

**HARDING COUNTY SCHOOL DISTRICT  
NO. 31-1**

INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2015



**CASEY PETERSON  
& ASSOCIATES, LTD.**  
CPAs & FINANCIAL ADVISORS

RAPID CITY, SOUTH DAKOTA  
GILLETTE, WYOMING



**Harding County School District No. 31-1**  
**Table of Contents**  
**June 30, 2015**

	<u>PAGE</u>
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 <i>Government Auditing Standards</i> .....	1 - 3
Independent Auditor's Report .....	5 - 7
Management's Discussion and Analysis (Unaudited).....	9 - 16
 <b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	19
Statement of Activities .....	20 - 21
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.....	22 - 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	26 - 29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	30
Statement of Net Position - Proprietary Fund .....	31
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	32
Statement of Cash Flows - Proprietary Fund.....	33
Statement of Fiduciary Net Position - Fiduciary Funds.....	34
Notes to the Financial Statements .....	35 - 56
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund - Budgetary Basis.....	58 - 61
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis.....	62 - 65
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis.....	66 - 67
Budgetary Comparison Schedule - Pension Fund - Budgetary Basis .....	68 - 69
Notes to Required Supplementary Information .....	70
Schedule of Funding Progress for Retiree Health Insurance Coverage .....	71
Schedule of Net Pension Asset .....	72
Schedule of Pension Contributions.....	73
 <b>SUPPLEMENTARY INFORMATION</b>	
School District Officials .....	77





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*

To the School Board  
Harding County School District No. 31-1  
Harding County, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harding County School District No. 31-1, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Harding County School District No. 31-1's basic financial statements and have issued our report thereon dated October 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harding County School District No. 31-1'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 Harding County School District No. 31-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Harding County School District No. 31-1's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below as items 2015-001 and 2015-002 to be material weaknesses.

2015-001 *Condition:* The small size of the District limits the ability of the business office to prepare financial statements being audited which would be required under a properly designed system of internal controls.

*Criteria:* The District should have an internal control system designed to provide for drafting the financial statements being audited.

*Cause:* This condition exists due to the small staff size within the finance function of the District. These issues are common in a district of this size.

*Effect:* The District engages their auditor to draft the financial statements and notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the District's auditors drafting the financial statements and related notes, because of cost or other considerations.

*Action Taken:* We concur with the recommendation and have implemented various suggestions to improve internal controls whenever cost effective. The District does accept the risk associated with the District's auditors drafting the financial statements.

2015-002 *Condition and Criteria:* There is a lack of segregation of duties related to numerous accounting functions including the following cycles/processes: cash receipts cycle - both governmental and business type, bank reconciliations, and the posting of general journal entries. We specifically noted the following:

- The Business Manager performs all functions related to the cash receipts cycle, including opening mail, posting receipts to the general ledger, preparing the deposit slip, and taking the deposit to the bank.
- The Administrative Assistant tracks student meals, collects lunch money and calculates and performs billings of student lunch accounts with little oversight.
- The Business Manager prepares reconciliations of detailed subsidiary ledgers and posts journal entries to the general ledger with little to no oversight.

*Cause:* These conditions are not uncommon for small school districts. The cause of this condition is related to the limited number of staff in the business office and lack of involvement of other business office employees in the finance function of the District.

*Effect:* The possibility of fraud or error occurring and not being detected or corrected is present. In addition, journal entries were proposed to correct errors identified during the audit.

*Auditor's Recommendation:* The Business Manager should refrain from handling cash. The Administrative Assistant should open all mail and create a mail log of all cash receipts received. Receipts may then be forwarded to the Business Manager to prepare the deposit slip and post cash receipts to the general ledger. Copies of the deposit slips should be forwarded to the Administrative Assistant to reconcile to the mail logs to ensure all cash was properly deposited. Student billings and meal cash collected should be performed by someone other than the employee counting student meals. The employee counting student meals should forward student counts to the employee performing the student billings on a daily basis. Reconciliations should be performed between meal counts and meal revenues by the Business Manager. All meals, including breakfast, should be counted. All balance sheet accounts should be reconciled on a monthly basis. The monthly reconciliations of accounts and journal entries prepared by the Business Manager should be reviewed by the Superintendent or a Board member.

*Action Taken:* We concur with the recommendation and have implemented various suggestions to improve internal controls whenever cost effective.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harding County School District No. 31-1's financial statements are free from 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*.

#### Harding County School District No. 31-1's Response to Findings

Harding County School District No. 31-1's response to the findings identified in our audit is described above. Harding County School District No. 31-1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

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



Casey Peterson & Associates, LTD

Rapid City, South Dakota  
October 12, 2015





## Independent Auditor's Report

School Board  
Harding County School District No. 31-1  
Harding County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harding County School District No. 31-1, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Harding County School District No. 31-1, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Standard*

As described in Note 9 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 15 to the financial statements, the District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of net pension asset and net contributions on pages 9 - 16, 58 - 69, and 72 - 73, respectively, 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 Harding County School District No. 31-1's basic financial statements. The list of school district officials is presented for additional analysis and is not a required part of the basic financial statements. The list of school district officials has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the Harding County School District No. 31-1's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 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 Harding County School District No. 31-1's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, LTD". The signature is written in a cursive style.

Casey Peterson & Associates, LTD  
Rapid City, South Dakota  
October 12, 2015



# **Harding County School District No. 31-1 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015**

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This section of Harding County School District No. 31-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- During the 14-15 FY, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$759,898 more than the \$3,835,843 governmental and business-type program expenditures.
- In FY 14-15, the total costs of the District's programs were consistent with the prior year with an increase of 7.32%. This is due to wage increases for staff.
- The General Fund reported a \$261,177 increase in fund balance in FY 14-15. The District budgeted to have no change in fund balance.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This 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 Statement of Net Position and the Statement of Activities 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, 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 fund operated by the District is the Food Service Fund.
  - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

See independent auditor's report.

**Harding County School District No. 31-1  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

Figure A-1				
Major Features of Harding County School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the District operates similar to private business, such as the food service operation.	Instances in which the District is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *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, and short-term and long-term, and deferred outflows and inflows	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included, deferred outflows and inflows	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred outflows and inflows	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 payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**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 Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

See independent auditor's report.

**Harding County School District No. 31-1  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

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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, one needs 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:

- **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, federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity 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, such as the Capital Outlay Fund and the Special Education Fund.
- The School Board establishes other funds to control and manage money for particular purposes (like the Bond Redemption Fund).

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 converted to cash flow in and out and (2) the balances left at 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 have provided additional information on the subsequent page that explains 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-term and long-term financial information. The Food Service Enterprise Fund is the only proprietary fund maintained by the District.

See independent auditor's report.

**Harding County School District No. 31-1  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

- 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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

**Net Position**

The District's combined net position increased as follows:

Table A-1  
HARDING COUNTY SCHOOL DISTRICT NO. 31-1  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	
Current and Other Assets	\$ 6,077,304	\$ 4,931,518	\$ 36,829	\$ 42,695	\$ 6,114,133	\$ 4,974,213	22.92%
Capital Assets (Net of Depreciation)	10,617,208	10,622,341	40,546	45,651	10,657,754	10,667,992	-0.10%
<b>Total Assets</b>	<u>16,694,512</u>	<u>15,553,859</u>	<u>77,375</u>	<u>88,346</u>	<u>16,771,887</u>	<u>15,642,205</u>	7.22%
<b>Deferred Outflows of Resources</b>	<u>487,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,036</u>	<u>-</u>	100.00%
Long-term Liabilities Outstanding	8,289,815	8,449,644	2,005	2,305	8,291,820	8,451,949	-1.89%
Other Liabilities	228,895	230,097	2,238	165	231,133	230,262	0.38%
<b>Total Liabilities</b>	<u>8,518,710</u>	<u>8,679,741</u>	<u>4,243</u>	<u>2,470</u>	<u>8,522,953</u>	<u>8,682,211</u>	-1.83%
Taxes Levied for Future Periods	1,031,659	950,494	-	-	1,031,659	950,494	8.54%
Pension Related	638,758	-	-	-	638,758	-	100.00%
<b>Total Deferred Inflows of Resources</b>	<u>1,670,417</u>	<u>950,494</u>	<u>-</u>	<u>-</u>	<u>1,670,417</u>	<u>950,494</u>	75.74%
Net Investment in Capital Assets	2,542,209	2,390,341	40,546	45,651	2,582,755	2,435,992	6.02%
Restricted	3,134,147	2,427,074	-	-	3,134,147	2,427,074	29.13%
Unrestricted	1,316,065	1,106,209	32,586	40,225	1,348,651	1,146,434	17.64%
<b>Total Net Position</b>	<u>6,992,421</u>	<u>5,923,624</u>	<u>73,132</u>	<u>85,876</u>	<u>7,065,553</u>	<u>6,009,500</u>	17.57%
<b>Beginning Net Position, As Restated</b>	<u>6,219,779</u>	<u>4,577,070</u>	<u>85,876</u>	<u>71,915</u>	<u>6,305,655</u>	<u>4,648,985</u>	
<b>Increase (Decrease) in Net Position</b>	<u>\$ 772,642</u>	<u>\$ 1,346,554</u>	<u>\$ (12,744)</u>	<u>\$ 13,961</u>	<u>\$ 759,898</u>	<u>\$ 1,360,515</u>	-44.15%
<b>Percentage Increase (Decrease) in Net Position</b>	12.42%	29.42%	-14.84%	19.41%	12.05%	29.26%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, liabilities, and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components: the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of qualified school construction bonds, build America bonds, accrued leave, and an OPEB liability have been reported in this manner on the Statement of Net Position. Deferred inflows of resources represent future inflows of resources that will be used to fund a future budget year. The difference between the District's assets and liabilities and deferred inflows of resources is its net position.

See independent auditor's report.

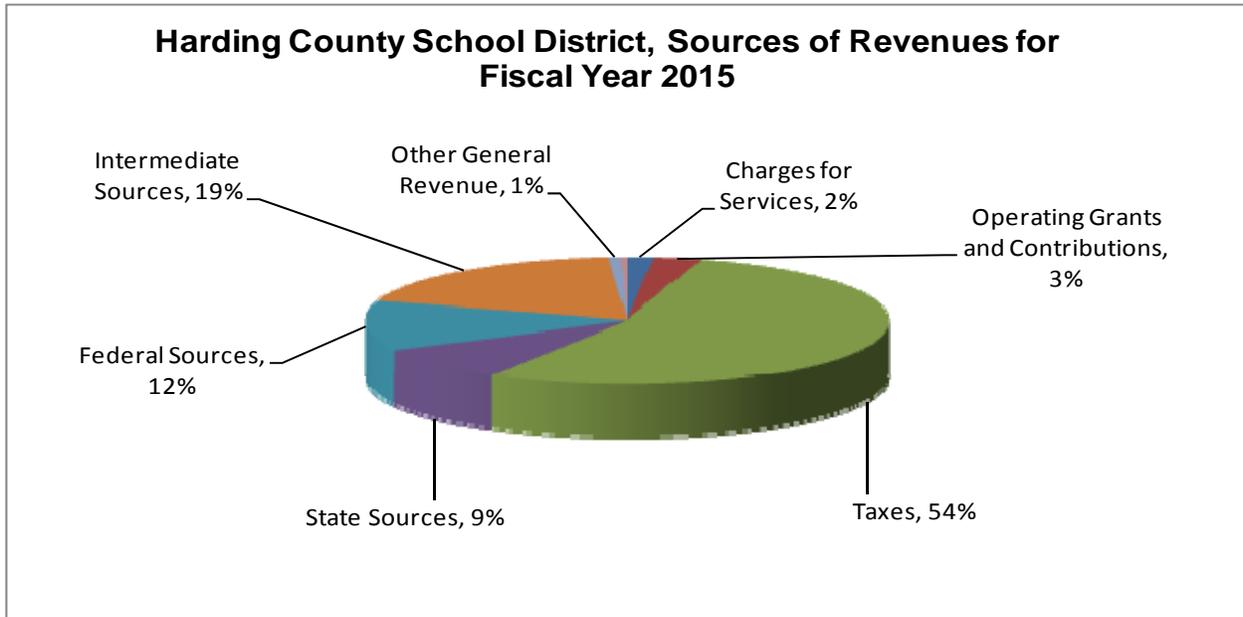
**Harding County School District No. 31-1  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

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**Changes in Net Position**

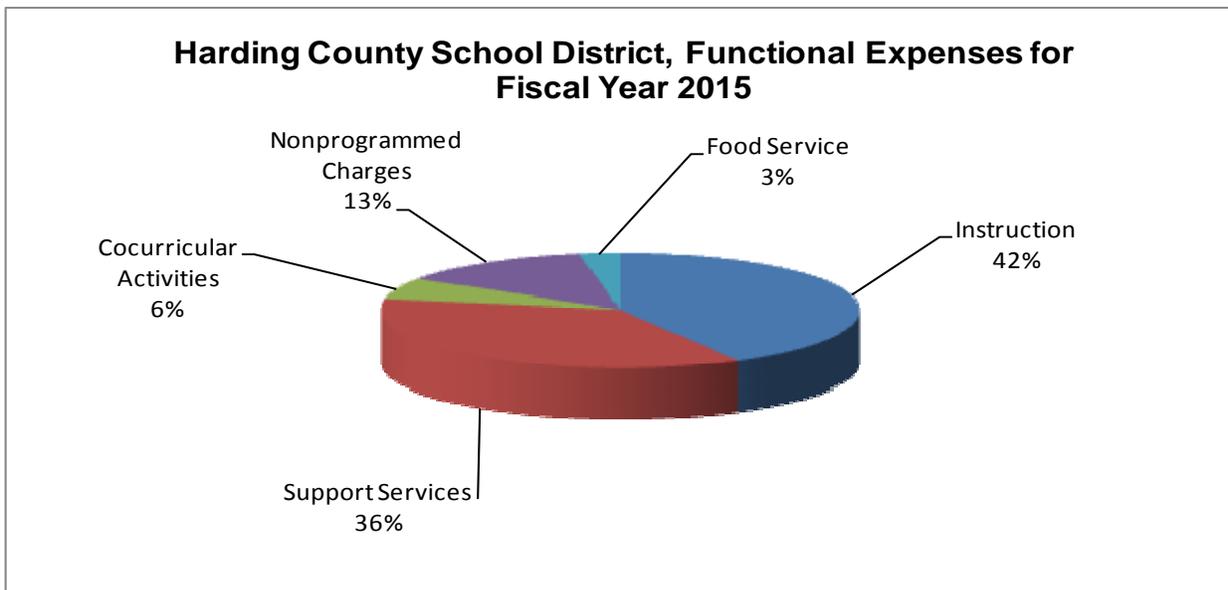
The District's revenues totaled \$4,547,721 (See Table A-2). More than 54% of the District's revenue comes from property and other taxes, while approximately 9% comes from state aid. (See Figure A-2).

Figure A-2



The total cost of all programs and services remained consistent with the prior year. The District's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, and food services (see Figure A-3).

Figure A-3



See independent auditor's report.

**Harding County School District No. 31-1  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the District.

Table A-2  
HARDING COUNTY SCHOOL DISTRICT NO. 31-1  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 15,191	\$ 15,859	\$ 58,492	\$ 60,020	\$ 73,683	\$ 75,879	-2.89%
Operating Grants and Contributions	102,207	90,549	28,436	25,489	130,643	116,038	12.59%
General Revenues							
Taxes	2,445,658	3,020,352	-	-	2,445,658	3,020,352	-19.03%
Revenue State Sources	392,257	387,148	-	-	392,257	387,148	1.32%
Revenue Federal Sources	557,127	493,529	-	-	557,127	493,529	12.89%
Revenue Intermediate Sources	896,316	805,998	-	-	896,316	805,998	11.21%
Other General Revenue	35,802	25,188	-	2,088	35,802	27,276	31.26%
Unrestricted Investment Earnings	10,781	8,482	5,454	85	16,235	8,567	89.51%
<b>Total Revenues</b>	<u>4,455,339</u>	<u>4,847,105</u>	<u>92,382</u>	<u>87,682</u>	<u>4,547,721</u>	<u>4,934,787</u>	-7.84%
<b>Expenses</b>							
Instruction	1,607,902	1,570,349	-	-	1,607,902	1,570,349	2.39%
Support Services	1,382,506	1,123,685	-	-	1,382,506	1,123,685	23.03%
Cocurricular Activities	227,493	264,499	-	-	227,493	264,499	-13.99%
Nonprogrammed Charges	510,816	476,308	-	-	510,816	476,308	7.24%
Food Service	-	-	107,126	139,431	107,126	139,431	-23.17%
<b>Total Expenses</b>	<u>3,728,717</u>	<u>3,434,841</u>	<u>107,126</u>	<u>139,431</u>	<u>3,835,843</u>	<u>3,574,272</u>	7.32%
Excess Before Transfers and Special Item	726,622	1,412,264	(14,744)	(51,749)	711,878	1,360,515	-47.68%
Transfers and Special Item							
Transfers	(2,000)	(65,710)	2,000	65,710	-	-	0.00%
Insurance Proceeds	48,020	-	-	-	48,020	-	100.00%
<b>Total Transfers and Special Item</b>	<u>46,020</u>	<u>(65,710)</u>	<u>2,000</u>	<u>65,710</u>	<u>48,020</u>	<u>-</u>	100.00%
<b>Increase (Decrease) in Net Position</b>	772,642	1,346,554	(12,744)	13,961	759,898	1,360,515	-44.15%
<b>Beginning Net Position, As Restated</b>	<u>6,219,779</u>	<u>4,577,070</u>	<u>85,876</u>	<u>71,915</u>	<u>6,305,655</u>	<u>4,648,985</u>	35.64%
<b>Ending Net Position</b>	<u>\$ 6,992,421</u>	<u>\$ 5,923,624</u>	<u>\$ 73,132</u>	<u>\$ 85,876</u>	<u>\$ 7,065,553</u>	<u>\$ 6,009,500</u>	17.57%

**GOVERNMENTAL ACTIVITIES**

The governmental activities showed a decrease in revenues and an increase in expenditures. Revenues decreased slightly mainly due to a decrease in Mineral Severance as compared to prior years. The increase in expenditures was a result of an increase in enrollment.

See independent auditor's report.

**Harding County School District No. 31-1  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

**BUSINESS-TYPE ACTIVITIES**

The business-type activities showed an increase in revenues and a decrease in expenditures in FY 14-15 as shown in the table above. The increase in revenue was related to miscellaneous receipts. The decrease in expenditures is a result of a decrease in salaries.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no significant changes to the budget this fiscal year overall. Some areas were increased only based on need.

**CAPITAL ASSET ADMINISTRATION**

There were no significant changes in capital assets for the District.

**Table A-3  
HARDING COUNTY SCHOOL DISTRICT NO. 31-1  
Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2014-2015	Total Percentage Change 2014-2015
	2015	2014	2015	2014		
Land	\$ 151,139	\$ 151,139	\$ -	\$ -	\$ -	0.00%
Buildings	9,675,590	9,772,323	-	-	(96,733)	-1.00%
Improvements Other Than Buildings	309,280	232,866	-	-	76,414	24.71%
Machinery and Equipment	481,199	466,013	40,546	45,651	10,081	2.09%
<b>Total Capital Assets (Net)</b>	<b>\$ 10,617,208</b>	<b>\$ 10,622,341</b>	<b>\$ 40,546</b>	<b>\$ 45,651</b>	<b>\$ (10,238)</b>	

Capital asset purchases during the year ended June 30, 2015 were primarily related to the purchase of textbooks, a copier, a bus, a security system, the destruction of the old school, and other equipment.

**LONG-TERM DEBT**

At year-end, the District had \$8,289,815 in Capital Outlay Certificates and other long-term obligations. This is a decrease of \$159,829 as shown on Table A-4 below.

**Table A-4  
HARDING COUNTY SCHOOL DISTRICT NO. 31-1  
Outstanding Debt and Obligations**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2014-2015	Total Percentage Change 2014-2015
	2015	2014	2015	2014		
Capital Outlay Certificates	\$ 8,195,000	\$ 8,360,000	\$ -	\$ -	\$ (165,000)	-2.01%
OPEB Liability	59,872	55,577	1,799	1,799	4,295	7.17%
Accrued Leave Liability	34,943	34,067	206	506	876	2.51%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 8,289,815</b>	<b>\$ 8,449,644</b>	<b>\$ 2,005</b>	<b>\$ 2,305</b>	<b>\$ (159,829)</b>	<b>-1.93%</b>

The District maintains an early retirement plan, which allows those meeting certain criteria to retire early and receive a percentage of their last year's salary in one lump sum on June 30. There was one employee that received early retirement at June 30, 2015.

See independent auditor's report.

# Harding County School District No. 31-1 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

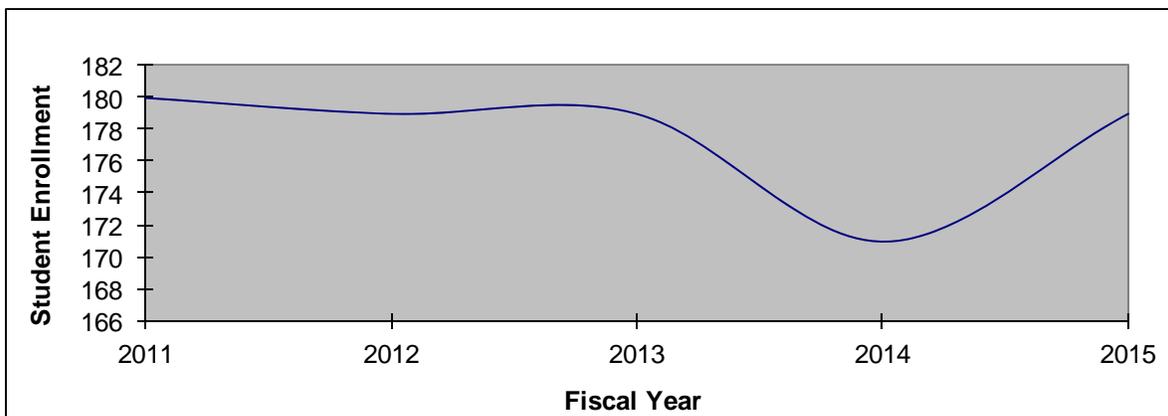
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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's current economic position has increased. Local revenues have ultimately remained steady, and mineral severance payments have been sporadic. No significant increases in revenue in this area are expected.

One of the primary sources of revenue of the District is based on a per student allocation received from the State of South Dakota. The state aid formula for the 2014-15 FY was \$4,781 per pupil. The per student allocation for the 2015-16 FY has increased to \$4,877. This number is comprised of both local taxes and state aid. The average daily membership (ADM) has slightly increased this year and the District is not expecting any changes in revenue in this area.

The District's enrollment for the last five years has been as follows:



## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Harding County School District Business Office, 12474 Tipperary Street, Buffalo, SD 57720.

See independent auditor's report.

## BASIC FINANCIAL STATEMENTS

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**Harding County School District No. 31-1**  
**Statement of Net Position**  
**For the Year Ended June 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,147,751	\$ 1,238	\$ 3,148,989
Taxes Receivable	700,704	-	700,704
Accounts Receivable	1,661	3,799	5,460
Due From Other Governments	92,975	-	92,975
Inventories	-	7,176	7,176
Restricted Assets:			
Net Pension Asset	551,524	-	551,524
Investments Restricted for Retirement of Capital Outlay Certificates	1,364,224	-	1,364,224
Capital Credits Receivable	98,465	24,616	123,081
Unamortized Discounts	120,000	-	120,000
Capital Assets:			
Land	151,139	-	151,139
Other Capital Assets, Net of Depreciation	10,466,069	40,546	10,506,615
<b>TOTAL ASSETS</b>	<b>16,694,512</b>	<b>77,375</b>	<b>16,771,887</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	487,036	-	487,036
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>487,036</b>	<b>-</b>	<b>487,036</b>
<b>LIABILITIES</b>			
Accounts Payable	25,765	-	25,765
Accrued Expenses	203,130	2,238	205,368
Noncurrent Liabilities:			
Due Within One Year	183,000	206	183,206
Due in More than One Year	8,106,815	1,799	8,108,614
<b>TOTAL LIABILITIES</b>	<b>8,518,710</b>	<b>4,243</b>	<b>8,522,953</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Levied for Future Periods	1,031,659	-	1,031,659
Pension Related Deferred Inflows	638,758	-	638,758
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,670,417</b>	<b>-</b>	<b>1,670,417</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,542,209	40,546	2,582,755
Restricted for:			
Capital Outlay	636,023	-	636,023
Special Education	267,556	-	267,556
Pension	129,135	-	129,135
Proportionate Share of Net Pension Asset	399,802	-	399,802
Bond Redemption	1,701,631	-	1,701,631
Unrestricted	1,316,065	32,586	1,348,651
<b>TOTAL NET POSITION</b>	<b>\$ 6,992,421</b>	<b>\$ 73,132</b>	<b>\$ 7,065,553</b>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Charges for Services
<b>GOVERNMENTAL ACTIVITIES</b>		
Instruction	\$ 1,607,902	\$ -
Support Services	1,382,506	-
Cocurricular Activities	227,493	15,191
Nonprogrammed Charge Expense	40,047	-
Interest on Long-term Debt*	470,769	-
Total Governmental Activities	<u>3,728,717</u>	<u>15,191</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Food Service	<u>107,126</u>	<u>58,492</u>
Total Primary Government	<u>\$ 3,835,843</u>	<u>\$ 73,683</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 102,207	\$ -	\$ (1,505,695)	\$ -	\$ (1,505,695)
-	-	(1,382,506)	-	(1,382,506)
-	-	(212,302)	-	(212,302)
-	-	(40,047)	-	(40,047)
-	-	(470,769)	-	(470,769)
<u>102,207</u>	<u>-</u>	<u>(3,611,319)</u>	<u>-</u>	<u>(3,611,319)</u>
<u>28,436</u>	<u>-</u>	<u>-</u>	<u>(20,198)</u>	<u>(20,198)</u>
<u>\$ 130,643</u>	<u>\$ -</u>	<u>(3,611,319)</u>	<u>(20,198)</u>	<u>(3,631,517)</u>
<b>GENERAL REVENUES</b>				
Taxes:				
Property Taxes		1,957,929	-	1,957,929
Gross Receipts Taxes		487,729	-	487,729
Revenue From State Sources:				
State Aid		374,973	-	374,973
Other		17,284	-	17,284
Revenue From Federal Sources		557,127	-	557,127
Revenue From Intermediate Sources		896,316	-	896,316
Unrestricted Investment Earnings		10,781	5,454	16,235
Insurance Proceeds		48,020	-	48,020
Other General Revenues		35,802	-	35,802
Transfers		(2,000)	2,000	-
Total General Revenues and Transfers		<u>4,383,961</u>	<u>7,454</u>	<u>4,391,415</u>
<b>CHANGE IN NET POSITION</b>		<u>772,642</u>	<u>(12,744)</u>	<u>759,898</u>
<b>NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED</b>		5,923,624	85,876	6,009,500
<b>PRIOR PERIOD ADJUSTMENT</b>		<u>296,155</u>	<u>-</u>	<u>296,155</u>
<b>NET POSITION - BEGINNING, AS RESTATED</b>		<u>6,219,779</u>	<u>85,876</u>	<u>6,305,655</u>
<b>NET POSITION - ENDING</b>		<u>\$ 6,992,421</u>	<u>\$ 73,132</u>	<u>\$ 7,065,553</u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,585,382	\$ 256,248
Permanent Incidental Account	3,000	-
Taxes Receivable - Current	246,776	244,676
Taxes Receivable - Delinquent	10,841	3,720
Accounts Receivable	-	-
Due From Other Governments	92,975	-
Advance to Other Funds	-	500,000
Capital Credits Receivable	73,849	-
Restricted Assets:		
Investments Restricted for Debt Service	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 2,012,823</u></u>	<u><u>\$ 1,004,644</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 2,580	\$ 22,219
Payroll Contracts Payable	144,162	-
Payroll Deductions and Employer Matching Payable	46,170	-
Advance From Other Funds	-	-
Total Liabilities	<u>192,912</u>	<u>22,219</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	384,451	362,537
Delinquent Property Taxes Not Available	8,864	3,720
Capital Credits Redeemable in Future Period	73,849	-
Total Deferred Inflows of Resources	<u>467,164</u>	<u>366,257</u>
Fund Balances:		
Nonspendable		
Advance to Fund, Unavailable to Fund Current Activity	-	500,000
Restricted		
For Capital Outlay	-	116,168
For Special Education	-	-
For Pension	-	-
For Bond Redemption	-	-
Unassigned	<u>1,352,747</u>	<u>-</u>
Total Fund Balances	<u>1,352,747</u>	<u>616,168</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 2,012,823</u></u>	<u><u>\$ 1,004,644</u></u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
\$ 285,080	\$ 138,403	\$ 879,638	\$ 3,144,751
-	-	-	3,000
65,244	24,345	101,655	682,696
992	945	1,510	18,008
1,661	-	-	1,661
-	-	-	92,975
-	-	-	500,000
24,616	-	-	98,465
<u>-</u>	<u>-</u>	<u>1,364,224</u>	<u>1,364,224</u>
<u>\$ 377,593</u>	<u>\$ 163,693</u>	<u>\$ 2,347,027</u>	<u>\$ 5,905,780</u>
\$ 966	\$ -	\$ -	\$ 25,765
10,025	-	-	154,187
2,773	-	-	48,943
<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
<u>13,764</u>	<u>-</u>	<u>500,000</u>	<u>728,895</u>
96,444	34,239	153,988	1,031,659
992	945	1,510	16,031
<u>24,616</u>	<u>-</u>	<u>-</u>	<u>98,465</u>
<u>122,052</u>	<u>35,184</u>	<u>155,498</u>	<u>1,146,155</u>
-	-	-	500,000
-	-	-	116,168
241,777	-	-	241,777
-	128,509	-	128,509
-	-	1,691,529	1,691,529
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,352,747</u>
<u>241,777</u>	<u>128,509</u>	<u>1,691,529</u>	<u>4,030,730</u>
<u>\$ 377,593</u>	<u>\$ 163,693</u>	<u>\$ 2,347,027</u>	<u>\$ 5,905,780</u>

The accompanying notes are an integral part of this statement.

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**Harding County School District No. 31-1**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2015**

Total Fund Balances - Governmental Funds	\$ 4,030,730
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 governmental funds.	10,617,208
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
General Obligation Debt	(8,195,000)
OPEB Liability	(59,872)
Accrued Leave Liability	(34,943)
Assets, including capital credits receivable and unavailable property taxes, that are not available to pay for current period expenditures, are reported in the governmental funds as deferred inflows.	114,496
Net pension asset reported in the governmental activities is not an available financial resource and therefore is not reported in the funds.	551,524
Pension related deferred outflows are components of pension asset and are not reported in the funds.	487,036
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	(638,758)
Unamortized discounts associated with general debt obligations are immediately recognized as expenditures and other financing sources, respectively, in the governmental funds.	
Unamortized Discounts	<u>120,000</u>
Net Position - Governmental Activities	<u>\$ 6,992,421</u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
<b>REVENUES</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 809,765	\$ 643,970
Gross Receipts Taxes	487,729	-
Penalties and Interest on Taxes	852	853
Earnings on Investments and Deposits	4,966	1,426
Admission Charges for Cocurricular Activities	15,191	-
Other Local Revenue	<u>10,582</u>	<u>4,271</u>
Total Revenue From Local Sources	<u>1,329,085</u>	<u>650,520</u>
Revenue From Intermediate Sources:		
County Sources:		
County Apportionment	125,593	-
Lease of County-Owned land	11,229	16,542
Other	<u>481,380</u>	<u>45,000</u>
Total Revenue From Intermediate Sources	<u>618,202</u>	<u>61,542</u>
Revenue From State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	374,973	-
Other State Revenue	-	17,284
Total Revenue From State Sources	<u>374,973</u>	<u>17,284</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	244,788	57,414
Restricted Grants-in-Aid	<u>102,207</u>	<u>-</u>
Total Revenue From Federal Sources	<u>346,995</u>	<u>57,414</u>
<b>TOTAL REVENUES</b>	<u>2,669,255</u>	<u>786,760</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
\$ 171,759	\$ 65,676	\$ 266,506	\$ 1,957,676
-	-	-	487,729
228	85	349	2,367
878	439	3,073	10,782
-	-	-	15,191
-	-	-	14,853
<u>172,865</u>	<u>66,200</u>	<u>269,928</u>	<u>2,488,598</u>
-	-	-	125,593
4,411	1,651	6,599	40,432
-	-	100,294	626,674
<u>4,411</u>	<u>1,651</u>	<u>106,893</u>	<u>792,699</u>
-	-	-	374,973
-	-	-	17,284
<u>-</u>	<u>-</u>	<u>-</u>	<u>392,257</u>
-	-	254,925	557,127
-	-	-	102,207
-	-	254,925	659,334
<u>177,276</u>	<u>67,851</u>	<u>631,746</u>	<u>4,332,888</u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	1,231,585	33,915
Special Programs	81,333	-
Total Instructional Services	<u>1,312,918</u>	<u>33,915</u>
Support Services:		
Pupils	23,324	-
Instructional Staff	151,489	134
General Administration	169,287	2,738
School Administration	120,185	-
Business	458,338	315,457
Central	606	-
Special Education	-	-
Total Support Services	<u>923,229</u>	<u>318,329</u>
Cocurricular Activities:		
Male Activities	51,485	5,529
Female Activities	42,160	148
Transportation	24,299	-
Combined Activities	50,636	-
Total Cocurricular Activities	<u>168,580</u>	<u>5,677</u>
Debt Service	-	342,658
Capital Outlay	-	287,379
Other Nonprogrammed Costs	1,351	-
<b>TOTAL EXPENDITURES</b>	<u>2,406,078</u>	<u>987,958</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	263,177	(201,198)
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating Transfers Out	(2,000)	-
Compensation for Loss of Capital Assets	-	48,020
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>48,020</u>
<b>NET CHANGE IN FUND BALANCES</b>	261,177	(153,178)
<b>FUND BALANCE - BEGINNING BALANCE</b>	<u>1,091,570</u>	<u>769,346</u>
<b>FUND BALANCE - ENDING BALANCE</b>	<u>\$ 1,352,747</u>	<u>\$ 616,168</u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
-	45	-	1,265,545
<u>135,260</u>	-	-	<u>216,593</u>
<u>135,260</u>	<u>45</u>	-	<u>1,482,138</u>
13,132	-	-	36,456
-	-	-	151,623
-	-	-	172,025
-	-	-	120,185
-	-	-	773,795
-	-	-	606
<u>9,164</u>	-	-	<u>9,164</u>
<u>22,296</u>	-	-	<u>1,263,854</u>
-	-	-	57,014
-	-	-	42,308
-	-	-	24,299
-	-	-	50,636
-	-	-	<u>174,257</u>
-	-	285,111	<u>627,769</u>
-	-	-	<u>287,379</u>
-	38,696	-	<u>40,047</u>
<u>157,556</u>	<u>38,741</u>	<u>285,111</u>	<u>3,875,444</u>
19,720	29,110	346,635	457,444
-	-	-	(2,000)
-	-	-	<u>48,020</u>
-	-	-	<u>46,020</u>
19,720	29,110	346,635	503,464
<u>222,057</u>	<u>99,399</u>	<u>1,344,894</u>	<u>3,527,266</u>
<u>\$ 241,777</u>	<u>\$ 128,509</u>	<u>\$ 1,691,529</u>	<u>\$ 4,030,730</u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2015**

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Net Change in Fund Balances - Total Governmental Funds	\$ 503,464
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which dereciation exceeded capital outlays in the current period.</p>	(5,132)
<p>The recognition of capital credit revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available".</p>	20,949
<p>Governmental funds do not reflect the change in long term debt obligations, OPEB liability, or accrued leave liability but the Statement of Activities reflects the change in these accruals through expenses.</p>	159,829
<p>The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund statements require the amounts to be "available".</p>	(2,115)
<p>Pension revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.</p>	103,617
<p>Pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.</p>	30
<p>Unamortized discounts associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which the unamortized premiums exceeded deferrals for the current period.</p>	<u>(8,000)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 772,642</u></u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2015**

	Food Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,238
Accounts Receivable, Net	3,799
Inventory	7,176
Total Current Assets	12,213
Noncurrent Assets:	
Capital Credits Receivable	24,616
Machinery and Equipment - Local Funds	64,940
Less Accumulated Depreciation	(24,394)
Total Noncurrent Assets	65,162
<b>TOTAL ASSETS</b>	<b>\$ 77,375</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Payroll Contracts Payable	\$ 1,833
Payroll Deductions and Employer Matching Payable	405
Total Current Liabilities	2,238
Noncurrent Liabilities:	
Accrued Leave Payable	206
OPEB Liability	1,799
Total Noncurrent Liabilities	2,005
Total Liabilities	4,243
<b>NET POSITION</b>	
Net Investment in Capital Assets	40,546
Unrestricted	32,586
<b>TOTAL NET POSITION</b>	<b>73,132</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 77,375</b>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Position - Proprietary Fund**  
**For the Year Ended June 30, 2015**

	Food Service Fund
<b>OPERATING REVENUE</b>	
Sales to Pupils	\$ 53,785
Sales to Adults	3,395
Milk Sales	1,250
Other Local Revenue	62
Total Operating Revenue	58,492
<b>OPERATING EXPENSES</b>	
Salaries	39,018
Employee Benefits	7,521
Supplies	5,676
Cost of Sales - Purchased Food	44,653
Cost of Sales - Donated Food	4,713
Depreciation - Local Funds	5,105
Miscellaneous	440
Total Operating Expenses	107,126
<b>OPERATING LOSS</b>	<b>(48,634)</b>
<b>NONOPERATING REVENUE</b>	
Local Sources:	
Earnings on Investments and Deposits	5,454
State Sources:	
Cash Reimbursement	415
Federal Sources:	
Cash Reimbursement	23,731
Donated Food	4,290
Total Nonoperating Revenue	33,890
<b>TRANSFERS</b>	
Transfers In	2,000
<b>CHANGE IN NET POSITION</b>	<b>(12,744)</b>
<b>NET POSITION - BEGINNING BALANCE</b>	<b>85,876</b>
<b>NET POSITION - ENDING BALANCE</b>	<b>\$ 73,132</b>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended June 30, 2015**

	Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts From Customers	\$ 60,012
Payments to Suppliers	(50,907)
Payments to Employees	<u>(44,601)</u>
Net Cash Used by Operating Activities	<u>(35,496)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Subsidies	24,209
Transfers from the General Fund	<u>2,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>26,209</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Earnings	<u>5,454</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,833)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>5,071</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,238</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>	
<b>CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (48,634)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,105
Cost of Sales - Donated Food	4,713
Change in Assets and Liabilities:	
Accounts Receivable	1,520
Inventory	27
Accrued Leave Payable	(300)
Accounts Payable	(165)
Contracts Payable	1,833
Benefits Payable	<u>405</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (35,496)</u></u>
<b>NONCASH INVESTING, CAPITAL AND</b>	
<b>FINANCING ACTIVITIES</b>	
Value of Commodities Received	<u><u>\$ 4,290</u></u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>48,243</u>
<b>LIABILITIES</b>	
Amounts Held for Others	\$ <u>48,243</u>

The accompanying notes are an integral part of this statement.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to generally accepted accounting principles applicable to government entities in the United States of America (GAAP).

**A. REPORTING ENTITY**

The reporting entity of Harding County School District No. 31-1 (the District), 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.

The District participates in a cooperative service unit with several other school districts. See the note entitled "Joint Venture" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the District.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net positions are 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 District and for each function of the 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:

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. FUND TYPES AND MAJOR FUNDS**

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 year to year or because of public interest in the fund's operations.

The funds of the District are described below within their respective fund types:

**Governmental Funds:**

*General Fund* - The General Fund is established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding 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. The District's special revenue funds are as follows:

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

*Debt Service Funds* - 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 taxes restricted to use for the payment of principal and interest on general obligation debt. The District maintains one bond redemption fund for the payment of the District's Qualified School Construction Bonds. This is a major fund.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary Funds:

*Enterprise Fund Types* - Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the focus of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis whether financed or recovered through user charges or grants; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's only enterprise fund is as follows:

*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.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

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

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

Measurement Focus

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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).

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes and capital credits, generally are recognized when they become measurable and available. "Available" means resources are collected or will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Receivables, such as taxes receivable, 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 inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

All proprietary funds 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.

**E. CASH AND CASH EQUIVALENTS**

For the purpose of preparing the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**F. INVENTORY**

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories. Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements, governmental funds and enterprise fund, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Non-spendable fund balances related to inventory are reported net of any related liability (accounts payable).

**G. INTERFUND ELIMINATIONS AND RECLASSIFICATION**

*Government-wide Financial Statements:*

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

In order to minimize the gross-up effect on assets and liabilities within the governmental activities column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities column.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

Noncurrent portions of long-term interfund receivables (reported in "Advance to" assets accounts) are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources." As of the year ended June 30, 2015, the District's interfund receivables were not current.

**H. RESTRICTED ASSETS**

The District has reported restricted assets for various funds on the Statement of Net Position. The amounts reported as investments restricted for retirement of capital outlay certificates consist of tax receipts collected for the retirement of capital outlay certificates. The amounts reported as restricted net pension assets represent the District's proportionate share of the SD Retirement System that is held for retiree benefits.

**I. CAPITAL ASSETS**

Capital assets include land, buildings, improvements, 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 of 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 their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	5,000	50 yrs
Improvements	5,000	20 yrs
Equipment	5,000	5-15 yrs

Depreciation expense is calculated using the straight-line and composite methods. All depreciation of exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and 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 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 financial statements.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. 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.

*Government-wide Financial Statements:*

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of capital outlay certificates, OPEB liability, and accrued leave liability.

*Accrued Leave Liability* - Accrued leave liability is the annual leave earned by employees. Twelve-month employees earn 4 days of personal leave each year. Sick leave is earned at the rate of 8 days per year, but employees cannot accumulate more than 55 total days of sick leave. Any unused personal leave and sick leave that exceeds the cumulative total is paid back to the employee at one-half the Board-approved substitute rate at the end of the school year.

*Fund Financial Statements:*

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments 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 as in the government-wide financial statements.

**K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9. There are no deferred outflows of resources reported in the governmental funds balance sheet.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District, but will be received at some point in the future. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes collected that are intended to finance the next fiscal year and pension related inflows. The District has no deferred inflows of resources to report in the proprietary fund statements for the current year.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. NET POSITION AND FUND BALANCE**

*Government-wide Financial Statements:*

It is the 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 positions are available. Equity on the Statement of Net Position includes the following three components:

*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 capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

*Unrestricted* - Represents all other net positions 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, which is distinguished between the following classifications:

*Non-spendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Assigned* - Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The Board has given management the authority to assign fund balances.

*Unassigned* - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use assigned then unassigned amounts of unrestricted fund balance when eligible expenditures are made. The District does not have a minimum fund balance policy.

Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary net positions (except for Agency Funds, which do not have net positions) are reported as net positions held in trust for other purposes.

**M. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS**

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

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. PROGRAM REVENUES**

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

*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.

*Program Revenues - 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.

*Program Revenues - 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.

**O. PENSIONS**

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. The General, Capital Outlay, Special Education, Pension, and Bond Redemption Funds participate in the internal cash pool. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

*Deposits* - The 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.

The District's policy is to report at cost plus interest and credit all income from investments and deposits to the fund making the investment.

*Investments* - In general, SDCL4-5-6 permits school district funds to be invested only 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) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to 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.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Credit Risk - State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices. As of June 30, 2015, the District had the following investment:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
SDFIT	Unrated	Varies	\$ 1,364,224

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2015, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

Custodial Credit Risk - Investments - The risk that, in the event of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. As of June 30, 2015, the District's investments were not exposed to custodial credit risk, as they were maintained in an external investment pool.

Concentration of Credit Risk - The District places no limit on the amount that may be deposited or invested with any one financial institution or issuer. The District's deposits are with one financial institution; the District's deposits were not exposed to credit risk as all deposits were fully collateralized by pledged securities. All of the District's investments are in SDFIT.

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

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 District's policy is to credit all income from investments to the fund making the investment.

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments included in the fund financial statements consisted of \$15,535, due from the S.D. Department of Education and \$77,440 due from the South Dakota Department of Revenue at June 30, 2015.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 4 - CHANGES IN CAPITAL ASSETS**

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

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 151,139	\$ -	\$ -	\$ 151,139
Capital Assets Being Depreciated:				
Buildings	11,612,055	-	500,000	11,112,055
Improvements	379,164	93,598	-	472,762
Equipment	<u>1,063,833</u>	<u>193,781</u>	<u>5,000</u>	<u>1,252,614</u>
Total Capital Assets Being Depreciated	<u>13,055,052</u>	<u>287,379</u>	<u>505,000</u>	<u>12,837,431</u>
Less Accumulated Depreciation for:				
Buildings	1,839,732	96,733	500,000	1,436,465
Improvements	146,299	17,183	-	163,482
Equipment	<u>597,820</u>	<u>178,595</u>	<u>5,000</u>	<u>771,415</u>
Total Accumulated Depreciation	<u>2,583,851</u>	<u>292,511</u>	<u>505,000</u>	<u>2,371,362</u>
Total Capital Assets Being Depreciated, Net	<u>10,471,202</u>	<u>(5,132)</u>	<u>-</u>	<u>10,466,069</u>
Net Capital Assets	<u>\$ 10,622,341</u>	<u>\$ (5,132)</u>	<u>\$ -</u>	<u>\$ 10,617,208</u>
Business-type Activities:				
Equipment	\$ 64,940	\$ -	\$ -	64,940
Less Accumulated Depreciation	<u>19,289</u>	<u>5,105</u>	<u>-</u>	<u>24,394</u>
Net Capital Assets	<u>\$ 45,651</u>	<u>\$ (5,105)</u>	<u>\$ -</u>	<u>\$ 40,546</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 122,111
Support Services				117,427
Cocurricular Activities				<u>52,973</u>
Total Depreciation Expense				<u>\$ 292,511</u>

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 8,360,000	\$ -	\$ 165,000	\$ 8,195,000	\$ 170,000
Other Liabilities:					
OPEB Liability	55,577	4,295	-	59,872	-
Accrued Leave Liability	<u>34,067</u>	<u>13,611</u>	<u>12,735</u>	<u>34,943</u>	<u>13,000</u>
Total Other Liabilities	<u>89,644</u>	<u>17,906</u>	<u>12,735</u>	<u>94,815</u>	<u>13,000</u>
Total Long-term Liabilities	<u>\$ 8,449,644</u>	<u>\$ 17,906</u>	<u>\$ 177,735</u>	<u>\$ 8,289,815</u>	<u>\$ 183,000</u>
Business-type Activities:					
Other Liabilities:					
OPEB Liability	\$ 1,799	\$ -	\$ -	\$ 1,799	\$ -
Accrued Leave Liability	<u>506</u>	<u>599</u>	<u>899</u>	<u>206</u>	<u>206</u>
Total Long-term Liabilities	<u>\$ 2,305</u>	<u>\$ 599</u>	<u>\$ 899</u>	<u>\$ 2,005</u>	<u>\$ 206</u>

General obligation debt at June 30, 2015 was comprised of the following individual issues:

2010A Capital Outlay Certificates - Qualified School Construction Bonds, bearing interest at a fixed rate of 5.70%, with the principal due in one lump sum on June 1, 2027. The Internal Revenue Service provides an interest payment credit in the amount of 5.50% of the principal balance.	\$ 5,000,000
2010B Capital Outlay Certificates - Build America Bonds, bearing interest at fixed rates ranging from 1.50% to 6.05%, due in annual installments until maturity on June 1, 2030. The Internal Revenue Service provides an interest payment credit in the amount of 35% of the interest payment.	<u>3,195,000</u>
	<u>\$ 8,195,000</u>

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2015, excluding compensated absences and the OPEB liability are as follows:

Year Ending June 30,	General Obligation Debt		Totals
	Principal	Interest	
2016	\$ 170,000	\$ 456,183	\$ 626,183
2017	175,000	449,638	624,638
2018	180,000	442,287	622,287
2019	185,000	434,008	619,008
2020	190,000	425,128	615,128
2021-2025	1,045,000	1,972,065	3,017,065
2026-2030	6,250,000	800,525	7,050,525
	<u>\$ 8,195,000</u>	<u>\$ 4,979,834</u>	<u>\$ 13,174,834</u>

Payments of 2010A Capital Outlay Certificates - Qualified School Construction Bonds (QSCB) debt will be made from the Bond Redemption Fund. Payments of the Build America Bonds are made from the Capital Outlay Fund. Accrued leave and OPEB payments are made from the fund that the payroll expenditures are charged, generally the General, Special Education, and Food Service Funds.

Sinking fund provisions on the QSCB require annual deposits of \$303,030 on or before June 1 of each year beginning June 1, 2012 through 2027. The sinking fund will continue to earn interest until maturity on June 1, 2027. Interest payments on debt will be made semi-annually from the sinking fund. Earnings on deposits will be applied against interest amounts paid by the District.

Early retirement benefits are available to teachers and administration that meet certain criteria. Upon retirement, as provided by the early retirement criteria, the employee is entitled to receive a cash benefit which is dependent upon several criteria, including the employee's last contract salary. At June 30, 2015, one eligible employee received payment for early retirement benefits. Early retirement benefits are paid in one lump sum on June 30, therefore, it is not necessary to accrue a liability for early retirement benefits.

**NOTE 6 - INTERFUND TRANSACTIONS AND BALANCES**

Interfund transfers during the year ended June 30, 2015 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>
General Fund	\$ <u>2,000</u>

The General Fund transferred \$2,000 to the Food Service Fund to supplement operations.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 6 - INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)**

Interfund receivables and payables at June 30, 2015 were as follows:

<u>Advance To:</u>	<u>Advance From:</u>
	Bond Redemption
	Fund
Capital Outlay Fund	\$ 500,000

An interfund advance from the Capital Outlay Fund to the Bond Redemption Fund in the amount of \$500,000 was made during the year ended June 30, 2012 to provide resources for debt payments made out of the Bond Redemption Fund. The Bond Redemption Fund does not intend to pay this amount back to the Capital Outlay Fund until the debt discussed in Note 5 matures in 2030.

**NOTE 7 - RESTRICTED NET POSITION**

The following table shows restricted net position as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	
Major Purpose:		
Capital Outlay	Law	\$ 636,023
Special Education	Law	267,556
Pension	Law	129,135
Proportionate Share of Net Pension Asset	Law	399,802
Bond Redemption	Debt Covenants	1,701,631
Total		\$ 3,134,147

Although unrestricted, the business-type activities' net position in the amount of \$32,586 is limited by federal regulations as the District's food services are primarily funded with federal grants.

**NOTE 8 - 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 District's taxes and remits them to the District.

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 are not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 8 - PROPERTY TAX (CONTINUED)**

The District is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the school district:

General Fund:		
Agricultural Property	\$	1.782
Owner Occupied		4.252
Other Property		9.106
Capital Outlay Fund		3.000
Special Education Fund		0.800
Pension Fund		0.300

State statute allows the General Fund tax rates to be increased by special election of the voters.

**NOTE 9 - PENSION PLAN**

Plan Information

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

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

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 9 - PENSION PLAN (CONTINUED)**

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's contribution to the SDRS for the years ended June 30, 2015, 2014, and 2013 was \$80,351, \$80,321, and \$78,580, respectively, and was equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the District as of June 30, 2014 are as follows:

Proportionate Share of Net Position Restricted for Pension Benefits	\$ 8,120,263
Less Proportionate Share of Total Pension Liability	<u>7,568,740</u>
Proportionate Share of Net Pension Asset	<u>\$ 551,523</u>

At June 30 2015, the District reported an asset of \$551,523 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the District's proportion was 0.077%. Proportionate share information as of June 30, 2013 is not available. The change in proportionate amounts between years is deemed immaterial.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 9 - PENSION PLAN (CONTINUED)**

For the year ended June 30, 2015, the District recognized pension revenue of \$103,617. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 46,666	\$ -
Changes in Assumption	360,019	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	638,758
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	-	-
District Contributions Subsequent to the Measurement Date	<u>80,351</u>	<u>-</u>
Total	<u>\$ 487,036</u>	<u>\$ 638,758</u>

\$80,351 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30,	
2016	\$ 43,825
2017	43,825
2018	43,825
2019	100,598
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 232,073</u>

Actuarial Assumptions

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

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

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

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 9 - PENSION PLAN (CONTINUED)**

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	2.0%	0.8%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2016 and 7.50% thereafter, as well as what the School's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 545,009</u>	<u>\$ (551,524)</u>	<u>\$ (1,445,861)</u>

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 9 - PENSION PLAN (CONTINUED)**

Pension Plan Fiduciary Net Position

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

**NOTE 10 - JOINT VENTURE**

The District participates in the Northwest Area Schools Multi-District/Educational Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing cooperative educational services to the member school districts. Each member district had an equal membership interest in the cooperative.

The members of the Co-op are as follows:

- Bison School District No. 52-1
- Dupree School District No. 64-2
- Faith School District No. 46-2
- Harding County School District No. 31-1
- McIntosh School District No. 15-1
- McLaughlin School District No. 15-2
- Smee School District No. 62-3
- Timber Lake School District No. 20-3

The Co-op's governing board is comprised of one representative, a school board member, from each member school district. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northwest Area Schools Multi-Educational Cooperative. At June 30, 2015, the Co-op had total assets of \$1,421,489, total liabilities of \$221,393, and total net position of \$1,200,096 (unaudited). The District made payments in the amount of \$92,714 to the Co-op during the year ended June 30, 2015.

**NOTE 11 - RISK MANAGEMENT**

The 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 year ended June 30, 2015, the District managed its risks as follows:

Employee Health Insurance

The 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.

Liability Insurance

The District purchases liability insurance for risks related to torts; theft or damage to property; and errors or 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.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 11 - RISK MANAGEMENT (CONTINUED)**

Worker's Compensation

The District purchases liability insurance for workmen's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. The District appropriates an amount each year in the General Fund as deemed necessary to provide resources for potential claims for unemployment benefits. During the year ended June 30, 2015, no claims for unemployment benefits were paid and, as of June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the subsequent year.

**NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

The District offers a single-employer defined benefit healthcare plan. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between the District's certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. A covered individual who retires from the District, is at least age 55 and has contributed 3 years of service, and is currently participating in the group plan at the time of retirement is eligible for health insurance. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected.

Funding Policy

Retired employees must pay 100% of the premiums for his or her coverage. Under GASB 45, the District incurs an expense due to the implicit rate subsidy for retirees.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

Annual OPEB Cost

For the year ended June 30, 2015, the District made contributions to the Plan and the beginning balance of the OPEB obligation was \$57,376. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

ARC		\$	8,967
Interest on Net OPEB			1,667
Adjustment to ARC			(2,753)
Annual OPEB Cost			7,881
Contributions Made			(3,586)
Change in Net OPEB Obligation			4,295
Net OPEB Obligation-June 30, 2014			57,376
Net OPEB Obligation-June 30, 2015		\$	61,671

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 16,718	0.00%	\$ 31,765
6/30/2012	15,047	0.00%	38,561
6/30/2013	9,367	0.00%	47,928
6/30/2014	9,448	0.00%	57,376
6/30/2015	4,295	83.49%	61,671

Funded Status and Funding Progress

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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. Active employees and retirees are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability.

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Credit actuarial cost method was used to determine the annual required contribution.

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. Initially, the actuarial value of assets is to be equal to the fair market value of assets. This method will be formally adopted after decisions regarding the OPEB Plan's funding and investment policy are made.

The unfunded accrued liability is being amortized as a level dollar amount on an open basis over a period of 30 years.

The actuarial assumptions included:

- The assumed claim costs were determined from the insured premiums and underlying claim experience of the OPEB Plans and actuarial age adjustment factors.
- The discount rate was 3.25%.
- The retiree participation rate was assumed to be 25% and initial spouse participation rate was assumed to be 25% for both male and female employees.
- Mortality was according to the RP 2000 Mortality Table.
- Table 1 in GASB 45 paragraph 35 (b) was used to assign the probability of remaining employed until assumed retirement age.
- Net Claim Costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

<u>Duration</u>	<u>Medical Rate</u>	<u>Dental Rate</u>
1	5.80%	5.00%
2	5.40%	5.00%
3	5.40%	5.00%
4	5.30%	5.00%
5	5.60%	5.00%
10	5.30%	5.00%
15	5.40%	5.00%
20	5.80%	5.00%
25	6.10%	5.00%
30	5.90%	5.00%
35	5.70%	5.00%
40	5.60%	5.00%
45	5.50%	5.00%

**Harding County School District No. 31-1**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 13 - OPERATING LEASES**

The District has an operating lease with a third-party vendor for a phone system with voicemail. The lease requires monthly payments of \$165 for 84 months, with the final payment due in 2017. Minimum annual lease payments are as follows for years ending June 30:

2016	\$	1,980
2017		<u>330</u>
	\$	<u><u>2,310</u></u>

**NOTE 14 - CONCENTRATIONS**

The District is dependent upon program and operating revenues from the State of South Dakota for its primary existence.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2015, the District implemented GASB 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of July 1, 2014 as follows:

Net Position July 1, 2014, as Previously Reported	\$ 5,923,624
Restatement for Pension Accounting:	
Net Pension Asset	215,834
Pension Related Deferred Outflows of Resources	<u>80,321</u>
Net Position July 1, 2014, as Restated	<u><u>\$ 6,219,779</u></u>

**NOTE 16 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**Harding County School District No. 31-1**  
**Budgetary Comparison Schedule - General Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 714,416	\$ 785,666
Gross Receipts Taxes	500,000	500,000
Penalties and Interest on Taxes	1,000	1,000
Earnings on Deposits	2,000	2,000
Admission Charges for Cocurricular Activities	13,520	13,520
Other Local Revenue	<u>7,500</u>	<u>7,500</u>
Total Revenue From Local Sources	<u>1,238,436</u>	<u>1,309,686</u>
Revenue From Intermediate Sources:		
County Sources:		
County Apportionment	50,000	50,000
Lease of County-Owned land	10,000	10,000
Other	<u>393,678</u>	<u>393,678</u>
Total Revenue From Intermediate Sources	<u>453,678</u>	<u>453,678</u>
Revenue From State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	<u>439,048</u>	<u>439,048</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	217,200	217,200
Restricted Grants-in-Aid	<u>104,859</u>	<u>104,859</u>
Total Revenue From Federal Sources	<u>322,059</u>	<u>322,059</u>
<b>TOTAL REVENUE</b>	<u>2,453,221</u>	<u>2,524,471</u>

See independent auditor's report and notes to required supplementary information.

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 809,765	\$ 24,099
487,729	(12,271)
852	(148)
4,966	2,966
15,191	1,671
<u>10,582</u>	<u>3,082</u>
<u>1,329,085</u>	<u>19,399</u>
125,593	75,593
11,229	1,229
<u>481,380</u>	<u>87,702</u>
<u>618,202</u>	<u>164,524</u>
<u>374,973</u>	<u>(64,075)</u>
244,788	27,588
<u>102,207</u>	<u>(2,652)</u>
<u>346,995</u>	<u>24,936</u>
<u>2,669,255</u>	<u>144,784</u>

See independent auditor's report and notes to required supplementary information.

**Harding County School District No. 31-1**  
**Budgetary Comparison Schedule - General Fund -**  
**Budgetary Basis (Continued)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	1,274,780	1,283,030
Special Programs	<u>74,063</u>	<u>74,063</u>
Total Instruction	<u>1,348,843</u>	<u>1,357,093</u>
Support Services:		
Pupils	23,283	23,283
Instructional Staff	149,059	149,059
General Administration	171,279	171,279
School Administration	112,305	120,305
Business	419,381	474,381
Central	<u>750</u>	<u>750</u>
Total Support Services	<u>876,057</u>	<u>939,057</u>
Cocurricular Activities:		
Male Activities	60,779	60,779
Female Activities	43,902	43,902
Activity Transportation	36,415	36,415
Combined Activities	<u>54,517</u>	<u>54,517</u>
Total Cocurricular Activities	<u>195,613</u>	<u>195,613</u>
Other NonProgrammed Costs	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>2,420,513</u>	<u>2,491,763</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	32,708	32,708
<b>OTHER FINANCING USES</b>		
Transfers Out	<u>(32,708)</u>	<u>(32,708)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING BALANCE</b>	<u>1,091,570</u>	<u>1,091,570</u>
<b>FUND BALANCE - ENDING BALANCE</b>	<u>\$ 1,091,570</u>	<u>\$ 1,091,570</u>

See independent auditor's report and notes to required supplementary information.

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
1,231,585	51,445
<u>81,333</u>	<u>(7,270)</u>
<u>1,312,918</u>	<u>44,175</u>
23,324	(41)
151,489	(2,430)
169,287	1,992
120,185	120
458,338	16,043
<u>606</u>	<u>144</u>
<u>923,229</u>	<u>15,828</u>
51,485	9,294
42,160	1,742
24,299	12,116
<u>50,636</u>	<u>3,881</u>
<u>168,580</u>	<u>27,033</u>
<u>1,351</u>	<u>(1,351)</u>
<u>2,406,078</u>	<u>85,685</u>
263,177	230,469
<u>(2,000)</u>	<u>30,708</u>
<u>261,177</u>	<u>261,177</u>
<u>1,091,570</u>	<u>-</u>
<u>\$ 1,352,747</u>	<u>\$ 261,177</u>

See independent auditor's report and notes to required supplementary information.

**Harding County School District No. 31-1**  
**Budgetary Comparison Schedule - Capital Outlay Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 651,475	\$ 651,475
Penalties and Interest on Taxes	1,000	1,000
Earnings on Deposits	500	500
Other Local Revenue	-	-
Total Revenue From Local Sources	<u>652,975</u>	<u>652,975</u>
Revenue From Intermediate Sources:		
County Sources:		
Lease of County-owned Land	20,000	20,000
Other	<u>45,000</u>	<u>45,000</u>
Total Revenue From Intermediate Sources	<u>65,000</u>	<u>65,000</u>
Revenue From State Sources:		
Other State Revenue	<u>17,000</u>	<u>17,000</u>
Revenue From Federal Sources:		
Unrestricted Grants-in-Aid	<u>63,070</u>	<u>63,070</u>
<b>TOTAL REVENUE</b>	<u>798,045</u>	<u>798,045</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	<u>111,500</u>	<u>111,500</u>
Support Services:		
Instructional Staff	4,500	4,500
General Administration	20,000	20,000
Business	<u>532,070</u>	<u>532,070</u>
Total Support Services	<u>556,570</u>	<u>556,570</u>
Cocurricular Activities:		
Male Activities	3,000	3,000
Female Activities	3,000	3,000
Total Cocurricular Activities	<u>6,000</u>	<u>6,000</u>
Debt Services	<u>345,900</u>	<u>345,900</u>
<b>TOTAL EXPENDITURES</b>	<u>1,019,970</u>	<u>1,019,970</u>

See independent auditor's report and notes to required supplementary information.

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 643,970	\$ (7,505)
853	(147)
1,426	926
<u>4,271</u>	<u>4,271</u>
<u>650,520</u>	<u>(2,455)</u>
16,542	(3,458)
<u>45,000</u>	<u>-</u>
<u>61,542</u>	<u>(3,458)</u>
<u>17,284</u>	<u>284</u>
<u>57,414</u>	<u>(5,656)</u>
<u>786,760</u>	<u>(11,285)</u>
<u>74,195</u>	<u>37,305</u>
5,020	(520)
16,928	3,072
<u>543,480</u>	<u>(11,410)</u>
<u>565,428</u>	<u>(8,858)</u>
5,529	(2,529)
<u>148</u>	<u>2,852</u>
<u>5,677</u>	<u>323</u>
<u>342,658</u>	<u>3,242</u>
<u>987,958</u>	<u>32,012</u>

See independent auditor's report and notes to required supplementary information.

**Harding County School District No. 31-1  
 Budgetary Comparison Schedule - Capital Outlay Fund -  
 Budgetary Basis (Continued)  
 For the Year Ended June 30, 2015**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(221,925)</u>	<u>(221,925)</u>
<b>OTHER FINANCING SOURCES</b>		
Compensation for Loss of Capital Assets	-	-
Transfer In	<u>221,925</u>	<u>221,925</u>
Total Other Financing Sources	<u>221,925</u>	<u>221,925</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING BALANCE</b>	<u>769,346</u>	<u>769,346</u>
<b>FUND BALANCE - ENDING BALANCE</b>	<u>\$ 769,346</u>	<u>\$ 769,346</u>

See independent auditor's report and notes to required supplementary information.

Actual (Budgetary Basis)	Variance Positive (Negative)
<u>(201,198)</u>	<u>20,727</u>
48,020	48,020
<u>-</u>	<u>(221,925)</u>
<u>48,020</u>	<u>(173,905)</u>
<u>(153,178)</u>	<u>(153,178)</u>
<u>769,346</u>	<u>-</u>
<u>\$ 616,168</u>	<u>\$ (153,178)</u>

See independent auditor's report and notes to required supplementary information.

**Harding County School District No. 31-1**  
**Budgetary Comparison Schedule - Special Education Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	173,687	\$ 173,687
Penalties and Interest on Taxes	250	250
Earnings on Deposits	1,000	1,000
Total Revenue From Local Sources	<u>174,937</u>	<u>174,937</u>
Revenue From Intermediate Sources		
County Sources:		
Lease of County-Owned land	<u>5,000</u>	<u>5,000</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	<u>41,408</u>	<u>41,408</u>
Total Revenue From Federal Sources	<u>41,408</u>	<u>41,408</u>
<b>TOTAL REVENUE</b>	<u>221,345</u>	<u>221,345</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Special Programs	<u>130,330</u>	<u>130,330</u>
Support Services:		
Pupils	32,000	32,000
Special Education	<u>59,015</u>	<u>59,015</u>
Total Support Services	<u>91,015</u>	<u>91,015</u>
<b>TOTAL EXPENDITURES</b>	<u>221,345</u>	<u>221,345</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING BALANCE</b>	<u>222,057</u>	<u>222,057</u>
<b>FUND BALANCE - ENDING BALANCE</b>	<u>\$ 222,057</u>	<u>\$ 222,057</u>

See independent auditor's report and notes to required supplementary information.

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 171,759	\$ (1,928)
228	(22)
878	(122)
<u>172,865</u>	<u>(2,072)</u>
<u>4,411</u>	<u>(589)</u>
<u>-</u>	<u>(41,408)</u>
<u>-</u>	<u>(41,408)</u>
<u>177,276</u>	<u>(44,069)</u>
<u>135,260</u>	<u>(4,930)</u>
13,132	18,868
9,164	49,851
<u>22,296</u>	<u>68,719</u>
<u>157,556</u>	<u>63,789</u>
<u>19,720</u>	<u>19,720</u>
<u>222,057</u>	<u>-</u>
<u>\$ 241,777</u>	<u>\$ 19,720</u>

See independent auditor's report and notes to required supplementary information.

**Harding County School District No. 31-1  
Budgetary Comparison Schedule - Pension Fund -  
Budgetary Basis  
For the Year Ended June 30, 2015**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	65,135	\$ 65,135
Penalties and Interest on Taxes	100	100
Earnings on Deposits	200	200
Total Revenue From Local Sources	<u>65,435</u>	<u>65,435</u>
Revenue From Intermediate Sources:		
County Sources	<u>1,500</u>	<u>1,500</u>
<b>TOTAL REVENUE</b>	<u>66,935</u>	<u>66,935</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	<u>-</u>	<u>-</u>
Total Instruction Services	<u>-</u>	<u>-</u>
Other Nonprogrammed Costs		
Early Retirement	<u>66,935</u>	<u>66,935</u>
<b>TOTAL EXPENDITURES</b>	<u>66,935</u>	<u>66,935</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING BALANCE, AS RESTATED</b>	<u>99,399</u>	<u>99,399</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 99,399</u>	<u>\$ 99,399</u>

See independent auditor's report and notes to required supplementary information.

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 65,676	\$ 541
85	(15)
439	239
<u>66,200</u>	<u>765</u>
<u>1,651</u>	<u>151</u>
<u>67,851</u>	<u>916</u>
<u>45</u>	<u>(45)</u>
<u>45</u>	<u>(45)</u>
<u>38,696</u>	<u>28,239</u>
<u>38,741</u>	<u>28,194</u>
<u>29,110</u>	<u>29,110</u>
<u>99,399</u>	<u>-</u>
<u>\$ 128,509</u>	<u>\$ 29,110</u>

See independent auditor's report and notes to required supplementary information.

**Harding County School District No. 31-1**  
**Notes to Required Supplementary Information**  
**June 30, 2015**

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**NOTE 1 - BASIS OF PRESENTATION**

The Budgetary Comparison Schedules have been prepared on the budgetary basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds present capital outlay expenditures as a separate function.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 of each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. 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.
6. 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 number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**Harding County School District No. 31-1  
 Schedule of Funding Progress  
 For Retiree Health Insurance Coverage  
 For the Year Ended June 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 108,747	\$ 108,747	0.00%	\$1,017,092	10.69%
6/30/2012	-	89,853	89,853	0.00%	1,204,379	7.46%
6/30/2015	-	76,237	76,237	0.00%	1,517,984	5.02%

**Harding County School District No. 31-1**  
**Schedule of Net Pension Asset**  
**For the Year Ended June 30, 2015**

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District's Proportion of the Net Pension Asset	0.07655170%
District's Proportionate Share of Net Pension Asset	\$ 551,523
District's Covered-employee Payroll	\$ 1,339,173
District's Proportionate Share of the Net Position Asset as a Percentage of its Covered-employee Payroll	41.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	107.3%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is June 30 of the previous fiscal year.

**Harding County School District No. 31-1**  
**Schedule of Pension Contributions**  
**For the Year Ended June 30, 2015**

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Contractually Required Contribution	\$ 80,351
Contributions in Relation to the Contractually-required Contribution	<u>80,351</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's Covered-employee Payroll	<u>\$ 1,339,173</u>
Contributions as a Percentage of Covered-employee Payroll	6.0%

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SUPPLEMENTARY INFORMATION

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**Harding County School District No. 31-1**  
**School District Officials**  
**June 30, 2015**

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BOARD MEMBERS

President - Derek Brink  
Vice President - Charles Maxon  
David Wickstrom  
Linda Gilbert  
Ryan Glines

SUPERINTENDENT

Ruth Krogh

BUSINESS MANAGER

Pennee Clanton