

HURON SCHOOL DISTRICT NO. 2-2

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2012

HARRINGTON & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANT

HURON SCHOOL DISTRICT NO. 2-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012

Board Members:

John Halbkat - President
Tim VanBerkum - Vice President
Steven Fryberger
Michele Bennett
Nicole Yost

Superintendent:

Terry Nebelsick

Business Manager:

Kelly Christopherson

HURON SCHOOL DISTRICT NO. 2-2
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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
Beadle County, South Dakota

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2, Beadle County, South Dakota, as of and for the year ended June 30, 2012, which collectively comprise Huron School District's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

This report is intended solely for the information and use of federal awarding agencies and pass through entities, the South Dakota Legislature, state granting agencies, the governing board and management of the Huron School District No. 2-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by OMB Circular A-133 §_320(a) and South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Harrington & Associates, P.C.

Huron, South Dakota
November 30, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Huron School District's management. Our responsibility is to express an opinion on Huron School District's compliance based on our audit.

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. Our audit does not provide a legal determination on Huron School District's compliance with those requirements.

In our opinion, Huron School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Huron School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and

performing our audit, we considered Huron School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Huron School District No. 2-2's internal control over compliance.

A deficiency in internal control over compliance 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of federal awarding agencies and pass through entities, the South Dakota Legislature, the governing board and management of the Huron School District No. 2-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by OMB Circular A-133 § 320(a) and by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Hawington & Associates, LTD

Huron, South Dakota
November 30, 2012

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR FEDERAL AUDIT FINDINGS:

The prior audit report contained no written audit comments.

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- a) An unqualified opinion was issued on the financial statements of each opinion unit.
- b) Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- c) An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- d) 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).
- e) The federal awards tested as major programs were:

Title I, Part A Cluster
Migrant Education State Grant Program CFDA 84.011

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

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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
Beadle County, 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, Beadle County, South Dakota, as of and for the year ended June 30, 2012, which collectively comprise Huron School District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Huron School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 2012 on our consideration of Huron School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 10 through 19 and 59 through 69 be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Harrington & Associates, P.C.

Huron, South Dakota
November 30, 2012

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Huron School District 2-2's annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year ended on June 30, 2012. Please read it in conjunction with the district's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The district's net assets from governmental and business-type activities increased by \$1,359,599 primarily because of monitoring of current operating expenses.
- During the year, the district's revenues generated from taxes and other revenues of the governmental and business-type programs were \$1,359,599 more than the \$19,822,054 governmental and business-type program expenditures.
- The district reduced its outstanding long-term debt \$2,345,000 and issued \$1,140,000 in general refunding obligations to receive a better interest rate and save interest cost.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district's government, reporting the district's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the district operates like businesses. The only proprietary funds operated by the district are the food service operations and concessions.
 - Fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

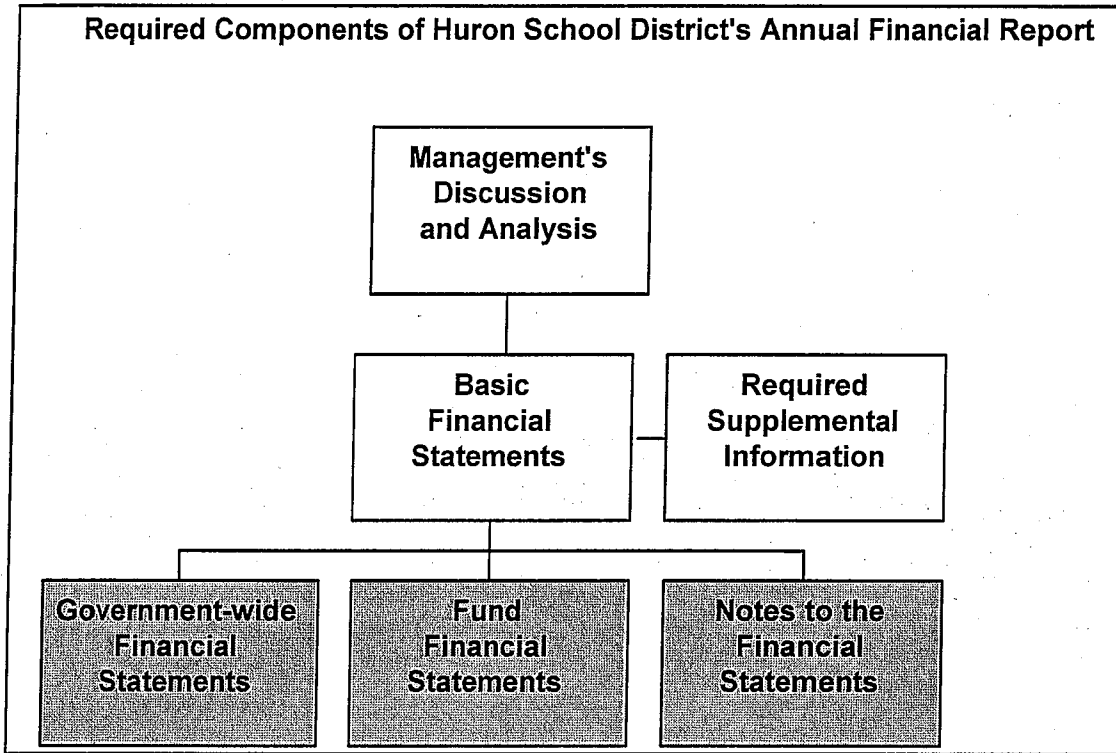


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-2

Major Features of Huron School District's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses such as the food service	Instances in which the district administers resources on behalf of someone else, such as student activity monies
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Balance sheet *Statement of revenues, expenses and changes in net assets *Statement of cash flows	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
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, 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 or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the district'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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the district's net assets and how they have changed. Net assets – the difference between the district's assets and liabilities – are one way to measure the district's financial health or position.

- Increases or decreases in the district's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district'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 district are reported in two categories:

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- **Governmental Activities** - This category includes the district'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 district charges fees to help cover the costs of providing certain services. Food service and concessions are the only business-type activities of the district.

Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes like paying the district's general obligation bonds.

The district has three kinds of funds:

- **Governmental Funds** – Most of the district's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the district 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 and concessions enterprise funds are the only proprietary funds maintained by the district.
- **Fiduciary Funds** – The district is the trustee, or fiduciary, for various external and internal parties. The district is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The district excludes these activities from the district's government-wide financial statements because the district cannot use these assets to finance its operations.

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The district's combined net assets changed as follows:

Table A-1

**Huron School District 2-2
Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and Other Assets	11,797,953	11,475,156	477,024	517,863	12,274,977	11,993,019
Capital Assets	12,195,534	12,596,933	294,595	264,929	12,490,129	12,861,862
Total Assets	23,993,487	24,072,089	771,619	782,792	24,765,106	24,854,881
Long-Term Debt Outstanding						
Other Liabilities	7,626,589	6,420,896	5,499	5,945	7,632,088	6,426,841
Other Liabilities	1,927,441	1,853,452	24,835	34,247	1,952,276	1,887,699
Total Liabilities	9,554,030	8,274,348	30,334	40,192	9,584,364	8,314,540
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	4,635,356	6,411,933	294,595	264,929	4,929,951	6,676,862
Restricted	2,200,434	2,496,355	-	-	2,200,434	2,496,355
Unrestricted	7,603,667	6,889,453	446,690	477,671	8,050,357	7,367,124
Total Net Assets	14,439,457	15,797,741	741,285	742,600	15,180,742	16,540,341
Beginning Net Assets	13,726,305	14,439,457	674,224	741,285	14,400,529	15,180,742
Increase (Decrease) in Net Assets	713,152	1,358,284	67,061	1,315	780,213	1,359,599
Percentage of Increase (Decrease) in Net Assets	5.20%	9.41%	9.95%	0.18%	5.42%	8.96%

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

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Assets

The district's total revenues (excluding special items and transfers) totaled \$21,231,653. (See Table A-4.) Approximately 43.5% of the district's revenue comes from property and other taxes, with another 30.4 % from state aid. (See Table A-2).

**Table A-2, Huron School District 2-2, Sources of Revenue
Fiscal Year 2011-2012**

Taxes	43.3%
State Sources	30.5%
Operating Grants and Contributions	18.2%
Charges for Services	5.1%
Other General Revenues	2.2%
Unrestricted Investment Earnings	.7%

The District's expenses cover a range of services, encompassing instruction, support services and food services. (See Table A-4)

**Table A-3, Huron School District 2-2, Expenses
Fiscal Year 2011-2012**

Instruction	53.0%
Support Services	33.3%
Food Service	7.8%
Co-curricular Activities	3.6%
Debt Service	1.3%
Miscellaneous	1.0%

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-4
HURON SCHOOL DISTRICT 2-2
Changes in Net Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program Revenues						
Charges for Services	\$ 350,344	\$ 340,696	\$ 715,455	\$ 747,692	\$ 1,065,799	\$ 1,088,388
Operating Grants and Contributions	4,697,543	3,064,050	745,062	785,088	5,442,605	3,849,138
General Revenues						
Taxes	8,337,636	9,176,105	-	-	8,337,636	9,176,105
Revenue State Sources	5,984,998	6,457,706	-	-	5,984,998	6,457,706
Other General Revenues	422,584	472,360	-	55	422,584	472,415
Unrestricted Investment Earnings	117,324	128,493	7,991	9,408	125,315	137,901
Total Revenues	19,910,429	19,639,410	1,468,508	1,542,243	21,378,937	21,181,653
Expenses						
Instruction	\$ 10,645,227	\$ 10,488,639	\$ -	\$ -	\$ 10,645,227	\$ 10,488,639
Support Services	7,165,729	6,601,412	-	-	7,165,729	6,601,412
Nonprogrammed Charges	223,440	164,177	-	-	223,440	164,177
Debt Service	257,165	265,095	-	-	257,165	265,095
Cocurricular Activities	746,283	720,047	-	-	746,283	720,047
Food Service/Concessions	-	-	1,409,496	1,554,039	1,409,496	1,554,039
Community Services	151,384	28,645	0	0	151,384	28,645
Total Expenses	19,189,228	18,268,015	1,409,496	1,554,039	20,598,724	19,822,054
Excess (Deficiency) Before Special Items and Transfers	721,201	1,371,395	59,012	(11,796)	780,213	1,359,599
Transfers	(8,049)	(13,111)	8,049	13,111	-	-
Increase (Decrease) in Net Assets	\$ 713,152	\$ 1,358,284	\$ 67,061	\$ 1,315	\$ 780,213	\$ 1,359,599

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues for the School's governmental activities decreased 1.1% while expenses for governmental activities decreased by 4.5%.

BUSINESS-TYPE ACTIVITIES

Revenues of the district's business-type activities increased by approximately 5% to \$1,542,243 and expenses increased 10.2%. The food service and other enterprise fund operation exceeded revenues by approximately \$11,796 before transfers or contributions from capital outlay.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The purpose of the Huron School District's governmental funds is to provide information on inflows, outflows, and fund balances. As the district completed the year, its governmental funds reported combined fund balances of \$5.3 million, a decrease of 9.1%. This decrease is due to cash reserves being spent for the purpose of operating the district.

The general fund did have a significant decline of \$752,000 in fund balance for the year for the purpose of operating the district. However, the balance of the special education fund increased \$238,000 mainly due to controlling expenses.

In addition to the district-wide financial statements, food service and other enterprise fund are reported in greater detail in the proprietary funds statements. The district's enterprise funds showed an increase in net assets of \$1,315.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the school budget. The various reasons for the revision fall into three categories:

- Supplemental appropriations and contingency transfers were approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of the district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns and controlling under spent budgets..
- Supplemental appropriations were approved for supplemental grant revenues received after the original budget was adopted.

CAPITAL ASSET ADMINISTRATION

By the end of 2012, the district had invested \$26,861,863 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.)

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-5
HURON SCHOOL DISTRICT 2-2 - Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities	
	2011	2012	2011	2012
Land	1,161,755	1,111,755	-	-
Other Improvements	10,513	1,554	-	-
Buildings	8,656,217	9,282,042	179	--
Machinery and Equipment	2,367,049	2,201,582	294,416	264,929
Total Capital Assets (Net)	12,195,534	12,596,933	294,595	264,929

This year's capital asset purchases were laptops and building remodeling. The major disposal was the sale of the central administration building.

LONG-TERM DEBT

At year-end, the district had \$6,185,000 in general obligation bonds, capital outlay certificates and other long-term obligations. This is a decrease of 15.33% as shown on Table A-6 below.

**Table A-6
HURON SCHOOL DISTRICT 2-2 - Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2011	2012	2011	2012	2011-2012	2011-2012
	General obligation bonds	1,930,000	1,075,000	-	-	(855,000)
Capital outlay certificates	5,460,000	5,110,000	-	-	(350,000)	-6.41%
Other postemployment benefits	98,037	133,709	-	-	35,672	36.39%
Early Retirement Payable	31,850	35,600	-	-	3,750	11.77%
Compensated absences	106,702	102,187	5,499	5,845	(4,169)	-3.72%
Total Outstanding Debt and Obligations	7,626,589	6,456,496	5,499	5,845	(1,169,747)	-15.33%

The district maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 65% to 80% of their last year's salary in one lump sum. This plan allows the district to reduce the overall program cost by hiring lower paid employees to replace the higher paid employees. The district maintains an OPEB plan that allows eligible retired employees to pay to stay on the health plan with the school district.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The district experienced an increase in total property valuation of about \$74 million or 9.1% from the prior year. With the exception of the general fund, the increase in property valuation allows the district the ability to increase the amount of revenue generated; however the total amount of property taxes, which can be levied, is limited by the State of South Dakota.

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the general fund, one of the primary sources of revenue to the district is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,487 per pupil, a decline of 6.6% from the previous year.

Table A-7, Huron School District ADM

<u>Year</u>	<u>ADM</u>	<u>Percent Increase (Decrease)</u>
2011	2143	1.8%
2012	2215	3.4%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district'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 ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and Cash Equivalents	\$ 6,814,951	\$ 449,524	\$ 7,264,475
Taxes Receivable	4,352,305	-	4,352,305
Inventories	-	28,962	28,962
Other Assets	307,900	39,377	347,277
Capital Assets:			
Land	1,111,755	-	1,111,755
Other Capital Assets, Net of Depreciation	11,485,178	264,929	11,750,107
TOTAL ASSETS	\$ 24,072,089	\$ 782,792	\$ 24,854,881
LIABILITIES:			
Accounts Payable	\$ 511,140	\$ 18,784	\$ 529,924
Deferred Revenue	-	8,054	8,054
Other Current Liabilities	1,342,312	7,509	1,349,821
Noncurrent Liabilities:			
Due Within One Year	1,370,000	5,500	1,375,500
Due in More than One Year	5,050,896	345	5,051,241
TOTAL LIABILITIES	8,274,348	40,192	8,314,540
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	6,411,933	264,929	6,676,862
Restricted for:			
Capital Outlay	892,022	-	892,022
Special Education	1,158,314	-	1,158,314
Debt Services	316,019	-	316,019
Auditorium	10,103	-	10,103
Unrestricted	7,009,350	477,671	7,487,021
TOTAL NET ASSETS	15,797,741	742,600	16,540,341
TOTAL LIABILITIES AND NET ASSETS	\$ 24,072,089	\$ 782,792	\$ 24,854,881

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

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES
		CHARGES FOR SERVICES
Primary Government:		
Governmental Activities:		
Instruction	\$ 10,488,639	\$ -
Support Services	6,601,412	236,568
Community Services	28,645	-
Nonprogrammed Charges	164,177	-
*Interest - on Long-Term Debt	265,095	-
Cocurricular Activities	720,047	104,128
Total Governmental Activities	<u>18,268,015</u>	<u>340,696</u>
Business-Type Activities		
Food Service	1,532,108	716,702
Driver's Ed	21,931	30,990
Total Business-Type Activities	<u>1,554,039</u>	<u>747,692</u>
Total Primary Government	<u>\$ 19,822,054</u>	<u>\$ 1,088,388</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 are an integral part of these financial statements.

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			TOTAL
		GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
\$ 2,169,800	\$ -	\$ (8,318,839)	\$ -	\$	(8,318,839)
894,250	-	(5,470,594)	-		(5,470,594)
-	-	(28,645)	-		(28,645)
-	-	(164,177)	-		(164,177)
-	-	(265,095)	-		(265,095)
-	-	(615,919)	-		(615,919)
3,064,050	-	(14,863,269)	-		(14,863,269)
785,088	-	-	(30,318)		(30,318)
-	-	-	9,059		9,059
785,088	-	-	(21,259)		(21,259)
\$ 3,849,138	\$ -	(14,863,269)	(21,259)		(14,884,528)

GENERAL REVENUES:

Taxes:					
Property Taxes	\$	8,810,792	\$	-	\$ 8,810,792
Gross Receipts Taxes		365,313		-	365,313
Revenue from State Sources:					
State Aid		6,457,706		-	6,457,706
Unrestricted Investment Earnings		128,493		9,408	137,901
Other General Revenues		472,360		55	472,415
Transfers		(13,111)		13,111	-
Total General Revenues and Transfers		16,221,553		22,574	16,244,127
Change in Net Assets		1,358,284		1,315	1,359,599
Net Assets-Beginning		14,439,457		741,285	15,180,742
Net Assets-Ending	\$	15,797,741	\$	742,600	\$ 16,540,341

HURON SCHOOL DISTRICT NO. 2-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL FUND	CAPITAL OUTLAY FUND
ASSETS:		
Cash and Cash Equivalents	\$ 3,981,514	\$ 1,102,348
Taxes Receivable--Current	1,932,953	1,168,167
Taxes Receivable--Delinquent	88,851	35,039
Due From Other Government	251,008	-
Advance Payments	25,000	-
Advance To Other Funds	130,000	-
	\$ 6,409,326	\$ 2,305,554
TOTAL ASSETS		
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 274,165	\$ 210,326
Contracts Payable	851,510	-
Payroll Deductions and Withholding and Employer Matching Payable	253,875	-
Deferred Revenue	2,021,804	1,203,206
Advance From Other Funds	-	-
	3,401,354	1,413,532
Total Liabilities		
Fund Balances:		
Nonspendable		
General Fund	130,000	-
Restricted		
Auditorium	-	-
Capital Outlay	-	892,022
Special Education	-	-
Debt Service	-	-
Unassigned	2,877,972	-
	3,007,972	892,022
Total Fund Balances		
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,409,326	\$ 2,305,554

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

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,329,398	\$ 376,691	\$ 6,789,951
545,108	544,795	4,191,023
15,931	21,461	161,282
56,892	-	307,900
-	-	25,000
-	-	130,000
<u>\$ 1,947,329</u>	<u>\$ 942,947</u>	<u>\$ 11,605,156</u>

\$ 26,649	\$ -	\$ 511,140
155,286	35,600	1,042,396
46,041	-	299,916
561,039	566,256	4,352,305
-	130,000	130,000
<u>789,015</u>	<u>731,856</u>	<u>6,335,757</u>
-	-	130,000
-	10,103	10,103
-	-	892,022
1,158,314	-	1,158,314
-	316,019	316,019
-	(115,031)	2,762,941
<u>1,158,314</u>	<u>211,091</u>	<u>5,269,399</u>
<u>\$ 1,947,329</u>	<u>\$ 942,947</u>	<u>\$ 11,605,156</u>

HURON SCHOOL DISTRICT NO. 2-2
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total Fund Balances - Governmental Funds \$ 5,269,399

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	The cost of capital assets are	\$ 26,274,521	
	Accumulated depreciation is	<u>(13,677,588)</u>	
	Net		12,596,933

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	General obligation 2010 bonds	(1,075,000)	
	Capital outlay certificates 2005	(360,000)	
	Capital outlay certificates 2009A	(135,000)	
	Capital outlay certificates 2009B	(3,475,000)	
	Capital outlay certificates 2012	(1,140,000)	
	Accrued leave payable (vacation)	(102,187)	
	Other postemployment benefits	<u>(133,709)</u>	
	Net		(6,420,896)

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

Taxes Receivable	<u>4,352,305</u>
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Net Assets-Governmental Funds	<u>\$ 15,797,741</u>
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The accompanying notes 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, 2012

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 3,846,395	\$ 2,343,018
Prior Years' Ad Valorem Taxes	41,106	18,304
Tax Deed Revenue	7,276	-
Gross Receipts Taxes	365,313	-
Penalties and Interest on Taxes	12,143	6,185
Revenue from Local Governmental Units Other Than LEAs:		
Revenue In Lieu of Taxes	4,846	-
Tuition and Fees:		
Regular Day School Tuition	38,721	-
Earnings on Investments and Deposits	87,600	12,371
Cocurricular Activities:		
Admissions	79,226	-
Other Pupil Activity Income	20,069	-
Other Revenue from Local Sources:		
Rentals	50,165	-
Contributions and Donations	19,116	-
Charges for Services	114,387	-
Other	145,646	-
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	251,129	-
Revenue in Lieu of Taxes	1,457	1
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	6,457,706	-
Restricted Grants-in-Aid	50,261	-
Tuition:		
Regular	117,945	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	1,616,602	-
Other Federal Revenue	11,801	-
Total Revenue	\$ 13,338,910	\$ 2,379,879

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

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,094,161	\$ 1,128,833	\$ 8,412,407
8,374	13,336	81,120
-	-	7,276
-	-	365,313
2,876	3,232	24,436
-	-	4,846
31,435	-	70,156
21,320	7,202	128,493
-	4,833	84,059
-	-	20,069
-	-	50,165
-	-	19,116
52,025	-	166,412
-	-	145,646
-	-	251,129
-	-	1,458
-	-	6,457,706
726,044	-	776,305
-	-	117,945
541,397	-	2,157,999
-	-	11,801
<u>\$ 2,477,632</u>	<u>\$ 1,157,436</u>	<u>\$ 19,353,857</u>

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	2,696,306	56,738
Middle/Junior High	1,969,085	46,449
High School	2,368,542	87,972
Preschool Services	4,925	-
Special Programs:		
Programs for Special Education	-	2,879
Educationally Deprived	1,101,201	-
Support Services:		
Pupils:		
Attendance and Social Work	98,281	-
Guidance	368,076	-
Health	50,702	-
Psychological	3,534	-
Speech Pathology	-	-
Student Therapy Services	-	-
Support Services - Instructional Staff:		
Improvement of Instruction	402,553	-
Educational Media	461,681	118,425
Support Services - General Administration:		
Board of Education	146,012	-
Executive Administration	310,928	-
Support Services - School Administration:		
Office of the Principal	602,835	-
Other	202,052	5,000
Support Services - Business:		
Fiscal Services	265,558	1,154
Facilities Acquisition and Construction	-	41,598
Operation and Maintenance of Plant	1,791,602	193,502
Pupil Transportation	466,448	-
Food Services	54,925	24,969
Internal Services	47,604	858
Support Services - Central:		
Planning	239	-
Staff	1,298	-

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

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	2,753,044
-	-	2,015,534
-	-	2,456,514
-	-	4,925
1,499,548	-	1,502,427
-	-	1,101,201
20,377	-	118,658
22,853	-	390,929
50,616	-	101,318
42,769	-	46,303
319,114	-	319,114
131,151	-	131,151
18,690	-	421,243
-	-	580,106
-	-	146,012
-	-	310,928
-	-	602,835
-	-	207,052
-	-	266,712
-	4,000	45,598
-	-	1,985,104
-	-	466,448
-	-	79,894
-	-	48,462
-	-	239
-	-	1,298

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Support Services - Special Education:		
Administrative Costs	-	-
Other Special Education Costs	-	-
Community Services:		
Recreation	13,419	-
Nonpublic School	4,776	-
Other	10,450	-
Nonprogrammed Charges:		
Payments to State - Unemployment	646	-
Early Retirement Benefits	-	-
Debt Services	-	1,722,370
Cocurricular Activities:		
Male Activities	248,652	-
Female Activities	218,200	-
Combined Activities	192,635	14,212
Capital Outlay	32,553	1,516,875
Total Expenditures	<u>14,135,718</u>	<u>3,833,001</u>
Excess of Revenue Over (Under) Expenditures	<u>(796,808)</u>	<u>(1,453,122)</u>
Other Financing Sources (Uses):		
Transfers In	40,948	-
Transfers Out	-	(12,371)
Refunding Bonds Issued	-	1,140,000
Premium on Bonds Issued	-	-
Sale of Surplus Property	4,242	238,969
Compensation for Loss of Capital Asset	-	2,892
Payment to Refunded Debt Escrow Agency	-	-
Total Other Financing Sources (Uses)	<u>45,190</u>	<u>1,369,490</u>
Net Change in Fund Balances	(751,618)	(83,632)
Fund Balance - Beginning	3,759,590	975,654
Fund Balance - Ending	<u>\$ 3,007,972</u>	<u>\$ 892,022</u>

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

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
94,486	-	94,486
18,947	-	18,947
-	-	13,419
-	-	4,776
-	-	10,450
-	-	646
-	195,381	195,381
-	887,725	2,610,095
-	-	248,652
-	-	218,200
-	-	206,847
-	-	1,549,428
2,218,551	1,087,106	21,274,376
259,081	70,330	(1,920,519)
-	-	40,948
(21,320)	(7,202)	(40,893)
-	-	1,140,000
-	-	-
-	-	243,211
-	-	2,892
-	-	-
(21,320)	(7,202)	1,386,158
237,761	63,128	(534,361)
920,553	147,963	5,803,760
\$ 1,158,314	\$ 211,091	\$ 5,269,399

HURON SCHOOL DISTRICT NO. 2-2
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds		\$ (534,361)												
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		1,549,428												
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		(926,963)												
In the statement of activities gain and losses (\$27,855) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$243,211 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).		(221,066)												
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">General Obligation Bonds</td> <td style="width: 10%; text-align: right;">855,000</td> <td style="width: 30%;"></td> </tr> <tr> <td>Capital Outlay Certificates</td> <td style="text-align: right;"><u>1,490,000</u></td> <td></td> </tr> <tr> <td>Net</td> <td></td> <td style="text-align: right;">2,345,000</td> </tr> </table>	General Obligation Bonds	855,000		Capital Outlay Certificates	<u>1,490,000</u>		Net		2,345,000				
General Obligation Bonds	855,000													
Capital Outlay Certificates	<u>1,490,000</u>													
Net		2,345,000												
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements	Capital Outlay Certificates	(1,140,000)												
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".		285,553												
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: 60%;">Other postemployment benefits</td> <td style="width: 10%; text-align: right;">(35,672)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">4,515</td> <td></td> </tr> <tr> <td>Early Retirement</td> <td style="text-align: right;"><u>31,850</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>693</u></td> </tr> </table>	Other postemployment benefits	(35,672)		Compensated absences	4,515		Early Retirement	<u>31,850</u>				<u>693</u>	
Other postemployment benefits	(35,672)													
Compensated absences	4,515													
Early Retirement	<u>31,850</u>													
		<u>693</u>												
Change in net assets of governmental activities		<u>\$ 1,358,284</u>												

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

HURON SCHOOL DISTRICT NO. 2-2
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2012

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 67,702	\$ 381,822	\$ 449,524
Due from Other Government	24,728	-	24,728
Inventory of Supplies	7,187	848	8,035
Inventory of Stores Purchased for Resale	17,387	1,938	19,325
Inventory of Donated Food	1,602	-	1,602
Prepaid Expenses	12,348	2,301	14,649
Total Current Assets	<u>130,954</u>	<u>386,909</u>	<u>517,863</u>
Capital Assets:			
Buildings	13,900	-	13,900
Machinery and Equipment--Local Funds	775,481	30,741	806,222
Machinery and Equipment--Federal Assistance	14,491	-	14,491
Less: Accumulated Depreciation	<u>(545,077)</u>	<u>(24,607)</u>	<u>(569,684)</u>
Total Noncurrent Assets	<u>258,795</u>	<u>6,134</u>	<u>264,929</u>
TOTAL ASSETS	<u>\$ 389,749</u>	<u>\$ 393,043</u>	<u>\$ 782,792</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 16,508	\$ 2,276	\$ 18,784
Contract Payable	6,429	-	6,429
Payroll Deductions and Withholdings	1,080	-	1,080
Compensated Absences Payable	-	-	-
Deferred Revenue	<u>8,054</u>	<u>-</u>	<u>8,054</u>
Total Current Liabilities	<u>32,071</u>	<u>2,276</u>	<u>34,347</u>
Noncurrent Liabilities:			
Accrued Leave Payable	<u>5,845</u>	<u>-</u>	<u>5,845</u>
Total Noncurrent Liabilities	<u>5,845</u>	<u>-</u>	<u>5,845</u>
NET ASSETS:			
Invested in Capital Assets	258,795	6,134	264,929
Unrestricted Net Assets	<u>93,038</u>	<u>384,633</u>	<u>477,671</u>
Total Net Assets	<u>351,833</u>	<u>390,767</u>	<u>742,600</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 389,749</u>	<u>\$ 393,043</u>	<u>\$ 782,792</u>

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

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTAL
Operating Revenue:			
Sales:			
To Pupils	\$ 401,235	\$ 156,543	\$ 557,778
To Adults	23,058	-	23,058
A la Carte	110,979	-	110,979
Other	23,666	32,211	55,877
Total Operating Revenue	<u>558,938</u>	<u>188,754</u>	<u>747,692</u>
Operating Expenses:			
Food Service:			
Salaries	579,257	53,228	632,485
Employee Benefits	145,604	6,361	151,965
Purchased Services	23,937	1,431	25,368
Supplies	1,517	5,179	6,696
Cost of Sales - Purchased Food	570,303	54,309	624,612
Cost of Sales - Donated Food	70,081	-	70,081
Depreciation - Local Funds	41,767	1,065	42,832
Total Operating Expenses	<u>1,432,466</u>	<u>121,573</u>	<u>1,554,039</u>
Operating Income (Loss)	<u>(873,528)</u>	<u>67,181</u>	<u>(806,347)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	2,401	7,007	9,408
State Sources:			
Cash Reimbursements	8,642	-	8,642
Federal Sources:			
Cash Reimbursements	716,854	-	716,854
Donated Food	59,592	-	59,592
Gain on Sale of Capital Assets	55	-	55
Total Nonoperating Revenue (Expense)	<u>787,544</u>	<u>7,007</u>	<u>794,551</u>
Income (Loss) Before Contributions and Transfers	<u>(85,984)</u>	<u>74,188</u>	<u>(11,796)</u>
Capital Contributions	13,166	-	13,166
Transfers out	(55)	-	(55)
Change in Net Assets	<u>(72,873)</u>	<u>74,188</u>	<u>1,315</u>
Net Assets - Beginning	<u>424,706</u>	<u>316,579</u>	<u>741,285</u>
Net Assets - Ending	<u>\$ 351,833</u>	<u>\$ 390,767</u>	<u>\$ 742,600</u>

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

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTALS
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 559,351	\$ 188,754	\$ 748,105
Cash payments to suppliers	(567,690)	(60,868)	(628,558)
Cash payments to employees	(724,696)	(55,523)	(780,219)
Net Cash Provided (Used) by Operating Activities	(733,035)	72,363	(660,672)
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements - State	8,642	-	8,642
Cash Reimbursements - Federal	717,448	-	717,448
Transfers to General Fund	(55)	-	(55)
Net Cash Provided by Noncapital Financing Activities	726,035	-	726,035
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Sale of Fixed Assets	55	-	55
Net Cash Provided (Used) by Capital and Related Financing Activities	55	-	55
Cash Flows from Investing Activities:			
Interest Earnings	2,401	7,007	9,408
Net Cash Provided by Investing Activities	2,401	7,007	9,408
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,544)	\$ 79,370	\$ 74,826
Cash and Cash Equivalents at Beginning of Year	\$ 72,246	\$ 302,452	\$ 374,698
Cash and Cash Equivalents at End of Year	67,702	381,822	449,524
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,544)	\$ 79,370	\$ 74,826

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

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

	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)	\$ (873,528)	\$ 67,181	\$ (806,347)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	41,767	1,065	42,832
Noncash Cost of Sales - Commodities	70,081	-	70,081
Change in Assets and Liabilities:			
Inventories	(848)	518	(330)
Prepaid Expenses	21,905	(467)	21,438
Accounts and Other Payables	7,010	4,066	11,076
Accrued Wages Payable	165	-	165
Deferred Revenues	413	-	413
Net Cash Provided (Used) by Operating Activities	<u>\$ (733,035)</u>	<u>\$ 72,363</u>	<u>\$ (660,672)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	<u>\$ 59,592</u>	<u>\$ -</u>	<u>\$ 59,592</u>
Capital Assets Purchased by the Capital Outlay Fund	<u>\$ 13,166</u>	<u>\$ -</u>	<u>\$ 13,166</u>

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

HURON SCHOOL DISTRICT NO. 2-2
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and Cash Equivalents	\$ 180,771	\$ 138,798
TOTAL ASSETS	\$ 180,771	\$ 138,798
LIABILITIES:		
Amounts Held for Others	\$ -	\$ 138,798
TOTAL	-	138,798
NET ASSETS		
Held in Trust for School Scholarship	180,771	-
TOTAL LIABILITIES AND NET ASSETS	\$ 180,771	\$ 138,798

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

HURON SCHOOL DISTRICT NO.2-2
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	PRIVATE-PURPOSE TRUST FUNDS
ADDITIONS:	
Contributions and Donations	\$ 20,175
Other Additions	2,694
Total Additions	22,869
DEDUCTIONS:	
Trust Deductions for Scholarships	15,764
Total Deductions	15,764
Change in Net Assets	7,105
NET ASSETS - BEGINNING	173,666
NET ASSETS - ENDING	\$ 180,771

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 Assets and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

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.

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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Proprietary Funds:

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

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

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

Fiduciary Funds:

Fiduciary Funds 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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

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

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

Basis of Accounting:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets 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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

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.

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

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.

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

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.

Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total June 30, 2012 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, 2011 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 Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	--	--
Land Improvements	\$ 1,000	Straight-line	20 yrs.
Buildings	\$ 50,000	Straight-line	50 yrs.
Machinery and Equipment	\$ 1,000	straight-line	4-20 yrs.

Land, an inexhaustible capital asset, is not depreciated.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

e. Capital Assets: (cont'd)

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, and 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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

g. Program Revenues: (cont'd)

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:

3. 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.
4. 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.
5. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

i. Equity Classifications:

Government-Wide Financial Statements: Equity is classified as net assets and is displayed in three components:

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

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 assets held in trust for other purposes.

j. Application of Net Assets:

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

2. DEFICIT FUND BALANCES:

As of June 30, 2012, the following non-major fund had a deficit fund balance in the amount shown:

Pension Fund	\$(115,031)
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Management's plan is to contribute cash to the Pension Fund as needed to make the fund cash flow.

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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

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, 2012, 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, 2012, 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.

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.

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

5. RECIEVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$332,628 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, 2012, for the governmental funds.

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2012 is as follows:

Primary Government

	<u>Balance</u> <u>7/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>
Land	\$ 1,161,755	\$ --	\$ 50,000	\$ 1,111,755
Capital assets, being depreciated:				
Buildings	15,565,332	1,051,758	200,000	16,417,090
Improvements other than Buildings	2,967,300	--	--	2,967,300
Machinery and Equipment	5,601,489	497,670	320,783	5,778,376
Totals	<u>24,134,121</u>	<u>1,549,428</u>	<u>520,783</u>	<u>25,162,766</u>

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

7. CHANGES IN CAPITAL ASSETS: (CONT'D)

	<u>Balance</u> <u>7/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>
Less accumulated depreciation for:				
Buildings	6,909,115	275,933	50,000	7,135,048
Improvements other than buildings	2,956,787	8,959	--	2,965,746
Machinery and Equipment	<u>3,234,440</u>	<u>642,071</u>	<u>299,717</u>	<u>3,576,794</u>
Total accumulated depreciation	<u>13,100,342</u>	<u>926,963</u>	<u>349,717</u>	<u>13,677,588</u>
Total capital assets, being depreciated, net	<u>11,033,779</u>	<u>622,465</u>	<u>171,066</u>	<u>11,485,178</u>
Governmental activity capital assets, net	<u>\$ 12,195,534</u>	<u>\$ 622,465</u>	<u>\$ 221,066</u>	<u>\$ 12,596,933</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 648,874
Support Services	231,741
Co curricular activities	46,348
Total depreciation expense-governmental activities	<u>\$ 926,963</u>

Business-type activities:

Capital assets, being depreciated:

Buildings	\$ 13,900	\$ --	\$ --	13,900
Machinery and Equipment	<u>809,679</u>	<u>13,166</u>	<u>2,132</u>	<u>820,713</u>
Totals	<u>823,579</u>	<u>13,166</u>	<u>2,132</u>	<u>834,613</u>

Less accumulated depreciation for:

Buildings	13,721	1,179	--	13,900
Machinery and Equipment	<u>515,263</u>	<u>42,653</u>	<u>2,132</u>	<u>555,784</u>
Total accumulated depreciation	<u>528,984</u>	<u>42,832</u>	<u>--</u>	<u>569,684</u>
Business-type activity capital assets, net	<u>\$ 294,595</u>	<u>\$ (29,665)</u>	<u>\$ --</u>	<u>\$ 264,929</u>

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

7. CHANGES IN CAPITAL ASSETS: (CONT'D)

Depreciation expenses was charged to functions as follows:

Business-type activities:

Food Service	\$ 41,767
Other Enterprise Funds	<u>1,065</u>
Total depreciation expense business-type activities	<u>\$ 42,832</u>

8. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	<u>7/01/11</u>	<u>Balance Increases</u>	<u>Decreases</u>	<u>Balance 6/30/12</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 1,930,000	\$ --	\$ 855,000	\$ 1,075,000	\$ 875,000
Capital Outlay Certificates -Series 2005	1,690,000	--	1,330,000	360,000	235,000
Capital Outlay Certificates -Series 2009A	295,000	--	160,000	135,000	135,000
Capital Outlay Certificates -Series 2009B	3,475,000	--	--	3,475,000	25,000
Capital Outlay Certificates -Series 2012	--	1,140,000	--	1,140,000	--
Compensated Absences	106,702	134,622	139,137	102,187	100,000
Early Retirement Payable	<u>31,850</u>	<u>35,600</u>	<u>31,850</u>	<u>35,600</u>	<u>35,600</u>
Governmental activities long-term liabilities	<u>\$ 7,528,552</u>	<u>\$ 1,310,222</u>	<u>\$ 2,515,987</u>	<u>\$ 6,322,787</u>	<u>\$ 1,405,600</u>

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

8. LONG-TERM LIABILITIES: (CONT'D)

	7/01/11	Balance Increases	Decreases	Balance 6/30/12	Amount Due Within One Year
Business-Type Activities					
Compensated Absences	\$ 5,499	\$ 6,126	\$ 5,780	\$ 5,845	\$ 5,500

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.

During fiscal year 2012 the School District issued \$ 1,140,000 in Limited Tax General Obligation Refunding Certificates, Series 2012 with an average interest rate of 0.4% to 1.0% to refund the following:

<u>Year</u> <u>Issued</u>	<u>Project</u>	<u>Average</u> <u>Interest</u> <u>Rate</u>	<u>Unpaid Principal</u> <u>at time of</u> <u>Refunding</u>
2005	Remodel of Arena	2.51%	1,100,000

The School District refunded the debt to reduce its total debt service payments over the next 7 years by \$ 28,718 and obtain an economic gain of \$43,190.

The entire proceeds of the refunding issue in the amount of \$ 1,107,511 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the school district.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

8. LONG-TERM LIABILITIES: (CONT'D)

Debt Payable at June 30, 2012 is comprised of the following:

General Obligation Bonds:

The School District issued \$2,785,000 of General Obligation Refunding Bonds, Series 2010

The bonds are payable on June 4, 2010

through December 15, 2013 with fixed interest rates from 1.0% to 2.0% that vary depending on the term of maturity.

The Bond Redemption Fund makes payment on this debt.

\$ 1,075,000

Capital Outlay Certificates:

The School District issued \$2,150,000 of Capital Outlay Refunding Certificates, Series 2005 on July 15, 2005

The certificates are payable from August 1, 2006

through February 1, 2018 with fixed interest rates from 3.75% to 4.0% that vary depending on the term of maturity.

The Capital Outlay Fund makes payment on this debt.

\$ 360,000

Capital Outlay Certificates

The School District issued \$615,000 of Capital Outlay Limited Tax General Obligation Outlay Certificates,

Series 2009 A on June 25, 2009, The Certificates

are payable December 1, 2009 through June 1, 2013

with fixed interest rates from 1.4% to 2.5%

that vary depending on the term of maturity.

The Capital Outlay Fund makes payment on this debt.

\$ 135,000

Capital Outlay Certificates

The School District issued \$3,475,000 of Capital Outlay

Limited Tax General Obligation Outlay Certificates,

Series 2009 B 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.

\$ 3,475,000

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

8. LONG-TERM LIABILITIES: (CONT'D)

Capital Outlay Certificates:

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 payment on this debt.

\$ 1,140,000

Compensated Absences

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

\$ 108,032

Early Retirement Payable

Payments to be made to employees who elected early Retirement; Payments being made by the Pension Fund.

\$ 35,600

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.

\$ 133,709

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

8. LONG-TERM LIABILITIES: (CONT'D)

The annual requirements to amortize the general obligation bonds, capital outlay certificates and early retirement benefits outstanding at June 30, 2012, are as follows:

	General Obligation Bonds		Capital Outlay - Series 2005 Certificates	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	875,000	17,150	235,000	51,811
2014	200,000	2,000	125,000	22,872
	<u>\$ 1,075,000</u>	<u>\$ 19,150</u>	<u>\$ 360,000</u>	<u>\$ 74,683</u>

	Capital Outlay - Series 2009A Certificates		Capital Outlay - Series 2012 Certificates	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	135,000	2,375	--	6,399
2014	--	--	140,000	8,377
2015	--	--	280,000	7,537
2016	--	--	285,000	5,892
2017	--	--	290,000	3,625
2018	--	--	145,000	725
	<u>\$ 135,000</u>	<u>\$ 2,375</u>	<u>\$ 1,140,000</u>	<u>\$ 32,555</u>

Capital Outlay - Series 2009B Certificates			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	25,000	130,106	1,477,841
2014	165,000	128,497	791,746
2015	170,000	124,031	581,568
2016	175,000	119,086	584,978
2017	180,000	113,605	587,230
2018-2022	995,000	470,907	1,611,632
2023-2027	1,205,000	260,693	1,465,693
2028-2029	560,000	29,892	589,892
	<u>\$ 3,475,000</u>	<u>\$ 1,376,817</u>	<u>\$ 7,690,580</u>

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

9. INTERFUND BALANCES AND TRANSACTIONS:

Interfund receivable and payable balances at June 30, 2012 consist of the following for loans for operations:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 130,000	\$ --
Pension Fund	\$ --	\$ 130,000

10. RESTRICTED NET ASSETS:

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 892,022
Special Education	Law	1,158,314
Debt Services	Debt Covenants	316,019
Auditorium	Law	<u>10,103</u>
Total Restricted Net Assets		<u>\$ 2,376,458</u>

11. INTERFUND TRANSFERS:

Transfers to/from other funds at June 30, 2012, consist of the following:

\$ 13,166	Transfers from Capital Outlay fund to Food Service Fund of donated capital assets.
55	Transfers from Food Service for donated capital assets sold.
40,893	Transfers from the other governmental funds to the General Fund for income earned on deposits.
<u>\$ 54,114</u>	

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

12. RETIREMENT PLAN:

All employees, except for board members and employees that work less than 20 hours per week, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary.

State statute also requires the employer to contribute an amount equal to the employee's contribution and to also 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 fiscal years ended June 30, 2012, 2011 and 2010 were \$647,200, \$631,347, and \$618,222 (employer's share) respectively, equal to the required contributions each year.

13. 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, 2012, 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.

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, 2012, claims of \$646 for unemployment benefits were paid.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

13. RISK MANAGEMENT: (CONT'D)

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.

14. OTHER POSTEMPLOYMENT BENEFITS

The Huron School District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, for the fiscal year ended June 30, 2012. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees in the financial statements.

Plan description

The Huron School District 2-2 Other Postemployment Benefits Plan is a single employer defined benefit OPEB plan. The district provides medical, prescription drug, and dental benefits (healthcare benefits) to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16 and 13-10-3. As the valuation of July 1, 2012, there were 108 active and 23 retirees covered by the plan.

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 employees monthly contributions are based on 100% of the full active employee premium rate plus a \$5.00 monthly fee.

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

14. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

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 components of the District's annual OPEB costs for the year ended June 30, 2012, changes in the District's net OPEB obligation, and the percentage of the annual OPEB cost contributed to the plan.

	Governmental Activities
Annual required contribution	\$ 140,090
Interest on net OPEB obligation	4,118
Adjustment to Annual Required Contribution	5,808
Annual OPEB cost (expense)	138,400
Contributions made	(102,728)
Increase in net OPEB obligation	35,672
OPEB obligation - beginning	98,037
OPEB obligation - ending	\$ 133,709

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

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/09	\$121,773	47.9%	\$ 63,467
12/31/10	\$121,773	71.6%	\$ 98,037
11/30/12	\$138,400	74.2%	\$133,709

Funded Status

As of July 1, 2011 the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the District's unfunded actuarial accrued liability (UAAL) was \$1,559,173. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2011-2012 fiscal year was \$4,844,183 for a ratio of the UAAL to covered payroll of 32.2%.

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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

14. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

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 of 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, 2011 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 7% initially, reduced by decrements to an ultimate ratio of 5% after 6 years. 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.

15. 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 2012 three retiring employees received benefits. The amount paid for such benefits during the year was \$195,201.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 3,740,000	\$ 3,740,000
Prior Years' Ad Valorem Taxes	25,000	25,000
Tax Deed Revenue	3,000	3,000
Gross Receipts Taxes	210,000	210,000
Penalties and Interest on Taxes	12,000	12,000
Revenue from Local Governmental Units Other Than LEAs:		
Revenue in Lieu of Taxes	5,000	5,000
Tuition and Fees:		
Regular Day School Tuition	75,000	75,000
Earnings on Investments and Deposits	80,000	80,000
Cocurricular Activities:		
Admissions	68,000	68,000
Other Pupil Activity Income	17,000	17,000
Other Revenue from Local Sources:		
Rentals	40,000	40,000
Contributions and Donations	7,000	7,000
Charges for Services	120,000	120,000
Other	233,000	233,000
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	200,000	200,000
Revenue in Lieu of Taxes	3,000	3,000
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	6,125,000	6,125,000
Restricted Grants-in-Aid	-	-
Tuition:		
Regular	125,000	125,000
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	1,434,000	1,434,000
Other Federal Revenue	15,000	15,000
Total Revenue	12,537,000	12,537,000

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
-------------------------------------	---

\$	3,846,395	\$	106,395
	41,106		16,106
	7,276		4,276
	365,313		155,313
	12,143		143
	4,846		(154)
	38,721		(36,279)
	87,600		7,600
	79,226		11,226
	20,069		3,069
	50,165		10,165
	19,116		12,116
	114,387		(5,613)
	145,646		(87,354)
	251,129		51,129
	1,457		(1,543)
	6,457,706		332,706
	50,261		50,261
	117,945		(7,055)
	1,616,602		182,602
	11,801		(3,199)
	<u>13,338,910</u>		<u>801,910</u>

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	2,719,340	2,749,340
Middle/Junior High	1,911,080	1,975,080
High School	2,332,035	2,393,035
Preschool Services	-	5,000
Special Programs:		
Educationally Deprived	1,160,000	1,160,000
Support Services:		
Pupils:		
Attendance and Social Work	-	100,000
Guidance	366,400	372,400
Health	51,940	51,940
Psychological	5,000	5,000
Support Services - Instructional Staff:		
Improvement of Instruction	372,055	432,055
Educational Media	505,275	516,275
Support Services - General Administration:		
Board of Education	159,020	161,020
Executive Administration	197,600	311,600
Support Services - School Administration:		
Office of the Principal	553,300	603,300
Other	206,800	206,800
Support Services - Business:		
Fiscal Services	273,200	273,200
Operation and Maintenance of Plant	1,709,970	1,792,970
Pupil Transportation	456,800	475,800
Food Services	-	55,000
Internal Services	35,800	48,800
Support Services - Central:		
Planning	-	1,000
Staff	5,000	5,000
Community Services:		
Recreation	13,500	13,500
Custody and Care of Children		
Nonpublic School	-	5,000
Other	-	11,000
Nonprogrammed Charges:		
Payments to State - Unemployment	5,000	5,000

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
-------------------------------------	---

2,696,306	53,034
1,969,085	5,995
2,391,296	1,739
4,925	75
1,111,000	49,000
98,281	1,719
368,076	4,324
50,702	1,238
3,534	1,466
402,553	29,502
461,681	54,594
146,012	15,008
310,928	672
602,835	465
202,052	4,748
265,558	7,642
1,791,602	1,368
466,448	9,352
54,925	75
47,604	1,196
239	761
1,298	3,702
13,419	81
-	-
4,776	224
10,450	550
646	4,354

REQUIRED SUPPLEMENTARY INFORMATION
 HURON SCHOOL DISTRICT NO. 2-2
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Cocurricular Activities:		
Male Activities	244,375	253,375
Female Activities	225,490	226,490
Combined Activities	206,020	207,020
Contingencies	100,000	100,000
Amount Transferred (Enter as Negative)	-	(100,000)
Total Expenditures	13,815,000	14,416,000
Excess of Revenue Over (Under) Expenditures	(1,278,000)	(1,879,000)
Other Financing Sources:		
Transfers In	25,000	25,000
Sale of Surplus Property	15,000	15,000
Total Other Financing Sources	40,000	40,000
Net Change in Fund Balances	(1,238,000)	(1,839,000)
Fund Balance - Beginning	3,759,590	3,759,590
Fund Balance - Ending	\$ 2,521,590	\$ 1,920,590

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
248,652	4,723
218,200	8,290
192,635	14,385
-	100,000
-	(100,000)
<hr/> 14,135,718	<hr/> 280,282
<hr/> (796,808)	<hr/> 1,082,192
40,948	15,948
4,242	(10,758)
<hr/> 45,190	<hr/> 5,190
(751,618)	1,087,382
<hr/> 3,759,590	<hr/> -
<hr/> \$ 3,007,972	<hr/> \$ 1,087,382

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 2,195,000	\$ 2,195,000
Prior Years' Ad Valorem Taxes	20,000	20,000
Penalties and Interest on Taxes	5,000	5,000
Earnings on Investments and Deposits	-	-
Revenue from Intermediate Sources:		
Revenue in Lieu of Taxes	-	-
Total Revenue	2,220,000	2,220,000
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	92,000	92,000
Middle/Junior High	82,000	82,000
High School	273,000	273,000
Special Programs:		
Programs for Special Education	4,000	4,000
Support Services - Instructional Staff:		
Improvement of Institution	2,000	2,000
Educational Media	133,000	133,000
Support Services - General Administration:		
Board of Education	5,000	5,000
Executive Administration	2,000	2,000
Support Services - School Administration:		
Other	5,000	5,000
Support Services - Business:		
Fiscal Services	5,000	5,000
Facilities Acquisition and Construction	1,200,000	1,200,000
Operation and Maintenance of Plant	238,000	238,000
Pupil Transportation	102,000	102,000
Food Services	25,000	25,000
Internal Services	15,000	15,000
Debt Services	588,000	1,725,000
Cocurricular Activities:		
Combined Activities	49,000	49,000
Total Expenditures	2,820,000	3,957,000
Excess of Revenue Over (Under) Expenditures	(600,000)	(1,737,000)

		VARIANCE WITH	
ACTUAL AMOUNTS		FINAL BUDGET -	
(BUDGETARY BASIS)		POSITIVE (NEGATIVE)	

\$	2,343,018	\$	148,018
	18,304		(1,696)
	6,185		1,185
	12,371		12,371
	1		1
	<u>2,379,879</u>		<u>159,879</u>
	85,505		6,495
	78,853		3,147
	272,769		231
	2,879		1,121
	1,190		810
	132,405		595
	4,658		342
	2,000		-
	5,000		-
	4,830		170
	1,093,356		106,644
	238,000		-
	102,000		-
	24,969		31
	15,000		-
	1,722,370		2,630
	<u>47,217</u>		<u>1,783</u>
	<u>3,833,001</u>		<u>123,999</u>
	<u>(1,453,122)</u>		<u>283,878</u>

REQUIRED SUPPLEMENTARY INFORMATION
 HURON SCHOOL DISTRICT NO. 2-2
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL OUTLAY FUND - BUDGETARY BASIS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Other Financing Sources:		
Transfers Out	-	-
Refunding Bonds Issued	-	-
Sale of Surplus Property	-	-
Compensation for Loss of General Capital Assets	-	-
Total Other Financing Sources	-	-
Net Change in Fund Balances	(600,000)	(1,737,000)
Fund Balance - Beginning	975,654	975,654
Fund Balance - Ending	\$ 375,654	\$ (761,346)

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
(12,371)	(12,371)
1,140,000	1,140,000
238,969	238,969
2,892	2,892
<u>1,369,490</u>	<u>1,369,490</u>
(83,632)	1,653,368
<u>975,654</u>	<u>-</u>
<u>\$ 892,022</u>	<u>\$ 1,653,368</u>

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 1,057,000	\$ 1,057,000
Prior Years' Ad Valorem Taxes	5,000	5,000
Penalties and Interest on Taxes	2,000	2,000
Tuition and Fees:		
Regular Day School Tuition	30,000	30,000
Earnings on Investments and Deposits		
	-	-
Other Revenue from Local Sources:		
Charges for Services	40,000	40,000
Other	2,000	2,000
Revenue from State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	994,000	994,000
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	556,000	556,000
Total Revenue	2,686,000	2,686,000

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
-------------------------------------	--

\$	1,094,161	\$	37,161
	8,374		3,374
	2,876		876
	31,435		1,435
	21,320		21,320
	52,025		12,025
	-		(2,000)
	726,044		(267,956)
	541,397		(14,603)
	<u>2,477,632</u>		<u>(208,368)</u>

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Instruction:		
Special Programs:		
Programs for Special Education	1,727,000	1,729,000
Support Services:		
Pupils:		
Attendance and Social Work	29,400	29,400
Guidance	23,500	23,500
Health	53,100	53,100
Psychological	93,600	93,600
Speech Pathology	337,300	337,300
Student Therapy Services	128,250	133,250
Support Services - Instructional Staff:		
Improvement of Instruction	27,800	27,800
Support Services - School Administration:		
Office of Principal	141,750	141,750
Support Services - Business:		
Pupil Transportation	26,300.00	26,300.00
Support Services - Special Education:		
Administrative Costs	-	-
Other Special Education Costs	-	-
Total Expenditures	2,588,000	2,595,000
Excess of Revenue Over (Under) Expenditures	98,000	91,000
Other Financing Uses:		
Transfers Out	-	-
Total Other Financing Uses	-	-
Net Change in Fund Balances	98,000	91,000
Fund Balance - Beginning	920,553	920,553
Fund Balance - Ending	\$ 1,018,553	\$ 1,011,553

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
-------------------------------------	--

1,499,548	229,452
20,377	9,023
22,853	647
50,616	2,484
42,769	50,831
319,114	18,186
131,151	2,099
18,690	9,110
-	141,750
-	26,300
94,486	(94,486)
18,947	(18,947)
<u>2,218,551</u>	<u>376,449</u>
<u>259,081</u>	<u>168,081</u>
<u>(21,320)</u>	<u>(21,320)</u>
<u>(21,320)</u>	<u>(21,320)</u>
237,761	146,761
920,553	-
<u>\$ 1,158,314</u>	<u>\$ 146,761</u>

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

- 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, 2012.

- 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).

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT 2-2
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2012

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%

Only one year of the three year trend will be completed in the first year of presenting this schedule.

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2012
US Department of Agriculture:		
Pass-Through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 71,046
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	161,015
National School Lunch Program (Note 2)	10.555	525,293
Summer Food Service Program for Children	10.559	<u>30,546</u>
Total for Child Nutrition Cluster		<u>787,900</u>
Fresh Fruit and Vegetable Program	10.582	<u>55,878</u>
Total US Department of Agriculture		<u>843,778</u>
US Department of the Interior:		
Pass-Through Beadle and Jerauld Counties:		
Payments in Lieu of Taxes (Note 2)	15.226	<u>1,458</u>
Total US Department of the Interior		<u>1,458</u>
General Services Administration:		
Pass-Through the SD Federal Property Agency:		
Donation of Federal Surplus Personal Property (Note 3)	39.003	<u>354</u>
Total General Services Administration		<u>354</u>
US Department of Education:		
Pass-Through the SD Department of Education:		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	<u>766,993</u>
Total for Title I, Part A Cluster		<u>766,993</u>
Pass-Through the S.D. Department of Education:		
Special Education - Grants to States (Note 2)	84.027	532,118
Special Education - Preschool Grants	84.173	<u>9,532</u>
Total for Special Education Cluster		<u>541,650</u>

HURON SCHOOL DISTRICT NO. 2-2
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2011
Pass-Through the S.D. Department of Education:		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants to States (Note 2)	84.181	4,347
Total for Early Intervention Services (IDEA) Cluster		4,347
School Improvement Grants Cluster:		
School Improvements Grants	84.377	180,320
Total for School Improvement Grant Cluster		180,320
Migrant Education - State Grant Program	84.011	338,671
Career and Technical Education	84.048	27,864
English Language Acquisition Grants (Title III)	84.365	61,800
Improving Teacher Quality State Grants	84.367	172,859
Education Jobs Fund	84.410	7,617
Total U.S. Department of Education		2,102,121
GRAND TOTAL		\$ 2,947,711

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.).