

HURLEY SCHOOL DISTRICT NO 60-2

AUDIT REPORT

FOR THE TWO YEARS ENDED

JUNE 30, 2012

HURLEY SCHOOL DISTRICT NO. 60-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012

School Board

Jon Benson - President

Denise Schoolmeester - Vice President

Bruce Ebbesen

Jim Gerdes

Steve Rabern

Business Manager

Brian Andersen

Superintendent

Jerry Joachim

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QUAM & BERGLIN, P.C.

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

School Board
Hurley School District No. 60-2
Turner County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hurley School District No. 60-2, Turner County, South Dakota, as of and for the two years ended June 30, 2012, which collectively comprise the Hurley School District's basic financial statements and have issued our report thereon dated December 21, 2012. We did not express an opinion on the financial statements as a whole because we were unable to satisfy ourselves by other auditing procedures concerning expenses reported on the Statement of Activities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Hurley School District No. 60-2, Turner County, South Dakota is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hurley School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hurley School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hurley School District's internal control over financial reporting.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Current Audit Findings as item number 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hurley School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings as Findings No. 2012-02 and 2012-03.

The Hurley School District did not wish to respond to the findings identified in our audit as described in the accompanying Schedule of Current Audit Findings.

We also noted certain matters that we reported to the management of the School District in a separate communication dated December 21, 2012.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Hurley School District No. 60-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin, P.C.
Certified Public Accountants

December 21, 2012

**HURLEY SCHOOL DISTRICT NO. 60-2
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO YEARS ENDED JUNE 30, 2012**

PRIOR AUDIT FINDING:

Prior Other Audit Findings:

Prior Finding Number 2010-01:

A significant deficiency in internal controls was reported for a lack of segregation of duties. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated under current audit finding number 2012-01.

Corrective Action Plan:

This prior audit comment has not been corrected and is restated under the current audit findings as finding number 2012-01.

**HURLEY SCHOOL DISTRICT NO. 60-2
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE TWO YEARS ENDED JUNE 30, 2012**

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings – Material Weaknesses:

Finding Number 2012-01:

A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues, expenditures, and payroll.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues and expenditures. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition Found:

A material weakness in internal control was reported due to lack of proper segregation of duties of revenues, expenditures, and payroll resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that the Board of Education be cognizant of this lack of segregation of duties and attempt to provide compensating controls, whenever and wherever possible and practical.

Compliance-Related Findings – Material Weaknesses:

Finding Number 2012-02:

The expenditures paid from the General, Capital Outlay, and Special Education Funds exceeded the total amounts budgeted for the fiscal year 2012 by \$16,731.64, \$208,962.27, and \$11,972.15, respectively. The expenditures paid from the Capital Outlay Fund exceeded the total amount budgeted for the fiscal year 2011 by \$75,145.30.

Criteria:

SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year.

Condition Found:

Such expenditures in excess of the budgeted amounts show ineffective controls over expenditures. It appears that even though controls are in place, they have not been implemented properly.

Recommendation:

We recommend that management be aware of the situation.

**HURLEY SCHOOL DISTRICT NO. 60-2
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE TWO YEARS ENDED JUNE 30, 2012
(continued)**

Compliance-Related Findings – Material Weaknesses:

Finding Number 2012-03:

Missing documentation

Criteria:

SDCL 13-18-3 states that before any claim against the school is allowed, an itemized invoice must accompany a voucher verified by the appropriate school official that the goods/services have been received by the business manager.

SDCL 13-16-20 states that the designated employee in charge of an agency fund shall keep accurate records of all receipts, expenditures and balances of the agency fund.

Condition Found:

During our examination of vouchers for the two years ended June 30, 2012, we noted that in fiscal year 2011, 25% (representing \$396,519) of the non-payroll related governmental fund vouchers lacked proper documentation, and in fiscal year 2012, 27% (representing \$388,733) of the non-payroll related governmental fund vouchers lacked proper documentation. In addition, we noted that Trust & Agency vouchers totaling \$55,225 in 2011 and \$76,544 in 2012 lacked proper documentation.

Recommendation:

We recommend that all claims include an itemized invoice and be accurately filed and kept for retention.

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INDEPENDENT AUDITOR'S REPORT

School Board
Hurley School District No. 60-2
Turner County, South Dakota

We were engaged to audit the accompanying financial statements of each major fund and the aggregate remaining fund information of Hurley School District No. 60-2, Turner County, South Dakota, as and for the two years ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Hurley School District's management.

We were unable to satisfy ourselves by other auditing procedures concerning the expenses reported for the two years ended June 30, 2012, which were stated in the Statement of Activities at \$1,663,219 for fiscal year 2012 and \$1,582,034 for fiscal year 2011. We were unable to confirm or verify by alternative means, expenses included in the Statement of Activities at a total amount of \$388,733 and \$396,519 for June 30, 2012 and June 30, 2011, respectively. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded expenses.

Since Hurley School District did not retain proper records in relation to expenses and we were unable to apply other auditing procedures to satisfy ourselves as to reported expenses, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 the 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

Quam & Berglin P.C.

Quam and Berglin, P.C.
Certified Public Accountants

December 21, 2012

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 1,117,306.38	\$ 2,456.14	\$ 1,119,762.52
Taxes Receivable	382,231.41		382,231.41
Accounts Receivable		2,032.75	2,032.75
Due from Other Governments	11,005.78	664.74	11,670.52
Capital Assets:			
Land and Construction in Progress	204,767.93		204,767.93
Other Capital Assets, Net of Depreciation	2,817,380.04		2,817,380.04
TOTAL ASSETS	<u>4,532,691.54</u>	<u>5,153.63</u>	<u>4,537,845.17</u>
LIABILITIES :			
Accounts Payable	15,332.73		15,332.73
Contracts & Benefits Payable	86,012.28		86,012.28
Construction Payable	102,230.90		102,230.90
Deferred Revenue	371,019.05		371,019.05
Noncurrent Liabilities:			
Due Within One Year	151,125.38		151,125.38
Due in More than One Year	920,000.00		920,000.00
TOTAL LIABILITIES	<u>1,645,720.34</u>		<u>1,645,720.34</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,957,147.97		1,957,147.97
Restricted for:			
Capital Outlay	15,538.99		15,538.99
Special Education	12,595.24		12,595.24
Pension	8,377.26		8,377.26
Debt Service	40,552.38		40,552.38
Unrestricted (Deficit)	852,759.36	5,153.63	857,912.99
TOTAL NET ASSETS	<u>\$ 2,886,971.20</u>	<u>\$ 5,153.63</u>	<u>\$ 2,892,124.83</u>

The notes to the financial statements are an integral part of this statement

**HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 700,389.38	\$	\$ 51,737.61	\$ (648,651.77)	\$	\$ (648,651.77)
Support Services	765,582.50			(765,582.50)		(765,582.50)
Community Services	36,724.77			(36,724.77)		(36,724.77)
*Interest on Long-term Debt	36,314.35			(36,314.35)		(36,314.35)
Nonprogrammed Charges	1,125.00			(1,125.00)		(1,125.00)
Cocurricular Activities	<u>64,312.77</u>	<u>10,946.00</u>		<u>(53,366.77)</u>		<u>(53,366.77)</u>
Total Governmental Activities	<u>1,604,448.77</u>	<u>10,946.00</u>	<u>51,737.61</u>	<u>(1,541,765.16)</u>		<u>(1,541,765.16)</u>
Business-type Activities:						
Food Service	<u>58,771.05</u>	<u>37,342.53</u>	<u>13,634.84</u>		<u>(7,793.68)</u>	<u>(7,793.68)</u>
Total Primary Government	<u>\$ 1,663,219.82</u>	<u>\$ 48,288.53</u>	<u>\$ 65,372.45</u>	<u>(1,541,765.16)</u>	<u>(7,793.68)</u>	<u>(1,549,558.84)</u>
		General Revenues:				
		Taxes:				
			Property Taxes	862,465.04		862,465.04
			Gross Receipts Tax	41,705.19		41,705.19
		Revenue from State Sources:				
			State Aid	408,481.67		408,481.67
			Unrestricted Investment Earnings	11,972.67		11,972.67
			Other General Revenues	<u>73,379.86</u>		<u>73,379.86</u>
			Total General Revenues	<u>1,398,004.43</u>		<u>1,398,004.43</u>
			Change in Net Assets	(143,760.73)	(7,793.68)	(151,554.41)
			Net Assets - Beginning	<u>3,030,731.93</u>	<u>12,947.31</u>	<u>3,043,679.24</u>
			NET ASSETS - ENDING	<u>\$ 2,886,971.20</u>	<u>\$ 5,153.63</u>	<u>\$ 2,892,124.83</u>

The notes to the financial statements are an integral part of this statement.

**HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
Primary Government:						
Governmental Activities:						
Instruction	\$ 709,760.86	\$	\$ 128,143.66	\$ (581,617.20)	\$	\$ (581,617.20)
Support Services	642,582.60			(642,582.60)		(642,582.60)
Community Services	32,399.64			(32,399.64)		(32,399.64)
*Interest on Long-term Debt	50,939.58			(50,939.58)		(50,939.58)
Cocurricular Activities	<u>83,388.72</u>	<u>6,866.74</u>		<u>(76,521.98)</u>		<u>(76,521.98)</u>
Total Governmental Activities	<u>1,519,071.40</u>	<u>6,866.74</u>	<u>128,143.66</u>	<u>(1,384,061.00)</u>		<u>(1,384,061.00)</u>
Business-type Activities:						
Food Service	<u>62,802.00</u>	<u>39,912.28</u>	<u>19,917.98</u>		<u>(2,971.74)</u>	<u>(2,971.74)</u>
Total Primary Government	<u>\$ 1,581,873.40</u>	<u>\$ 46,779.02</u>	<u>\$ 148,061.64</u>	<u>(1,384,061.00)</u>	<u>(2,971.74)</u>	<u>(1,387,032.74)</u>
		General Revenues:				
		Taxes:				
				944,014.36		944,014.36
				50,322.19		50,322.19
		Revenue from State Sources:				
				449,160.94		449,160.94
				17,209.90		17,209.90
				<u>130,942.63</u>		<u>130,942.63</u>
				<u>1,591,650.02</u>		<u>1,591,650.02</u>
				207,589.02	(2,971.74)	204,617.28
				<u>2,823,142.91</u>	<u>15,919.05</u>	<u>2,839,061.96</u>
				<u>\$3,030,731.93</u>	<u>\$ 12,947.31</u>	<u>\$3,043,679.24</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 notes to the financial statements are an integral part of this statement.

**HURLEY SCHOOL DISTRICT NO. 60-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and Cash Equivalents	\$ 920,539.41	\$ 122,512.89	\$ 26,802.47	\$ 8,118.16	\$ 39,333.45	\$1,117,306.38
Taxes Receivable - Current	151,001.13	76,477.41	66,917.61	14,341.76	62,281.14	371,019.05
Taxes Receivable - Delinquent	7,141.34	1,382.38	1,210.61	259.10	1,218.93	11,212.36
Due from Other Governments	11,005.78					11,005.78
TOTAL ASSETS	<u>1,089,687.66</u>	<u>200,372.68</u>	<u>94,930.69</u>	<u>22,719.02</u>	<u>102,833.52</u>	<u>1,510,543.57</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	6,254.71		9,078.02			15,332.73
Contracts Payable	67,738.11		5,578.40			73,316.51
Construction Payable		102,230.90				102,230.90
Payroll Deductions and Withholdings and Employer Matching Payable	11,934.35		761.42			12,695.77
Deferred Revenue	158,142.47	77,859.79	68,128.22	14,600.86	63,500.07	382,231.41
Total Liabilities	<u>244,069.64</u>	<u>180,090.69</u>	<u>83,546.06</u>	<u>14,600.86</u>	<u>63,500.07</u>	<u>585,807.32</u>
Fund Balances:						
Restricted		20,281.99	11,384.63	8,118.16	39,333.45	79,118.23
Unassigned	845,618.02					845,618.02
Total Fund Balances	<u>845,618.02</u>	<u>20,281.99</u>	<u>11,384.63</u>	<u>8,118.16</u>	<u>39,333.45</u>	<u>924,736.25</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,089,687.66</u>	<u>\$ 200,372.68</u>	<u>\$ 94,930.69</u>	<u>\$ 22,719.02</u>	<u>\$ 102,833.52</u>	<u>\$1,510,543.57</u>

The notes to the financial statements are an integral part of this statement.

**HURLEY SCHOOL DISTRICT NO. 60-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balances - Governmental Funds		\$ 924,736.25
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is:

	\$4,068,350.40	
Less accumulated depreciation	<u>(1,046,202.43)</u>	3,022,147.97

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	(820,000.00)	
Capital Outlay Certificates	(245,000.00)	
Capital Acquisition Lease	<u>(6,125.38)</u>	(1,071,125.38)

Assets such as taxes receivable (delinquent), are not available to pay for current period expenditures and therefore are deferred in the funds.

	<u>11,212.36</u>
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Net Assets - Governmental Funds	<u><u>\$2,886,971.20</u></u>
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The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 388,610.87	\$ 161,258.69	\$ 141,031.73	\$ 30,198.70	\$ 136,624.91	\$ 857,724.90
Prior Years' Ad Valorem Taxes	8,607.39	3,067.43	2,684.36	575.21	2,845.23	17,779.62
Gross Receipts Taxes	41,705.19					41,705.19
Penalties and Interest on Taxes	3,101.63	1,101.10	963.77	206.27	1,038.91	6,411.68
Earnings on Investments and Deposits	11,972.67					11,972.67
Cocurricular Activities:						
Admissions	7,188.00					7,188.00
Other Pupil Activity Income	3,758.00					3,758.00
Other Revenue from Local Sources:						
Charges for Services	2,543.10		12,003.82			14,546.92
Day Care Services	34,834.35					34,834.35
Other	14,099.44	3,418.16				17,517.60
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	8,105.99					8,105.99
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	408,481.67					408,481.67
Other State Revenue	140.00					140.00
Revenue from Federal Sources:						
Restricted Grants-in-Aid Received from Federal Government Through the State	51,737.61					51,737.61
Total Revenue	<u>984,920.91</u>	<u>168,845.38</u>	<u>156,683.68</u>	<u>30,980.18</u>	<u>140,509.05</u>	<u>1,481,939.20</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	267,211.88	5,450.22		13,250.00	285,912.10
High School	285,331.77	6,093.00		12,145.00	303,569.77

Special Programs:

Programs for Special Education			60,889.39		60,889.39
Programs for Educationally Deprived	18,843.72				18,843.72

Support Services:

Pupils:

Guidance	25.00		414.25		439.25
Health	544.81				544.81
Psychological			3,658.90		3,658.90
Speech Pathology			13,549.24		13,549.24
Student Therapy			51,272.79		51,272.79

Support Services - Instructional Staff:

Improvement in Instruction	945.98				945.98
Educational Media	48,179.15	10,291.61	582.45		59,053.21

Support Services - General Administration:

Board of Education	22,169.52		8,750.44		30,919.96
Executive Administration	50,590.00				50,590.00

Support Services - School Administration:

Office of the Principal	69,721.21				69,721.21
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Support Services - Business:

Fiscal Services	68,571.83	225.00	11,757.40	2,605.00	83,159.23
Operation and Maintenance of Plant	172,386.56	90,922.87			263,309.43
Pupil Transportation	54,014.69				54,014.69

Support Services - Special Education:

Administrative Costs			28,205.53		28,205.53
Transportation Costs			9,512.76		9,512.76

Community Services

Custody and Care of Children Services	36,315.97				36,315.97
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Debt Services

		49,614.88		132,355.00	181,969.88
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HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Non-Programmed Charges:						
Early Retirement Payments			1,125.00			1,125.00
Cocurricular Activities:						
Male Activities	23,705.62	343.45				24,049.07
Female Activities	14,567.00	1,398.60				15,965.60
Transportation	3,463.24					3,463.24
Combined Activities	16,220.69					16,220.69
Capital Outlay		245,631.64				245,631.64
Total Expenditures	<u>1,152,808.64</u>	<u>409,971.27</u>	<u>189,718.15</u>	<u>28,000.00</u>	<u>132,355.00</u>	<u>1,912,853.06</u>
15 Net Change in Fund Balances	(167,887.73)	(241,125.89)	(33,034.47)	2,980.18	8,154.05	(430,913.86)
Changes in Inventory	(16,825.01)					(16,825.01)
Fund Balance - July 1, 2011	<u>1,030,330.76</u>	<u>261,407.88</u>	<u>44,419.10</u>	<u>5,137.98</u>	<u>31,179.40</u>	<u>1,372,475.12</u>
FUND BALANCE - JUNE 30, 2012	<u>\$ 845,618.02</u>	<u>\$ 20,281.99</u>	<u>\$ 11,384.63</u>	<u>\$ 8,118.16</u>	<u>\$ 39,333.45</u>	<u>\$ 924,736.25</u>

The notes to the financial statements are an integral part of this statement.

HURLEY SCHOOL DISTRICT NO. 60-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (430,913.86)

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

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. (19,451.16)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenses exceed depreciation expense in the period:

Capital Outlays	\$ 245,631.64	
Depreciation Expense	<u>(71,039.37)</u>	174,592.27

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued leave payable. 4,981.50

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.

Capital Outlay Certificates	35,000.00	
General Obligation Bonds	105,000.00	
Capital Acquisition Lease	<u>5,655.53</u>	145,655.53

In the statement of activities, loss on disposal of assets is reported, whereas in the governmental funds, the proceeds from the disposal of fixed assets is reflected. (1,800.00)

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. (16,825.01)

Change in Net Assets of Governmental Activities \$ (143,760.73)

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 464,768.33	\$ 155,052.54	\$ 135,762.31	\$ 29,099.06	\$ 135,919.22	\$ 920,601.46
Prior Years' Ad Valorem Taxes	5,722.50	1,315.12	1,150.84	226.67	1,228.56	9,643.69
Gross Receipts Taxes	50,322.19					50,322.19
Penalties and Interest on Taxes	2,095.13	546.62	478.42	102.38	507.14	3,729.69
Earnings on Investments and Deposits	17,209.90					17,209.90
Cocurricular Activities:						
Admissions	6,201.00					6,201.00
Other Pupil Activity Income	665.74					665.74
Other Revenue from Local Sources:						
Contributions and Donations		75,000.00				75,000.00
Charges for Services	7,295.82		12,189.22			19,485.04
Day Care Services	24,541.05					24,541.05
Other	2,498.12	1,719.40	379.51			4,597.03
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	7,319.51					7,319.51
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	449,160.94					449,160.94
Restricted Grants-in-Aid			16,131.00			16,131.00
Revenue from Federal Sources:						
Restricted Grants-in-Aid Received from Federal Government Through the State	110,931.13					110,931.13
Other Federal Revenue	1,081.53					1,081.53
Total Revenue	<u>1,149,812.89</u>	<u>233,633.68</u>	<u>166,091.30</u>	<u>29,428.11</u>	<u>137,654.92</u>	<u>1,716,620.90</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	263,153.16	686.80		13,250.00	277,089.96
High School	282,417.76	10,530.02		12,145.00	305,092.78

Special Programs:

Programs for Special Education			75,099.78		75,099.78
Programs for Educationally Deprived	20,297.08				20,297.08

Support Services:

Pupils:

Guidance	26,333.90		248.55		26,582.45
Health	1,544.41				1,544.41
Psychological			2,195.34		2,195.34
Speech Pathology			5,976.30		5,976.30
Student Therapy			36,432.21		36,432.21

Support Services - Instructional Staff:

Improvement in Instruction	6,751.25				6,751.25
Educational Media	48,087.37	2,386.19	349.47		50,823.03

Support Services - General Administration:

Board of Education	19,389.28		1,785.00		21,174.28
Executive Administration	49,570.63				49,570.63

Support Services - School Administration:

Office of the Principal	80,079.87				80,079.87
Title I Program Administration	93.00				93.00
Other	134.00				134.00

Support Services - Business:

Fiscal Services	74,457.13	1,677.00	7,633.35	2,605.00	86,372.48
Operation and Maintenance of Plant	144,129.89	52,130.18			196,260.07
Pupil Transportation	38,155.73				38,155.73

Support Services - Central

Staff Services	106.50				106.50
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Support Services - Special Education:

Administrative Costs			10,963.16		10,963.16
Transportation Costs			739.12		739.12

Community Services

Custody and Care of Children Services	31,990.84				31,990.84
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Debt Services

		46,473.00		134,140.00	180,613.00
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HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Cocurricular Activities:						
Male Activities	33,447.23	3,623.95				37,071.18
Female Activities	19,419.35	5,315.25				24,734.60
Transportation	1,586.30					1,586.30
Combined Activities	15,382.47					15,382.47
Capital Outlay		<u>105,155.91</u>				<u>105,155.91</u>
Total Expenditures	<u>1,156,527.15</u>	<u>227,978.30</u>	<u>141,422.28</u>	<u>28,000.00</u>	<u>134,140.00</u>	<u>1,688,067.73</u>
Excess of Revenue Over (Under) Expenditures	<u>(6,714.26)</u>	<u>5,655.38</u>	<u>24,669.02</u>	<u>1,428.11</u>	<u>3,514.92</u>	<u>28,553.17</u>
Other Financing Sources/Uses						
General Long-Term Debt Issued		280,000.00				280,000.00
Payment to Refunded Debt Escrow Agency		<u>(275,548.67)</u>				<u>(275,548.67)</u>
Total Other Financing Sources/Uses		<u>4,451.33</u>				<u>4,451.33</u>
Net Change in Fund Balances	(6,714.26)	10,106.71	24,669.02	1,428.11	3,514.92	33,004.50
Fund Balance - July 1, 2010	<u>1,037,045.02</u>	<u>251,301.17</u>	<u>19,750.08</u>	<u>3,709.87</u>	<u>27,664.48</u>	<u>1,339,470.62</u>
FUND BALANCE - JUNE 30, 2011	<u>\$1,030,330.76</u>	<u>\$ 261,407.88</u>	<u>\$ 44,419.10</u>	<u>\$ 5,137.98</u>	<u>\$ 31,179.40</u>	<u>\$1,372,475.12</u>

The notes to the financial statements are an integral part of this statement.

**HURLEY SCHOOL DISTRICT NO. 60-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 33,004.50

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

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 10,039.52

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenses exceed depreciation expense in the

Capital Outlays	\$ 105,155.91	
Depreciation Expense	<u>(66,077.50)</u>	39,078.41

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued leave payable. 244.50

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.

Capital Outlay Certificates		(280,000.00)
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Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.

Capital Outlay Certificates	295,000.00	
General Obligation Bonds	105,000.00	
Capital Acquisition Lease	<u>5,222.09</u>	<u>405,222.09</u>

Change in Net Assets of Governmental Activities \$ 207,589.02

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Fund
	Food Service Fund
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	\$ 2,456.14
Accounts Receivable	2,032.75
Due From Government	664.74
Total Current Assets	5,153.63
Capital Assets:	
Machinery and Equipment	26,484.64
Less: Accumulated Depreciation	(26,484.64)
Total Noncurrent Assets	_____
TOTAL ASSETS	5,153.63
NET ASSETS:	
Unrestricted Net Assets	5,153.63
Total Net Assets	5,153.63
TOTAL LIABILITIES AND NET ASSETS	\$ 5,153.63

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Fund
	Food Service Fund
Operating Revenue:	
Sales:	
To Pupils	\$ 32,854.00
To Adults	633.39
Child Care Sales	3,755.14
Other	100.00
Total Operating Revenue	37,342.53
Operating Expenses:	
Food Service:	
Salaries	2,137.50
Employee Benefits	163.55
Purchased Services	55,351.45
Cost of Sales-Donated Food	1,118.55
Total Operating Expenses	58,771.05
Operating Income (Loss)	(21,428.52)
Nonoperating Revenue (Expense):	
State Sources:	
Cash Reimbursements	379.77
Federal Sources:	
Cash Reimbursements	12,136.52
Donated Food	1,118.55
Total Nonoperating Revenue (Expense)	13,634.84
Change in Net Assets	(7,793.68)
Net Assets - Beginning	12,947.31
NET ASSETS - ENDING	\$ 5,153.63

The notes to the financial statements are an integral part of this statement

**HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Enterprise Fund
	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 38,889.82
Payments to Suppliers	(55,351.45)
Payments to Employees	(2,301.05)
Net Cash Provided (Used) by Operating Activities	(18,762.68)
 Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	12,516.29
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (6,246.39)
Cash and Cash Equivalents at Beginning of Year	\$ 8,702.53
Cash and Cash Equivalents at End of Year	2,456.14
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (6,246.39)
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (21,428.52)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Value of Commodities Used	1,118.55
Change in Assets and Liabilities:	
Accounts Receivable	2,212.03
Due From Government	(664.74)
Net Cash Provided (Used) by Operating Activities	\$ (18,762.68)
 Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	\$ 1,118.55

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Fund
	Food Service Fund
Operating Revenue:	
Sales:	
To Pupils	\$ 34,987.60
To Adults	2,873.68
A la Carte	41.55
Child Care Sales	1,924.45
Other	85.00
Total Operating Revenue	39,912.28
 Operating Expenses:	
Food Service:	
Salaries	771.13
Employee Benefits	(529.42)
Purchased Services	62,154.21
Cost of Sales - Purchased Food	47.46
Cost of Sales - Donated Food	358.62
Total Operating Expenses	62,802.00
 Operating Income (Loss)	 (22,889.72)
 Nonoperating Revenue (Expense):	
Federal Sources:	
Cash Reimbursements	19,559.41
Donated Food	358.57
Total Nonoperating Revenue (Expense)	19,917.98
 Change in Net Assets	 (2,971.74)
Net Assets - Beginning	15,919.05
 NET ASSETS - ENDING	 \$ 12,947.31

The notes to the financial statements are an integral part of this statement

**HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Fund
	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 35,699.50
Payments to Suppliers	(60,398.67)
Payments to Employees	(241.71)
Net Cash Provided (Used) by Operating Activities	(24,940.88)
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	19,559.41
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,381.47)
Cash and Cash Equivalents at Beginning of Year	\$ 14,084.00
Cash and Cash Equivalents at End of Year	8,702.53
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,381.47)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (22,889.72)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Value of Commodities Used	358.62
Change in Assets and Liabilities:	
Inventory	4,245.00
Accounts Receivable	(4,212.78)
Accounts Payable	(2,442.00)
Net Cash Provided (Used) by Operating Activities	\$ (24,940.88)
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	\$ 358.57

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Agency Funds	Private Purpose Trust Funds
	Funds	Funds
ASSETS:		
Cash and Cash Equivalents	\$ 6,410.73	\$ 1,371.00
TOTAL ASSETS	\$ 6,410.73	\$ 1,371.00
LIABILITIES:		
Accounts Payable		
Amounts Held for Others	6,410.73	_____
Total Liabilities	6,410.73	_____
NET ASSETS		
Held in Trust for Scholarships	_____	\$ 1,371.00
TOTAL LIABILITIES AND NET ASSETS	\$ 6,410.73	\$ 1,371.00

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust Fund
ADDITIONS:	
Other Additions	\$ _____
Total Additions	_____
 DEDUCTIONS:	
Other Deductions	_____
Total Deductions	_____
Change in Net Assets	0.00
Net Assets - Beginning	_____ 1,371.00
 NET ASSETS - ENDING	 \$ <u>1,371.00</u>

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust Fund
ADDITIONS:	
Other Additions	\$ _____
Total Additions	_____
DEDUCTIONS:	
Other Deductions	_____
Total Deductions	_____
Change in Net Assets	0.00
Net Assets - Beginning	_____ 1,371.00
NET ASSETS - ENDING	\$ _____ 1,371.00

The notes to the financial statements are an integral part of this statement

HURLEY SCHOOL DISTRICT NO. 60-2
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Hurley School District No. 60-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" 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 School District.

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

penditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

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

The Bond Redemption Fund-- A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

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

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

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

Agency Fund Types - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: class funds, student organizations, clearing accounts and student councils funds.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Hurley School District No. 60-2, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2011 and 2012 are amounts due from other governments for grants.

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

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

All proprietary 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.

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable 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."

e. Capital Assets

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

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

Government-Wide 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 general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2012 balance of capital assets for governmental activities includes approximately 3.47 percent for which the costs were determined by estimates of the original costs. The total June 30, 2012 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Improvements	\$ 2,000.00	Straight Line	30-50 yrs
Buildings	5,000.00	Straight Line	50-100 yrs
Machinery and Equipment	2,000.00	Straight Line	5-30 yrs
Food Service Machinery and Equipment	500.00	Straight Line	12 yrs

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

f. Long-Term Liabilities:

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

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

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 in the fund statements as in the government-wide statements.

g. Program Revenues

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications

Government-wide Statements:

Equity is classified as net assets and is displayed in three components

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

Fund Financial Statements:

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

k. Application of Net Assets:

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

l. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

The School District does not have a formal minimum fund balance policy.

NOTE 2 – VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISION:

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended <u>06/30/11</u>	Year Ended <u>06/30/12</u>
General Fund	\$	\$ 16,731.64
Capital Outlay Fund	75,145.30	208,962.27
Special Educaiton Fund		11,972.15

NOTE 3 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) 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.

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. The School District does not have any investments with an external investment pool as of June 30, 2012.

Interest Rate Risk – The School 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 School District's policy is to credit all income from deposits and investments to the General Fund, except for the Bond Redemption Fund which retains its interest. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Interest earned that was immaterial to the individual governmental funds and proprietary funds was recorded directly in the general fund.

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year and no allowance has been provided for uncollectible amounts.

NOTE 5 - INVENTORY

Inventory is stated at the lower of cost or market. The cost valuation method is the first in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. There were no material inventories on hand as of June 30, 2011 and June 30, 2012.

NOTE 6 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue 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".

NOTE 7 - CHANGES IN CAPITAL ASSETS

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

Governmental Activities:

Primary Government	<u>Balance 07/01/10</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance 06/30/11</u>
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 2,800.00	\$	\$	\$ 2,800.00
Total Capital Assets, not depreciated	<u>2,800.00</u>			<u>2,800.00</u>
Capital Assets, depreciated:				
Buildings	3,066,428.33	93,794.91		3,160,223.24
Improvements	27,487.43			27,487.43
Machinery and Equipment	630,541.10	11,361.00		641,902.10
Totals	<u>3,724,456.86</u>	<u>105,155.91</u>		<u>3,829,612.77</u>
Less Accumulated Depreciation:				
Buildings	471,085.52	34,535.27		505,620.79
Improvements	11,864.54	630.97		12,495.51
Machinery and Equipment	434,029.51	30,911.26		464,940.77
Total Accumulated Depreciation	<u>916,979.57</u>	<u>66,077.50</u>		<u>983,057.07</u>
Total Capital Assets, being depreciated, net	<u>2,807,477.29</u>	<u>39,078.41</u>		<u>2,846,555.70</u>
Governmental Activities:				
capital assets, net	<u>\$ 2,810,277.29</u>	<u>\$ 39,078.41</u>	<u>\$</u>	<u>\$ 2,849,355.70</u>

Governmental Activities:

Instruction			\$ 32,425.76
Support Services			28,628.77
Cocurricular Activities			4,614.17
Community Services			408.80
Total Depreciation expense-governmental activities			<u>\$ 66,077.50</u>

Business-type Activity:

	<u>Balance 07/01/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/11</u>
Business-type activity capital assets, net				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 29,671.64	\$	\$	\$ 29,671.64
Less Accumulated Depreciation:				
Machinery and Equipment	<u>29,671.64</u>			<u>29,671.64</u>
Business-type activity capital assets, net	<u>\$ 0.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 0.00</u>

**Depreciation expense was charged to functions as follows:

Business-type Activity	
Food Service	<u>\$</u>

Governmental Activities:

Primary Government

	Balance 07/01/11	Increases	Decrease	Balance 06/30/12
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 2,800.00	\$	\$	\$ 2,800.00
Construction Work in Progress		201,967.93		201,967.93
Total Capital Assets, not depreciated	<u>2,800.00</u>	<u>201,967.93</u>		<u>204,767.93</u>
Capital Assets, depreciated:				
Buildings	3,160,223.24			3,160,223.24
Improvements	27,487.43		4,000.00	23,487.43
Machinery and Equipment	641,902.10	43,663.71	5,694.01	679,871.80
Totals	<u>3,829,612.77</u>	<u>43,663.71</u>	<u>9,694.01</u>	<u>3,863,582.47</u>
Less Accumulated Depreciation:				
Buildings	505,620.79	34,535.27		540,156.06
Improvements	12,495.51	530.97	2,600.00	10,426.48
Machinery and Equipment	464,940.77	35,973.13	5,294.01	495,619.89
Total Accumulated Depreciation	<u>983,057.07</u>	<u>71,039.37</u>	<u>7,894.01</u>	<u>1,046,202.43</u>
Total Capital Assets, being depreciated, net	<u>2,846,555.70</u>	<u>(27,375.66)</u>	<u>1,800.00</u>	<u>2,817,380.04</u>
Governmental Activities:				
capital assets, net	<u>\$ 2,849,355.70</u>	<u>\$ 174,592.27</u>	<u>\$ 1,800.00</u>	<u>\$ 3,022,147.97</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 36,155.90
Support Services	29,860.50
Cocurricular Activities	4,614.17
Community Service	408.80
Total Depreciation expense-governmental activities	<u>\$ 71,039.37</u>

Business -type Activity:

	Balance 07/01/11	Increases	Decreases	Balance 06/30/12
Business-type activity capital assets, net				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 29,671.64	\$	\$	\$ 29,671.64
Less Accumulated Depreciation:				
Machinery and Equipment	<u>29,671.64</u>			<u>29,671.64</u>
Business-type activity capital assets, net	<u>\$ 0.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 0.00</u>

**Depreciation expense was charged to functions as follows:

Business-type Activity	
Food Service	<u>\$</u>

Construction Work in Progress at June 30, 2012 is composed of the following:

<u>Project Name</u>	<u>Authorization</u>	<u>Expended</u>	<u>Committed</u>
Remodeling Project	\$ 418,450	\$ 184,261	\$ 234,189
Football Field Lights	26,203	17,707	8,496

NOTE 8 - LONG -TERM LIABILITIES

A summary of changes in long-term liabilities for the two-year period ended June 30, 2012 is as follows:

	Beginning			Ending	Due Within
<i>Primary Government:</i>	Balance 7/1/10	Additions	Retired	Balance 6/30/11	One Year
General Obligation Bonds	\$ 1,030,000.00	\$	\$ 105,000.00	\$ 925,000.00	\$ 105,000.00
Capital Outlay Certificates	295,000.00	280,000.00	295,000.00	280,000.00	35,000.00
Capital Lease Payable	17,003.00		5,222.09	11,780.91	5,655.53
Accrued Leave Payable	5,226.00	4,981.50	5,226.00	4,981.50	4,981.50
Total Governmental Activities	<u>\$ 1,347,229.00</u>	<u>\$ 284,981.50</u>	<u>\$ 410,448.09</u>	<u>\$ 1,221,762.41</u>	<u>\$ 150,637.03</u>

	Beginning			Ending	Due Within
<i>Primary Government:</i>	Balance 7/1/11	Additions	Retired	Balance 6/30/12	One Year
Governmental Activities:					
General Obligation Bonds	\$ 925,000.00	\$	\$ 105,000.00	\$ 820,000.00	\$ 110,000.00
Capital Outlay Certificates	280,000.00		35,000.00	245,000.00	35,000.00
Capital Lease Payable	11,780.91		5,655.53	6,125.38	6,125.38
Accrued Leave Payable	4,981.50		4,981.50		
Total Governmental Activities	<u>\$ 1,221,762.41</u>	<u>\$</u>	<u>\$ 150,637.03</u>	<u>\$ 1,071,125.38</u>	<u>\$ 151,125.38</u>

Liabilities payable at June 30, 2012 are comprised of the following:

General Obligation Refunding Bonds Payable:

\$1,130,000 Series 2009: principal due in annual payments ranging from \$100,000 to \$125,000 with a final maturity date of July 1, 2019; interest rates vary from 1.25% to 3.60% depending on time to maturity; bonds are being repaid with property tax revenues credited to the Bond Redemption Fund. \$ 820,000.00

Capital Outlay Refunding Certificates:

\$280,000 Series 2011; principal due in annual payments ranging from \$35,000 to \$40,000 with a final maturity date of July 1, 2019; interest rates vary from 1.40% to 3.05% depending on time to maturity; certificates are being repaid with property tax revenues credited to the Capital Outlay Fund. 245,000.00

Capital Lease Financing:

Capital lease financing, due in 50 monthly installments of \$532.80, at an imputed interest rate of 8.30%, final payment in June 2013. Payments from the Capital Outlay Fund. 6,125.38

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds		CO Certificates		Capital Lease Financing		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 110,000	\$ 24,755	\$ 35,000	\$ 5,783	\$ 6,125	\$ 269	\$ 151,125	\$ 30,807
2014	115,000	22,280	30,000	5,293			145,000	27,573
2015	110,000	19,290	30,000	4,873			140,000	24,163
2016	115,000	16,210	35,000	4,243			150,000	20,453
2017	125,000	12,703	35,000	3,508			160,000	16,210
2018-2019	245,000	13,140	80,000	3,660			325,000	16,800
Totals	<u>\$ 820,000</u>	<u>\$ 108,378</u>	<u>\$ 245,000</u>	<u>\$ 27,358</u>	<u>\$ 6,125</u>	<u>\$ 269</u>	<u>\$ 1,071,125</u>	<u>\$ 136,004</u>

During fiscal year 2011, the School District issued \$280,000 in Capital Outlay Refunding Certificates with an average interest rate of 1.40 to 3.05 percent, will refund the following:

Year <u>Issued</u>		Average Interest <u>Rate</u>	Unpaid Principal at Time of <u>Refunding</u>
2003	Capital Outlay Certificates	4.03%	\$ 270,000.00

The School District refunded the debt to reduce its total debt service payments over the next eight years by \$17,985.05 and to obtain an economic gain of \$16,472.26. The entire proceeds of the refunding issue in the amount of \$275,548.67 was deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the school district. The refunded issues was called for redemption on June 15, 2011.

NOTE 9 - RESTRICTED NET ASSETS

Restricted net assets for the two years ended as of June 30, 2012 were as follows:

	<u>Purpose</u>	<u>Restricted By</u>	
Major Funds:			
	Capital Outlay	Law	\$ 15,538.99
	Special Education	Law	12,595.24
	Pension	Law	8,377.26
	Debt Service	Debt Covenants	<u>40,552.38</u>
	Total Restricted Net Assets		<u>\$ 61,524.88</u>

NOTE 10 - RETIREMENT PLAN

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 public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial state-

ments and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. 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 school's share of contributions to the SDRS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$40,735, \$43,020, and \$43,020 respectively, equal to the required contributions each year.

NOTE 11 – RELATED PARTY TRANSACTIONS

A school board member provided fuel oil of \$36,815 in FY11 and \$34,807 in FY12 to the District. This is the only source of supply in the School District.

NOTE 12 - JOINT VENTURES

The school district participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Bridgewater-Emery School District	7.76%
Canistota School District	6.57%
Freeman School District	9.27%
Hanson School District	10.02%
Hurley School District	3.27%
Marion School District	5.40%
McCook Central School District	9.32%
Montrose School District	5.66%
Tea School District	9.29%
Parker School District	33.44%

The co-op's governing board is composed of one school board member representative 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 school 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 Cornbelt Educational Cooperative.

At June 30, 2012, this joint venture had total assets of \$617,039, total liabilities of \$235,080 and net assets of \$381,959.

NOTE 13 - RISK MANAGEMENT

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the periods ended June 30, 2011 and June 30, 2012, the school district managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

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

Worker's Compensation

The school 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 school district provides coverage for unemployment benefits by paying into the unemployment compensation fund established by state law and managed by the State of South Dakota.

NOTE 14 - SIGNIFICANT CONTINGENCIES- LITIGATION

At June 30, 2012, the school district was not involved in any litigation.

NOTE 15 - SUBSEQUENT EVENTS

Voters in the Hurley School District approved a plan to consolidate with Viborg School District effective July 1, 2012 and become the Viborg-Hurley School District. Boundary changes were initiated by resolution of intent according to SDCL 13-6-84.2. The Hurley School District submitted the plans to the Department of Education for approval. As a result of the plan, the Hurley School District ceased to exist effective July 1, 2012.

**HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 381,515.00	\$ 381,515.00	\$ 388,610.87	\$ 7,095.87
Mobile Home Taxes	1,000.00	1,000.00		(1,000.00)
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	8,607.39	3,607.39
Gross Receipts Taxes	50,000.00	50,000.00	41,705.19	(8,294.81)
Penalties and Interest on Taxes	1,200.00	1,200.00	3,101.63	1,901.63
Earnings on Investments and Deposits	18,000.00	18,000.00	11,972.67	(6,027.33)
Cocurricular Activities:				
Admissions	7,000.00	7,000.00	7,188.00	188.00
Other Pupil Activity Income	2,500.00	2,500.00	3,758.00	1,258.00
Other Revenue from Local Sources:				
Rentals			35.00	35.00
Charges for Services	6,000.00	6,000.00	2,543.10	(3,456.90)
Day Care Services	28,000.00	28,000.00	34,834.35	6,834.35
Other	5,000.00	5,000.00	14,099.44	9,099.44
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	7,000.00	7,000.00	8,105.99	1,105.99
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	380,334.00	380,334.00	408,481.67	28,147.67
Other State Revenue			140.00	140.00
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	39,715.00	39,715.00	51,737.61	12,022.61
Other Federal Revenue	850.00	850.00		(850.00)
Total Revenue	<u>933,114.00</u>	<u>933,114.00</u>	<u>984,920.91</u>	<u>51,806.91</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	242,882.00	242,882.00	267,211.88	(24,329.88)
High School	299,196.00	299,196.00	285,331.77	13,864.23
Special Programs:				
Educationally Deprived	20,345.00	20,345.00	18,843.72	1,501.28

HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Support Services:				
Pupils:				
Guidance	439.00	439.00	25.00	414.00
Health	1,897.00	1,897.00	544.81	1,352.19
Support Services - Instructional Staff:				
Improvement in Instruction	5,000.00	5,000.00	945.98	4,054.02
Educational Media	48,840.00	48,840.00	48,179.15	660.85
Support Services - General Administration:				
Board of Education	23,450.00	23,450.00	22,169.52	1,280.48
Executive Administration	50,801.00	50,801.00	50,590.00	211.00
Support Services - School Administration:				
Office of the Principal	63,047.00	63,047.00	69,721.21	(6,674.21)
Other	425.00	425.00		425.00
Support Services - Business:				
Fiscal Services	75,455.00	75,455.00	68,571.83	6,883.17
Operation and Maintenance of Plant	161,297.00	161,297.00	172,386.56	(11,089.56)
Pupil Transportation	41,580.00	41,580.00	54,014.69	(12,434.69)
Support Services - Central				
Staff Services	250.00	250.00		250.00
Community Services:				
Custody and Care of Children Services	36,588.00	36,588.00	36,315.97	272.03
Cocurricular Activities:				
Male Activities	23,674.00	23,674.00	23,705.62	(31.62)
Female Activities	23,480.00	23,480.00	14,567.00	8,913.00
Transportation	6,205.00	6,205.00	3,463.24	2,741.76
Combined Activities	11,226.00	11,226.00	16,220.69	(4,994.69)
Total Expenditures	<u>1,136,077.00</u>	<u>1,136,077.00</u>	<u>1,152,808.64</u>	<u>(16,731.64)</u>
Net Change in Fund Balance	(202,963.00)	(202,963.00)	(167,887.73)	35,075.27
Changes in Inventory			(16,825.01)	(16,825.01)
Fund Balance - July 1, 2011	<u>1,030,330.76</u>	<u>1,030,330.76</u>	<u>1,030,330.76</u>	
FUND BALANCE - JUNE 30, 2012	<u>\$ 827,367.76</u>	<u>\$ 827,367.76</u>	<u>\$ 845,618.02</u>	<u>\$ 18,250.26</u>

**HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 156,709.00	\$ 156,709.00	\$ 161,258.69	\$ 4,549.69
Mobile Home Taxes	100.00	\$ 100.00		\$ (100.00)
Prior Years' Ad Valorem Taxes	1,200.00	1,200.00	3,067.43	1,867.43
Penalties and Interest on Taxes	500.00	500.00	1,101.10	601.10
Earnings and Investments	2,500.00	2,500.00		(2,500.00)
Other Revenue from Local Sources:				
Other			3,418.16	3,418.16
Total Revenue	<u>161,009.00</u>	<u>161,009.00</u>	<u>168,845.38</u>	<u>7,836.38</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	3,000.00	3,000.00	9,374.22	(6,374.22)
High School	14,070.00	14,070.00	6,093.00	7,977.00
Support Services - Instructional Staff				
Educational Media	19,995.00	19,995.00	33,787.32	(13,792.32)
Support Services - Business:				
Fiscal Services	1,000.00	1,000.00	225.00	775.00
Facilities Acquisition and Construction			102,230.90	(102,230.90)
Operation and Maintenance of Plant	78,873.00	118,873.00	190,659.90	(71,786.90)
Pupil Transportation			16,244.00	(16,244.00)
Debt Services	42,071.00	42,071.00	49,614.88	(7,543.88)
Cocurricular Activities:				
Male Activities	1,000.00	1,000.00	343.45	656.55
Female Activities	1,000.00	1,000.00	1,398.60	(398.60)
Total Expenditures	<u>161,009.00</u>	<u>201,009.00</u>	<u>409,971.27</u>	<u>(208,962.27)</u>
Net Change in Fund Balance	0.00	(40,000.00)	(241,125.89)	(201,125.89)
Fund Balance - July 1, 2011	<u>261,407.88</u>	<u>261,407.88</u>	<u>261,407.88</u>	
FUND BALANCE - JUNE 30, 2012	<u>\$261,407.88</u>	<u>\$221,407.88</u>	<u>\$ 20,281.99</u>	<u>\$ (201,125.89)</u>

**HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE -BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 137,120.00	\$ 137,120.00	\$ 141,031.73	\$ 3,911.73
Mobile Home Tax	100.00	100.00		(100.00)
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	2,684.36	1,684.36
Penalties and Interest on Taxes	400.00	400.00	963.77	563.77
Other Revenue from Local Sources:				
Charges For Services	<u>10,500.00</u>	<u>10,500.00</u>	<u>12,003.82</u>	<u>1,503.82</u>
Total Revenue	<u>149,120.00</u>	<u>149,120.00</u>	<u>156,683.68</u>	<u>7,563.68</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	84,905.00	84,905.00	60,889.39	24,015.61
Support Services:				
Pupils:				
Guidance	332.00	332.00	414.25	(82.25)
Psychological	3,000.00	3,000.00	3,658.90	(658.90)
Speech Pathology	8,800.00	8,800.00	13,549.24	(4,749.24)
Student Therapy Services	52,505.00	52,505.00	51,272.79	1,232.21
Support Services - Instructional Staff:				
Improvement in Instruction	900.00	900.00		900.00
Educational Media Services	470.00	470.00	582.45	(112.45)
Support Services - General Administration:				
Board of Education Services	1,850.00	1,850.00	8,750.44	(6,900.44)
Support Services - Business				
Fiscal Services	9,808.00	9,808.00	11,757.40	(1,949.40)
Support Services - Special Education:				
Administrative Costs	13,851.00	13,851.00	28,205.53	(14,354.53)
Transportation Costs	1,125.00	1,125.00	9,078.02	(7,953.02)
Other Special Education Costs	200.00	200.00	434.74	(234.74)
Non-Programmed Charges:				
Early Retirement Payments			<u>1,125.00</u>	<u>(1,125.00)</u>
Total Expenditures	<u>177,746.00</u>	<u>177,746.00</u>	<u>189,718.15</u>	<u>(11,972.15)</u>
Net Change in Fund Balance	(28,626.00)	(28,626.00)	(33,034.47)	(4,408.47)
Fund Balance - July 1, 2011	<u>44,419.10</u>	<u>44,419.10</u>	<u>44,419.10</u>	
FUND BALANCE - JUNE 30, 2012	<u>\$ 15,793.10</u>	<u>\$ 15,793.10</u>	<u>\$ 11,384.63</u>	<u>\$ (4,408.47)</u>

HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance Positive (Negative)
	Original	Final	Amounts (Budgetary Basis)	
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 29,383.00	\$ 29,383.00	\$ 30,198.70	\$ 815.70
Mobile Home Taxes	20.00	20.00		(20.00)
Prior Years' Ad Valorem Taxes	200.00	200.00	575.21	375.21
Penalties and Interest on Taxes	100.00	100.00	206.27	106.27
Interest Earned on Investments	<u>200.00</u>	<u>200.00</u>		<u>(200.00)</u>
Total Revenue	<u>29,903.00</u>	<u>29,903.00</u>	<u>30,980.18</u>	<u>1,077.18</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	13,250.00	13,250.00	13,250.00	
High School	12,145.00	12,145.00	12,145.00	
Support Services - Business				
Fiscal Services	<u>2,605.00</u>	<u>2,605.00</u>	<u>2,605.00</u>	
Total Expenditures	<u>28,000.00</u>	<u>28,000.00</u>	<u>28,000.00</u>	
Net Change in Fund Balances	1,903.00	1,903.00	2,980.18	1,077.18
Fund Balance - July 1, 2011	<u>5,137.98</u>	<u>5,137.98</u>	<u>5,137.98</u>	
FUND BALANCE - JUNE 30, 2012	<u>\$ 7,040.98</u>	<u>\$ 7,040.98</u>	<u>\$ 8,118.16</u>	<u>\$ 1,077.18</u>

**HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 461,318.00	\$ 461,318.00	\$ 464,768.33	\$ 3,450.33
Prior Years' Ad Valorem Taxes			5,722.50	5,722.50
Gross Receipts Taxes	45,000.00	45,000.00	50,322.19	5,322.19
Penalties and Interest on Taxes	1,200.00	1,200.00	2,095.13	895.13
Earnings on Investments and Deposits	20,000.00	20,000.00	17,209.90	(2,790.10)
Cocurricular Activities:				
Admissions	12,000.00	12,000.00	6,201.00	(5,799.00)
Other Pupil Activity Income			665.74	665.74
Other Revenue from Local Sources:				
Charges for Services	4,000.00	4,000.00	7,295.82	3,295.82
Day Care Services	28,000.00	28,000.00	24,541.05	(3,458.95)
Other	5,000.00	5,000.00	2,498.12	(2,501.88)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	7,000.00	7,000.00	7,319.51	319.51
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	505,403.00	505,403.00	449,160.94	(56,242.06)
Other State Revenue	16,000.00	16,000.00		(16,000.00)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	53,406.00	53,406.00	110,931.13	57,525.13
Other Federal Revenue	1,200.00	1,200.00	1,081.53	(118.47)
Total Revenue	<u>1,159,527.00</u>	<u>1,159,527.00</u>	<u>1,149,812.89</u>	<u>(9,714.11)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	259,562.00	264,003.00	263,153.16	849.84
High School	281,505.00	282,475.00	282,417.76	57.24
Special Programs:				
Educationally Deprived	25,373.00	21,736.00	20,297.08	1,438.92
Support Services:				
Pupils:				
Guidance	26,552.00	26,651.00	26,333.90	317.10
Health	1,897.00	1,897.00	1,544.41	352.59
Support Services - Instructional Staff:				
Improvement in Instruction	6,100.00	6,400.00	6,751.25	(351.25)
Educational Media	48,840.00	48,840.00	48,087.37	752.63
Support Services - General Administration:				
Board of Education	23,450.00	23,450.00	19,389.28	4,060.72
Executive Administration	51,085.00	50,801.00	49,570.63	1,230.37

**HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Support Services - School Administration:				
Office of the Principal	63,331.00	63,047.00	80,079.87	(17,032.87)
Title I Program Administration		3,309.00	93.00	3,216.00
Other	425.00	425.00	134.00	291.00
Support Services - Business:				
Fiscal Services	79,166.00	78,895.00	74,457.13	4,437.87
Operation and Maintenance of Plant	150,188.00	196,027.00	144,129.89	51,897.11
Pupil Transportation	47,580.00	2,850.00	38,155.73	(35,305.73)
Support Services - Central				
Staff Services	250.00	250.00	106.50	143.50
Community Services:				
Custody and Care of Children Services	36,452.00	36,588.00	31,990.84	4,597.16
Cocurricular Activities:				
Male Activities	23,450.00	23,450.00	33,447.23	(9,997.23)
Female Activities	25,075.00	25,075.00	19,419.35	5,655.65
Transportation	6,205.00	6,205.00	1,586.30	4,618.70
Combined Activities	12,749.00	12,749.00	15,382.47	(2,633.47)
Total Expenditures	<u>1,169,235.00</u>	<u>1,175,123.00</u>	<u>1,156,527.15</u>	<u>18,595.85</u>
Net Change in Fund Balance	(9,708.00)	(15,596.00)	(6,714.26)	8,881.74
Fund Balance - July 1, 2010	<u>1,037,045.02</u>	<u>1,037,045.02</u>	<u>1,037,045.02</u>	<u> </u>
FUND BALANCE - JUNE 30, 2011	<u>\$ 1,027,337.02</u>	<u>\$ 1,021,449.02</u>	<u>\$ 1,030,330.76</u>	<u>\$ 8,881.74</u>

HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 152,133.00	\$ 152,133.00	\$ 155,052.54	\$ 2,919.54
Mobile Home Taxes	100.00	100.00		(100.00)
Prior Years' Ad Valorem Taxes	400.00	400.00	1,315.12	915.12
Penalties and Interest on Taxes	200.00	200.00	546.62	346.62
Earnings and Investments	4,000.00	4,000.00		(4,000.00)
Other Revenue from Local Sources:				
Contributions and Donations			75,000.00	75,000.00
Other			1,719.40	1,719.40
Total Revenue	<u>156,833.00</u>	<u>156,833.00</u>	<u>233,633.68</u>	<u>76,800.68</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	3,000.00	3,000.00	4,056.80	(1,056.80)
High School	14,070.00	14,070.00	10,530.02	3,539.98
Support Services - Instructional Staff				
Educational Media	7,000.00	7,000.00	6,361.19	638.81
Support Services - Business:				
Fiscal Services	1,000.00	1,000.00	1,677.00	(677.00)
Operation and Maintenance of Plant	70,873.00	70,873.00	149,941.09	(79,068.09)
Debt Services	45,890.00	45,890.00	46,473.00	(583.00)
Cocurricular Activities:				
Male Activities	5,500.00	5,500.00	3,623.95	1,876.05
Female Activities	5,500.00	5,500.00	5,315.25	184.75
Total Expenditures	<u>152,833.00</u>	<u>152,833.00</u>	<u>227,978.30</u>	<u>(75,145.30)</u>
Excess of Revenue Over (Under)				
Expenditures	4,000.00	4,000.00	5,655.38	1,655.38
Other Financing Sources (Uses)				
General Long-Term Debt Issued			280,000.00	280,000.00
Payment to Refunded Debt Escrow Agenc			(275,548.67)	(275,548.67)
Total Other Financing Sources (Uses)			<u>4,451.33</u>	<u>4,451.33</u>
Net Change in Fund Balance	4,000.00	4,000.00	10,106.71	6,106.71
Fund Balance - July 1, 2010	<u>251,301.17</u>	<u>251,301.17</u>	<u>251,301.17</u>	
FUND BALANCE - JUNE 30, 2011	<u>\$255,301.17</u>	<u>\$255,301.17</u>	<u>\$261,407.88</u>	<u>\$ 6,106.71</u>

HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE -BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 133,644.00	\$ 133,644.00	\$ 135,762.31	\$ 2,118.31
Mobile Home Tax	150.00	150.00		(150.00)
Prior Years' Ad Valorem Taxes	500.00	500.00	1,150.84	650.84
Penalties and Interest on Taxes	200.00	200.00	478.42	278.42
Other Revenue from Local Sources:				
Charges For Services	10,500.00	10,500.00	12,189.22	1,689.22
Other			379.51	379.51
Revenue from State Sources:				
Restricted Grants-in-Aid	<u>16,090.00</u>	<u>16,090.00</u>	<u>16,131.00</u>	<u>41.00</u>
Total Revenue	<u>161,084.00</u>	<u>161,084.00</u>	<u>166,091.30</u>	<u>5,007.30</u>
Expenditures:				
Special Programs:				
Programs for Special Education	84,905.00	84,905.00	75,099.78	9,805.22
Support Services:				
Pupils:				
Guidance	332.00	332.00	248.55	83.45
Psychological	3,000.00	3,000.00	2,195.34	804.66
Speech Pathology	8,800.00	8,800.00	5,976.30	2,823.70
Student Therapy Services	56,105.00	56,105.00	36,432.21	19,672.79
Support Services - Instructional Staff:				
Educational Media Services	1,370.00	1,370.00	349.47	1,020.53
Support Services - General Administration:				
Board of Education Services	2,380.00	2,380.00	1,785.00	595.00
Support Services - Business				
Fiscal Services	9,278.00	9,278.00	7,633.35	1,644.65
Support Services - Special Education:				
Administrative Costs	13,851.00	13,851.00	10,963.16	2,887.84
Transportation Costs	<u>1,325.00</u>	<u>1,325.00</u>	<u>739.12</u>	<u>585.88</u>
Total Expenditures	<u>181,346.00</u>	<u>181,346.00</u>	<u>141,422.28</u>	<u>39,923.72</u>
Net Change in Fund Balance	(20,262.00)	(20,262.00)	24,669.02	44,931.02
Fund Balance - July 1, 2010	<u>19,750.08</u>	<u>19,750.08</u>	<u>19,750.08</u>	
FUND BALANCE - JUNE 30, 2011	<u>\$ (511.92)</u>	<u>\$ (511.92)</u>	<u>\$ 44,419.10</u>	<u>\$ 44,931.02</u>

HURLEY SCHOOL DISTRICT NO. 60-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 28,645.00	\$ 28,645.00	\$ 29,099.06	\$ 454.06
Mobile Home Taxes	40.00	40.00		(40.00)
Prior Years' Ad Valorem Taxes			226.67	226.67
Penalties and Interest on Taxes	<u>200.00</u>	<u>200.00</u>	<u>102.38</u>	<u>(97.62)</u>
Total Revenue	<u>28,885.00</u>	<u>28,885.00</u>	<u>29,428.11</u>	<u>543.11</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	13,250.00	13,250.00	13,250.00	
High School	12,145.00	12,145.00	12,145.00	
Support Services - Business				
Fiscal Services	<u>2,605.00</u>	<u>2,605.00</u>	<u>2,605.00</u>	
Total Expenditures	<u>28,000.00</u>	<u>28,000.00</u>	<u>28,000.00</u>	
Net Change in Fund Balances	885.00	885.00	1,428.11	543.11
Fund Balance - July 1, 2010	<u>3,709.87</u>	<u>3,709.87</u>	<u>3,709.87</u>	
FUND BALANCE - JUNE 30, 2011	<u>\$ 4,594.87</u>	<u>\$ 4,594.87</u>	<u>\$ 5,137.98</u>	<u>\$ 543.11</u>

HURLEY SCHOOL DISTRICT NO. 60-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

The School District followed 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 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 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 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 board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the 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 school district budget and may be transferred by resolution of the 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 moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.