,400	275,463	1,937
Combined activities	235,650	235,650	227,233	8,417
Contingencies	2,200	2,200	--	2,200
TOTAL EXPENDITURES	16,357,800	16,357,800	15,637,862	719,938
<i>Excess of Revenue Over (Under) Expenditures</i>	(1,607,800)	(1,607,800)	(173,534)	1,434,266
OTHER FINANCING SOURCES:				
Transfers in	35,000	35,000	27,408	(7,592)
Sale of surplus property	15,000	15,000	29,218	14,218
Compensation for loss of capital assets	--	--	4,099	4,099
TOTAL OTHER FINANCING SOURCES	50,000	50,000	60,725	10,725
<i>Net Change in Fund Balances</i>	(1,557,800)	(1,557,800)	(112,809)	1,444,991
<i>FUND BALANCE, Beginning of Year</i>	3,316,532	3,316,532	3,316,532	--
<i>FUND BALANCE, End of Year</i>	\$ 1,758,732	\$ 1,758,732	\$ 3,203,723	\$ 1,444,991

*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, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u> <u>BUDGETARY</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BASIS</u>	
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 2,900,000	\$ 2,900,000	\$ 2,930,567	\$ 30,567
Prior years' ad valorem taxes	20,000	20,000	18,181	(1,819)
Penalties and interest on taxes	5,000	5,000	5,495	495
<i>Earnings on Investments and Deposits</i>	--	--	16,260	16,260
<i>Other Revenue From Local Sources:</i>				
Contributions and donations	--	--	11,137	11,137
Other	--	--	7,506	7,506
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	--	--	3	3
<i>Revenue from Federal Sources:</i>				
<i>Grant-in-Aid:</i>				
Restricted grants-in-aid received from federal government through the state	--	--	8,719	8,719
TOTAL REVENUES	<u>2,925,000</u>	<u>2,925,000</u>	<u>2,997,868</u>	<u>72,868</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	165,000	165,000	157,761	7,239
Middle/junior high	108,000	108,000	105,884	2,116
High school	294,000	294,000	158,691	135,309
<i>Special Programs:</i>				
Programs for special education	4,000	4,000	2,344	1,656
<i>Support Services:</i>				
<i>Pupils:</i>				
Health	--	--	--	--
<i>Instructional Staff:</i>				
Improvement of institution	2,000	2,000	--	2,000
Educational media	153,000	153,000	149,351	3,649
<i>General Administration:</i>				
Board of education	5,000	5,000	5,000	--
Executive administration	2,000	2,000	958	1,042
<i>School Administration:</i>				
Other	9,000	9,000	7,000	2,000
<i>Business:</i>				
Fiscal services	5,000	5,000	4,991	9
Facilities acquisition and construction	--	--	1,000	(1,000)
Operation and maintenance of plant	1,779,800	1,779,800	1,473,381	306,419
Pupil transportation	163,100	163,100	162,126	974
Food services	25,000	25,000	24,822	178
Internal services	15,000	15,000	14,351	649

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, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
<i>Debt Services</i>	\$ 751,100	\$ 751,100	\$ 876,108	\$ (125,008)
<i>Cocurricular Activities:</i>				
Combined activities	<u>110,900</u>	<u>110,900</u>	<u>110,463</u>	<u>437</u>
TOTAL EXPENDITURES	<u>3,591,900</u>	<u>3,591,900</u>	<u>3,254,231</u>	<u>337,669</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	(666,900)	(666,900)	(256,363)	410,537
OTHER FINANCING SOURCES:				
Transfers out	--	--	(16,260)	(16,260)
General long term debt issued	--	--	1,028,929	1,028,929
Compensation for loss of general capital assets	--	--	1,598	1,598
TOTAL OTHER FINANCING SOURCES	<u>--</u>	<u>--</u>	<u>1,014,267</u>	<u>1,014,267</u>
<i>Net Change in Fund Balances</i>	(666,900)	(666,900)	757,904	1,424,804
<i>FUND BALANCE - Beginning of Year</i>	<u>2,091,245</u>	<u>2,091,245</u>	<u>2,091,245</u>	<u>--</u>
<i>FUND BALANCE - End of Year</i>	<u>\$ 1,424,345</u>	<u>\$ 1,424,345</u>	<u>\$ 2,849,149</u>	<u>\$ 1,424,804</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 – SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,299,000	\$ 1,299,000	\$ 1,281,310	\$ (17,690)
Prior years' ad valorem taxes	10,000	10,000	7,906	(2,094)
Penalties and interest on taxes	3,000	3,000	2,439	(561)
<i>Tuition and Fees:</i>				
Regular day school tuition	--	--	--	--
<i>Earnings on Investments and Deposits</i>	--	--	8,393	8,393
<i>Other Revenue from Local Sources:</i>				
Charges for services	60,000	60,000	69,708	9,708
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	850,000	850,000	1,108,767	258,767
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through the state	596,000	596,000	589,511	(6,489)
TOTAL REVENUES	\$ 2,820,000	\$ 2,820,000	\$ 3,068,035	\$ 248,035

*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, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

	<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>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	\$ 2,288,600	\$ 2,288,600	\$ 2,111,456	\$ 177,144
<i>Support Services:</i>				
<i>Pupils:</i>				
Attendance and social work	24,200	24,200	22,679	1,521
Guidance	15,400	15,400	14,849	551
Health	79,800	79,800	73,909	5,891
Psychological	123,400	123,400	118,356	5,044
Speech pathology	361,100	361,100	334,611	26,489
Student therapy services	157,300	157,300	144,698	12,602
<i>Instructional Staff:</i>				
Improvement of instruction	16,800	16,800	12,092	4,708
<i>School Administration:</i>				
Office of principal	164,400	164,400	--	164,400
<i>Business:</i>				
Pupil transportation	80,200	80,200	--	80,200
<i>Special Education:</i>				
Administrative costs	--	--	164,320	(164,320)
Other special education costs	--	--	80,118	(80,118)
TOTAL EXPENDITURES	<u>3,311,200</u>	<u>3,311,200</u>	<u>3,077,088</u>	<u>234,112</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(491,200)</u>	<u>(491,200)</u>	<u>(9,053)</u>	<u>482,147</u>
OTHER FINANCING USES:				
Transfers out	--	--	(8,393)	(8,393)
TOTAL OTHER FINANCING USES	<u>--</u>	<u>--</u>	<u>(8,393)</u>	<u>(8,393)</u>
<i>Net Change in Fund Balances</i>	(491,200)	(491,200)	(17,446)	473,754
<i>FUND BALANCE, Beginning of Year</i>	1,002,399	1,002,399	1,002,399	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 511,199</u>	<u>\$ 511,199</u>	<u>\$ 984,953</u>	<u>\$ 473,754</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, 2015

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America 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 Balances, however in the budgetary Required Supplementary Information 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.

2. 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. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. 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 d.
- c. 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.
- d. 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.
- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2015.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

2. BUDGETS AND BUDGETARY ACCOUNTING: (continued)

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.**
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).**

**HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2015**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL [(b-a)/c]
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**

	<i>2014</i>	<i>2015</i>
Contractually required contribution	\$ 721,641	\$ 743,368
Contributions in relation to the contractually required contribution	721,641	743,368
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 12,027,350	\$ 12,389,467
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

**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**

	<i>2015</i>
District's proportion of the net pension liability (asset)	0.6877786%
District's proportionate share of net pension liability (asset)	\$ (4,955,164)
District's covered-employee payroll	\$ 12,027,350
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107%

SUPPLEMENTARY INFORMATION

**HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</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 2)	10.553	\$ 140,251
National School Lunch Program (Note 2)	10.555	628,595
National School Lunch Program - commodities	10.555	91,757
Summer Food Service Program for Children	10.559	40,052
<i>Total for Child Nutrition Cluster</i>		900,655
 <i>Other Programs:</i>		
Fresh Fruit and Vegetable Program	10.582	52,579
<i>Total US Department of Agriculture</i>		953,234
 <i>US Department of the Interior:</i>		
<i>Pass-Through Beadle and Jerauld Counties:</i>		
Payments in lieu of taxes (Note 2)	15.226	7,736
<i>Total Department of the Interior</i>		7,736
 <i>General Services Administration:</i>		
<i>Pass-Through the SD Federal Property Agency:</i>		
Donation of Federal Surplus Personal Property (Note 3)	39.003	25,201
<i>Total General Services Administration</i>		25,201
 <i>US Department of Education:</i>		
<i>Pass-Through the SD Department of Education:</i>		
Early Intervention Services (IDEA) Cluster: Special education - grants to states (†)	84.181	4,878
<i>Total for Early Intervention Services (IDEA) Cluster</i>		4,878
 <i>Other Programs:</i>		
Migrant education - state grant program	84.011	244,402
Career and technical education	84.048	18,726
Title I grants to local educational agencies	84.010	640,634
Title I state agency program for neglected and delinquent children and youth	84.013	106,622
Twenty-first Century Community Learning Centers	84.287	133,034
English language acquisition grants (Title III)	84.365	171,208
Improving teacher quality state grants	84.367	164,086
<i>Total for Department of Education Other Programs</i>		1,478,712
 <i>Special Education Cluster:</i>		
Special education - grants to states (Note 2)	84.027	575,933
Special education - preschool grants	84.173	8,700
<i>Total for Special Education Cluster</i>		584,633
<i>Total US Department of Education</i>		2,068,223
 <i>Department of Health and Human Service:</i>		
<i>Pass-Through the SD Department of Social Services:</i>		
Refugee and Entrant Assistance - Discretionary Grants	93.576	61,253
<i>Total Department of Health and Human Service</i>		61,253
 <i>GRAND TOTAL</i>		 \$ 3,115,647

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron School District No. 2-2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: The amounts reflect cash received, Federal reimbursements are based on approved rates for services provided rather than reimbursements for specific expenditures.

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