

HURON SCHOOL DISTRICT NO. 2-2

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2014

HARRINGTON & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANT

HURON SCHOOL DISTRICT NO. 2-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

Board Members:

Tim Van Berkum - President
David Wheeler - Vice President
Garret Bishoff
Sherman Gose
John Halbkat, III

Superintendent:

Terry Nebelsick

Business Manager:

Kelly Christopherson

HURON SCHOOL DISTRICT NO. 2-2
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huron School District No. 2-2, South Dakota, as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huron School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hamington & Associates, Ltd.

Huron, South Dakota
November 14, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited Huron School District No. 2-2's, Beadle County, South Dakota compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Huron School District's major federal programs for the year ended June 30, 2014. Huron School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Huron School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Huron School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Huron School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Harrington & Associates, Ltd.
Huron, South Dakota
November 14, 2014

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

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

Federal Awards

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

Child Nutrition Cluster
English Language Acquisition State Grants CFDA 84.365
Improving Teacher Quality State Grants CFDA 84.367

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

Current Federal Audit Findings:

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

Current Other Audit Findings:

There are no written current other audit findings to report.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2, Huron, South Dakota, as of June 30, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Huron School District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, and the Schedule of Funding Progress on pages 10 through 19, 59 through 65, and page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron School District's financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Harrington & Associates, Ltd.
Huron, South Dakota
November 14, 2014

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, 2014. Please read it in conjunction with the district's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The district's net position from governmental and business-type activities decreased by \$ 954,586 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 \$ 1,044,782 less than the \$ 24,250,513 governmental and business-type program expenditures.
- The district reduced its outstanding long-term debt \$ 775,390 and issued \$ 1,945,000 in general obligations certificates to finance elementary school expansion and renovation, entered into a capital lease for ipads, and accepted a REED loan.

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

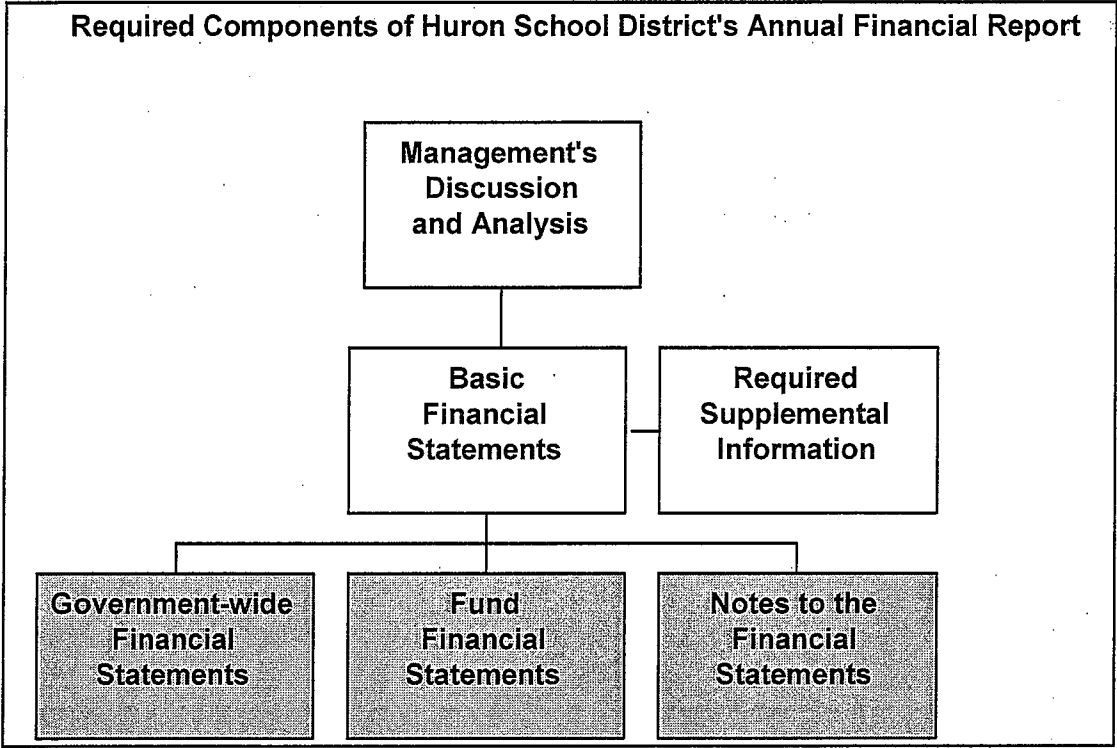


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents 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	Fund Statements		
	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 position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Balance sheet *Statement of revenues, expenses and changes in net position *Statement of cash flows	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, 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 position and how they have changed. Net position – 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 position 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, concessions, and driver's education 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 position changed as follows:

**Table A-1
Huron School District 2-2**

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and Other Assets	33,487,571	29,705,334	575,057	678,461	34,062,628	30,383,795
Capital Assets	13,253,531	19,687,457	244,934	210,022	13,498,465	19,897,479
Total Assets	46,741,102	49,392,791	819,991	888,483	47,561,093	50,281,274
Long-Term Debt Outstanding	25,380,880	29,404,458	6,322	6,233	25,387,202	29,410,691
Other Liabilities	8,638,284	3,081,435	53,545	22,091	8,691,829	3,103,526
Total Liabilities	34,019,164	32,485,893	59,867	28,324	34,079,031	32,514,217
Deferred Inflows of Resources	-	5,229,742	-	9,839	-	5,239,581
Net Position:						
Invested in Capital Assets	(11,856,469)	(9,216,567)	244,934	210,022	(11,611,535)	(9,006,545)
Restricted	21,527,458	18,074,450	-	-	21,527,458	18,074,450
Unrestricted	3,050,949	2,819,273	515,190	640,298	3,566,139	3,459,571
Total Net Position	12,721,938	11,677,156	760,124	850,320	13,482,062	12,527,476
Beginning Net Position	11,606,718	1,115,220	742,600	760,124	12,349,318	13,482,062
Increase (Decrease) in Net Position	1,115,220	10,561,936	17,524	90,196	1,132,744	(954,586)
Percentage of Increase in Net Position	9.61%	947.07%	2.36%	11.87%	9.17%	-7.08%

The Statement of Net Position 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 Position. The difference between the district's assets and liabilities is its net position.

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

Changes in Net Assets

The district's total governmental revenues (excluding special items and transfers) totaled \$ 21,692,851. (See Table A-4.) Approximately 49.3% of the district's revenue comes from property and other taxes, with another 32.0% from state aid. (See Table A-2).

**Table A-2, Huron School District 2-2, Sources of Revenue
Fiscal Year 2013-2014**

Taxes	49.3%
State Sources	32.0%
Operating Grants and Contributions	13.5%
Charges for Services	2.3%
Other General Revenues	2.6%
Unrestricted Investment Earnings	0.3%

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

**Table A-3, Huron School District 2-2, Expenses
Fiscal Year 2013-2014**

Instruction	55.7%
Support Services	38.6%
Co-curricular Activities	3.3%
Debt Service	0.8%
Nonprogrammed charges	1.1%
Community Services	0.5%

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

**HURON SCHOOL DISTRICT 2-2
Changes in Net Position:**

	Total Governmental Activities		Total Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
	Revenues					
Program Revenues						
Charges for Services	\$ 458,972	\$ 496,236	\$ 656,603	\$ 681,064	\$ 1,115,575	\$ 1,177,300
Operating Grants and Contributions	3,128,509	2,929,570	831,304	918,915	3,959,813	3,848,485
General Revenues						
Taxes	9,934,860	10,689,342	-	-	9,934,860	10,689,342
Revenue State Sources	6,681,439	6,950,384	8,899	-	6,690,338	6,950,384
Other General Revenues	558,684	556,981	-	-	558,684	556,981
Unrestricted Investment Earnings	31,386	70,338	2,738	3,097	34,124	73,435
Total Revenues	20,793,850	21,692,851	1,499,544	1,603,076	22,293,394	23,295,927
Expenses						
Instruction	\$ 11,393,935	\$ 12,650,621	\$ -	\$ -	\$ 11,393,935	\$ 12,650,621
Support Services	6,889,313	8,771,747	-	-	6,889,313	8,771,747
Nonprogrammed Charges	250,913	239,483	-	-	250,913	239,483
Debt Service	342,512	186,109	-	-	342,512	186,109
Cocurricular Activities	755,344	751,942	-	-	755,344	751,942
Food Service/Concessions	-	-	1,495,219	1,519,137	1,495,219	1,519,137
Community Services	33,414	131,474	0	0	33,414	131,474
Total Expenses	19,665,431	22,731,376	1,495,219	1,519,137	21,160,650	24,250,513
Excess (Deficiency) Before Special Items and Transfers	1,128,419	(1,038,525)	4,325	83,939	1,132,744	(954,586)
Transfers	(13,199)	(6,257)	13,199	6,257	-	-
Increase (Decrease) in Net Position	\$ 1,115,220	\$ (1,044,782)	\$ 17,524	\$ 90,196	\$ 1,132,744	\$ (954,586)

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

Revenues for the School's governmental activities increased 4.3% while expenses for governmental activities increased by 15.6%.

BUSINESS-TYPE ACTIVITIES

Revenues of the district's business-type activities remained relatively the same. The food service and other enterprise fund operation exceeded revenues by approximately \$ 83,939 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 \$ 21,322,266, a decrease of 19%. This large decrease is due to the construction in progress on the elementaries.

The capital outlay fund balance did have a significant increase of \$ 1,862,305 mainly due the issuance of general obligation certificates to be used for elementary construction.

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 2014, the district had invested \$ 19,687,457 (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	
	2013	2014	2013	2014
Land	1,111,755	1,111,755	-	-
Construction in Progress	852,569	6,159,599	-	-
Other Improvements	--	--	-	-
Buildings	8,990,793	10,163,324	--	--
Machinery and Equipment	2,298,414	2,252,779	244,934	210,022
Total Capital Assets (Net)	13,253,531	19,687,457	244,934	210,022

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 \$29,404,458 in general obligation bonds, capital outlay certificates and other long-term obligations. This is an increase of 7.28% 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
	2013	2014	2013	2014	2013-2014	2013-2014
General obligation bonds	20,395,000	20,195,000	-	-	(200,000)	-0.98%
Unamortized premium	1,960,164	1,884,774	-	-	(75,390)	-3.85%
Capital outlay certificates	4,715,000	6,160,000	-	-	1,445,000	30.65%
Capital lease	0	364,250	-	-	364,250	100.00%
REED loan	0	300,000	-	-	300,000	100.00%
Other postemployment benefits	168,380	383,578	-	-	215,198	127.80%
Early Retirement Payable	67,269	0	-	-	(67,269)	-100.00%
Compensated absences	102,500	116,856	5,845	6,300	14,811	14.45%
Total Outstanding Debt and Obligations	27,408,313	29,404,458	5,845	6,300	1,996,600	7.28%

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.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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 \$ 4,626 per pupil, a increase of 3% from the previous year.

Table A-7, Huron School District ADM

<u>Year</u>	<u>ADM</u>	<u>Percent Increase (Decrease)</u>
2013	2304	4.0%
2014	2402	4.3%

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 POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and Cash Equivalents	\$ 23,636,468	\$ 629,216	\$ 24,265,684
Taxes Receivable	5,301,633	-	5,301,633
Inventories	-	37,587	37,587
Other Assets	767,233	11,658	778,891
Capital Assets:			
Land	1,111,755	13,900	1,125,655
Other Capital Assets, Net of Depreciation	18,575,702	196,122	18,771,824
TOTAL ASSETS	\$ 49,392,791	\$ 888,483	\$ 50,281,274
LIABILITIES:			
Accounts Payable	\$ 1,570,399	\$ 11,496	\$ 1,581,895
Other Current Liabilities	1,511,036	10,595	1,521,631
Noncurrent Liabilities:			
Due Within One Year	1,156,130	5,000	1,161,130
Due in More than One Year	28,248,328	1,233	28,249,561
TOTAL LIABILITIES	32,485,893	28,324	32,514,217
Deferred Inflows of Resources:			
Property Taxes Levied for Future Period	5,229,742	-	5,229,742
Unearned Revenue	-	9,839	9,839
Total Deferred Inflows of Resources	5,229,742	9,839	5,239,581
NET POSITION:			
Net Investment in Capital Assets	(9,216,567)	210,022	(9,006,545)
Restricted for:			
Capital Outlay	2,109,695	-	2,109,695
Special Education	982,216	-	982,216
Capital Projects	14,205,730	-	14,205,730
Debt Services	764,786	-	764,786
Auditorium	12,023	-	12,023
Unrestricted	2,819,273	640,298	3,459,571
TOTAL NET POSITION	11,677,156	850,320	12,527,476
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 49,392,791	\$ 888,483	\$ 50,281,274

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, 2014

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES
		CHARGES FOR SERVICES
Primary Government:		
Governmental Activities:		
Instruction	\$ 12,650,621	\$ 386,777
Support Services	8,771,747	-
Community Services	131,474	-
Nonprogrammed Charges	239,483	-
*Interest - on Long-Term Debt	186,109	-
Cocurricular Activities	751,942	109,459
Total Governmental Activities	22,731,376	496,236
Business-Type Activities		
Food Service	1,372,509	475,598
Concessions	119,985	182,766
Driver's Education	26,643	22,700
Total Business-Type Activities	1,519,137	681,064
Total Primary Government	\$ 24,250,513	\$ 1,177,300

*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 POSITION		
		PRIMARY GOVERNMENT		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ 2,929,570	\$ -	\$ (9,334,274)	\$ -	\$ (9,334,274)
-	-	(8,771,747)	-	(8,771,747)
-	-	(131,474)	-	(131,474)
-	-	(239,483)	-	(239,483)
-	-	(186,109)	-	(186,109)
-	-	(642,483)	-	(642,483)
2,929,570	-	(19,305,570)	-	(19,305,570)
918,915	-	-	22,004	22,004
-	-	-	62,781	62,781
-	-	-	(3,943)	(3,943)
918,915	-	-	80,842	80,842
\$ 3,848,485	\$ -	(19,305,570)	80,842	(19,224,728)

GENERAL REVENUES:

Taxes:						
Property Taxes	\$	10,275,338	\$	-	\$	10,275,338
Gross Receipts Taxes		414,004		-		414,004
Revenue from State Sources:						
State Aid		6,950,384		-		6,950,384
Unrestricted Investment Earnings		70,338		3,097		73,435
Other General Revenues		556,981		-		556,981
Transfers		(6,257)		6,257		-
Total General Revenues, Special Items and Transfers		18,260,788		9,354		18,270,142
Change in Net Position		(1,044,782)		90,196		(954,586)
Net Position-Beginning		12,721,938		760,124		13,482,062
Net Position-Ending	\$	11,677,156	\$	850,320	\$	12,527,476

HURON SCHOOL DISTRICT NO. 2-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	CAPITAL OUTLAY FUND
ASSETS:		
Cash and Cash Equivalents	\$ 3,985,672	\$ 2,274,688
Taxes Receivable--Current	2,465,755	1,351,167
Taxes Receivable--Delinquent	43,598	18,450
Accounts Receivable	499,196	-
Due From Other Government	190,447	-
Advance Payments	25,000	-
Advance To Other Funds	71,000	-
TOTAL ASSETS	\$ 7,280,668	\$ 3,644,305
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 183,095	\$ 183,443
Contracts Payable	976,869	-
Payroll Deductions and Withholding and Employer Matching Payable	294,819	-
Advance From Other Funds	-	-
Total Liabilities	1,454,783	183,443
Deferred Inflows of Resources:		
Property Taxes liveied for Future Period	2,509,353	1,369,617
Total Deferred Inflows of Resources	2,509,353	1,369,617
Fund Balances:		
Nonspendable		
Advance to Pension Fund	71,000	-
Restricted		
Auditorium	-	-
Capital Outlay	-	2,091,245
Special Education	-	-
Debt Service	-	-
Capital Projects	-	-
Unassigned	3,245,532	-
Total Fund Balances	3,316,532	2,091,245
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 7,280,668	\$ 3,644,305

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

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,233,595	\$ 15,365,153	\$ 777,360	\$ 23,636,468
608,908	-	803,912	5,229,742
7,862	-	1,981	71,891
52,590	-	-	551,786
-	-	-	190,447
-	-	-	25,000
-	-	-	71,000
<u>\$ 1,902,955</u>	<u>\$ 15,365,153</u>	<u>\$ 1,583,253</u>	<u>\$ 29,776,334</u>
\$ 44,438	\$ 1,159,423	\$ -	\$ 1,570,399
184,228	-	-	1,161,097
55,120	-	-	349,939
-	-	71,000	71,000
<u>283,786</u>	<u>1,159,423</u>	<u>71,000</u>	<u>3,152,435</u>
616,770	-	805,893	5,301,633
<u>616,770</u>	<u>-</u>	<u>805,893</u>	<u>5,301,633</u>
-	-	-	71,000
-	-	12,023	12,023
-	-	-	2,091,245
1,002,399	-	-	1,002,399
-	-	764,762	764,762
-	14,205,730	-	14,205,730
-	-	(70,425)	3,175,107
<u>1,002,399</u>	<u>14,205,730</u>	<u>706,360</u>	<u>21,322,266</u>
<u>\$ 1,902,955</u>	<u>\$ 15,365,153</u>	<u>\$ 1,583,253</u>	<u>\$ 29,776,334</u>

HURON SCHOOL DISTRICT NO. 2-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 21,322,266
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,687,457
Delinquent taxes receivable not available to pay current year expenditures are deferred in the funds	71,891
Long-term liabilities, including bonds payable, other post employment benefits, and accrued vacation are not due and payable in the current period and therefore are not reported in the funds.	<u>(29,404,458)</u>
Net Position-Governmental Funds	<u>\$ 11,677,156</u>

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, 2014

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 5,135,647	\$ 2,758,611
Prior Years' Ad Valorem Taxes	53,111	25,542
Utility Taxes	599,504	-
Penalties and Interest on Taxes	12,453	6,795
Revenue from Local Governmental Units Other Than LEAs:		
Revenue In Lieu of Taxes	4,290	-
Tuition and Fees:		
Regular Day School Tuition	66,342	-
Earnings on Investments and Deposits	18,350	7,849
Cocurricular Activities:		
Admissions	83,420	-
Other Pupil Activity Income	20,780	-
Other Revenue from Local Sources:		
Rentals	50,638	-
Contributions and Donations	16,152	-
Charges for Services	178,960	-
Other	140,972	1,000
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	257,886	-
Revenue in Lieu of Taxes	1,523	1
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	6,950,384	-
Restricted Grants-in-Aid	26,865	-
Tuition:		
Regular	132,671	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	1,534,250	-
Other Federal Revenue	69,637	-
Total Revenue	\$ 15,353,835	\$ 2,799,798

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

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,181,182	\$ -	\$ 1,195,854	\$ 10,271,294
11,096	-	9,853	99,602
-	-	-	599,504
2,916	-	2,500	24,664
-	-	-	4,290
-	-	-	66,342
6,213	36,990	936	70,338
-	-	5,259	88,679
-	-	-	20,780
-	-	-	50,638
-	5,336	-	21,488
75,146	-	-	254,106
909	-	-	142,881
-	-	-	257,886
1	-	-	1,525
-	-	-	6,950,384
699,460	-	-	726,325
-	-	-	132,671
602,653	-	-	2,136,903
-	-	-	69,637
<u>\$ 2,579,576</u>	<u>\$ 42,326</u>	<u>\$ 1,214,402</u>	<u>\$ 21,989,937</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, 2014

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	3,260,548	157,169
Middle/Junior High	2,212,655	148,500
High School	2,607,090	667,990
Preschool Services	7,351	-
Special Programs:		
Programs for Special Education	-	307
Educationally Deprived	858,533	-
Support Services:		
Pupils:		
Attendance and Social Work	101,450	-
Guidance	382,363	-
Health	70,030	-
Psychological	1,764	-
Speech Pathology	-	-
Student Therapy Services	-	-
Support Services - Instructional Staff:		
Improvement of Instruction	379,954	-
Educational Media	562,700	112,082
Support Services - General Administration:		
Board of Education	145,693	1,079
Executive Administration	206,434	-
Support Services - School Administration:		
Office of the Principal	648,472	-
Other	249,826	2,557
Support Services - Business:		
Fiscal Services	294,372	-
Facilities Acquisition and Construction	-	742,308
Operation and Maintenance of Plant	1,769,882	471,848
Pupil Transportation	549,483	1,712
Food Services	55,386	21,831
Internal Services	-	2,355
Support Services - Central:		
Staff	1,203	-

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

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	3,417,717
-	-	-	2,361,155
-	-	-	3,275,080
-	-	-	7,351
1,913,338	-	-	1,913,645
-	-	-	858,533
21,869	-	-	123,319
14,103	-	-	396,466
68,064	-	-	138,094
89,066	-	-	90,830
343,427	-	-	343,427
143,960	-	-	143,960
5,893	-	-	385,847
-	-	-	674,782
-	-	-	146,772
-	-	-	206,434
-	-	-	648,472
-	-	-	252,383
-	-	-	294,372
-	989,036	3,977	1,735,321
-	-	-	2,241,730
-	-	-	551,195
-	-	-	77,217
-	-	-	2,355
-	-	-	1,203

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, 2014

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Support Services - Special Education:		
Administrative Costs	-	-
Other Special Education Costs	-	-
Community Services:		
Recreation	29,136	-
Custody and Care of Children	95,978	-
Nonpublic School	6,360	-
Nonprogrammed Charges:		
Early Retirement Benefits	-	-
Debt Services	-	743,999
Cocurricular Activities:		
Male Activities	257,833	-
Female Activities	219,764	-
Combined Activities	206,190	26,223
Capital Outlay	12,632	460,091
Total Expenditures	15,193,082	3,560,051
Excess of Revenue Over (Under) Expenditures	160,753	(760,253)
Other Financing Sources (Uses):		
Transfers In	14,998	-
Transfers Out	-	(7,849)
General Long Term Debt Issued	-	2,609,250
Sale of Surplus Property	8,636	-
Compensation for Loss of Capital Asset	6,095	21,157
Total Other Financing Sources (Uses)	29,729	2,622,558
Net Change in Fund Balances	190,482	1,862,305
Fund Balance - Beginning	3,126,050	228,940
Fund Balance - Ending	\$ 3,316,532	\$ 2,091,245

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

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
105,758	-	-	105,758
35,661	-	-	35,661
-	-	-	29,136
-	-	-	95,978
-	-	-	6,360
-	-	239,483	239,483
-	15,000	202,500	961,499
-	-	-	257,833
-	-	-	219,764
-	-	-	232,413
6,304	6,794,075	-	7,273,102
2,747,443	7,798,111	445,960	29,744,647
(167,867)	(7,755,785)	768,442	(7,754,710)
-	-	-	14,998
(6,213)	-	(936)	(14,998)
-	-	-	2,609,250
-	-	-	8,636
-	-	-	27,252
(6,213)	-	(936)	2,645,138
(174,080)	(7,755,785)	767,506	(5,109,572)
1,176,479	21,961,515	(61,146)	26,431,838
\$ 1,002,399	\$ 14,205,730	\$ 706,360	\$ 21,322,266

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, 2014

Total net change in fund balances - governmental funds	\$ (5,109,572)						
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.	7,273,102						
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.	(838,633)						
In the statement of activities gain and losses \$6,998 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$20,530 from the sale of surplus property and compensation for loss of capital asset is reflected regardless of whether a gain or loss is realized (+gains -losses -proceeds =amount).	(543)						
The issuance of long-term debt (\$2,609,250) provides current financing source in the governmental funds, while the repayment of the principal of long-term debt (\$700,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide financial statements. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items (\$75,390) when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,833,860)						
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".	(305,722)						
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="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 10px;">Other postemployment benefits</td> <td style="text-align: right;">(215,198)</td> </tr> <tr> <td style="padding-right: 10px;">Compensated absences</td> <td style="text-align: right; border-bottom: 1px solid black;">(14,356)</td> </tr> <tr> <td></td> <td style="text-align: right;">(229,554)</td> </tr> </table>	Other postemployment benefits	(215,198)	Compensated absences	(14,356)		(229,554)
Other postemployment benefits	(215,198)						
Compensated absences	(14,356)						
	(229,554)						
Change in net position of governmental activities	<u>\$ (1,044,782)</u>						

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

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 139,620	\$ 489,596	\$ 629,216
Accounts Receivable	4,160	-	4,160
Due from Other Government	7,498	-	7,498
Inventory of Supplies	7,106	1,061	8,167
Inventory of Stores Purchased for Resale	14,308	2,979	17,287
Inventory of Donated Food	12,133	-	12,133
Total Current Assets	184,825	493,636	678,461
Capital Assets:			
Buildings	13,900	-	13,900
Machinery and Equipment--Local Funds	789,052	34,796	823,848
Machinery and Equipment--Federal Assistance	13,039	-	13,039
Less: Accumulated Depreciation	(618,052)	(22,713)	(640,765)
Total Noncurrent Assets	197,939	12,083	210,022
TOTAL ASSETS	\$ 382,764	\$ 505,719	\$ 888,483
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 8,102	\$ 3,394	\$ 11,496
Contract Payable	6,916	2,398	9,314
Payroll Deductions and Withholdings	956	325	1,281
Unearned Revenue	9,839	-	9,839
Total Current Liabilities	25,813	6,117	31,930
Noncurrent Liabilities:			
Accrued Leave Payable	6,233	-	6,233
Total Noncurrent Liabilities	6,233	-	6,233
NET POSITION:			
Net Investment in Capital Assets	197,939	12,083	210,022
Unrestricted Net Position	152,779	487,519	640,298
Total Net Position	350,718	499,602	850,320
TOTAL LIABILITIES AND NET POSITION	\$ 382,764	\$ 505,719	\$ 888,483

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTAL
Operating Revenue:			
Tuition and Fees:			
Regular Day School Tuition	\$ -	\$ 22,700	\$ 22,700
Sales:			
To Pupils	330,495	182,213	512,708
To Adults	15,170	-	15,170
A la Carte	103,779	-	103,779
Other	26,154	553	26,707
Total Operating Revenue	475,598	205,466	681,064
Operating Expenses:			
Salaries	535,803	60,680	596,483
Employee Benefits	156,677	7,649	164,326
Purchased Services	15,650	800	16,450
Supplies	44,223	10,927	55,150
Cost of Sales - Purchased Food	493,057	65,196	558,253
Cost of Sales - Donated Food	87,306	-	87,306
Depreciation - Local Funds	39,793	1,376	41,169
Total Operating Expenses	1,372,509	146,628	1,519,137
Operating Income (Loss)	(896,911)	58,838	(838,073)
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	580	2,517	3,097
State Sources:			
Cash Reimbursements	5,382	-	5,382
Federal Sources:			
Cash Reimbursements	818,689	-	818,689
Donated Food	94,844	-	94,844
Total Nonoperating Revenue (Expense)	919,495	2,517	922,012
Income Before Contributions and Transfers	22,584	61,355	83,939
Capital Contributions	6,257	-	6,257
Change in Net Position	28,841	61,355	90,196
Net Position - Beginning	321,877	438,247	760,124
Net Position - Ending	\$ 350,718	\$ 499,602	\$ 850,320

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, 2014

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTALS
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 476,367	\$ 205,466	\$ 681,833
Cash payments to suppliers	(691,355)	(65,606)	(756,961)
Cash payments to employees	(542,753)	(72,571)	(615,324)
Net Cash Provided (Used) by Operating Activities	(757,741)	67,289	(690,452)
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements - State	5,382	-	5,382
Cash Reimbursements - Federal	829,588	-	829,588
Net Cash Provided by Noncapital Financing Activities	834,970	-	834,970
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	-	-	-
Net Cash Used by Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities:			
Interest Earnings	580	2,517	3,097
Net Cash Provided by Investing Activities	580	2,517	3,097
Net Increase in Cash and Cash Equivalents	\$ 77,809	\$ 69,806	\$ 147,615
Cash and Cash Equivalents at Beginning of Year	\$ 61,811	\$ 419,790	\$ 481,601
Cash and Cash Equivalents at End of Year	139,620	489,596	629,216
Net Increase in Cash and Cash Equivalents	\$ 77,809	\$ 69,806	\$ 147,615

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, 2014

	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)	\$ (896,911)	\$ 58,838	\$ (838,073)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	39,793	1,376	41,169
Noncash Cost of Sales - Commodities	87,306	-	87,306
Change in Assets and Liabilities:			
Accounts Receivable	(522)	-	(522)
Inventories	10,880	958	11,838
Prepaid Expenses	27,801	1,733	29,534
Accounts and Other Payables	(28,504)	1,661	(26,843)
Accrued Wages Payable	1,125	2,723	3,848
Deferred Revenues	1,291	-	1,291
Net Cash Provided (Used) by Operating Activities	\$ (757,741)	\$ 67,289	\$ (690,452)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 94,844	\$ -	\$ 94,844
Capital Assets Purchased by the Capital Outlay Fund	\$ 6,257	\$ -	\$ 6,257

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

HURON SCHOOL DISTRICT NO. 2-2
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and Cash Equivalents	\$ 177,542	\$ 182,709
TOTAL ASSETS	\$ 177,542	\$ 182,709
LIABILITIES:		
Amounts Held for Others	\$ -	\$ 182,709
TOTAL	-	182,709
NET POSITION		
Held in Trust for School Scholarship	177,542	-
TOTAL LIABILITIES AND NET POSITION	\$ 177,542	\$ 182,709

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

HURON SCHOOL DISTRICT NO.2-2
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	PRIVATE-PURPOSE TRUST FUNDS
ADDITIONS:	
Contributions and Donations	\$ 10,376
Other Additions	928
	11,304
Total Additions	11,304
DEDUCTIONS:	
Trust Deductions for Scholarships	12,715
	12,715
Total Deductions	12,715
Change in Net Position	(1,411)
NET POSITION - BEGINNING	178,953
NET POSITION - ENDING	\$ 177,542

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

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

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

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

b. Basis of Presentation:

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

b. Basis of Presentation: (cont'd)

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

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

Fund Financial Statements:

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

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

b. Basis of Presentation: (cont'd)

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

Governmental Funds:

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

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

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

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

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

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

b. Basis of Presentation: (cont'd)

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

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

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

There is only one Capital Projects Fund maintained by the School District and it is used to account for construction on some of the School Districts existing grade schools. This is a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government of component unit-even if that government is not expected to make any payments-is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

b. Basis of Presentation: (cont'd)

Proprietary Funds: (cont'd)

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

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

Fiduciary Funds:

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

Private-Purpose Trust Fund Types - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other organizations. The School District maintains the following private-purpose trust funds:

Harrigle, Kittinger, Peppers and Huron Community Scholarship Trusts and their purpose is scholarships.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Measurement Focus: (cont'd)

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

Basis of Accounting:

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

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

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

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

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

d. Interfund Eliminations and Reclassifications:

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

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

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

e. Capital Assets:

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

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

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

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

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

e. Capital Assets: (cont'd)

The total June 30, 2014 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, 2014 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by appraisals or deflated current replacement cost.

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

	<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.

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

f. Long-Term Liabilities:

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

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

f. Long-Term Liabilities: (cont'd)

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

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

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

g. Program Revenues:

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

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-Wide Financial Statements: Equity is classified as Net Position and is displayed in three components:

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

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

k. Application of Net Position:

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

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.

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

1. Fund Balance Classification Policies and Procedures: (cont'd)

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

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

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

As of June 30, 2014, the following non-major fund had a deficit fund balance in the amount shown:

Pension Fund	\$(70,425)
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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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Credit Risk - State law limits eligible investments for the School District, as discusses above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2014, 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, 2014, the School District did not have investments.

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

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. PROPERTY TAX:

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

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

5. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$ 742,233 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, 2014, for the governmental funds.

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2014 is as follows:

Primary Government

	<u>Balance</u> 7/01/13	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 6/30/14
Land	\$ 1,111,755	\$ --	\$ --	\$ 1,111,755
Construction in Progress	<u>852,569</u>	<u>6,159,599</u>	<u>852,569</u>	<u>6,159,599</u>
Total, not being depreciated	<u>\$ 1,964,324</u>	<u>6,159,599</u>	<u>852,569</u>	<u>7,271,354</u>
Capital assets, being depreciated:				
Buildings	16,417,090	1,481,090	--	17,898,180
Improvements other than Buildings	2,967,300	--	--	2,967,300
Machinery and Equipment	<u>5,865,037</u>	<u>484,982</u>	<u>267,110</u>	<u>6,082,909</u>
Totals	<u>25,249,427</u>	<u>1,966,072</u>	<u>267,110</u>	<u>26,948,389</u>
Less accumulated depreciation for:				
Buildings	7,426,297	308,559	--	7,734,856
Improvements other than buildings	2,967,300	--	--	2,967,300
Machinery and Equipment	<u>3,566,623</u>	<u>530,074</u>	<u>266,567</u>	<u>3,830,130</u>
Total accumulated depreciation	<u>13,960,220</u>	<u>838,633</u>	<u>266,567</u>	<u>14,532,286</u>
Total capital assets, being depreciated, net	<u>11,289,207</u>	<u>1,127,439</u>	<u>543</u>	<u>12,416,103</u>
Governmental activity capital assets, net	<u>\$13,253,531</u>	<u>\$ 7,287,038</u>	<u>\$ 853,112</u>	<u>\$19,687,457</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 587,043
Support Services	209,658
Co curricular activities	<u>41,932</u>
Total depreciation expense-governmental activities	<u>\$ 838,633</u>

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Business-type activities:

	<u>Balance</u> <u>7/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/14</u>
Capital assets, being depreciated:				
Buildings	\$ 13,900	\$ --	\$ --	\$ 13,900
Machinery and Equipment	837,017	6,257	6,387	836,887
Totals	<u>850,917</u>	<u>6,257</u>	<u>6,387</u>	<u>850,787</u>
Less accumulated depreciation for:				
Buildings	13,900	--	--	13,900
Machinery and Equipment	592,083	41,169	6,387	626,865
Total accumulated depreciation	<u>605,983</u>	<u>41,169</u>	<u>6,387</u>	<u>640,765</u>
Business-type activity capital assets, net	<u>\$ 244,934</u>	<u>\$ (34,912)</u>	<u>\$ --</u>	<u>\$ 210,022</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food Service	\$ 39,793
Other Enterprise Funds	<u>1,376</u>
Total depreciation expense business-type activities	<u>\$ 41,169</u>

Construction Work in Progress at June 30, 2014 is composed of the following:

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Thru</u> <u>6/30/2014</u>	<u>Committed</u>	<u>Required</u> <u>Future</u> <u>Financing</u>
School building additions and remodel	\$23,262,397	\$7,640,689	\$ --	\$ 14,499,311

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

8. LONG-TERM LIABILITIES:

	7/01/13	Balance Increases	Decreases	Balance 6/30/14	Amount Due Within One Year
Governmental Activities					
General Obligation					
Bond-					
Series 2010	\$ 200,000	\$ --	\$ 200,000	\$ --	\$ --
Series 2013					
	20,195,000	--	--	20,195,000	240,000
Plus: unamortized					
Premium	1,960,164	--	75,390	1,884,774	75,390
Capital Outlay					
Certificates:					
Series 2005	125,000	--	125,000	--	--
Series 2013	--	1,945,000	70,000	1,875,000	70,000
Series 2009B	3,450,000	--	165,000	3,285,000	170,000
Series 2012	1,140,000	--	140,000	1,000,000	280,000
Capital Lease	--	364,250	--	364,250	123,741
REED Loan	--	300,000	--	300,000	30,000
Compensated					
Absences	102,500	141,697	127,341	116,856	100,000
OPEB	168,380	403,637	188,439	383,578	--
Early Retirement					
Payable	67,269	--	67,269	--	--
Governmental activities long-term liabilities	<u>\$ 27,408,313</u>	<u>\$ 3,154,584</u>	<u>\$1,158,439</u>	<u>\$ 29,404,458</u>	<u>\$ 1,088,861</u>

Business-Type Activities

Compensated

Absences \$ 5,845 \$ 6,621 \$ 6,166 \$ 6,300 \$ 5,000

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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Debt Payable at June 30, 2014 is comprised of the following:
General Obligation Bonds:

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

The School District issued \$1,945,000 of General Obligation Bonds, Series 2013. The bonds are payable on December 1, 2013 through December 1, 2032 with fixed interest rate of 3.45%. The Bond Redemption Fund makes payment on this debt. \$ 1,875,000

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. \$ 3,285,000

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

Capital Lease:

The School District entered into a lease agreement with Apple Inc. on June 1, 2014. Annual payments of \$125,055 with an interest rate of 2.65% are payable on July 20, 2014 through July, 20, 2016. The Capital Outlay Fund makes payment on this debt. \$ 364,250

Rural Electric Economic Development Inc. Loan:

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

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Compensated Absences

Payments for vested accrued vacation leave from the fund which the employee is generally compensated. \$ 116,856

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. \$ 383,578

The annual requirements to amortize the general obligation bonds, and capital outlay certificates outstanding at June 30, 2014, are as follows:

General Obligation Bonds

<u>Year ending June 30</u>	Governmental Activities		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	240,000	1,868,470	2,108,470
2016	490,000	929,587	1,419,587
2017	505,000	916,037	1,421,037
2018	520,000	900,737	1,420,737
2019	535,000	885,062	1,420,062
2020-2024	3,035,000	4,063,925	7,098,925
2025-2029	3,795,000	3,307,750	7,102,750
2030-2034	4,855,000	2,247,000	7,102,000
2035-2039	6,220,000	887,000	7,107,000
	<u>20,195,000</u>	<u>16,005,568</u>	<u>36,200,568</u>

Capital Outlay Certificates

<u>Year ending June 30</u>	Governmental Activities		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	520,000	195,653	715,653
2016	540,000	186,562	726,562
2017	550,000	176,053	726,053
2018	410,000	164,601	574,601
2019	275,000	154,808	429,808
2020-2024	1,545,000	614,854	2,159,854
2025-2029	1,870,000	289,219	2,159,219
2030-2034	450,000	31,740	481,740
	<u>6,160,000</u>	<u>1,813,490</u>	<u>7,973,490</u>

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Capital Lease

<u>Year ending June 30</u>	Governmental Activities		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	123,741	1,314	125,055
2016	118,682	6,373	125,055
2017	121,827	3,228	125,055
	<u>364,250</u>	<u>10,915</u>	<u>375,165</u>

Other loan

<u>Year ending June 30</u>	Governmental Activities		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	30,000	--	30,000
2016	30,000	--	30,000
2017	30,000	--	30,000
2018	30,000	--	30,000
2019	30,000	--	30,000
2020-2024	150,000	--	150,000
	<u>300,000</u>	<u>--</u>	<u>300,000</u>

9. INTERFUND BALANCES AND TRANSACTIONS:

Interfund receivable and payable balances at June 30, 2014 consist of the following for loans for operations:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 71,000	\$ --
Pension Fund	\$ --	\$ 71,000

10. RESTRICTED NET POSITION:

Restricted Net Position for the year ended June 30, 2014 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 2,109,695
Special Education	Law	982,216
Capital Projects	Law	14,205,730
Debt Services	Debt Covenants	764,786
Auditorium	Law	<u>12,023</u>
Total Restricted Net Position		<u>\$ 18,074,450</u>

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

11. INTERFUND TRANSFERS:

Transfers to/from other funds at June 30, 2014, consist of the following:

Transfers from the other governmental funds to the General Fund
\$ 14,998 for income earned on deposits.

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, 2014, 2013, and 2012 were \$721,683 \$676,606 and \$647,200, (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, 2014, the School District managed its risks as follows:

Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

13. RISK MANAGEMENT: (CONT'D)

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, 2014, claims of \$0 for unemployment benefits were paid.

Liability Insurance

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

Workmen's Compensation

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

14. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN

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

Funding policy

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

Annual OPEB cost and net OPEB obligation

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

HURON SCHOOL DISTRICT NO. 2-2
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

	Governmental Activities
Annual required contribution	\$ 140,090
Interest on net OPEB obligation	7,072
Adjustment to Annual Required Contribution	9,976
Annual OPEB cost (expense)	137,186
Contributions made	(78,012)
Increase in net OPEB obligation	215,198
OPEB obligation - beginning	168,380
OPEB obligation - ending	\$ 383,578

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

Fiscal Year End	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/12	\$138,400	74.2%	\$ 133,709
06/30/13	\$137,784	74.8%	\$ 168,380
06/30/14	\$137,186	56.8%	\$ 383,578

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.

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.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

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 \$239,483.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY	FINAL BUDGET- POSITIVE (NEGATIVE)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 4,897,000	\$ 4,897,000	\$ 5,135,647	\$ 238,647
Prior Years' Ad Valorem Taxes	25,000	25,000	53,111	28,111
Tax Deed Revenue	8,000	8,000	-	(8,000)
Utility Taxes	375,000	375,000	599,504	224,504
Penalties and Interest on Taxes	12,000	12,000	12,453	453
Revenue from Local Governmental Units Other Than LEAs:				
Revenue in Lieu of Taxes	5,000	5,000	4,290	(710)
Tuition and Fees:				
Regular Day School Tuition	40,000	40,000	66,342	26,342
Earnings on Investments and Deposits	50,000	50,000	18,350	(31,650)
Cocurricular Activities:				
Admissions	77,000	77,000	83,420	6,420
Other Pupil Activity Income	17,000	17,000	20,780	3,780
Other Revenue from Local Sources:				
Rentals	40,000	40,000	50,638	10,638
Contributions and Donations	9,500	9,500	16,152	6,652
Charges for Services	120,000	120,000	178,960	58,960
Other	146,500	146,500	140,972	(5,528)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	229,000	229,000	257,886	28,886
Revenue in Lieu of Taxes	3,000	3,000	1,523	(1,477)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	7,265,000	7,265,000	6,950,384	(314,616)
Restricted Grants-in-Aid	6,000	6,000	26,865	20,865
Tuition:				
Regular	125,000	125,000	132,671	7,671
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	1,585,000	1,585,000	1,534,250	(50,750)
Other Federal Revenue	15,000	15,000	69,637	54,637
Total Revenue	15,050,000	15,050,000	15,353,835	303,835

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	3,275,600	3,275,600	3,260,548	15,052
Middle/Junior High	2,299,350	2,299,350	2,212,655	86,695
High School	2,779,300	2,779,300	2,619,722	159,578
Preschool Services	-	7,400	7,351	49
Special Programs:				
Educationally Deprived	1,240,000	1,240,000	858,533	381,467
Support Services:				
Pupils:				
Attendance and Social Work	-	102,000	101,450	550
Guidance	383,200	386,200	382,363	3,837
Health	85,100	85,100	70,030	15,070
Psychological	5,000	5,000	1,764	3,236
Support Services - Instructional Staff:				
Improvement of Instruction	362,200	422,200	379,954	42,246
Educational Media	566,900	569,700	562,700	7,000
Support Services - General Administration:				
Board of Education	160,600	165,000	145,693	19,307
Executive Administration	214,700	214,700	206,434	8,266
Support Services - School Administration:				
Office of the Principal	653,900	653,900	648,472	5,428
Other	270,900	270,900	249,826	21,074
Support Services - Business:				
Fiscal Services	320,500	320,500	294,372	26,128
Operation and Maintenance of Plant	1,811,600	1,811,600	1,769,882	41,718
Pupil Transportation	545,700	554,200	549,483	4,717
Food Services	50,000	55,400	55,386	14
Support Services - Central:				
Staff	3,000	3,000	1,203	1,797
Community Services:				
Recreation	13,500	29,200	29,136	64
Custody and Care of Children	-	96,000	95,978	22
Nonpublic School	-	6,400	6,360	40
Nonprogrammed Charges:				
Payments to State - Unemployment	5,000	5,000	-	5,000

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	BASIS	
Expenditures:				
Cocurricular Activities:				
Male Activities	262,300	267,300	257,833	9,467
Female Activities	248,400	248,500	219,764	28,736
Combined Activities	221,250	227,350	206,190	21,160
Contingencies	58,000	58,000		58,000
Amount Transferred (Enter as Negative)	-	(42,000)		(42,000)
Total Expenditures	15,836,000	16,116,800	15,193,082	923,718
Excess of Revenue Over (Under)				
Expenditures	(786,000)	(1,066,800)	160,753	1,227,553
Other Financing Sources:				
Transfers In	35,000	35,000	14,998	(20,002)
Sale of Surplus Property	15,000	15,000	8,636	(6,364)
Compensation for Loss of Capital Assets	-	-	6,095	6,095
Total Other Financing Sources	50,000	50,000	29,729	(20,271)
Net Change in Fund Balances	(736,000)	(1,016,800)	190,482	1,207,282
Fund Balance - Beginning	3,126,050	3,126,050	3,126,050	-
Fund Balance - Ending	\$ 2,390,050	\$ 2,109,250	\$ 3,316,532	\$ 1,207,282

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY	FINAL BUDGET- POSITIVE (NEGATIVE)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,651,000	\$ 2,651,000	\$ 2,758,611	\$ 107,611
Prior Years' Ad Valorem Taxes	20,000	20,000	25,542	5,542
Penalties and Interest on Taxes	5,000	5,000	6,795	1,795
Earnings on Investments and Deposits	-	-	7,849	7,849
Other Revenue From Local Sources				
Other	-	-	1,000	1,000
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	1	1
Total Revenue	2,676,000	2,676,000	2,799,798	123,798
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	162,000	162,000	159,245	2,755
Middle/Junior High	156,000	156,000	151,598	4,402
High School	710,250	724,350	721,203	3,147
Special Programs:				
Programs for Special Education	4,000	4,000	1,595	2,405
Support Services:				
Support Services: Pupils				
Health	8,000	8,000	7,490	510
Support Services - Instructional Staff:				
Improvement of Institution	2,000	2,000	-	2,000
Educational Media	136,000	136,000	135,126	874
Support Services - General Administration:				
Board of Education	5,000	5,000	4,333	667
Executive Administration	2,000	2,000	-	2,000
Support Services - School Administration:				
Other	7,000	7,000	3,187	3,813
Support Services - Business:				
Fiscal Services	5,000	5,000	-	5,000
Facilities Acquisition and Construction	1,700,000	1,700,000	743,872	956,128
Operation and Maintenance of Plant	786,000	786,000	577,305	208,695
Pupil Transportation	222,000	222,000	217,044	4,956
Food Services	25,000	25,000	21,831	3,169
Internal Services	15,000	15,000	15,000	-

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET-
	ORIGINAL	FINAL	BUDGETARY BASIS	POSITIVE (NEGATIVE)
Other Financing Sources:				
Debt Services	755,000	755,000	743,999	11,001
Cocurricular Activities:				
Combined Activities	40,000	59,200	57,223	1,977
Total Expenditures	4,740,250	4,773,550	3,560,051	1,213,499
Excess of Revenue Over (Under)				
Expenditures	(2,064,250)	(2,097,550)	(760,253)	1,337,297
Transfers Out	-	-	(7,849)	(7,849)
General Long Term Debt Issued	-	-	2,609,250	2,609,250
Compensation for Loss of General Capital Assets	-	-	21,157	21,157
Total Other Financing Sources	-	-	2,622,558	2,622,558
Net Change in Fund Balances	(2,064,250)	(2,097,550)	1,862,305	3,959,855
Fund Balance - Beginning	228,940	228,940	228,940	-
Fund Balance - Ending	\$ (1,835,310)	\$ (1,868,610)	\$ 2,091,245	\$ 3,959,855

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	BASIS	
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,150,000	\$ 1,150,000	\$ 1,181,182	\$ 31,182
Prior Years' Ad Valorem Taxes	10,000	10,000	11,096	1,096
Penalties and Interest on Taxes	3,000	3,000	2,916	(84)
Tuition and Fees:				
Regular Day School Tuition	30,000	30,000	-	(30,000)
Earnings on Investments and Deposits	-	-	6,213	6,213
Other Revenue from Local Sources:				
Charges for Services	40,000	40,000	75,146	35,146
Other	2,000	2,000	909	(1,091)
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	1	1
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	775,000	775,000	699,460	(75,540)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	569,000	569,000	602,653	33,653
Total Revenue	2,579,000	2,579,000	2,579,576	576

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY	FINAL BUDGET- POSITIVE (NEGATIVE)
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	1,994,800	2,014,800	1,918,583	96,217
Support Services:				
Pupils:				
Attendance and Social Work	24,000	24,000	21,869	2,131
Guidance	15,400	15,400	14,103	1,297
Health	83,300	83,300	68,064	15,236
Psychological	56,000	94,000	89,066	4,934
Speech Pathology	377,200	377,200	344,486	32,714
Student Therapy Services	150,100	156,100	143,960	12,140
Support Services - Instructional Staff:				
Improvement of Instruction	27,800	27,800	5,893	21,907
Support Services - School Administration:				
Office of Principal	108,700	108,700	-	108,700
Support Services - Business:				
Pupil Transportation	32,700	35,700	-	35,700
Support Services - Special Education:				
Administrative Costs	-	-	105,758	(105,758)
Other Special Education Costs	-	-	35,661	(35,661)
Total Expenditures	2,870,000	2,937,000	2,747,443	189,557
Excess of Revenue Over (Under)				
Expenditures	(291,000)	(358,000)	(167,867)	190,133
Other Financing Uses:				
Transfers Out			(6,213)	(6,213)
Total Other Financing Uses			(6,213)	(6,213)
Net Change in Fund Balances	(291,000)	(358,000)	(174,080)	183,920
Fund Balance - Beginning	1,176,479	1,176,479	1,176,479	-
Fund Balance - Ending	\$ 885,479	\$ 818,479	\$ 1,002,399	\$ 183,920

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

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, 2014

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, 2014.

- 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, 2014**

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, 2014

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2014
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	\$ 94,844
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	153,906
National School Lunch Program (Note 2)	10.555	614,517
Summer Food Service Program for Children	10.559	50,266
Total for Child Nutrition Cluster		913,533
Fresh Fruit and Vegetable Program	10.582	55,387
Total US Department of Agriculture		968,920
US Department of the Interior:		
Pass-Through Beadle and Jerauld Counties:		
Payments in Lieu of Taxes (Note 2)	15.226	1,523
Total US Department of the Interior		1,523
General Services Administration:		
Pass-Through the SD Federal Property Agency:		
Donation of Federal Surplus Personal Property (Note 3)	39.003	16,509
Total General Services Administration		16,509
National Endowment for the Humanities Direct Programs		
Promotion of the Arts Partnership Agreement	45.025	173
Total National Endowment for the humanities Direct Programs		173
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	510,631
Total for Title I, Part A Cluster		510,631
Pass-Through the S.D. Department of Education:		
Special Education - Grants to States (Note 2)	84.027	8,780
Special Education - Preschool Grants	84.173	591,497
Total for Special Education Cluster		600,277

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2014
Pass-Through the S.D. Department of Education:		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants to States (Note 2)	84.181	5,874
Total for Early Intervention Services (IDEA) Cluster		<u>5,874</u>
School Improvement Grants Cluster:		
School Improvements Grants	84.377	108,750
Total for School Improvement Grant Cluster		<u>108,750</u>
Department of Education Direct Programs		
Migrant Education - State Grant Program	84.011	265,963
Career and Technical Education	84.048	34,699
Migrant Education Coordination Program	84.144	42,455
Title I State Agency Program for Neglected And Delinquent Children and Youth	84.013	107,215
Twenty-First Century Community Learning Centers	84.287	97,609
English Language Acquisition Grants (Title III)	84.365	155,742
Improving Teacher Quality State Grants	84.367	143,627
Total U.S. Department of Education		<u>847,310</u>
Department of Homeland Security Direct Program		
Homeland Security Grant Program	97.067	10,000
Total Department of Homeland Security Direct Program		<u>10,000</u>
Pass-Through Lutheran Social Services:		
Refugee and Entrant Assistance-Discretionary Grants	93.576	69,637
GRAND TOTAL		<u>\$ 3,139,604</u>

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).