

DUPREE SCHOOL DISTRICT NO. 64-2

Financial Statements

June 30, 2023

Dupree School District No. 64-2
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Independent Auditor's Report

School Board
Dupree School District No. 64-2
Dupree, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dupree School District No. 64-2 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The list of School District Officials and Corrective Action Plan are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The list of School District Officials and Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of 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 District's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

December 15, 2023

Dupree School District No. 64-2
Management's Discussion and Analysis (Unaudited)
June 30, 2023

This section of Dupree School District No. 64-2's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the 22 - 23 fiscal year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$5,938,230 more than the \$7,473,321 of governmental and business-type expenses.
- Impact Aid payment for 2023 was paid out at 90% LOT.
- The District received \$272,681 from the extraordinary cost fund for the Special Education Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Dupree School District No. 64-2
Management's Discussion and Analysis (Unaudited)
June 30, 2023

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

Figure A-1

Major Features of Dupree School District's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school programs.	Activities of the District operates similar to private businesses, the food services operation.	Instances in which the District is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Dupree School District No. 64-2

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Government-wide Statements

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

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in two categories:

- Governmental Activities - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.), and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- Business-type Activities - The District only charges for adult meals, not for student meals. The Food Service Fund is the only business-type activity of the school.

Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like Student Club accounts).

The District has three kinds of funds:

- Governmental Funds - Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.

Dupree School District No. 64-2

Management's Discussion and Analysis (Unaudited)

June 30, 2023

- **Proprietary Funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund is the only proprietary fund maintained by the District.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased as follows:

Table A-1
Dupree School District No. 64-2
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022 - 2023
Current and Other Assets	\$ 12,165,430	\$ 11,365,255	\$ 58,418	\$ 21,671	\$ 12,223,848	\$ 11,386,926	-6.85%
Capital Assets (Net of Depreciation)	6,679,695	12,309,796	56,697	58,660	6,736,392	12,368,456	83.61%
Total Assets	<u>18,845,125</u>	<u>23,675,051</u>	<u>115,115</u>	<u>80,331</u>	<u>18,960,240</u>	<u>23,755,382</u>	25.29%
Total Deferred Outflows of Resources	<u>1,661,521</u>	<u>1,426,972</u>	<u>55,810</u>	<u>52,665</u>	<u>1,717,331</u>	<u>1,479,637</u>	-13.84%
Long-Term Liabilities Outstanding	176,384	185,447	-	-	176,384	185,447	5.14%
Other Liabilities	510,340	716,211	13,434	17,992	523,774	734,203	40.18%
Total Liabilities	<u>686,724</u>	<u>901,658</u>	<u>13,434</u>	<u>17,992</u>	<u>700,158</u>	<u>919,650</u>	31.35%
Total Deferred Inflows of Resources	<u>2,960,599</u>	<u>1,408,304</u>	<u>79,208</u>	<u>31,229</u>	<u>3,039,807</u>	<u>1,439,533</u>	-52.64%
Net Investment in Capital Assets	6,679,695	12,309,797	56,697	58,660	6,736,392	12,368,457	83.61%
Restricted	640,278	5,184,390	17,425	21,970	657,703	5,206,360	691.60%
Unrestricted	9,539,350	5,297,874	4,161	3,145	9,543,511	5,301,019	-44.45%
Total Net Position	<u>\$ 16,859,323</u>	<u>\$ 22,792,061</u>	<u>\$ 78,283</u>	<u>\$ 83,775</u>	<u>\$ 16,937,606</u>	<u>\$ 22,875,836</u>	35.06%

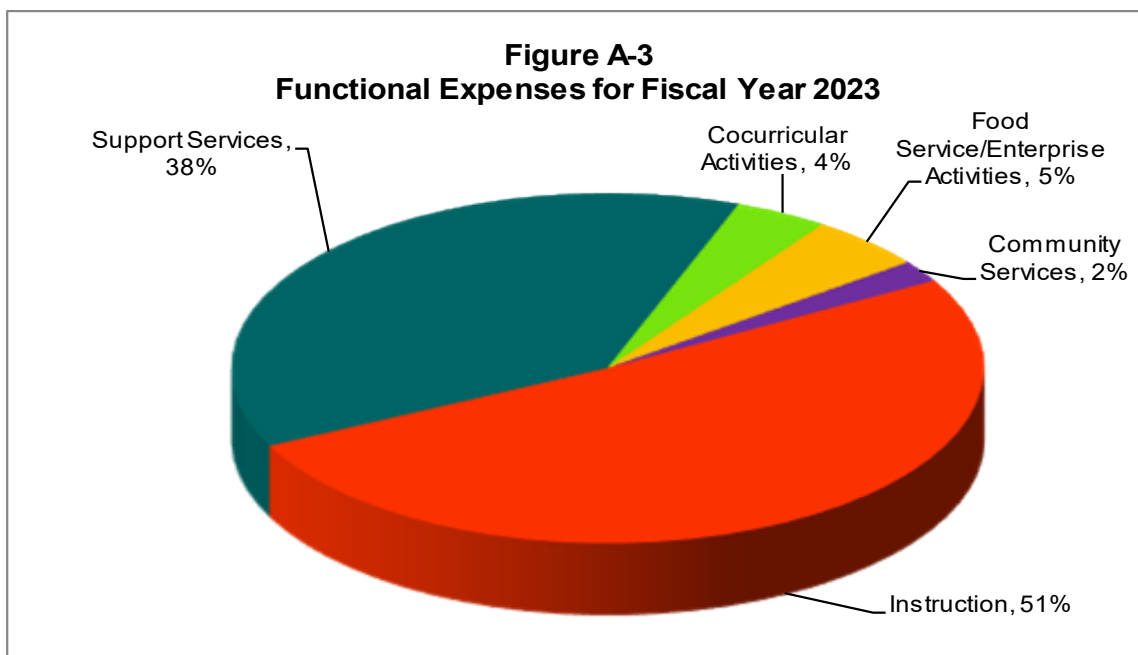
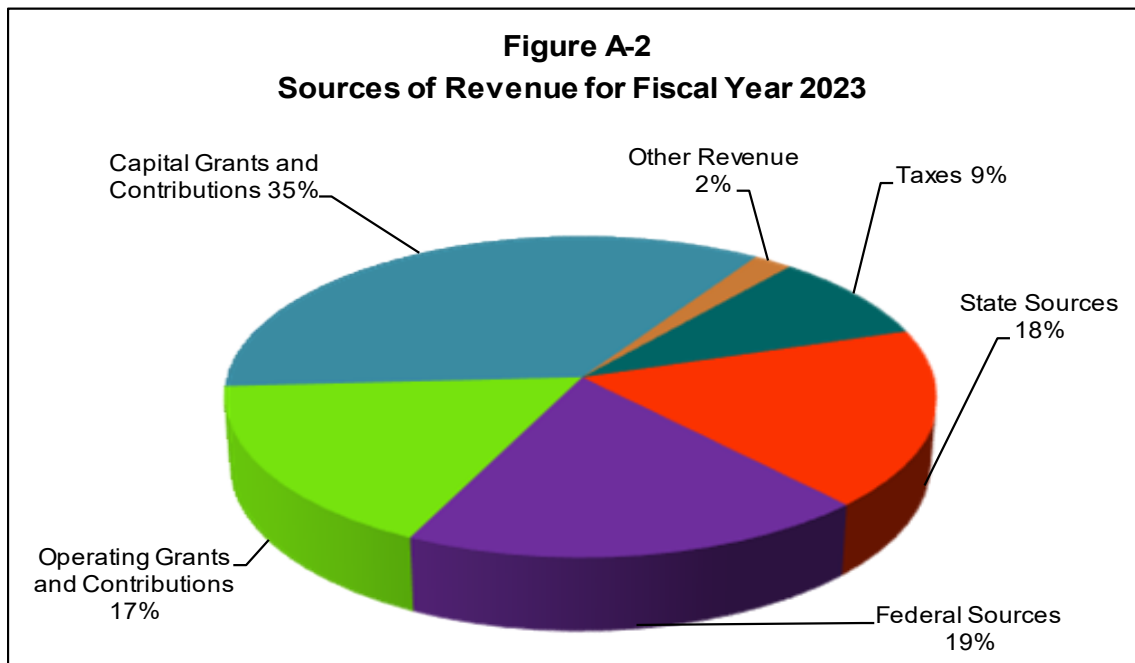
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities and deferred outflows and inflows of resources is its net position.

Dupree School District No. 64-2
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Changes in Net Position

The District's revenues totaled \$13,409,792. Approximately 37% of the District's revenue came from federal and state sources, approximately 17% came from operating grants and contributions, approximately 35% came from capital grants and contributions, and approximately 11% came from property and other taxes. (see Figure A-2).

The District's expenses cover a range of services encompassing instruction, support services, and food services. (See Figure A-3)



Dupree School District No. 64-2
Management's Discussion and Analysis (Unaudited)
June 30, 2023

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
Dupree School District No. 64-2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022 - 2023
Revenues							
Program Revenues:							
Charges for Services	\$ 22,915	\$ 28,958	\$ 10,128	\$ 12,025	\$ 33,043	\$ 40,983	24.03%
Operating Grants and Contributions	2,461,982	1,963,542	310,078	295,921	2,772,060	2,259,463	-18.49%
Capital Grants and Contributions	-	4,679,450	-	-	-	4,679,450	100.00%
General Revenues:							
Taxes	1,122,374	1,148,689	-	-	1,122,374	1,148,689	2.34%
Revenue State Sources	2,261,113	2,439,526	-	-	2,261,113	2,439,526	7.89%
Revenue Federal Sources	2,371,050	2,569,218	-	-	2,371,050	2,569,218	8.36%
Revenue Local Sources	34,714	27,048	-	-	34,714	27,048	-22.08%
Unrestricted Investment Earnings	36,815	245,415	-	-	36,815	245,415	566.62%
Total Revenues	<u>8,310,963</u>	<u>13,101,846</u>	<u>320,206</u>	<u>307,946</u>	<u>8,631,169</u>	<u>13,409,792</u>	55.36%
Expenses							
Instruction	3,561,865	3,825,932	-	-	3,561,865	3,825,932	7.41%
Support Services	2,965,674	2,818,062	-	-	2,965,674	2,818,062	-4.98%
Cocurricular Activities	340,497	328,771	-	-	340,497	328,771	-3.44%
Community Services	108,877	108,102	-	-	108,877	108,102	-0.71%
Food Service	-	-	361,830	392,454	361,830	392,454	8.46%
Total Expenses	<u>6,976,913</u>	<u>7,080,867</u>	<u>361,830</u>	<u>392,454</u>	<u>7,338,743</u>	<u>7,473,321</u>	1.83%
Excess (Deficiency) Before							
Special Items and Transfers	1,334,050	6,020,979	(41,624)	(84,508)	1,292,426	5,936,471	359.33%
Gain (Loss) on Sale of Capital Assets	(4,431)	1,759	-	-	(4,431)	1,759	-139.70%
Transfers	<u>(64,520)</u>	<u>(90,000)</u>	<u>64,520</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	0.00%
Increase (Decrease) in Net Position	1,265,099	5,932,738	22,896	5,492	1,287,995	5,938,230	361.04%
Net Position - Beginning	<u>15,594,224</u>	<u>16,859,323</u>	<u>55,387</u>	<u>78,283</u>	<u>15,649,611</u>	<u>16,937,606</u>	8.23%
Net Position - Ending	<u>\$ 16,859,323</u>	<u>\$ 22,792,061</u>	<u>\$ 78,283</u>	<u>\$ 83,775</u>	<u>\$ 16,937,606</u>	<u>\$ 22,875,836</u>	35.06%

Dupree School District No. 64-2

Management's Discussion and Analysis (Unaudited)

June 30, 2023

GOVERNMENTAL ACTIVITIES

Revenues of the District's governmental activities increased by approximately 57.65% to \$13,101,846 and expenses increased by approximately 1.49% to \$7,080,867.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service) decreased by approximately 3.83% to \$307,946 and expenses increased by approximately 8.46% to \$392,454.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund balance decreased for the year ended June 30, 2023. This was due to a large transfer to the Capital Project Fund. The Special Education fund balance showed an increase from the prior year due to an increase in revenue from state and federal sources. The Capital Outlay fund balance showed an increase from the prior year. The Capital Project Fund balance increased significantly from the prior year due to the start of the additional school building project.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant budget changes or budget variances for the year.

CAPITAL ASSET ADMINISTRATION

By the end of FY 2023, the District had invested \$12,309,796 (net of depreciation) in a broad range of capital assets including land, buildings, improvements, equipment, and construction in progress. (See Table A-3) This amount represents a net increase (including additions and deductions) of \$5,632,064. The capitalization threshold remains at \$15,000 for all improvements, \$50,000 for all buildings, \$5,000 for all equipment for governmental activities, and \$2,000 for business-type activities.

Table A-3
Dupree School District No. 64-2
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022 - 2023	2022 - 2023
Land	\$ 62,858	\$ 62,858	\$ -	\$ -	\$ -	0.00%
Buildings	5,315,436	5,161,885	-	-	(153,551)	-2.89%
Improvements	308,992	308,992	-	-	-	0.00%
Construction in Progress	148,750	6,159,435	-	-	6,010,685	4040.80%
Equipment	843,659	616,626	56,697	58,660	(225,070)	-25.00%
Total Capital Assets (Net)	<u>\$ 6,679,695</u>	<u>\$ 12,309,796</u>	<u>\$ 56,697</u>	<u>\$ 58,660</u>	<u>\$ 5,632,064</u>	83.61%

This year's capital asset purchases were for various technology equipment. The District also has construction for a school building addition project which will be recorded in the Construction in Progress (CIP) account until the completion of the construction phases.

Dupree School District No. 64-2
Management's Discussion and Analysis (Unaudited)
June 30, 2023

LONG-TERM DEBT

At year-end, the District had \$185,447 in long-term obligations. This is an increase of 5.14% as shown on Table A-4 below.

Table A-4
Dupree School District No. 64-2
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022 - 2023	2022 - 2023
Compensated Absences	\$ 176,384	\$ 185,447	\$ -	\$ -	\$ 9,063	5.14%

The District is liable for the compensated absence pay to the administration and teaching staff. The total also includes a long-term obligation for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown a significant change. The District has two primary sources of revenue, state aid, and federal impact aid.

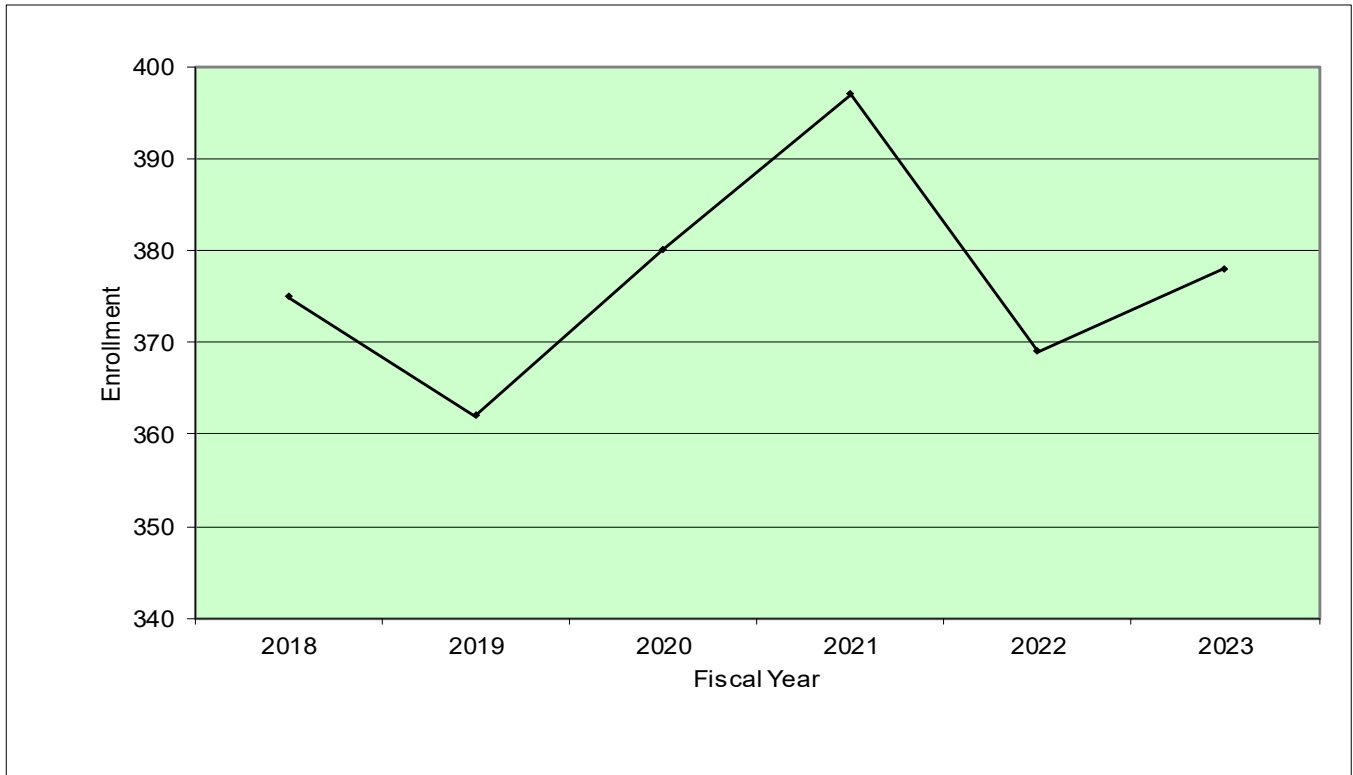
State Aid is currently based on a target student-to-teacher ratio basis based on the district size. Under this formula, the District's targeted teacher ratio is 13.34 based on an enrollment of 378. Future state aid allocation for the 2023-2024 school year will be determined by the state legislature.

Impact Aid is a federal program providing assistance to schools for federally connected students. Payments are made in lieu of property taxes that are not levied. A majority of the District's children reside on Indian lands. For the 2022-2023 school year, the Flexibility and Coronavirus Relief Act allowed the District to apply the Impact Aid federal student count from the 2019-2020 school year. The final (LCR) allocation per weighted average for fiscal year 2023 was \$8,318 per student, a decrease of \$228 per weighted student average from the prior year.

**Dupree School District No. 64-2
Management's Discussion and Analysis (Unaudited)
June 30, 2023**

The District's enrollment from 2018 through 2023 was as follows:

Average Daily Attendance by Fiscal Year



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dupree School's Business Office, 127 B Street, Dupree, SD 57623.

BASIC FINANCIAL STATEMENTS

Dupree School District No. 64-2
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,786,207	\$ 5,334	\$ 1,791,541
Investments	8,203,475	-	8,203,475
Taxes Receivable	538,836	-	538,836
Accounts Receivable	822,327	1,086	823,413
Due (To)/From Other Funds	(66)	66	-
Inventories	-	14,651	14,651
Restricted Assets:			
Net Pension Asset	14,476	534	15,010
	<u>11,365,255</u>	<u>21,671</u>	<u>11,386,926</u>
Capital Assets:			
Land	62,858	-	62,858
Construction in Progress	6,159,435	-	6,159,435
Buildings	8,309,694	-	8,309,694
Improvements	308,992	-	308,992
Equipment	2,315,819	142,098	2,457,917
Less: Accumulated Depreciation	<u>(4,847,002)</u>	<u>(83,438)</u>	<u>(4,930,440)</u>
Total Capital Assets, Net of Depreciation	<u>12,309,796</u>	<u>58,660</u>	<u>12,368,456</u>
Total Assets	<u>23,675,051</u>	<u>80,331</u>	<u>23,755,382</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>1,426,972</u>	<u>52,665</u>	<u>1,479,637</u>
LIABILITIES			
Accounts Payable	243,910	153	244,063
Other Current Liabilities	472,301	1,856	474,157
Unearned Revenue	-	15,983	15,983
Long-term Liabilities:			
Due Within One Year	40,992	-	40,992
Due in More than One Year	<u>144,455</u>	<u>-</u>	<u>144,455</u>
Total Liabilities	<u>901,658</u>	<u>17,992</u>	<u>919,650</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Net Position (Continued)
June 30, 2023

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	531,264	-	531,264
Pension-related Deferred Inflows	846,154	31,229	877,383
Other Deferred Inflows of Resources	30,886	-	30,886
Total Deferred Inflows of Resources	1,408,304	31,229	1,439,533
NET POSITION			
Net Investment in Capital Assets	12,309,797	58,660	12,368,457
Restricted for:			
Capital Outlay	169,235	-	169,235
Capital Project Purposes	4,342,334	-	4,342,334
Special Education	77,527	-	77,527
Proportionate Share of Net Pension	595,294	21,970	617,264
Unrestricted	5,297,874	3,145	5,301,019
TOTAL NET POSITION	<u>\$ 22,792,061</u>	<u>\$ 83,775</u>	<u>\$ 22,875,836</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 3,825,932	\$ -	\$ 1,647,471	\$ 24,660	\$ (2,153,801)	\$ -	\$ (2,153,801)
Support Services	2,818,062	17,918	203,610	4,654,790	2,058,256	-	2,058,256
Community Services	108,102	-	-	-	(108,102)	-	(108,102)
Cocurricular Activities	328,771	11,040	112,461	-	(205,270)	-	(205,270)
Total Governmental Activities	7,080,867	28,958	1,963,542	4,679,450	(408,917)	-	(408,917)
BUSINESS-TYPE ACTIVITIES							
Food Service	392,454	12,025	295,921	-	-	(84,508)	(84,508)
TOTAL PRIMARY GOVERNMENT	\$ 7,473,321	\$ 40,983	\$ 2,259,463	\$ 4,679,450	(408,917)	(84,508)	(493,425)
GENERAL REVENUES, TRANSFERS, AND GAINS							
Taxes:							
Property Taxes					1,117,524	-	1,117,524
Gross Receipts Taxes					31,165	-	31,165
Revenue from State Sources:							
State Aid					2,439,526	-	2,439,526
Revenue from Federal Sources					2,569,218	-	2,569,218
Unrestricted Investment Earnings					245,415	-	245,415
Other General Revenues					27,048	-	27,048
Transfers					(90,000)	90,000	-
Gain on Disposal of Capital Assets					1,759	-	1,759
Total General Revenues, Transfers, and Gains					6,341,655	90,000	6,431,655
CHANGE IN NET POSITION					5,932,738	5,492	5,938,230
NET POSITION - BEGINNING					16,859,323	78,283	16,937,606
NET POSITION - ENDING					<u>\$ 22,792,061</u>	<u>\$ 83,775</u>	<u>\$ 22,875,836</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 781,453	\$ 168,622	\$ 138,141	\$ 697,991	\$ 1,786,207
Investments	5,125,839	-	-	-	5,125,839
Taxes Receivable, Current	174,427	172,497	184,332	-	531,256
Taxes Receivable, Delinquent	4,166	1,725	1,689	-	7,580
Accounts Receivable, Net	255,620	-	-	566,707	822,327
Due from Other Funds	-	-	161	-	161
Restricted Assets:					
Investments Restricted for Debt Service	-	-	-	3,077,636	3,077,636
TOTAL ASSETS	\$ 6,341,505	\$ 342,844	\$ 324,323	\$ 4,342,334	\$ 11,351,006
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 5,194	\$ 1,111	\$ 15,556	\$ 222,049	\$ 243,910
Contracts Payable	326,658	-	22,502	-	349,160
Due to Other Funds	227	-	-	-	227
Payroll Deductions and Employer Matching Payable	108,077	-	15,064	-	123,141
Total Liabilities	440,156	1,111	53,122	222,049	716,438
Deferred Inflows of Resources:					
Property Taxes Levied for Future Periods	174,427	172,497	184,332	-	531,256
Other Deferred Inflows	30,886	-	-	-	30,886
Delinquent Property Taxes Received Outside the Period of Availability	4,166	1,725	1,689	-	7,580
Total Deferred Inflows of Resources	209,479	174,222	186,021	-	569,722
Fund Balances:					
Restricted:					
For Capital Outlay	-	167,511	-	-	167,511
For Special Education	-	-	85,180	-	85,180
For Capital Project	-	-	-	4,120,285	4,120,285
Unassigned	5,691,870	-	-	-	5,691,870
Total Fund Balances	5,691,870	167,511	85,180	4,120,285	10,064,846
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,341,505	\$ 342,844	\$ 324,323	\$ 4,342,334	\$ 11,351,006

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balances - Governmental Funds	\$ 10,064,846
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,309,796
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences	(185,447)
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.	7,572
Net pension asset reported in governmental activities is not an available financial resource and therefore not reported in the funds.	14,476
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the funds.	1,426,972
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the funds.	<u>(846,154)</u>
Net Position - Governmental Activities	<u>\$ 22,792,061</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 365,505	\$ 362,350	\$ 394,574	\$ -	\$ 1,122,429
Gross Receipts Taxes	31,165	-	-	-	31,165
Penalties and Interest on Taxes	2,504	2,166	2,378	-	7,048
Cocurricular Activities	11,040	-	-	-	11,040
Earnings on Investments and Deposits	245,415	-	-	-	245,415
Other Local Revenue	42,419	-	1,201	-	43,620
Total Revenue from Local Sources	<u>698,048</u>	<u>364,516</u>	<u>398,153</u>	<u>-</u>	<u>1,460,717</u>
Revenue from Intermediate Sources:					
County Apportionment	<u>1,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,346</u>
Revenue from State Sources:					
Unrestricted Grants-in-aid	2,440,140	-	-	-	2,440,140
Restricted Grants-in-Aid	<u>-</u>	<u>-</u>	<u>640,012</u>	<u>-</u>	<u>640,012</u>
Total Revenue from State Sources	<u>2,440,140</u>	<u>-</u>	<u>640,012</u>	<u>-</u>	<u>3,080,152</u>
Revenue from Federal Sources:					
Unrestricted Grants-in-aid	2,506,368	28,820	95,881	-	2,631,069
Restricted Grants-in-aid	<u>1,288,175</u>	<u>26,370</u>	<u>-</u>	<u>4,625,970</u>	<u>5,940,515</u>
Total Revenue from Federal Sources	<u>3,794,543</u>	<u>55,190</u>	<u>95,881</u>	<u>4,625,970</u>	<u>8,571,584</u>
Total Revenue	<u>6,934,077</u>	<u>419,706</u>	<u>1,134,046</u>	<u>4,625,970</u>	<u>13,113,799</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Total Governmental Funds
EXPENDITURES					
Instructional Services:					
Regular Programs	2,137,344	49,590	-	-	2,186,934
Special Programs	696,278	-	853,162	-	1,549,440
Total Instructional Services	<u>2,833,622</u>	<u>49,590</u>	<u>853,162</u>	<u>-</u>	<u>3,736,374</u>
Support Services:					
Pupils	200,456	-	113,385	-	313,841
Instructional Staff	258,810	-	-	-	258,810
General Administration	280,178	-	20,385	-	300,563
School Administration	407,501	-	-	-	407,501
Business	1,094,640	225,370	20,385	-	1,340,395
Special Education	-	-	74,166	-	74,166
Total Support Services	<u>2,241,585</u>	<u>225,370</u>	<u>228,321</u>	<u>-</u>	<u>2,695,276</u>
Community Services					
Custody and Care of Children	109,364	-	-	-	109,364
Cocurricular Activities:					
Combined Activities	152,691	23,475	-	-	176,166
Capital Outlay	-	50,579	-	6,010,685	6,061,264
Total Expenditures	<u>5,337,262</u>	<u>349,014</u>	<u>1,081,483</u>	<u>6,010,685</u>	<u>12,778,444</u>
EXCESS (DEFICIENCY) OF					
REVENUES OVER EXPENDITURES	1,596,815	70,692	52,563	(1,384,715)	335,355
OTHER FINANCING SOURCES (USES)					
Transfer In (Out)	(5,595,000)	-	-	5,505,000	(90,000)
Gain on Disposal of Capital Assets	1,359	400	-	-	1,759
Total Other Financing Sources (Uses)	<u>(5,593,641)</u>	<u>400</u>	<u>-</u>	<u>5,505,000</u>	<u>(88,241)</u>
NET CHANGE IN FUND BALANCES	(3,996,826)	71,092	52,563	4,120,285	247,114
FUND BALANCE - BEGINNING	9,688,696	96,419	32,617	-	9,817,732
FUND BALANCE - ENDING	<u>\$ 5,691,870</u>	<u>\$ 167,511</u>	<u>\$ 85,180</u>	<u>\$ 4,120,285</u>	<u>\$ 10,064,846</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 247,114
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.	5,630,101
The recognition of revenues in the governmental funds differs from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."	(11,953)
Governmental funds do not reflect the change in compensated absences, but the Statement of Activities reflects the change in these accruals through expenses.	(9,063)
Pension revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>76,539</u>
Change in Net Position of Governmental Activities	<u>\$ 5,932,738</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Net Position - Proprietary Funds
June 30, 2023

	Enterprise Funds
	Food Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,334
Accounts Receivable	1,086
Due from Other Funds	66
Inventory	<u>14,651</u>
Total Current Assets	<u>21,137</u>
Noncurrent Assets:	
Net Pension Asset	534
Machinery and Equipment - Local Funds	142,098
Less: Accumulated Depreciation	<u>(83,438)</u>
Total Noncurrent Assets	<u>59,194</u>
Total Assets	<u>80,331</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related Deferred Outflows	<u>52,665</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	153
Payroll Deductions and Employer Matching Payable	1,856
Unearned Revenue	<u>15,983</u>
Total Current Liabilities	<u>17,992</u>
DEFERRED INFLOWS OF RESOURCES	
Pension-related Deferred Inflows	<u>31,229</u>
NET POSITION	
Net Investment in Capital Assets	58,660
Proportionate Share of Net Pension Asset	21,970
Unrestricted	<u>3,145</u>
TOTAL NET POSITION	<u><u>\$ 83,775</u></u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Revenues, Expenses, and Changes in Fund
Net Position - Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds
	Food Service Fund
OPERATING REVENUE	
Sales to Pupils	\$ 343
Sales to Adults	11,682
	<u>12,025</u>
Total Operating Revenue	<u>12,025</u>
OPERATING EXPENSES	
Salaries	148,629
Employee Benefits	26,654
Purchased Services	4,012
Supplies	15,310
Cost of Sales - Purchased	158,204
Cost of Sales - Donated Food	33,571
Depreciation	6,074
	<u>392,454</u>
Total Operating Expenses	<u>392,454</u>
OPERATING LOSS	<u>(380,429)</u>
NONOPERATING REVENUE	
State Sources:	
Other Local Revenue	8,037
Cash Reimbursements	569
Federal Sources:	
Cash Reimbursements	253,744
Donated Food	33,571
	<u>295,921</u>
Total Nonoperating Revenues	<u>295,921</u>
OTHER SOURCES	
Transfers In	<u>90,000</u>
CHANGE IN NET POSITION	5,492
NET POSITION - BEGINNING	<u>78,283</u>
NET POSITION - ENDING	<u><u>\$ 83,775</u></u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds
	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 16,314
Payments to Employees for Services	(179,760)
Payments to Suppliers	<u>(182,859)</u>
Net Cash Used by Operating Activities	<u>(346,305)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies	<u>352,350</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	<u>(8,037)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,992)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,326</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,334</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	\$ (380,429)
Adjustments to Reconcile Operating Income to Net Cash by Operating Activities:	
Depreciation Expense	6,074
Cost of Sales - Donated Food	33,571
Change in Assets and Liabilities:	
Inventory	(5,486)
Accounts Receivable	(48)
Accounts Payable	153
Unearned Revenue	4,337
Pension Activity	(4,545)
Payroll Liabilities	<u>68</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (346,305)</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of Commodities Received	<u><u>\$ 33,571</u></u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2023

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	<u>\$ 14,046</u>
NET POSITION	
Restricted for Individuals	<u>\$ 14,046</u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Collections for Student Activities	\$ 51,678
DEDUCTIONS	
Payments for Student Activities	<u>52,353</u>
CHANGE IN NET POSITION	(675)
NET POSITION - BEGINNING	<u>14,721</u>
NET POSITION - ENDING	<u><u>\$ 14,046</u></u>

The accompanying notes are an integral part of this statement.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of Dupree School District No. 64-2 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other school districts. See Note 10 - Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in the notes because of the nature of their relationship with the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. They include all funds of the District 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 and deferred inflows of resources minus liabilities and deferred outflows of resources equal net position). Net positions are displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 a primary operating fund of the District or if it meets the following criteria:

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

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

Governmental Funds

General Fund - The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding Capital Outlay Fund and Special Education Fund expenditures. Included in the General Fund is the Impact Aid Fund, a Fund established by the SDCL 13-16-30 and 13-16-31 to account for the receipt of Federal Funds under the provisions of P.L. 103-382, Title VIII for basic support. No expenditures may be directly charged to the Impact Aid Fund. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

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

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

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 additional building project is the only capital project fund maintained by the District. This is a major fund.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Fund Types - Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as funds if (a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges for the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of the primary government or component unit – even if the government is not expected to make any payments – is not payable solely from fees and charges for the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered 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). The District’s only enterprise fund is as follows:

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

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Custodial Types - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements

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

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.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or will be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

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. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as deferred inflow of resources.

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

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

D. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

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

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

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and the average cost for governmental fund inventories.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

In the government-wide financial statements and the enterprise funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, the purchase method is applied for inventory items in the General and Special Revenue Funds. The cost is recorded as an expenditure at the time the individual inventory items are purchased. No material inventory of supplies existed at June 30, 2023 in the governmental funds.

G. RESTRICTED ASSETS

The District reports restricted assets in the Statement of Net Position. The amounts reported as restricted for net pension assets represent the District's proportionate share of the Net Pension Asset of the South Dakota Retirement System.

H. CAPITAL ASSETS

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

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

Government-wide Financial Statements

All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. No donated assets are included in the fixed assets at this time. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The District has borrowed no money for the construction of fixed assets. Should the District borrow funds for the construction of fixed assets, interest costs incurred during the construction of general capital assets are not capitalized.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ All	-----
Buildings	50,000	30-50 yrs
Improvements	15,000	10-30 yrs
Equipment (governmental activities)	5,000	5-20 yrs
Equipment (proprietary funds)	2,000	5-20 yrs
Intangible Lease Assets	5,000	5-20 yrs
Intangible Subscription Assets	5,000	5-20 yrs

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation/amortization expense is calculated using the straight-line and composite methods. Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

I. LONG-TERM LIABILITIES

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

Government-wide Financial Statements

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences.

Fund Financial Statements

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

J. LEASES

Lessee

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the governmental-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$8,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District monitors changes in circumstances that would require a measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The District may be a lessor for noncancellable lease of property, though as of June 30, 2023, the District was not a lessor. The District recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental funds financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lease.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

K. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District may enter into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. As of June 30, 2023, the District had no SBITAs. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to the subscription include how the School District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District will use the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its incremental borrowing rate as the discount rate for subscriptions.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9.

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

M. NET POSITION AND FUND BALANCE

Government-wide Financial Statements

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Net Position includes the following three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, and net of accumulated depreciation (if applicable) and are reduced by the outstanding balances of capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted - Represents all other net positions that do not meet the definition of "restricted" or "invested in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

Nonspendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - Includes fund balance amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.

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 District uses restricted amounts first when both the restricted and the unrestricted fund balances are available unless a legal document, such as a contract or a grant agreement requiring dollar-for-dollar spending, prohibits it. Additionally, the District would use assigned amounts before unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a minimum fund balance policy.

Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary net positions are reported as net position held in trust for other purposes.

N. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

O. PROGRAM REVENUES

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

Charges for Services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

Program Revenues - Operating Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Program Revenues - Capital Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

P. PENSIONS

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

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. IMPLEMENTATION OF GASB STATEMENT NO. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). GASB 96 affects any government entity that enters into a contract that conveys control of the right to use another party's (an SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has determined that there are no arrangements that meet the requirements of recognition under GASB 96 during the year ended June 30, 2023.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that 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.

As of June 30, 2023, the District had the following investment:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
South Dakota Public Investment Trust	Unrated	N/A	\$ 8,203,475

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

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

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

Concentration of Credit Risk - The District places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer. 100% of the District's investments are in the South Dakota Public Fund Investment Trust.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund. U.S. GAAP, 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 the 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 on the government-wide financial statements, they have been eliminated, except for net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

As of June 30, 2023, interfund receivable and payable balances were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 227
Special Education Fund	161	-
Enterprise Fund	66	-
	<u>\$ 227</u>	<u>\$ 227</u>

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 62,858	\$ -	\$ -	\$ 62,858
Construction in Progress	148,750	6,010,685	-	6,159,435
Total Capital Assets Not Being Depreciated	<u>211,608</u>	<u>6,010,685</u>	<u>-</u>	<u>6,222,293</u>
Capital Assets Being Depreciated:				
Buildings	8,309,694	-	-	8,309,694
Improvements	308,992	-	-	308,992
Equipment	2,265,240	50,579	-	2,315,819
Total Capital Assets Being Depreciated	<u>10,883,926</u>	<u>50,579</u>	<u>-</u>	<u>10,934,505</u>
Less Accumulated Depreciation for:				
Equipment	1,421,581	277,612	-	1,699,193
Buildings	2,994,258	153,551	-	3,147,809
Total Accumulated Depreciation	<u>4,415,839</u>	<u>431,163</u>	<u>-</u>	<u>4,847,002</u>
Total Capital Assets Being Depreciated, Net	<u>6,468,087</u>	<u>(380,584)</u>	<u>-</u>	<u>6,087,503</u>
Net Capital Assets	<u>\$ 6,679,695</u>	<u>\$ 5,630,101</u>	<u>\$ -</u>	<u>\$ 12,309,796</u>
	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Business-type Activities:				
Equipment	\$ 134,061	\$ 8,037	\$ -	\$ 142,098
Less: Accumulated Depreciation	77,364	6,074	-	83,438
Net Capital Assets	<u>\$ 56,697</u>	<u>\$ 1,963</u>	<u>\$ -</u>	<u>\$ 58,660</u>

The total represented in the Construction in Progress balance is for the school building addition project. The project is expected to be completed in 2024, with a total estimated cost of \$9,505,619, and an estimated cost to finish of \$3,568,232.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 129,940
Support Services	147,673
Cocurricular Activities	<u>153,550</u>
Total Depreciation Expense	<u>\$ 431,163</u>

All depreciation expense related to the business-type activities was for the Food Service Fund.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023	Amounts Due Within 1 Year
Governmental Activities:					
Compensated Absences	176,384	161,090	(152,027)	185,447	40,992
Total Long-term Liabilities	\$ 176,384	\$ 161,090	\$ (152,027)	\$ 185,447	\$ 40,992

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

NOTE 6 - RESTRICTED NET POSITION

The following table shows the components of restricted net position as presented in the Statement of Net Position:

Purpose	Restricted By	
Governmental Activities		
Major Purposes:		
Capital Outlay	Law	\$ 169,235
Capital Project	Law	4,342,334
Special Education	Law	77,527
Proportionate Share of Net Pension	Law	595,294
		<u>\$ 5,184,390</u>
Business-type Activities		
Major Purposes:		
Proportionate Share of Net Pension	Law	<u>\$ 21,970</u>
Total		<u>\$ 21,970</u>

These balances are restricted by statutory requirements.

NOTE 7 - PROPERTY TAX

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

District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which 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 inflow of resources-property tax levied for a future period 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."

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

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 were as follows:

Transfers From:	Transfers To:		
	General Fund	Capital Project Fund	Food Service Fund
Impact Aid Fund	\$ 1,350,000	\$ 5,505,000	\$ 90,000

Transfers of federal monies from the Impact Aid Fund, which is blended in the General Fund, to other funds are permissible under SDCL 13-16-26.2.

NOTE 9 - PENSION PLAN

Plan Information

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

Benefits Provided

SDRS has four different classes of employees, Class A general members, Class B Public Safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members who were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members who were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60% joint and survivor benefit, or a 100% joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5% to 0.0 %.

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. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021 were \$223,023, \$227,554, and \$223,340, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability (asset) of the South Dakota Retirement System, for the District as of the measurement period ending June 30, 2022 and reported by the District as of June 30, 2023 are as follows:

Proportionate Share of Pension Liability	\$ 22,421,285
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>22,436,295</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (15,010)</u>

At June 30, 2023, the District reported a liability (asset) of (\$15,010) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the District's proportion was 0.15882900% which is a decrease of 0.0014218% from its proportion measured as of June 30, 2021.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized pension expense (reduction of pension expense) of \$(81,086). At June 30, 2023, the 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	\$ 285,733	\$ 974
Changes in Assumption	954,011	836,063
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	35,972
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	7,870	4,374
District Contributions Subsequent to the Measurement Date	232,023	-
	<u>\$ 1,479,637</u>	<u>\$ 877,383</u>

\$232,023 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 97,371
2025	210,003
2026	(235,426)
2027	298,283
2028	-
Thereafter	-
	<u>\$ 370,231</u>

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average investment rate of 2.50% and real returns of 4.00%
Future COLA's	2.10%

Mortality Rates

All mortality rates are based on Pub-2010 amount-weighted mortality tables projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members: Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% or rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries: PubG-2010 contingent survivor mortality table

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,116,758	\$ (15,010)	\$ (2,574,493)

Pension Plan Fiduciary Net Position

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

NOTE 10 - JOINT VENTURE

The District participates in the joint venture known as the Northwest Area Schools Multi-District/Educational Cooperative, a cooperative service unit (the Co-op), formed for the purpose of providing vocational education and special education, administering the adult education program, and providing 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:

Bison School District	12.5%
Dupree School District	12.5%
Faith School District	12.5%
Harding County School District	12.5%
McIntosh School District	12.5%
McLaughlin School District	12.5%
Smee School District	12.5%
Timber Lake School District	12.5%

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 10 - JOINT VENTURE (CONTINUED)

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

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

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-Educational Cooperative. At June 30, 2023, this joint venture had audited total assets of \$2,413,256, liabilities of \$431,591, and equity of \$1,981,665.

NOTE 11 - CONCENTRATIONS

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2023, the District managed its risks as follows:

Employee Health Insurance

The District joined the South Dakota School District Health Benefits 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 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.

Liability Insurance

The District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk-sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and to provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the District. The District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The District pays an annual premium to the pool to provide coverage for property, general liability, crime, cyber liability, and auto.

The agreement with the ASBSD-PLF provides that the above coverage will be provided to a \$300,000,000 limit for property, boiler, and machinery; a \$5,000,000 limit for comprehensive general liability per occurrence with unlimited general liability aggregate, \$5,000,000 limit for employee benefits liability; a \$5,000,000 limit for auto liability; a \$1,000,000 limit for crime; and a \$1,000,000 limit for cyber liability. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit for general liability, and excess of \$10,000 to the upper limit for crime and cyber liability. The District carries a \$2,500 deductible for the property, a \$10,000 deductible for employee benefits liability, a \$2,500 deductible for auto, and a \$1,000 deductible for crime coverage and cyber liability.

Dupree School District No. 64-2
Notes to the Financial Statements
June 30, 2023

NOTE 12 - RISK MANAGEMENT (CONTINUED)

The ASBSD-PLF provides coverage for the School Board's legal authority with a limit per member of \$5,000,000 per occurrence and a \$10,000 member deductible.

The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage over the past three years.

Worker's Compensation

The 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The 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 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 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 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 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 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 District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NOTE 13 - ASSIGNED FEDERAL IDEA PART B, SECTIONS 611 AND 619 GRANTS

The District for 2023 assigned its Federal IDEA, Part B, Sections 611 and 619 formula grant funding in the amount of \$128,757 to the Northwest Area Schools Multi-District/Education Cooperative. The Cooperative submitted a group application and served as the project fiscal agent. The revenue and expenditures for these grants in the amount of \$128,757 are not reported on the District's financial statements or the Schedule of Expenditures of Federal Awards.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Dupree School District No. 64-2
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 347,112	\$ 347,112	\$ 365,505	\$ 18,393
Gross Receipts Taxes	30,000	30,000	31,165	1,165
Penalties and Interest on Taxes	-	-	2,504	2,504
Cocurricular Activities	10,000	10,000	11,040	1,040
Other Local Revenue	18,100	18,100	42,419	24,319
Total Revenue from Local Sources	<u>405,212</u>	<u>405,212</u>	<u>452,633</u>	<u>47,421</u>
Revenue from Intermediate Sources:				
County Sources	<u>500</u>	<u>500</u>	<u>1,346</u>	<u>846</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	<u>2,357,020</u>	<u>2,357,020</u>	<u>2,440,140</u>	<u>83,120</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	12,500	34,783	33,031	(1,752)
Restricted Grants-in-aid	<u>1,296,888</u>	<u>1,340,941</u>	<u>1,288,175</u>	<u>(52,766)</u>
Total Revenue from Federal Sources	<u>1,309,388</u>	<u>1,375,724</u>	<u>1,321,206</u>	<u>(54,518)</u>
Total Revenue	<u>4,072,120</u>	<u>4,138,456</u>	<u>4,215,325</u>	<u>76,869</u>

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

Dupree School District No. 64-2
Budgetary Comparison Schedule - General Fund -
Budgetary Basis (Continued)
For the Year Ended June 30, 2023

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	2,412,374	2,426,232	2,137,344	288,888
Special Programs	695,244	719,610	696,278	23,332
Total Instructional Services	<u>3,107,618</u>	<u>3,145,842</u>	<u>2,833,622</u>	<u>312,220</u>
Support Services:				
Pupils	230,513	230,593	200,456	30,137
Instructional Staff	280,309	296,619	258,810	37,809
General Administration	373,830	373,830	280,178	93,652
School Administration	440,689	440,689	407,501	33,188
Business	1,355,401	1,357,051	1,094,640	262,411
Total Support Services	<u>2,680,742</u>	<u>2,698,782</u>	<u>2,241,585</u>	<u>457,197</u>
Cocurricular Activities:				
Combined Activities	186,671	186,671	152,691	33,980
Community Services:				
Custody and Care of Children	102,389	112,461	109,364	3,097
Total Expenditures	<u>6,077,420</u>	<u>6,143,756</u>	<u>5,337,262</u>	<u>806,494</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(2,005,300)</u>	<u>(2,005,300)</u>	<u>(1,121,937)</u>	<u>883,363</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	1,755,300	1,755,300	1,350,000	(405,300)
Sale of Surplus Property	-	-	1,359	1,359
Contingencies	(100,000)	(100,000)	-	100,000
Total Other Financing Sources (Uses)	<u>1,655,300</u>	<u>1,655,300</u>	<u>1,351,359</u>	<u>(303,941)</u>
NET CHANGE IN FUND BALANCES	(350,000)	(350,000)	229,422	579,422
FUND BALANCE - BEGINNING	<u>9,688,696</u>	<u>9,688,696</u>	<u>9,688,696</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 9,338,696</u>	<u>\$ 9,338,696</u>	<u>\$ 9,918,118</u>	<u>\$ 579,422</u>

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

Dupree School District No. 64-2
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2023

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 350,000	350,000	\$ 362,350	\$ 12,350
Penalties and Interest on Taxes	-	-	2,166	2,166
Total Revenue from Local Sources	<u>350,000</u>	<u>350,000</u>	<u>364,516</u>	<u>14,516</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	-	-	28,820	28,820
Restricted Grants-in-aid	-	29,610	26,370	(3,240)
Total Revenue from Federal Sources	<u>-</u>	<u>29,610</u>	<u>55,190</u>	<u>25,580</u>
Total Revenue	<u>350,000</u>	<u>379,610</u>	<u>419,706</u>	<u>40,096</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	<u>390,000</u>	<u>419,610</u>	<u>100,169</u>	<u>319,441</u>
Support Services:				
Business	<u>730,000</u>	<u>730,000</u>	<u>225,370</u>	<u>504,630</u>
Cocurricular Activities:				
Combined Activities	<u>75,000</u>	<u>75,000</u>	<u>23,475</u>	<u>51,525</u>
Total Expenditures	<u>1,195,000</u>	<u>1,224,610</u>	<u>349,014</u>	<u>875,596</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(845,000)</u>	<u>(845,000)</u>	<u>70,692</u>	<u>915,692</u>
OTHER FINANCING SOURCES				
Transfer In	745,000	745,000	-	(745,000)
Compensation for Loss of General Capital Assets	-	-	400	400
Total Other Financing Sources	<u>745,000</u>	<u>745,000</u>	<u>400</u>	<u>(744,600)</u>
NET CHANGE IN FUND BALANCES	(100,000)	(100,000)	71,092	171,092
FUND BALANCE - BEGINNING	<u>96,419</u>	<u>96,419</u>	<u>96,419</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (3,581)</u>	<u>\$ (3,581)</u>	<u>\$ 167,511</u>	<u>\$ 171,092</u>

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

Dupree School District No. 64-2
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2023

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 333,326	\$ 333,326	\$ 394,574	\$ 61,248
Penalties and Interest on Taxes	-	-	2,378	2,378
Other Local Revenue	500	500	1,201	701
Total Revenue from Local Sources	<u>333,826</u>	<u>333,826</u>	<u>398,153</u>	<u>64,327</u>
Revenue from State Sources:				
Unrestricted Grants-in-Aid	358,543	358,543	-	(358,543)
Restricted Grants-in-aid	428,719	428,719	640,012	211,293
Total Revenue from Federal Sources	<u>787,262</u>	<u>787,262</u>	<u>640,012</u>	<u>(147,250)</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Direct from Federal	85,000	85,000	95,881	10,881
Total Revenue	<u>1,206,088</u>	<u>1,206,088</u>	<u>1,134,046</u>	<u>(72,042)</u>
EXPENDITURES				
Instructional Services:				
Special Programs	910,758	910,758	853,162	57,596
Support Services:				
Pupils	157,500	157,500	113,385	44,115
General Admin	16,145	16,145	20,385	(4,240)
Business	16,145	16,145	20,385	(4,240)
Special Education	105,540	105,540	74,166	31,374
Total Support Services	<u>295,330</u>	<u>295,330</u>	<u>228,321</u>	<u>67,009</u>
Total Expenditures	<u>1,206,088</u>	<u>1,206,088</u>	<u>1,081,483</u>	<u>124,605</u>
NET CHANGE IN FUND BALANCES	-	-	52,563	52,563
FUND BALANCE - BEGINNING	<u>32,617</u>	<u>32,617</u>	<u>32,617</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 32,617</u>	<u>\$ 32,617</u>	<u>\$ 85,180</u>	<u>\$ 52,563</u>

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

Dupree School District No. 64-2
Schedule of the District's Proportionate Share
of the Net Pension Liability (Asset)
South Dakota Retirement System

Year Ending	District's Proportion of Net Pension Liability (Asset)	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered- employee Payroll (b)	District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability (Asset)
2023	0.1588290%	\$ (15,010)	\$ 3,792,561	-0.40%	100.10%
2022	0.1640280%	\$ (1,256,174)	\$ 3,722,326	-33.75%	105.52%
2021	0.1602508%	\$ (6,960)	\$ 3,517,019	-0.20%	100.04%
2020	0.1553018%	\$ (16,447)	\$ 3,301,961	-0.50%	100.09%
2019	0.1527455%	\$ (3,552)	\$ 3,175,437	-0.11%	100.02%
2018	0.1509306%	\$ (13,687)	\$ 3,066,596	-0.45%	100.10%
2017	0.1430050%	\$ 483,067	\$ 2,719,242	17.76%	96.89%
2016	0.1374301%	\$ (582,871)	\$ 2,509,091	-23.23%	104.10%
2015	0.1392697%	\$ (1,003,381)	\$ 2,426,730	-41.35%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset, which is June 30 of the previous year. Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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

Dupree School District No. 64-2
Schedule of Pension Contributions
South Dakota Retirement System

*Year	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered- employee Payroll (c)	Contributions as a Percentage of Covered- employee Payroll (b/c)
2023	\$ 232,023	\$ 232,023	\$ -	\$ 3,867,039	6.00%
2022	\$ 227,554	\$ 227,554	\$ -	\$ 3,792,561	6.00%
2021	\$ 223,340	\$ 223,340	\$ -	\$ 3,722,326	6.00%
2020	\$ 211,021	\$ 211,021	\$ -	\$ 3,517,019	6.00%
2019	\$ 198,122	\$ 198,122	\$ -	\$ 3,301,961	6.00%
2018	\$ 190,526	\$ 190,526	\$ -	\$ 3,175,437	6.00%
2017	\$ 183,995	\$ 183,995	\$ -	\$ 3,066,596	6.00%
2016	\$ 163,154	\$ 163,154	\$ -	\$ 2,719,242	6.00%
2015	\$ 150,545	\$ 150,545	\$ -	\$ 2,509,091	6.00%

*Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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

Dupree School District No. 64-2
Notes to the Required Supplementary Information
June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in May of each year.
3. The proposed budget is published for public review no later than July 15 of each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except Custodial Funds.
6. After adoption by the School Board, the operating budget is legally binding and the 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% of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. 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 the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

See independent auditor's report.

Dupree School District No. 64-2
Notes to the Required Supplementary Information
June 30, 2023

NOTE 3 - PENSION PLAN

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes in actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 Legislative Session, no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.50%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in an FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.50% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

See independent auditor's report.

Dupree School District No. 64-2
Notes to the Required Supplementary Information
June 30, 2023

NOTE 3 PENSION PLAN (CONTINUED)

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after a recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generation Variable Retirement Account are now calculated using the entry-age normal costs method with normal costs based on the expected value of these accounts rather than the actual balance.

See independent auditor's report.

SINGLE AUDIT INFORMATION

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

School Board
Dupree School District No. 64-2
Dupree, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dupree School District No. 64-2 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

December 15, 2023

Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control
over Compliance in Accordance with the Uniform Guidance

School Board
Dupree School District No. 64-2
Dupree, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dupree School District No. 64-2's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

December 15, 2023

Dupree School District No. 64-2
Schedule of Findings and Questioned Costs
June 30, 2023

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of Dupree School District No. 64-2.
- b. No internal control matters were reported in The Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
- d. The Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance for the District expressed an unmodified opinion on all major programs.
- e. No internal control issues related to major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.
- f. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- g. The federal awards tested as major programs were:
 - AL #84.010 Title I Grants to Local Educational Agencies
 - AL #84.425D and #84.425U Education Stabilization Fund
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Dupree School District No. 64-2 did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings were noted.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings were noted.



Dupree School District 64-2

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Leo Bakeberg, President
Jake Longbrake, Vice President
Kimberly McDaniel, Member
Jodie Schrempp, Member
Mandi Smith, Member

Keith Fodness, Superintendent

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS AUDIT

No findings were noted.

MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings were noted.

Dupree School District No. 64-2
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Assistance Listing Numbers	Direct Award	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through ID	Amount
<i>Child Nutrition Cluster:</i>						
<u>U.S. Department of Agriculture</u>						
Non-Cash Assistance (Commodities):						
10 . 555	N	N	National School Lunch Program (Note 4)	South Dakota Department of Education	NA	\$ 33,571
Cash Assistance:						
10 . 553	N	N	School Breakfast Program (Note 4)	South Dakota Department of Education	NA	65,699
10 . 555	N	N	National School Lunch Program (Note 4)	South Dakota Department of Education	NA	172,501
10 . 555	N	N	National School Lunch Program (Note 4)	South Dakota Department of Education	NA	15,544
10 . 582	N	N	Fresh Fruit and Vegetable Program (Note 4)	South Dakota Department of Education	NA	16,650
Total Child Nutrition Cluster						<u>303,965</u>
<i>Other Programs:</i>						
<u>U.S. Department of Agriculture</u>						
10 . 579	N	N	Child Nutrition Discretionary Grants Limited Availability	South Dakota Department of Education	2023G-485	<u>8,037</u>
Total Department of Agriculture						<u>312,002</u>
<u>U.S. Department of Interior</u>						
15 . 130	N	N	Indian Education Assistance to Schools	South Dakota Department of Education	NA	<u>33,031</u>
Total Department of Interior						<u>33,031</u>

See independent auditor's report.

Dupree School District No. 64-2
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Assistance Listing Numbers	Direct Award	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through ID	Amount
<u>U.S. Department of Education</u>						
84 . 041	Y	N	Impact Aid (Title VII of ESEA) (Note 4)	NA	NA	7,069,701
84 . 060	Y	N	Indian Education - Grants to Local Education Agencies	NA	NA	79,676
84 . 010	N	Y	Title I Grants to Local Educational Agencies	South Dakota Department of Education	NA	608,883
84 . 287	N	N	Twenty-First Century Community Learning Centers	South Dakota Department of Education	NA	112,461
84 . 358	N	N	Rural Education	South Dakota Department of Education	NA	13,989
84 . 367	N	N	Supporting Effective Instruction State Grant	South Dakota Department of Education	NA	52,276
84 . 424A	N	N	Student Support and Academic Enrichment Program	South Dakota Department of Education	NA	76,525
84 . 425D	N	Y	Elementary and Secondary School Emergency Relief	South Dakota Department of Education	2021G-CRRSA640002	1,075,762
84 . 425U	N	Y	American Rescue Plan-Elementary and Secondary School Emergency Relief	South Dakota Department of Education	2021G-ARP64002	3,904,293
Total Department of Education						<u>12,993,566</u>
Total Federal Financial Assistance						<u>\$ 13,338,599</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

NOTE 2: The District has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3: The District has no amounts passed through to subrecipients.

NOTE 4: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash or commodities received rather than federal expenditures.

See independent auditor's report.

OTHER INFORMATION

Dupree School District No. 64-2
School District Officials
June 30, 2023

BOARD MEMBERS

President - Leo Bakeberg
Vice President - Jesse Longbrake
Medina Matonis
Kim McDaniel
Mandi Smith

SUPERINTENDENT

Keith Fodness

BUSINESS MANAGER

Connie Alspach

See independent auditor's report.