

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2015**

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Board Members:

Steve Masat, President  
Tony Binger  
Tom Tomsha  
Randy Cole  
Will Chaplin

Superintendent:

Jeff Clark

Business Manager:

Mandy Miller

# HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

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**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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  
Hitchcock-Tulare School District No 56-6  
Spink County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota (School District), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2016, which was a disclaimer of opinion on governmental activities and unqualified on all other opinion units because there was no adequate supporting documentation regarding the cost of general capital assets, sale of capital assets, and depreciation expense.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2015-01, #2015-02, and #2015-03 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Current Audit Findings as items #2015-02 and #2015-04.

### **School District's Response to Findings**

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Kohlman, Biersbach & Anderson, LLP*

March 14, 2016

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2015**

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PRIOR AUDIT FINDINGS:

Finding #2014-01

A material weakness was reported for a lack of segregation of duties for inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2015-01.

Finding #2014-02

The listings of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for general capital assets, sale of capital assets, and depreciation expense. This results in diminished control over capital assets and can result in misleading information being presented to users of the financial statements. This finding is restated as current audit finding #2015-02.

Finding #2014-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2015-03.

Finding #2014-04

The School District went over budget in the Capital Outlay Fund by \$32,893. This finding is restated as current audit finding #2015-04.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2015**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2015-01

Criteria

Internal control can help a School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Effect

The School District has only one employee who prepares all accounting records. This is undesirable from an internal control viewpoint, and it could result in a loss of control over accounting transactions.

Recommendation

We recommend the School Board take a more active role in their oversight of inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations.

Management's Response

Steve Masat is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of Hitchcock-Tulare School District No 56-6 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Hitchcock-Tulare School District No 56-6 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations. Hitchcock-Tulare School District No 56-6 is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations continues to exist.

Finding #2015-02

Criteria

The School District accounting manual prepared by the State of South Dakota Department of Legislative Audit states "Schools have a substantial investment of tax dollars in the various lands, buildings, equipment and other assets owned by them. The responsibility of stewardship involved in safeguarding such a large investment is of the utmost importance to sound financial administration. The protective custody of these assets can only be accomplished through adequate accounting procedures and records. In addition to stewardship or protective

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2015**  
**(Continued)**

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custody of a governmental unit's property, a good system of capital asset accounting permits the fixation of responsibility for custody and proper use of specific capital assets on individual public officials."

Condition Found

The listing of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for general capital assets, sale of capital assets, and depreciation expense. This results in diminished control over capital assets and can result in misleading information being presented to users of the financial statements.

Effect

Capital asset records did not contain adequate documentation to support the costs of general capital assets, sale of capital assets or depreciation expense.

Recommendation

We recommend the School District document the costs with copies of invoices, or reasonable estimates, with supporting documentation as to how the estimates were arrived at.

Management's Response

Steve Masat is the contact person responsible for the corrective action plan for this comment. In the future the business manager will make available copies of vouchers in order to provide sufficient documentation to support the amounts reported for general capital assets, sale of capital assets, and depreciation expense.

Finding #2015-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2015**  
**(Continued)**

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Steve Masat is the contact person responsible for the corrective action plan for this comment. The board will accept the degree of risk associated with the School District's ability to record, process, summarize, and report financial data due to the cost of hiring more bookkeepers for the District.

COMPLIANCE AND OTHER MATTERS:

Finding #2015-02

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this comment.

Finding #2015-04

Criteria

Per South Dakota Codified Law (SDCL) 13-11-2, the School Board is required to approve a budget for the anticipated obligations of each fund for the School's fiscal year, except for trust and agency funds, and not exceed the budgeted appropriations total of each fund. Any changes in the proposed budget incorporated into the final budget shall be published in the minutes within thirty days after the final adoption of the budget.

Condition Found

The School District did not prepare a budget for the Capital Project Fund, so the fund went overbudget by \$841,950.

Effect

Budgets are required for all funds. Per SDCL 13-11-2, expenditures are limited to the appropriated amounts.

Recommendation

We recommend that the School District prepare a budget for all funds, limit expenditures to the amount budgeted, or adopt a supplemental budget or make contingency transfers for small deficits.

Management's Response

Steve Masat is the contact person responsible for the corrective action plan for this comment. He stated, "The Hitchcock-Tulare board of education will ensure a budget and supplemental budget are adopted and all changes are published in the legal newspaper, if needed."

Closing Conference

The contents of this report were discussed with Jeff Clark, Steve Masat, and Mandy Miller on November 16, 2015.

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board  
Hitchcock-Tulare School District No 56-6  
Spink County, South Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota (School District), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Basis for Disclaimer of Opinion**

As discussed in Note 7 to the financial statements, management does not have adequate supporting documentation for certain general capital assets in governmental activities and, accordingly, does not have adequate supporting documentation for the sale of capital assets and depreciation expense on those assets. Accounting principles

generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, revenues, and expenses of the governmental activities is not reasonably determinable.

### **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the governmental activities opinion unit.

### **Opinion**

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

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

### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 45 through 50 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 the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with

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

*Kohlman, Bierschbach & Anderson, LLP*

March 14, 2016

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 6,649,618	\$ -	\$ 6,649,618
Investments	99,295	-	99,295
Taxes receivable	1,151,490	-	1,151,490
Internal balances	6,383	(6,383)	-
Inventories	-	4,414	4,414
Other assets	120,282	10,929	131,211
Net pension asset	505,836	12,332	518,168
Capital Assets:			
Land, improvements and construction in progress	847,218	-	847,218
Other capital assets, net of depreciation	<u>2,357,369</u>	<u>10,578</u>	<u>2,367,947</u>
<b>TOTAL ASSETS</b>	<u>11,737,491</u>	<u>31,870</u>	<u>11,769,361</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>448,204</u>	<u>10,991</u>	<u>459,195</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>448,204</u>	<u>10,991</u>	<u>459,195</u>
<b>LIABILITIES:</b>			
Accounts payable	7,143	6,440	13,583
Other current liabilities	711,655	5,982	717,637
Noncurrent Liabilities:			
Due within one year	422,387	-	422,387
Due in more than one year	<u>4,693,915</u>	<u>-</u>	<u>4,693,915</u>
<b>TOTAL LIABILITIES</b>	<u>5,835,100</u>	<u>12,422</u>	<u>5,847,522</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	1,199,517	-	1,199,517
Pension related deferred inflows	<u>585,844</u>	<u>14,283</u>	<u>600,127</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,785,361</u>	<u>14,283</u>	<u>1,799,644</u>
<b>NET POSITION:</b>			
Net investment in capital assets	2,316,757	10,578	2,327,335
Restricted for:			
Capital outlay purposes	609,501	-	609,501
Special education purposes	174,017	-	174,017
Pension purposes	189,070	-	189,070
Capital project purposes	4,225	-	4,225
SDRS pension purposes	368,196	9,040	377,236
Unrestricted	<u>903,468</u>	<u>(3,462)</u>	<u>900,006</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,565,234</u>	<u>\$ 16,156</u>	<u>\$ 4,581,390</u>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business- Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 1,406,374	\$ -	\$ 129,439	\$ (1,276,935)		\$ (1,276,935)
Support services	804,081	405	22,370	(781,306)		(781,306)
Nonprogrammed charges	6,551	-	-	(6,551)		(6,551)
*Interest on long-term debt	29,606	-	-	(29,606)		(29,606)
Cocurricular activities	113,088	27,759	-	(85,329)		(85,329)
**Depreciation-unallocated	35,506	-	-	(35,506)		(35,506)
Total Governmental Activities	2,395,206	28,164	151,809	(2,215,233)		(2,215,233)
Business-Type Activities:						
Food service	137,968	52,431	79,198		\$ (6,339)	(6,339)
Total Primary Government	\$ 2,533,174	\$ 80,595	\$ 231,007	(2,215,233)	(6,339)	(2,221,572)
* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.						
** This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 7.						
General Revenues:						
Taxes:						
				2,101,945	-	2,101,945
				101,161	-	101,161
Revenue from State Sources:						
				215,048	-	215,048
				38,335	-	38,335
Revenue from Federal Sources						
				2,527	-	2,527
Unrestricted Investment Earning						
				727	-	727
Other General Revenues						
				33,623	-	33,623
Total General Revenues				2,493,366	-	2,493,366
CHANGE IN NET POSITION				278,133	(6,339)	271,794
NET POSITION - BEGINNING				4,073,712	15,869	4,089,581
ADJUSTMENTS - SEE NOTE 12				213,389	6,626	220,015
ADJUSTED NET POSITION - BEGINNING				4,287,101	22,495	4,309,596
NET POSITION - ENDING				\$ 4,565,234	\$ 16,156	\$ 4,581,390

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 889,351	\$ 582,232	\$ 195,504	\$ 4,753,951	\$ 228,580	\$ 6,649,618
Investments	55,120	44,175	-	-	-	99,295
Taxes receivable - current	618,125	358,184	141,146	-	26,068	1,143,523
Taxes receivable - delinquent	6,149	643	992	-	183	7,967
Due from Food Service Fund	6,383	-	-	-	-	6,383
Due from other governments	101,019	798	-	-	-	101,817
Prepaid expenses	18,465	-	-	-	-	18,465
<b>TOTAL ASSETS</b>	<b><u>\$ 1,694,612</u></b>	<b><u>\$ 986,032</u></b>	<b><u>\$ 337,642</u></b>	<b><u>\$ 4,753,951</u></b>	<b><u>\$ 254,831</u></b>	<b><u>\$ 8,027,068</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 6,367	\$ 598	\$ 178	\$ -	\$ -	\$ 7,143
Contracts payable	111,344	-	13,489	-	-	124,833
Construction contracts payable	-	-	-	542,587	-	542,587
Construction contracts payable - retained percentage	-	-	-	27,839	-	27,839
Payroll deductions and withholdings and employer matching payable	14,575	-	1,821	-	-	16,396
<b>TOTAL LIABILITIES</b>	<b><u>132,286</u></b>	<b><u>598</u></b>	<b><u>15,488</u></b>	<b><u>570,426</u></b>	<b><u>-</u></b>	<b><u>718,798</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	6,149	643	992	-	183	7,967
Taxes levied for future period	648,088	375,933	148,137	-	27,359	1,199,517

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>654,237</u>	<u>376,576</u>	<u>149,129</u>	<u>-</u>	<u>27,542</u>	<u>1,207,484</u>
FUND BALANCES:						
Nonspendable	18,465	-	-	-	-	18,465
Restricted	-	608,858	173,025	4,183,525	227,289	5,192,697
Unassigned	<u>889,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>889,624</u>
TOTAL FUND BALANCES	<u>908,089</u>	<u>608,858</u>	<u>173,025</u>	<u>4,183,525</u>	<u>227,289</u>	<u>6,100,786</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,694,612</u>	<u>\$ 986,032</u>	<u>\$ 337,642</u>	<u>\$ 4,753,951</u>	<u>\$ 254,831</u>	<u>\$ 8,027,068</u>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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Total Fund Balances - Governmental Funds		\$ 6,100,786
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		505,836
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		3,204,587
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		448,204
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital Outlay Certificates	\$ 5,021,250	
Early Retirement	\$ 38,402	
Accrued Leave	\$ 10,770	
Other Long-Term Debt	<u>\$ 45,880</u>	(5,116,302)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes Receivable	<u>\$ 7,967</u>	7,967
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.		<u>(585,844)</u>
Net Position - Governmental Activities		<u><u>\$ 4,565,234</u></u>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES:</b>						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 1,309,636	\$ 459,064	\$ 268,055	\$ -	\$ 49,802	\$ 2,086,557
Prior years' ad valorem taxes	4,370	519	748	-	162	5,799
Tax deed revenue	764	-	-	-	-	764
Utility taxes	101,161	-	-	-	-	101,161
Penalties and interest on taxes	3,223	562	652	-	123	4,560
Earnings on investments and deposits	527	200	-	-	-	727
Cocurricular activities:						
Admissions	27,759	-	-	-	-	27,759
Other revenue from local sources:						
Charges for services	357	-	48	-	-	405
Other	12,837	150	-	-	-	12,987
Revenue from Intermediate Sources:						
County sources:						
County apportionment	10,437	-	-	-	-	10,437
Revenue in lieu of taxes	4,324	-	-	-	-	4,324
Revenue from State Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid	253,383	-	-	-	-	253,383
Restricted grants-in-aid	1,000	-	-	-	-	1,000
Other state revenue	250	-	-	-	-	250
Revenue from Federal Sources:						
Grants-in-aid:						

(Continued on next page)

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**  
**(Continued)**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
Unrestricted grants-in-aid received from federal government through an intermediate source	1,487	591	379	-	70	2,527
Restricted grants-in-aid received from federal government through the state	<u>110,939</u>	<u>18,500</u>	-	-	-	<u>129,439</u>
<b>TOTAL REVENUE</b>	<u>1,842,454</u>	<u>479,586</u>	<u>269,882</u>	-	<u>50,157</u>	<u>2,642,079</u>
<b>EXPENDITURES:</b>						
Instruction:						
Regular programs:						
Elementary	560,724	48,002	-	-	25,200	633,926
Middle/Junior high	-	-	-	-	2,350	2,350
High school	406,477	91,795	-	-	15,200	513,472
Special programs:						
Programs for special education	-	-	199,900	-	-	199,900
Educationally deprived	111,964	-	-	-	-	111,964
Support Services:						
Pupils:						
Guidance	3,444	-	-	-	-	3,444
Health	164	-	-	-	-	164
Psychological	-	-	1,882	-	-	1,882
Speech pathology	-	-	6,905	-	-	6,905
Student therapy services	-	-	21,867	-	-	21,867
Instructional staff:						
Improvement of instruction	1,000	-	-	-	-	1,000
Educational media	27,855	-	-	-	-	27,855

(Continued on next page)

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**  
**(Continued)**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
General administration:						
Board of education	20,372	15	-	-	-	20,387
Executive administration	98,810	-	-	-	-	98,810
School administration:						
Office of the principal	88,412	-	-	-	-	88,412
Business:						
Fiscal services	113,524	-	-	-	-	113,524
Facilities acquisition and construction	-	56,318	-	-	-	56,318
Operation and maintenance of plant	269,043	9,146	-	-	-	278,189
Pupil transportation	101,489	-	-	-	-	101,489
Food services	53	-	-	-	-	53
Nonprogrammed Charges:						
Payments to state - unemployment	6,551	-	-	-	-	6,551
Early retirement payments	-	-	-	-	29,230	29,230
Debt Services	-	50,435	-	-	-	50,435
Cocurricular Activities:						
Male activities	39,340	-	-	-	-	39,340
Female activities	21,502	-	-	-	-	21,502
Transportation	15,564	-	-	-	-	15,564
Combined activities	37,690	1,222	-	-	-	38,912
Capital Outlay	-	17,702	-	841,950	-	859,652
<b>TOTAL EXPENDITURES</b>	<u>1,923,978</u>	<u>274,635</u>	<u>230,554</u>	<u>841,950</u>	<u>71,980</u>	<u>3,343,097</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(81,524)</u>	<u>204,951</u>	<u>39,328</u>	<u>(841,950)</u>	<u>(21,823)</u>	<u>(701,018)</u>

(Continued on next page)

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**  
**(Continued)**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
OTHER FINANCING SOURCES:						
General long-term debt issued	-	-	-	4,810,000	-	4,810,000
Sale of surplus property	-	1,400	-	-	-	1,400
Premium on bonds issued	-	-	-	215,475	-	215,475
TOTAL OTHER FINANCING SOURCES	-	1,400	-	5,025,475	-	5,026,875
NET CHANGE IN FUND BALANCES	(81,524)	206,351	39,328	4,183,525	(21,823)	4,325,857
FUND BALANCE - BEGINNING	1,047,842	402,507	133,697	-	249,112	1,833,158
ADJUSTMENTS:						
Ad valorem taxes overstated in prior years	(58,229)	-	-	-	-	(58,229)
ADJUSTED FUND BALANCE - BEGINNING	989,613	402,507	133,697	-	249,112	1,774,929
FUND BALANCE - ENDING	<u>\$ 908,089</u>	<u>\$ 608,858</u>	<u>\$ 173,025</u>	<u>\$ 4,183,525</u>	<u>\$ 227,289</u>	<u>\$ 6,100,786</u>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

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Net Change in Fund Balances - Total Governmental Funds	\$ 4,325,857
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	859,652
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(35,506)
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 position.	
Capital Outlay Certificates    \$    4,225	
Early Retirement                    \$    29,230	
Other Long-Term Debt            \$    20,829	54,284
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    \$ 5,025,475	(5,025,475)
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	
Sick Leave                            \$    1,522	(1,522)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	
	4,265
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	21,370
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	
	<u>75,208</u>
Change in Net Position of Governmental Activities	<u>\$ 278,133</u>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Enterprise Funds
	Food Service Fund
<b>ASSETS:</b>	
Current Assets:	
Accounts receivable, net	\$ 3,325
Due from federal government	7,604
Inventory of supplies	986
Inventory of stores purchased for resale	813
Inventory of donated food	2,615
Total Current Assets	15,343
Noncurrent Assets:	
Net pension asset	12,332
Capital Assets:	
Machinery and equipment - local funds	41,416
Less: accumulated depreciation	(30,838)
Total Noncurrent Assets	22,910
<b>TOTAL ASSETS</b>	<b>38,253</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension related deferred outflows	10,991
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,991</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	6,440
Contracts payable	5,271
Due to General Fund	6,383
Payroll deductions and withholdings and employer matching payable	711
<b>TOTAL LIABILITIES</b>	<b>18,805</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension related deferred inflows	14,283
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,283</b>
<b>NET POSITION:</b>	
Net investment in capital assets	10,578
Restricted for:	
SDRS pension	9,040
Unrestricted net position	(3,462)
<b>TOTAL NET POSITION</b>	<b>\$ 16,156</b>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Enterprise Funds
	Food Service Fund
OPERATING REVENUE:	
Food Sales:	
Student	\$ 42,020
Adult	5,073
Ala Carte	5,338
TOTAL OPERATING REVENUE	52,431
OPERATING EXPENSES:	
Salaries	33,182
Employee benefits	20,188
Purchased services	25,991
Supplies	3,492
Cost of sales - purchased	43,917
Cost of sales - donated	9,401
Depreciation	1,797
TOTAL OPERATING EXPENSES	137,968
OPERATING LOSS	(85,537)
NONOPERATING REVENUE:	
Pension revenue	517
State grants	661
Federal grants	69,057
Donated food	8,963
TOTAL NONOPERATING REVENUE	79,198
CHANGE IN NET POSITION	(6,339)
NET POSITION - BEGINNING	15,869
ADJUSTMENT - SEE NOTE 12	6,626
ADJUSTED NET POSITION - BEGINNING	22,495
NET POSITION - ENDING	\$ 16,156

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Enterprise Funds
	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	\$ 54,692
Cash payments to employees for services	(54,959)
Cash payments to suppliers of goods or services	(73,624)
Net cash used by operating activities	(73,891)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from General Fund	2,815
Operating grants	71,076
Net cash provided by noncapital financing activities	73,891
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>	
OPERATING LOSS	\$ (85,537)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation expense	1,797
Value of donated commodities used	9,401
Pension revenue	517
Change in assets and liabilities:	
Accounts receivable	2,261
Inventories	(574)
Net pension asset	(7,506)
Pension related deferred outflows	(9,191)
Accounts and other payables	658
Pension related deferred inflows	14,283
NET CASH USED BY OPERATING ACTIVITIES	\$ (73,891)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Value of commodities received	\$ 8,963

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

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	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 36,458
TOTAL ASSETS	<u>\$ 36,458</u>
LIABILITIES:	
Amounts held for others	\$ 36,458
TOTAL LIABILITIES	<u>\$ 36,458</u>

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Hitchcock-Tulare School District No 56-6 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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 Law (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 Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

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

The Capital Project Fund is the only capital projects fund maintained by the School District. This is a major fund.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

Proprietary Funds:

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

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

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

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

To hold money for classes and organizations of the School.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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 fund types.

Basis of Accounting:

Government-Wide Financial Statements:

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

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 for the School District is 60 days. The revenues which are accrued at June 30, 2015, are reimbursement for federal program expenditures.

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

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

All proprietary fund and fiduciary fund types 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.

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:

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consisted entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2015 balance of capital assets for governmental activities for which the costs were determined by estimates of the original costs is unknown. The total June 30, 2015 balance of capital assets for business-type activities includes approximately 45 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by estimates received from the entity from which the assets were purchased.

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements	\$25,000	Straight-line	Unknown
Buildings	\$50,000	Straight-line	Unknown
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	Unknown
Machinery and Equipment - Business- Type Activities	\$ 1,000	Straight-line	12 years

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.

g. 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 primarily consist of compensated absences, early retirement benefits payable, capital leases, and capital outlay certificates.

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.

h. 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.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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.

i. 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.

j. 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.

k. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements:

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

l. Application of Net Position:

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

m. 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 Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as prepaid expenses.

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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

NOTE 1 - (Continued)

Hitchcock-Tulare School District No 56-6  
Disclosure of Fund Balances Reported on Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Prepaid expenses	\$ 18,465	\$ --	\$ --	\$ --	\$ --	\$ 18,465
Restricted for:						
Capital Outlay						
Fund	--	608,858	--	--	--	608,858
Special Education						
Fund	--	--	173,025	--	--	173,025
Capital Project						
Fund	--	--	--	4,183,525	--	4,183,525
Pension Fund	--	--	--	--	227,289	227,289
Unassigned	<u>889,624</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>889,624</u>
Total Fund Balances	<u>\$908,089</u>	<u>\$608,858</u>	<u>\$173,025</u>	<u>\$4,183,525</u>	<u>\$227,289</u>	<u>\$6,100,786</u>

n. Pensions:

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

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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>06/30/2015</u>
Capital Project Fund	\$841,950

The Governing Board plans to take the following actions to address this violation: The board will adopt the required budgets and a supplemental budget to address excess spending if needed in the future.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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 all the funds, except for Agency 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 district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**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. More than 5 percent of the School District's investments are in certificates of deposits - 100%.

**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 interest earned on Capital Outlay certificates of deposit, which remains in the Capital Outlay Fund. 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. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

NOTE 5 - INVENTORY

Inventory held for consumption is stated at cost.

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. There was no inventory reported in the current year in the governmental fund financial statements.

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 year ended June 30, 2015, is as follows:

Primary Government

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

NOTE 7 - (Continued)

	<u>Balance</u> <u>07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/15</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,268	\$ --	\$--	\$ 5,268
Construction in progress	<u>    --</u>	<u>841,950</u>	--	<u>841,950</u>
Total capital assets, not being depreciated	<u>5,268</u>	<u>841,950</u>	--	<u>847,218</u>
Capital assets, being depreciated:				
Improvements	260,735	--	--	260,735
Buildings	2,083,223	--	--	2,083,223
Machinery and equipment	<u>235,065</u>	<u>17,702</u>	--	<u>252,767</u>
Total, being depreciated	<u>2,579,023</u>	<u>17,702</u>	--	<u>2,596,725</u>
Less accumulated depreciation for:				
Buildings	104,354	10,229	--	114,583
Machinery and equipment	<u>99,496</u>	<u>25,277</u>	--	<u>124,773</u>
Total accumulated depreciation	<u>203,850</u>	<u>35,506</u>	--	<u>239,356</u>
Total capital assets, being depreciated, net	<u>2,375,173</u>	<u>(17,804)</u>	--	<u>2,357,369</u>
Governmental activity capital assets, net	<u>\$2,380,441</u>	<u>\$824,146</u>	\$--	<u>\$3,204,587</u>

Depreciation expense was charged to functions as follows:

  Governmental activities:

    Depreciation - unallocated \$35,506

	<u>Balance</u> <u>07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/15</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$41,416	\$ --	\$--	\$41,416
Less accumulated depreciation for:				
Machinery and equipment	<u>29,041</u>	<u>1,797</u>	--	<u>30,838</u>
Business-type activity capital assets, net	<u>\$12,375</u>	<u>\$ (1,797)</u>	\$--	<u>\$10,578</u>

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 7 - (Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$1,797</u>

Capital asset records do not contain adequate documentation to support the costs of general capital assets or depreciation expense. The School District will attempt to establish proper capital asset records in the future by verifying actual costs, or estimating costs.

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/2015</u>	<u>Committed</u>	<u>Required Future Financing</u>
School Remodel	<u>\$6,076,000</u>	<u>\$841,950</u>	<u>\$5,234,050</u>	<u>\$1,050,525</u>

NOTE 8 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2015, is as follows:

PRIMARY GOVERNMENT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
Capital Outlay					
Certificates	\$ --	\$4,810,000	\$ --	\$4,810,000	\$360,000
Premium on Capital					
Outlay Certificates	--	215,475	4,225	211,250	16,900
Financing (Capital					
Acquisition) Leases	66,709	--	20,829	45,880	21,839
Early Retirement Payable	67,633	--	29,230	38,403	22,841
Accrued Compensated					
Absences	<u>9,247</u>	<u>1,522</u>	<u>--</u>	<u>10,769</u>	<u>807</u>
Total Governmental Activities	<u>\$143,589</u>	<u>\$5,026,997</u>	<u>\$54,284</u>	<u>\$5,116,302</u>	<u>\$422,387</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund. Early retirement benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Liabilities payable at June 30, 2015, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

NOTE 8 - (Continued)

Compensated Absences:		
Payable from the General Fund.	\$	10,769
Early Retirement Payable:		
Requires annual payments of not more than \$22,841 from the Pension Fund, final payment in fiscal year 2017.	\$	38,403
Financing (Capital Acquisition) Leases:		
The School District is leasing a bus for \$15,260 per year for 5 years with a final payment August 2015 with a down payment of \$15,260 and an option to purchase for \$1 at the end of the lease with an interest rate of 4.860%. Payments are being made out of the Capital Outlay Fund.	\$	14,553
The School District is also leasing a bus for \$8,800 per year for 5 years with a final payment October 2018 with a down payment of \$8,800 and an option to purchase for \$1 at the end of the lease with an interest rate of 4.831%. Payments are being made out of the Capital Outlay Fund.	\$	31,327
Capital Outlay Certificates:		
Requires semi-annual payments of not more than \$484,638 for the year, from the Capital Outlay Fund with a varying interest rate from 1.0% to 4.0%. The first payment of interest only was in June of 2015, and the first payment of principal and interest in December of 2015 with the final payment to be made in December of 2027. There was a reoffering premium of \$215,475 which is included in the loan value and will be amortized over the life of the loan.		\$4,810,000

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2015, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2015

Year Ending June 30,	Early Retirement Payable	Capital Outlay Certificates		Financing (Capital Acquisition) Leases		Total	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$22,841	\$ 360,000	\$ 124,638	\$21,840	\$2,220	\$ 404,681	\$ 126,858
2017	15,562	330,000	117,738	7,639	1,161	353,201	118,899
2018	--	335,000	111,088	8,008	792	343,008	111,880
2019	--	345,000	106,013	8,393	406	353,393	106,419
2020	--	345,000	102,131	--	--	345,000	102,131
2021-2025	--	1,845,000	391,550	--	--	1,845,000	391,550
2026-2028	--	1,250,000	76,400	--	--	1,250,000	76,400
	<u>\$38,403</u>	<u>\$4,810,000</u>	<u>\$1,029,558</u>	<u>\$45,880</u>	<u>\$4,579</u>	<u>\$4,894,283</u>	<u>\$1,034,137</u>

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 9 - OPERATING LEASES

The School District has an operating lease as of June 30, 2015, for copiers. The payments for the copier lease are being made out of the Capital Outlay Fund for 5 years with a total paid of \$7,800 for the year.

The following are the minimum payments required for the existing operating lease:

<u>Year</u>	<u>Capital Outlay Fund</u>
2016	\$ <u>1,800</u>

NOTE 10 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2015, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$6,383	\$ --
Food Service Fund	\$ --	\$6,383

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2015, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay Purposes	Law	\$ 609,501
Special Education Purposes	Law	174,017
Pension Purposes	Law	189,070
Capital Project Purposes	Debt Covenants	4,225
SDRS Pension Purposes	Law	<u>377,236</u>
Total Restricted Net Position		<u>\$1,354,049</u>

These balances are restricted due to federal grant, debt covenants, and statutory requirements.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

The School District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. As a result, beginning net

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 12 - (Continued)

position has been restated to reflect the related net pension asset and deferred outflows of resources as of July 1, 2014, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position July 1, 2014, as previously reported	\$4,073,712	\$15,869
Restatement for pension accounting:		
Net pension asset	197,955	4,826
Pension related deferred outflow of resources	<u>73,663</u>	<u>1,800</u>
Increase in net pension from restatement	271,618	6,626

The School District restated taxes levied for future period for the fiscal year ended June 30, 2014. The amounts understated were as follows:

General Fund	<u>(58,229)</u>	<u>--</u>
Net Statement of Activities Adjustment	<u>213,389</u>	<u>6,626</u>
Net Position July 1, 2014, as restated	<u>\$4,287,101</u>	<u>\$22,495</u>

NOTE 13 - PENSION PLAN

**Plan Information:**

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and 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 statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 13 - (Continued)

disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014 and 2013, were \$77,106, \$75,463, and \$72,249, respectively, equal to the required contributions each year.

**Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

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

Proportionate share of net position restricted for pension benefits	\$7,629,165
Less proportionate share of total pension liability	<u>7,110,997</u>
Proportionate share of net pension asset	<u>\$ 518,168</u>

At June 30, 2015, the School District reported an asset of \$518,168 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .071922%, which is a decrease of .00325796% from its proportion measured as of June 30, 2013.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 13 - (Continued)

For the year ended June 30, 2015, the School District recognized pension revenue of \$21,887. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 43,844	\$ --
Changes in assumption	338,245	--
Net difference between projected and actual earnings on pension plan investments	--	600,127
Direct contributions subsequent to the measurement date	77,106	--
Total	\$459,195	\$600,127

\$77,106 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30:

2016	\$ 41,174
2017	41,174
2018	41,174
2019	94,516
Total	\$218,038

**Actuarial Assumptions:**

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

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

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

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 13 - (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

**Discount Rate:**

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

**Sensitivity of asset to changes in the discount rate:**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension asset	\$( <u>512,048</u> )	<u>\$518,168</u>	<u>\$1,358,418</u>

**Pension Plan Fiduciary Net Position:**

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

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 14 - JOINT VENTURES

The School District participates in the joint venture known as the North Central Special Ed Coop formed for the purpose of providing special education services and other educational services to the member school districts.

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

Doland	12.50%
Langford Area	12.50%
Northwestern Area	12.50%
Groton Area	12.50%
Warner	12.50%
Hitchcock-Tulare	12.50%
Frederick Area	12.50%
Leola	12.50%

The North Central Special Ed Coop's governing board is composed of one representative from each member school district. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from North Central Special Ed Coop.

At June 30, 2015, this joint venture had total assets of \$329,497, total liabilities of \$0, and net position of \$329,497.

NOTE 15 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2015, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund (Fund). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The Fund currently has a deficit fund balance. The Fund board has decided not to assess the School District for its portion of the deficit. The School District's portion of the deficit fund balance as of June 30, 2014, is \$83,800.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 15 - (Continued)

Liability Insurance:

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

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2015, two claims were filed for unemployment benefits. These claims resulted in the payment of two benefits in the amount of \$6,550.64. At June 30, 2015, no claims had been filed for unemployment benefits. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 16 - LITIGATION

At June 30, 2015, the School District was not involved in any litigation.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 17 - SUBSEQUENT EVENTS

There are no subsequent events through March 14, 2016, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,403,000	\$1,403,000	\$1,309,636	\$ (93,364)
Prior years' ad valorem taxes	10,000	10,000	4,370	(5,630)
Tax deed revenue	-	-	764	764
Utility taxes	75,000	75,000	101,161	26,161
Penalties and interest on taxes	3,000	3,000	3,223	223
Earnings on investments and deposits	2,500	2,500	527	(1,973)
Cocurricular activities:				
Admissions	20,000	20,000	27,759	7,759
Other revenue from local sources:				
Charges for services	-	-	357	357
Other	10,000	10,000	12,837	2,837
Revenue from Intermediate Sources:				
County sources:				
County apportionment	11,000	11,000	10,437	(563)
Revenue in lieu of taxes	-	-	4,324	4,324
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	273,000	273,000	253,383	(19,617)
Restricted grants-in-aid	-	-	1,000	1,000
Other state revenue	-	-	250	250
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	1,487	1,487
Restricted grants-in-aid received from federal government through the state	98,802	98,802	110,939	12,137
<b>TOTAL REVENUE</b>	<u>1,906,302</u>	<u>1,906,302</u>	<u>1,842,454</u>	<u>(63,848)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	576,900	576,900	560,724	16,176
Middle/Junior high	42,600	42,600	-	42,600
High school	376,535	376,535	406,477	(29,942)
Special programs:				
Educationally deprived	108,900	108,900	111,964	(3,064)
Support Services:				
Pupils:				

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Guidance	3,560	3,560	3,444	116
Health	1,000	1,000	164	836
Instructional staff:				
Improvement of instruction	-	-	1,000	(1,000)
Educational media	28,440	28,440	27,855	585
General administration:				
Board of education	29,550	29,550	20,372	9,178
Executive administration	98,900	98,900	98,810	90
School administration:				
Office of the principal	86,600	86,600	88,412	(1,812)
Business:				
Fiscal services	98,464	98,464	113,524	(15,060)
Operation and maintenance of plant	351,000	351,000	269,043	81,957
Pupil transportation	107,420	107,420	101,489	5,931
Food services	-	-	53	(53)
Nonprogrammed Charges:				
Payments to state - unemployment	-	-	6,551	(6,551)
Cocurricular Activities:				
Male activities	23,605	23,605	39,340	(15,735)
Female activities	18,860	18,860	21,502	(2,642)
Transportation	18,570	18,570	15,564	3,006
Combined activities	39,300	39,300	37,690	1,610
TOTAL EXPENDITURES	<u>2,010,204</u>	<u>2,010,204</u>	<u>1,923,978</u>	<u>86,226</u>
NET CHANGE IN FUND BALANCES	<u>(103,902)</u>	<u>(103,902)</u>	<u>(81,524)</u>	<u>22,378</u>
FUND BALANCE - BEGINNING	1,047,842	1,047,842	1,047,842	-
ADJUSTMENTS:				
Ad valorem taxes overstated in prior year	<u>(58,229)</u>	<u>(58,229)</u>	<u>(58,229)</u>	<u>-</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>989,613</u>	<u>989,613</u>	<u>989,613</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 885,711</u>	<u>\$ 885,711</u>	<u>\$ 908,089</u>	<u>\$ 22,378</u>

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 138,100	\$ 138,100	\$ 459,064	\$ 320,964
Prior years' ad valorem taxes	-	-	519	519
Penalties and interest on taxes	-	-	562	562
Earnings on investments and deposits	500	500	200	(300)
Other revenue from local sources:				
Other	5,000	5,000	150	(4,850)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	591	591
Restricted grants-in-aid received from federal government through the state	-	19,000	18,500	(500)
<b>TOTAL REVENUE</b>	<u>143,600</u>	<u>162,600</u>	<u>479,586</u>	<u>316,986</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	57,000	76,000	48,002	27,998
High school	83,000	83,000	109,497	(26,497)
Support Services:				
General administration:				
Board of education	-	-	15	(15)
Business:				
Facilities acquisition and construction	56,500	56,500	56,318	182
Operation and maintenance of plant	6,500	6,500	9,146	(2,646)
Pupil transportation	15,260	15,260	-	15,260
Debt Services	22,375	48,875	50,435	(1,560)
Cocurricular Activities:				
Combined activities	-	-	1,222	(1,222)
<b>TOTAL EXPENDITURES</b>	<u>240,635</u>	<u>286,135</u>	<u>274,635</u>	<u>11,500</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(97,035)</u>	<u>(123,535)</u>	<u>204,951</u>	<u>328,486</u>

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES:				
Sale of surplus property	-	-	1,400	1,400
TOTAL OTHER FINANCING SOURCES	-	-	1,400	1,400
NET CHANGE IN FUND BALANCES	(97,035)	(123,535)	206,351	329,886
FUND BALANCE - BEGINNING	402,507	402,507	402,507	-
FUND BALANCE - ENDING	<u>\$ 305,472</u>	<u>\$ 278,972</u>	<u>\$ 608,858</u>	<u>\$ 329,886</u>

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS-SPECIAL EDUCATION FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 230,100	\$ 230,100	\$ 268,055	\$ 37,955
Prior years' ad valorem taxes	500	500	748	248
Penalties and interest on taxes	500	500	652	152
Other revenue from local sources:				
Charges for services	-	-	48	48
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	379	379
<b>TOTAL REVENUE</b>	<u>231,100</u>	<u>231,100</u>	<u>269,882</u>	<u>38,782</u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	209,000	209,000	199,900	9,100
Support Services:				
Pupils:				
Psychological	3,000	3,000	1,882	1,118
Speech pathology	3,500	3,500	6,905	(3,405)
Student therapy services	20,000	20,000	21,867	(1,867)
<b>TOTAL EXPENDITURES</b>	<u>235,500</u>	<u>235,500</u>	<u>230,554</u>	<u>4,946</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,400)	(4,400)	39,328	43,728
<b>FUND BALANCE - BEGINNING</b>	<u>133,697</u>	<u>133,697</u>	<u>133,697</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 129,297</u>	<u>\$ 129,297</u>	<u>\$ 173,025</u>	<u>\$ 43,728</u>

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2015**

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NOTE 1 - Budgets and Budgetary Accounting

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
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 - USGAAP/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. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF**  
**THE NET PENSION ASSET**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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	Last 1 Fiscal Year* (Dollar amounts in thousands)
	<u>2015</u>
District's proportion of the net pension asset	.071922%
District's proportionate share of net pension asset	\$ 518
District's covered-employee payroll	\$ 1,285
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	40.31%
Plan fiduciary net position as a percentage of the total pension asset	107%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is 6/30 of the previous fiscal year.

**HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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Last 10 Fiscal Years  
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 77	\$ 75	\$ 72	\$ 67	\$ 67	\$ 72	\$ 69	\$ 67	\$ 64	\$ 67
Contributions in relation to the contractually required contribution	\$ 77	\$ 75	\$ 72	\$ 67	\$ 67	\$ 72	\$ 69	\$ 67	\$ 64	\$ 67
District's covered-employee payroll	\$ 1,285	\$ 1,258	\$ 1,204	\$ 1,121	\$ 1,118	\$ 1,197	\$ 1,149	\$ 1,124	\$ 1,066	\$ 1,117
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%