

DUPREE SCHOOL DISTRICT NO. 64-2

FINANCIAL REPORT

JUNE 30, 2015

DUPREE SCHOOL DISTRICT NO. 64-2

SCHOOL DISTRICT OFFICIALS

June 30, 2015

BOARD MEMBERS

Jesse Longbrake - President
Nate Grueb - Vice President

Vernon Starr
Mika Tibbs
Deanne Keegan

SUPERINTENDENT

Brian Shanks

BUSINESS MANAGER

Connie Alspach

DUPREE SCHOOL DISTRICT NO. 64-2

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 1-2 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133 | 3-5 |
| Schedule of Prior Audit Findings and Questioned Costs | 6 |
| Schedule of Current Audit Findings and Questioned Costs | 7-9 |
| Independent Auditor's Report | 10-12 |
| 2015 Management's Discussion and Analysis (MD&A) | 13-23 |
| <i>Basic Financial Statements</i> | |
| <u>Government-Wide Financial Statements:</u> | |
| As of June 30, 2015: | |
| Exhibit I - Statement of Net Position | 24 |
| For the Fiscal Year Ended June 30, 2015: | |
| Exhibit II - Statement of Activities | 25 |
| <u>Fund Financial Statements:</u> | |
| <u>Governmental Funds</u> | |
| As of June 30, 2015: | |
| Exhibit III - Balance Sheet – Governmental Funds | 26 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 27 |
| For the Fiscal Year Ended June 30, 2015 | |
| Exhibit IV - Statement of Revenues, Expenditures and Changes in Fund Balances | 28-29 |

| | |
|---|----|
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 30 |
|---|----|

Proprietary Funds

As of June 30, 2015:

| | |
|---------------------------------------|----|
| Exhibit V – Statement of Net Position | 31 |
|---------------------------------------|----|

For the Fiscal Year Ended June 30, 2015:

| | |
|--|----|
| Exhibit VI - Statement of Revenues, Expenses, and Changes in Fund Net Position | 32 |
|--|----|

| | |
|---------------------------------------|----|
| Exhibit VII - Statement of Cash Flows | 33 |
|---------------------------------------|----|

Fiduciary Funds

As of June 30, 2015:

| | |
|--|----|
| Exhibit VIII - Statement of Fiduciary Net Position | 34 |
|--|----|

| | |
|-----------------------------------|-------|
| Notes to the Financial Statements | 35-58 |
|-----------------------------------|-------|

Required Supplementary Information Other than MD&A:

For the Year Ended June 30, 2015:

Required Supplementary Information – Budgetary Comparison Schedules

| | |
|--|-------|
| Budgetary Comparison Schedule Budgetary Basis - General Fund | 59-60 |
|--|-------|

| | |
|---|----|
| Budgetary Comparison Schedule Budgetary Basis - Capital Outlay Fund | 61 |
|---|----|

| | |
|--|----|
| Budgetary Comparison Schedule Budgetary Basis - Special Education Fund | 62 |
|--|----|

| | |
|--|-------|
| Notes to the Required Supplementary Information – Budgetary Comparison Schedules | 63-64 |
|--|-------|

Required Supplemental Information – Pension Schedules

| | |
|--|----|
| Schedule of the School District’s Proportionate Share of the Net Pension Asset | 65 |
|--|----|

| | |
|--|----|
| Schedule of the School District’s Contribution | 66 |
|--|----|

| | |
|---|----|
| Notes to Required Supplementary Information – Pension Schedules | 67 |
|---|----|

Supplementary Information:

| | |
|--|----|
| Schedule of Expenditures of Federal Awards | 68 |
|--|----|



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dupree School District No. 64-2, South Dakota (School District), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-001 to be a material weakness.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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


February 11, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Dupree School District No. 64-2, South Dakota (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

Opinion on Each Major Federal Program

In our opinion, the Dupree School District No. 64-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as item 2015-001 to be a material weakness.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

Purpose of this Report

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

D. A. Smith and Biggs, LLP
February 11, 2016

DUPREE SCHOOL DISTRICT NO. 64-2

SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS

Prior Financial Statement Findings:

2014-001: Internal Control Over Revenue, Expenditure, and Payroll

A material weakness was reported for a lack of segregation of duties for the revenues, expenditure and payroll functions.

Corrective Action Plan:

The school board president is the contact person responsible for the corrective action plan for these comments. These comments are the result of the size of the Dupree School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Dupree School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, expenditures and payroll. Dupree School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist for revenues, expenditures and payroll, and is restated under the current audit findings as finding number 2015-001.

2014-002: Provide Oversight of the Financial Reporting Process

A significant deficiency was reported in the controls to provide oversight of the financial reporting process.

Corrective Action Plan:

Management accepts the degree of risk associated with this condition because of the cost or other considerations. This significant deficiency continues to exist and is restated under the current audit findings as finding number 2015-002.

Prior Federal Award Findings:

A material weakness was reported for lack of segregation of duties for the revenues, expenditure and payroll functions as discussed above in finding 2014-001.

DUPREE SCHOOL DISTRICT NO. 64-2

SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133 x yes no

Identification of Major Programs:

| Name of Federal Program or Clusters | CFDA Numbers |
|---|--------------|
| Impact Aid | 84.041 |
| Title I Programs - Local Educational Agencies | 84.010 |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

DUPREE SCHOOL DISTRICT NO. 64-2

SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS (continued)

Section II - Current Financial Statement Findings:

Internal Control Over Revenues, Expenditure, and Payroll.

Finding Number 2015-001

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

Analysis:

For the revenue transactions, the business manager receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements and prepares financial statements. For the expenditure transactions, the business manager approves invoices, prepares and signs the checks, records expenditures, and posts expenditures in the accounting records. For the payroll transactions, the business manager creates new employees, records payroll information, prepares and signs payroll checks, posts payroll in the accounting records, and prepares all payroll reports. This may affect the completeness and existence of transactions. Lack of segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Recommendation:

1. We recommend the Dupree School District No. 64-2 officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever and wherever possible and practical.

Corrective Action Plan

The school board president is the contact person responsible for the corrective action plan for these comments. These comments are the result of the size of Dupree School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Dupree School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, expenditures and payroll. Dupree School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

Finding Number 2015-002: Provide oversight of the Financial Reporting Process

A significant deficiency in controls to provide oversight of the financial reporting process was disclosed by our audit. School District's management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). We noted the absence of appropriate internal controls in the following areas:

The School does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are presented in accordance with generally accepted accounting principles. As such, management requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in schools of your size and is a result of management's cost benefit decision to use our

DUPREE SCHOOL DISTRICT NO. 64-2

SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS (continued)

Finding Number 2015-002 (continued):

accounting expertise rather than to incur internal resource costs. Management reviewed the adjustments and also reviewed, approved, and accepted responsibility for those financial statements prior to their issuance. Also it is your responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost of other consideration.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration.

Response:

Management accepts the degree of risk associated with this condition because of cost or other considerations.

Section III – Current Federal Award Findings and Questioned Costs:

Impact Aid – Maintenance and Operations cfda 84.041 and Title I cfda 84.010A

Activities Allowed or Unallowed:

Special Tests and Provisions:

A material weakness was disclosed by our audit of the internal control over major federal programs for lack of segregation of duties for the revenue, expenditure, and payroll functions as discussed in Section II in audit finding 2015-001. This finding initially occurred in June 30, 1997 and continues to exist.



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dupree School District No. 64-2, South Dakota (School District), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibility (continued)

on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dupree School District No. 64-2 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard. As described in Note 9 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 8 to the financial statements, the school district has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 13 through 23, Budgetary Comparison Schedules, Schedule of the School District's Proportionate Share of the Net Pension Asset and Schedule of the School District's Contributions on pages 59 through 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Matters (continued)

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

DeSmut and Biggs J20
February 11, 2016

**DUPREE SCHOOL DISTRICT NO. 64-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Dupree School District 64-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$875,248.96 more than the \$4,895,113.21 governmental and business-type program expenditures.
- The General Fund reported a \$236,040.93 current year decrease primarily due to an operating transfer to Capital Projects Fund.
- Impact Aid payment for 2015 was only paid out at 85% LOT.
- The School District implemented GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) which is reflected in prior period adjustments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

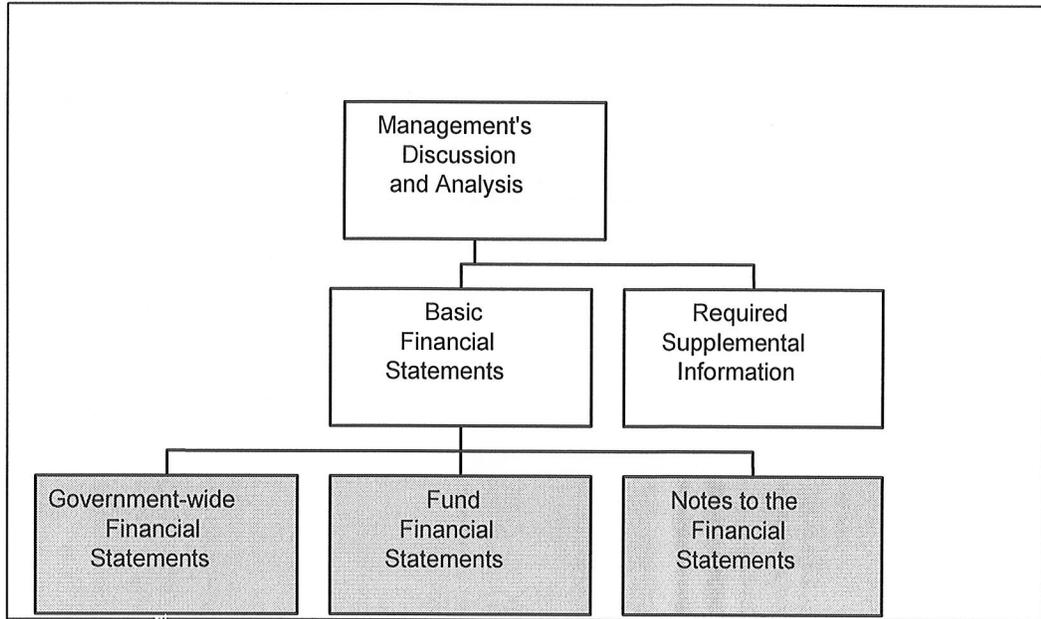
Figure A-2

| Major Features of Dupree School's Government-wide and Fund Financial Statements | | | | |
|--|--|--|---|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School government (except fiduciary funds) | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs. | Activities the School operates similar to private businesses, the food service operation. | Instances in which the School is the trustee or agent for someone else's resources. |
| Required Financial Statements | *Statement of Net Positions *Statement of Activities | *Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances | *Balance Sheet *Statement of Revenues, Expenses and Changes in Net Positions *Statement of Cash Flows | *Statement of Fiduciary Net Positions |
| 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 School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net positions 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.

Figure A-1
Required Components of Dupree School's Annual Financial Report



The two government-wide statements report the School's net assets and how they have changed. Net asset – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net positions are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School'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 School are reported in two categories:

- **Governmental Activities** - This category includes the School'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 school 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 School's most significant funds– not the School as a whole. Funds are accounting devices that the School 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.

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School'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 funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School 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 (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
Net Assets

The School's combined net assets decreased as follows:

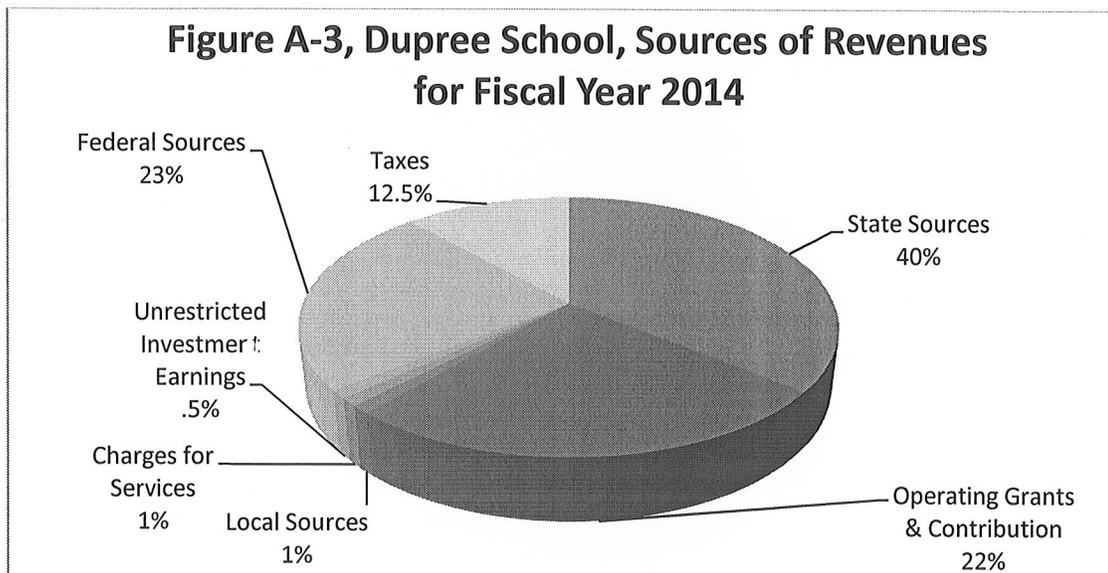
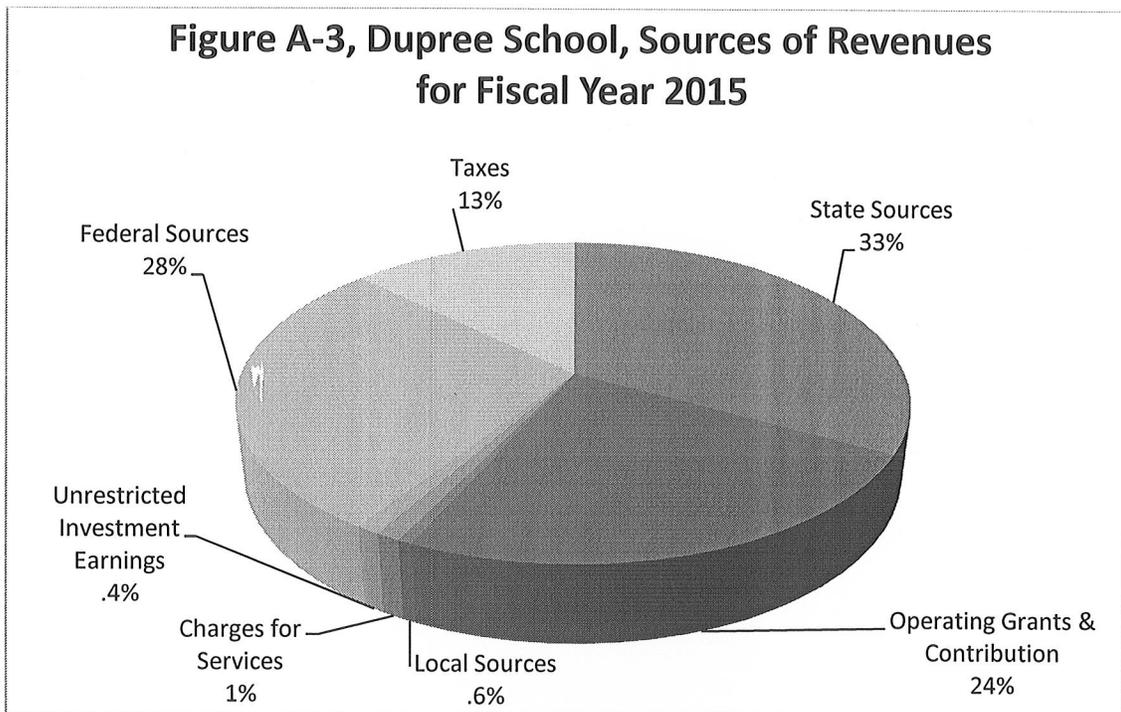
Table A-1
 DUPREE SCHOOL
 Statement of Net Positions

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 6/30/2014 | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 | 6/30/2015 |
| Current and Other Assets | \$ 5,706,926.93 | \$ 6,552,221.41 | \$ 25,620.87 | \$ 74,492.39 | \$ 5,732,547.80 | \$ 6,626,713.80 |
| Capital Assets | 4,037,832.02 | 4,848,861.29 | 7,428.48 | 6,353.78 | 4,045,260.50 | 4,855,215.07 |
| Total Assets | <u>9,744,758.95</u> | <u>11,401,082.70</u> | <u>33,049.35</u> | <u>80,846.17</u> | <u>9,777,808.30</u> | <u>11,481,928.87</u> |
| Deferred Outflows of Resources: | | | | | | |
| Pension related deferred inflows | - | 850,270.37 | - | 40,152.05 | - | 890,422.42 |
| Long-Term Debt | | | | | | |
| Debt Outstanding | 104,363.65 | 93,991.03 | - | - | 104,363.65 | 93,991.03 |
| Other Liabilities | 432,856.77 | 441,781.11 | 15,813.55 | 16,415.55 | 448,670.32 | 458,196.66 |
| Total Liabilities | <u>537,220.42</u> | <u>535,772.14</u> | <u>15,813.55</u> | <u>16,415.55</u> | <u>553,033.97</u> | <u>552,187.69</u> |
| Taxes levied for future period | 351,720.01 | 344,775.65 | - | - | 351,720.01 | 344,775.65 |
| Pension related Deferred Inflows | - | 1,109,623.69 | - | 52,460.93 | - | 1,162,084.62 |
| Other Deferred Inflows of Resources | - | 26,208.56 | - | - | - | 26,208.56 |
| Total Deferred Inflows of Resources | <u>351,720.01</u> | <u>1,480,607.90</u> | <u>-</u> | <u>52,460.93</u> | <u>351,720.01</u> | <u>1,533,068.83</u> |
| Net Assets: | | | | | | |
| Invested In Capital Assets, Net of Related Debt | 4,037,832.02 | 4,848,861.29 | 7,428.48 | 6,353.78 | 4,045,260.50 | 4,855,215.07 |
| Restricted | 390,795.21 | 1,292,345.50 | - | 32,987.57 | 390,795.21 | 1,325,333.07 |
| Unrestricted | 4,427,191.29 | 4,093,766.24 | 9,807.32 | 12,780.39 | 4,436,998.61 | 4,106,546.63 |
| Total Net Positions | <u>8,855,818.52</u> | <u>10,234,973.03</u> | <u>17,235.80</u> | <u>52,121.74</u> | <u>8,873,054.32</u> | <u>10,287,094.77</u> |
| Adjusted Beginning Net Positions | <u>8,095,377.01</u> | <u>9,370,286.93</u> | <u>13,671.68</u> | <u>41,558.88</u> | <u>8,109,048.69</u> | <u>9,411,845.81</u> |
| Increase (Decrease) In Net Positions | <u>\$ 760,441.51</u> | <u>\$ 864,686.10</u> | <u>\$ 3,564.12</u> | <u>\$ 10,562.86</u> | <u>\$ 764,005.63</u> | <u>\$ 875,248.96</u> |
| Percentage of Increase (Decrease) in Net Assets for 2015 | <u>9.39%</u> | <u>9.23%</u> | <u>26.07%</u> | <u>25.42%</u> | <u>9.42%</u> | <u>9.30%</u> |

The Statement of Net Positions 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 school, consisting of compensated absences payable have been reported in this manner on the Statement of Net Positions. The difference between the school’s assets and liabilities is its net assets.

Changes in Net Positions

The School’s total revenues (excluding special items) totaled \$5,770,362.12 (See Table A-2.) Both years 2014 & 2015 maintain 12.5 – 13% of the School’s revenue comes from property and other taxes, with operating grants increasing by 2% & federal resources increased by 5%. State Sources decreased by 7 % . (See Figure A-3).



The School's expenses cover a range of services, encompassing instruction, support services and food services. Comparing 2014 & 2015 school fiscal years support service expenditures decreased by 1% and instruction expenditures maintained at 52% and food service decreased by .5%. (See Figure A-4)

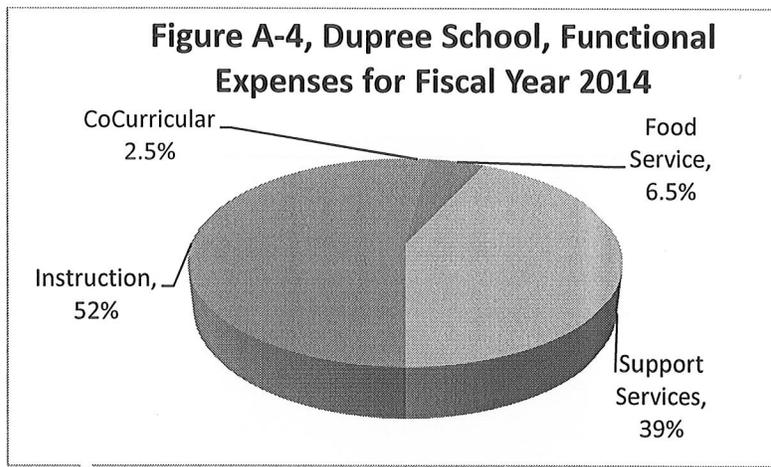
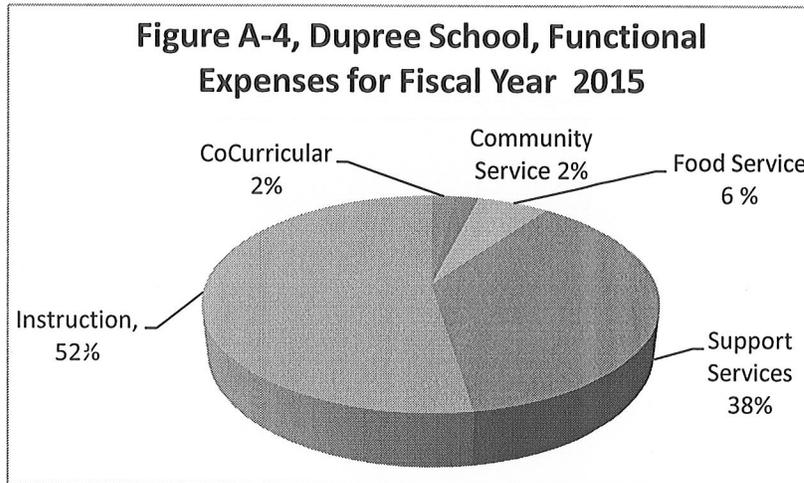


Table A-2
DUPREE SCHOOL DISTRICT 64-2
Changes in Net Positions
Table A-2
DUPREE SCHOOL DISTRICT 64-2
Changes in Net Positions

| | Total Governmental Activities | | Total Business-Type Activities | | Total | |
|---|-------------------------------------|-------------------------|--------------------------------------|---------------------|------------------------|-------------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Service | \$ 53,232.82 | \$ 27,524.64 | \$ 8,659.75 | \$ 13,144.56 | \$ 61,892.57 | \$ 40,669.20 |
| Operating Grants and Contributions | 1,132,863.12 | 1,215,974.75 | 195,903.09 | 182,301.71 | 1,328,766.21 | 1,398,276.46 |
| Capital Grants & Contrib | - | - | - | - | - | - |
| General Revenues | | | | | | |
| Taxes | 690,174.32 | 752,374.50 | - | - | 690,174.32 | 752,374.50 |
| Revenue State Sources | 2,219,201.53 | 1,929,761.22 | - | - | 2,219,201.53 | 1,929,761.22 |
| Revenue Federal Sources | 1,261,153.26 | 1,589,373.65 | - | - | 1,261,153.26 | 1,589,373.65 |
| Revenue Intermediate Sources | 1,069.12 | 1,614.17 | - | - | 1,069.12 | 1,614.17 |
| Revenue Local Sources | 42,309.11 | 38,065.32 | - | - | 42,309.11 | 38,065.32 |
| Unrestricted Investment Earnings | 23,696.89 | 20,227.65 | - | - | 23,696.89 | 20,227.65 |
| Total Revenues | 5,423,700.17 | 5,574,915.90 | 204,562.84 | 195,446.27 | 5,628,263.01 | 5,770,362.17 |
| Expenses | | | | | | |
| Instruction | 2,520,191.58 | 2,544,009.73 | - | - | 2,520,191.58 | 2,544,009.73 |
| Support Services | 1,895,519.95 | 1,884,553.67 | - | - | 1,895,519.95 | 1,884,553.67 |
| Community Services | 70,611.27 | 80,625.53 | - | - | 70,611.27 | 80,625.53 |
| Cocurricular Activities | 88,563.86 | 96,040.87 | - | - | 88,563.86 | 96,040.87 |
| Food Service | - | - | 289,370.72 | 289,883.41 | 289,370.72 | 289,883.41 |
| Depreciation (Unallocated) | - | - | - | - | - | - |
| Total Expenses | 4,574,886.66 | 4,605,229.80 | 289,370.72 | 289,883.41 | 4,864,257.38 | 4,895,113.21 |
| Excess (Deficiency) Before | | | | | | |
| Special Items and Transfers | 848,813.15 | 969,686.10 | (84,807.88) | (94,437.14) | 764,005.63 | 875,248.96 |
| Transfers | (88,372.00) | (105,000.00) | 88,372.00 | 105,000.00 | - | - |
| Increase (Decrease) in Net Positions | 760,441.51 | 864,686.10 | 3,564.12 | 10,562.86 | 764,005.63 | 875,248.96 |
| Net Positions Beginning | 8,095,377.01 | 8,855,818.52 | 13,671.68 | 17,235.80 | 8,109,048.69 | 8,873,054.32 |
| Prior Period Adjustment | - | 514,468.41 | - | 24,323.08 | - | 538,791.49 |
| Adjusted Net Position - Beginning | 8,095,377.01 | 9,370,286.93 | 13,671.68 | 41,558.88 | 8,109,048.69 | 9,411,845.81 |
| Net Positions Ending | \$ 8,855,818.52 | \$ 10,234,973.03 | \$ 17,235.80 | \$ 52,121.74 | \$ 8,873,054.32 | \$ 10,287,094.77 |

GOVERNMENTAL ACTIVITES

- Impact Aid fund did transfer \$105,000 to the business-type- enterprise food service fund to subsidize the operating loss of that fund.
- An increase in Federal Sources due to an increase in student enrollment from prior year's impact aid student count.
- An decrease was received in State Sources due to Bank Franchise payment (last year's payment reflected a prior years adjustment).
- Special Education child count decreased.
- The District did not meet tax levy requirements to qualify and apply for the Extra Ordinary Cost Grant.
- Decrease in Title I, Title II funding was due to changes in census collection.

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities increased and expenses increase:

- The primary reason(s) for the increase in expenses was due to; increase of groceries purchased, annual salary increase, additional supplies required.
- There was an operating transfer of \$105,000 into the enterprise food service fund during the year from the Impact Aid Fund.
- The district operates a non-pricing program for all students' meals which the district supports the costs of the meals for non-qualifying students. The district also participated in the Fresh Fruits & Vegetables and After School Snack Programs during the 2014-15 school year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund balance decreased by \$236,040.93; Capital Outlay Fund balance increased by \$63,177.29; Special Education Fund balance decreased by \$132,985.74 and Capital Projects Fund increased by \$164,1762.0; an operating transfer was made from the Impact Aid Fund to the General Fund for \$400,000 and \$1,060,000 to the Capital Project Fund .

A separate Impact Aid Fund was maintained throughout the year and the balance was blended in with the General Fund for year-end financial reporting. Impact Aid is not a GASB recognized major special revenue fund so it will not be reported as budgetary RSI.

BUDGETARY HIGHLIGHTS

During the course of the year, the School Board had the following budgetary changes:

Supplemental Budget approvals were made due to approval of federal grant carryover money in Title I, Title II (REAP) and 21st Century.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the School had invested \$4,848,861.29 in a broad range of capital assets. (See Table A-3.) This amount represents a net increase.

Table A-3
DUPREE SCHOOL DISTRICT 64-2 - Capital Assets
(net of depreciation)

| | Governmental | | Business-type | | Total | Total |
|---------------------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------|-----------------------------|----------------------|
| | Activities | | Activities | | Dollar | Percentage |
| | 2014 | 2015 | 2014 | 2015 | Change | Change |
| | 2014 | 2015 | 2014 | 2015 | 2014-2015 | 2014-2015 |
| Land | \$ 12,858.00 | \$ 12,858.00 | \$ - | \$ - | \$ - | 0.00% |
| Buildings | 3,506,454.09 | 3,563,372.11 | - | - | 56,918.02 | 1.62% |
| Const in Progress | - | 895,823.80 | | | 895,823.80 | 100.00% |
| Machinery and Equipment | <u>518,519.93</u> | <u>376,807.38</u> | <u>7,428.48</u> | <u>6,353.78</u> | <u>(142,787.25)</u> | <u>-27.15%</u> |
| Total Capital Assets (Net) | <u>\$ 4,037,832.02</u> | <u>\$ 4,848,861.29</u> | <u>\$ 7,428.48</u> | <u>\$ 6,353.78</u> | <u>\$ 809,954.57</u> | <u>20.02%</u> |

LONG-TERM DEBT

At year-end the School had \$93,991.03 long-term obligations. This is a decrease of 9.94% as shown on Table A-4 below.

Table A-4
DUPREE SCHOOL DISTRICT 64-2 - Outstanding Debt and Obligations

| | Governmental | | Business-type | | Total | Total |
|---|-----------------------------|----------------------------|--------------------|--------------------|------------------------------|---------------------|
| | Activities | | Activities | | Dollar | Percentage |
| | 2014 | 2015 | 2014 | 2015 | Change | Change |
| | 2014 | 2015 | 2014 | 2015 | 2014-2015 | 2014-2015 |
| Compensated Absences | \$ 104,363.65 | \$ 93,991.03 | \$ - | \$ - | \$ (10,372.62) | 9.94% |
| Early Retirement | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>0.00%</u> |
| Total Outstanding Debt Obligations | <u>\$ 104,363.65</u> | <u>\$ 93,991.03</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (10,372.62)</u> | <u>9.94%</u> |

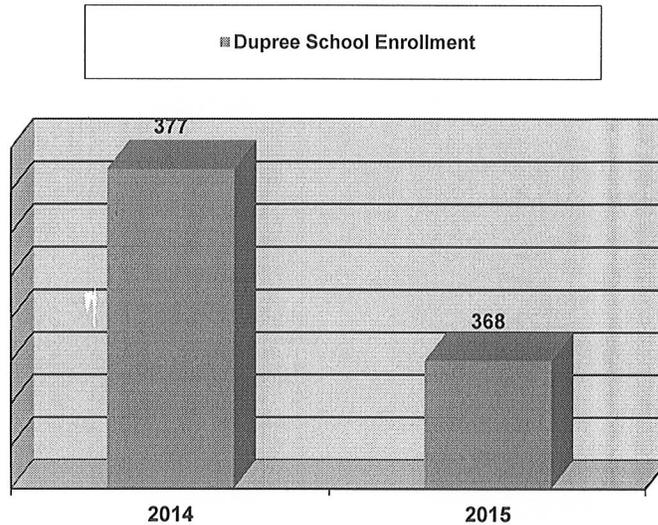
The School is liable for the compensated absence pay to the administration and teaching staff.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown little change.

One of the primary sources of revenue to the School is based on a per student allocation received from both the State of South Dakota and the Federal Government. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,876.76 per pupil.

The school's enrollment: 2014 enrollment 377; 2015 enrollment 368 school years was as follows:



CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School'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.

EXHIBIT I - STATEMENT OF NET POSITION

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT I - STATEMENT OF NET POSITION

June 30, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and cash equivalents | \$ 5,002,972.90 | \$ 23,695.26 | \$ 5,026,668.16 |
| Taxes receivable | 347,439.63 | - | 347,439.63 |
| Other assets | 243,724.10 | 361.35 | 244,085.45 |
| Inventories | - | 5,139.33 | 5,139.33 |
| Net pension asset | 958,084.78 | 45,296.45 | 1,003,381.23 |
| Capital assets: | | | |
| Land and construction in progress | 908,681.80 | - | 908,681.80 |
| Other capital assets, net of depreciation | <u>3,940,179.49</u> | <u>6,353.78</u> | <u>3,946,533.27</u> |
| Total Assets | <u>11,401,082.70</u> | <u>80,846.17</u> | <u>11,481,928.87</u> |
| Deferred Outflows of Resources: | | | |
| Pension related deferred outflows | <u>850,270.37</u> | <u>40,152.05</u> | <u>890,422.42</u> |

| | | | |
|--|-----------------------------|-------------------------|-----------------------------|
| Liabilities: | | | |
| Accounts payable | 10,662.73 | - | 10,662.73 |
| Other current liabilities | 431,118.38 | 16,415.55 | 447,533.93 |
| Noncurrent liabilities: | | | |
| Due within one year | 21,859.50 | - | 21,859.50 |
| Due in more than one year | <u>72,131.53</u> | <u>-</u> | <u>72,131.53</u> |
| Total Liabilities | <u>535,772.14</u> | <u>16,415.55</u> | <u>552,187.69</u> |
| Deferred Inflows of Resources: | | | |
| Taxes levied for future period | 344,775.65 | - | 344,775.65 |
| Pension related deferred inflows | 1,109,623.69 | 52,460.93 | 1,162,084.62 |
| Other deferred inflows of resources | <u>26,208.56</u> | <u>-</u> | <u>26,208.56</u> |
| Total Deferred Inflows of Resources: | <u>1,480,607.90</u> | <u>52,460.93</u> | <u>1,533,068.83</u> |
| Net Position: | | | |
| Net investment in capital assets | 4,848,861.29 | 6,353.78 | 4,855,215.07 |
| Restricted for: | | | |
| Capital outlay | 429,437.84 | - | 429,437.84 |
| Capital projects | 164,176.20 | - | 164,176.20 |
| SDRS Pension | 698,731.46 | 32,987.57 | 731,719.03 |
| Unrestricted | <u>4,093,766.24</u> | <u>12,780.39</u> | <u>4,106,546.63</u> |
| Total Net Position | <u>\$ 10,234,973.03</u> | <u>\$ 52,121.74</u> | <u>\$ 10,287,094.77</u> |

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

EXHIBIT II - STATEMENT OF ACTIVITIES

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT II - STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|-------------------------------|------------------------|-------------------------|--|--|--|---|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | \$ 2,544,009.73 | \$ 16,435.26 | \$ 914,262.07 | \$ - | \$ (1,613,312.40) | | \$ (1,613,312.40) |
| Support services | 1,884,553.67 | - | 300,947.82 | - | (1,583,605.85) | | (1,583,605.85) |
| Community services | 80,625.53 | - | - | - | (80,625.53) | | (80,625.53) |
| Cocurricular activities | <u>96,040.87</u> | <u>11,089.38</u> | <u>764.86</u> | <u>-</u> | <u>(84,186.63)</u> | | <u>(84,186.63)</u> |
| Total Governmental Activities | 4,605,229.80 | 27,524.64 | 1,215,974.75 | - | <u>(3,361,730.41)</u> | | (3,361,730.41) |
| Business-type Activities: | | | | | | | |
| Food service | <u>289,883.41</u> | <u>13,144.56</u> | <u>182,301.71</u> | <u>-</u> | | \$ <u>(94,437.14)</u> | <u>(94,437.14)</u> |
| Total Primary Government | <u>\$ 4,895,113.21</u> | <u>\$ 40,669.20</u> | <u>\$ 1,398,276.46</u> | <u>\$ -</u> | <u>(3,361,730.41)</u> | <u>(94,437.14)</u> | <u>(3,456,167.55)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 719,103.79 | - | 719,103.79 |
| Utility taxes | | | | | 33,270.71 | - | 33,270.71 |
| Revenue from State Sources: | | | | | | | |
| State aid | | | | | 1,929,761.22 | - | 1,929,761.22 |

| | | | |
|---|------------------------|---------------------|------------------------|
| Revenue from Federal sources | 1,589,373.65 | - | 1,589,373.65 |
| Unrestricted investment earnings | 20,227.65 | - | 20,227.65 |
| Other general revenues | 39,679.49 | - | 39,679.49 |
| Transfers | <u>(105,000.00)</u> | <u>105,000.00</u> | <u>-</u> |
| Total General Revenues and Transfers | <u>4,226,416.51</u> | <u>105,000.00</u> | <u>4,331,416.51</u> |
| Change in Net Position | <u>864,686.10</u> | <u>10,562.86</u> | <u>875,248.96</u> |
| Net Position - Beginning | 8,855,818.52 | 17,235.80 | 8,873,054.32 |
| Prior Period Adjustment (See Note 8) | <u>514,468.41</u> | <u>24,323.08</u> | <u>538,791.49</u> |
| Adjusted Net Position - Beginning | <u>9,370,286.93</u> | <u>41,558.88</u> | <u>9,411,845.81</u> |
| Net Position - Ending | <u>\$10,234,973.03</u> | <u>\$ 52,121.74</u> | <u>\$10,287,094.77</u> |

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

EXHIBIT III - BALANCE SHEET - GOVERNMENTAL FUNDS

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT III - BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

| | General Fund | Capital Outlay Fund | Special Education Fund | Capital Project Fund | Total Governmental Funds |
|---|------------------------------|----------------------------|----------------------------|----------------------------|--------------------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$4,396,605.51 | \$436,023.67 | \$ 523.30 | \$164,176.20 | \$4,997,328.68 |
| Investments | 5,644.22 | - | - | - | 5,644.22 |
| Taxes receivable--current | 121,516.88 | 139,908.72 | 83,350.05 | - | 344,775.65 |
| Taxes receivable--delinquent | 1,505.77 | 714.17 | 444.04 | - | 2,663.98 |
| Due from other funds | 45,000.20 | - | - | - | 45,000.20 |
| Due from other Governments | <u>242,608.90</u> | <u>-</u> | <u>1,115.00</u> | <u>-</u> | <u>243,723.90</u> |
| Total Assets | <u><u>\$4,812,881.48</u></u> | <u><u>\$576,646.56</u></u> | <u><u>\$ 85,432.39</u></u> | <u><u>\$164,176.20</u></u> | <u><u>\$5,639,136.63</u></u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 3,362.73 | \$ 7,300.00 | \$ - | \$ - | \$ 10,662.73 |
| Contracts payable | 281,679.60 | - | 40,732.33 | - | 322,411.93 |
| Due to other funds | - | - | 45,000.00 | - | 45,000.00 |
| Payroll deductions and withholdings and employer matching payable | <u>91,176.96</u> | <u>-</u> | <u>17,529.49</u> | <u>-</u> | <u>108,706.45</u> |
| Total Liabilities | <u><u>376,219.29</u></u> | <u><u>7,300.00</u></u> | <u><u>103,261.82</u></u> | <u><u>-</u></u> | <u><u>486,781.11</u></u> |

| | | | | | |
|--|-----------------------|---------------------|---------------------|---------------------|-----------------------|
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - property taxes | 1,505.77 | 714.17 | 444.04 | - | 2,663.98 |
| Taxes levied for future period | 121,516.88 | 139,908.72 | 83,350.05 | - | 344,775.65 |
| Other deferred inflows of resources | <u>26,208.56</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>26,208.56</u> |
| Total Deferred Inflows of Resources | <u>149,231.21</u> | <u>140,622.89</u> | <u>83,794.09</u> | <u>-</u> | <u>373,648.19</u> |
| Fund Balances: | | | | | |
| Restricted | | | | | |
| Capital outlay | - | 428,723.67 | - | - | 428,723.67 |
| Capital project | - | - | - | 164,176.20 | 164,176.20 |
| Unassigned | <u>4,287,430.98</u> | <u>-</u> | <u>(101,623.52)</u> | <u>-</u> | <u>4,185,807.46</u> |
| Total Fund Balances | <u>4,287,430.98</u> | <u>428,723.67</u> | <u>(101,623.52)</u> | <u>164,176.20</u> | <u>4,778,707.33</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| | <u>\$4,812,881.48</u> | <u>\$576,646.56</u> | <u>\$ 85,432.39</u> | <u>\$164,176.20</u> | <u>\$5,639,136.63</u> |

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

DUPREE SCHOOL DISTRICT NO. 64-2

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2015

Total Fund Balances - Governmental Funds \$ 4,778,707.33

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 958,084.78

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$8,292,037.69 and the accumulated depreciation is \$3,443,176.40. 4,848,861.29

Property taxes receivable will be collected this year but not available soon enough to pay the current periods of expenditures, and therefore are deferred in the government fund. 2,663.98

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. 850,270.37

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.
Accrued leave payable (93,991.03)

Pension related deferred inflows are components of pension asset and therefore are not reported in the funds. (1,109,623.69)

Net Position- Governmental Activities \$ 10,234,973.03

The accompanying notes are integral part of these financial statements.

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT IV STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

| | General Fund | Capital Outlay Fund | Special Education Fund | Capital Project Fund | Total Governmental Funds |
|--------------------------------------|-----------------|------------------------|---------------------------|-------------------------|--------------------------------|
| Revenues: | | | | | |
| Revenue from local sources: | | | | | |
| Taxes: | | | | | |
| Ad valorem taxes | \$ 259,736.06 | \$ 283,226.61 | \$ 167,950.29 | \$ - | \$ 710,912.96 |
| Prior years' ad valorem taxes | 1,099.69 | 1,101.84 | 628.49 | - | 2,830.02 |
| Utility taxes | 33,270.71 | - | - | - | 33,270.71 |
| Penalties and interest on taxes | 1,731.71 | 1,864.84 | 1,069.92 | - | 4,666.47 |
| Earnings on investments and deposits | 20,227.65 | - | - | - | 20,227.65 |
| Cocurricular activities: | | | | | |
| Admissions | 11,089.38 | - | - | - | 11,089.38 |
| Other revenue from local sources: | | | | | |
| Rentals | 7,894.21 | - | - | - | 7,894.21 |
| Refund of prior years' expenditures | 12,570.27 | - | - | - | 12,570.27 |
| Charges for services | 12,492.43 | - | 3,942.83 | - | 16,435.26 |
| Other local sources | 20,383.56 | - | 2.48 | - | 20,386.04 |
| Revenue from intermediate sources: | | | | | |
| County sources: | | | | | |
| County apportionment | 1,614.17 | - | - | - | 1,614.17 |
| Revenue from State sources: | | | | | |
| Grants-in-aid: | | | | | |
| Unrestricted grants-in-aid | 1,929,761.22 | - | - | - | 1,929,761.22 |
| Restricted grants-in-aid | 7,125.00 | - | 113,862.00 | - | 120,987.00 |
| Revenue from Federal sources: | | | | | |
| Grants-in-aid: | | | | | |
| Unrestricted grants-in-aid | | | | | |
| Received directly from Federal | | | | | |
| government | 1,515,306.12 | 27,961.00 | 46,106.53 | - | 1,589,373.65 |
| Restricted grants-in aid | | | | | |

| | | | | | |
|--|---------------------|-------------------|-------------------|----------|---------------------|
| Received directly from Federal government | 57,018.00 | - | - | - | 57,018.00 |
| Received from Federal government through the State | 982,262.95 | - | - | - | 982,262.95 |
| Johnson O'Malley funds | 11,706.91 | - | - | - | 11,706.91 |
| Other federal revenue | <u>3,531.10</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,531.10</u> |
| Total Revenue | <u>4,888,821.14</u> | <u>314,154.29</u> | <u>333,562.54</u> | <u>-</u> | <u>5,536,537.97</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular programs: | | | | | |
| Elementary | 567,253.30 | 13,605.32 | - | - | 580,858.62 |
| High School | 795,226.48 | 10,874.43 | - | - | 806,100.91 |
| Special programs: | | | | | |
| Gifted and talented | 1,375.00 | - | - | - | 1,375.00 |
| Programs for special education | - | - | 333,080.60 | - | 333,080.60 |
| Culturally different | 66,740.91 | - | - | - | 66,740.91 |
| Educationally deprived | 674,640.59 | - | - | - | 674,640.59 |
| Support services: | | | | | |
| Pupils: | | | | | |
| Attendance and social work | 20,110.74 | - | - | - | 20,110.74 |
| Guidance | 103,321.42 | - | - | - | 103,321.42 |
| Health | 17,533.96 | - | - | - | 17,533.96 |
| Speech pathology | - | - | 19,956.30 | - | 19,956.30 |
| Student therapy services | - | - | 22,663.00 | - | 22,663.00 |
| Support services - instructional staff: | | | | | |
| Improvement of instruction | 95,632.35 | - | - | - | 95,632.35 |
| Educational media | 134,045.92 | - | - | - | 134,045.92 |

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

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT IV STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2015

| | General Fund | Capital Outlay Fund | Special Education Fund | Capital Project Fund | Total Governmental Funds |
|---|---------------------|------------------------|---------------------------|-------------------------|--------------------------------|
| Expenditures: (continued) | | | | | |
| Support services: (continued) | | | | | |
| Support services - general administration: | | | | | |
| Board of education | \$ 54,973.04 | \$ - | \$ 3,800.59 | \$ - | \$ 58,773.63 |
| Executive administration | 143,645.91 | - | - | - | 143,645.91 |
| Support services - school administration: | | | | | |
| Office of the principal | 260,160.27 | - | - | - | 260,160.27 |
| Title I program administration | 17,234.09 | - | - | - | 17,234.09 |
| Other | 257.88 | - | - | - | 257.88 |
| Support services - business: | | | | | |
| Fiscal services | 190,187.19 | - | 3,800.59 | - | 193,987.78 |
| Facilities acquisition and construction | - | 6,817.51 | - | - | 6,817.51 |
| Operation and maintenance of plant | 411,526.96 | 14,067.49 | - | - | 425,594.45 |
| Pupil transportation | 222,631.38 | - | - | - | 222,631.38 |
| Food services | 15,609.00 | - | - | - | 15,609.00 |
| Support services - special education: | | | | | |
| Administrative costs | - | - | 17,357.81 | - | 17,357.81 |
| Transportation costs | - | - | 104.00 | - | 104.00 |
| Other special education costs | - | - | 65,785.39 | - | 65,785.39 |
| Community services: | | | | | |
| Custody and care of children | 80,625.53 | - | - | - | 80,625.53 |
| Cocurricular activities: | | | | | |
| Combined activities | 87,130.15 | 3,885.45 | - | - | 91,015.60 |
| Capital outlay | - | 201,726.80 | - | 895,823.80 | 1,097,550.60 |
| Total Expenditures | <u>3,959,862.07</u> | <u>250,977.00</u> | <u>466,548.28</u> | <u>895,823.80</u> | <u>5,573,211.15</u> |
| Excess of Revenue Over (Under) Expenditures | <u>928,959.07</u> | <u>63,177.29</u> | <u>(132,985.74)</u> | <u>(895,823.80)</u> | <u>(36,673.18)</u> |

| | | | | | |
|---------------------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Other Financing Sources (Uses): | | | | | |
| Transfers in (out) | <u>(1,165,000.00)</u> | <u>-</u> | <u>-</u> | <u>1,060,000.00</u> | <u>(105,000.00)</u> |
| Net Change in Fund Balances | (236,040.93) | 63,177.29 | (132,985.74) | 164,176.20 | (141,673.18) |
| Fund Balance - Beginning | <u>4,523,471.91</u> | <u>365,546.38</u> | <u>31,362.22</u> | <u>-</u> | <u>4,920,380.51</u> |
| Fund Balance - Ending | <u>\$4,287,430.98</u> | <u>\$ 428,723.67</u> | <u>\$(101,623.52)</u> | <u>\$ 164,176.20</u> | <u>\$4,778,707.33</u> |

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

DUPREE SCHOOL DISTRICT NO. 64-2

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities

For the Year Ended June 30, 2015

Total Net Change in Fund Balances - Governmental Funds \$(141,673.18)

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 outlays (\$1,097,550.60) exceed depreciation expense (\$283,736.13) in the period. 813,814.47

In the statement of activities, gains (\$2,785.20) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds (\$0) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (2,785.20)

Governmental Funds report property taxes as revenue in the period for which the tax is levied, subject to 'Availability', but the Statement of Activities includes the property taxes as revenue in the period for which the taxes are levied, regardless of when collection occurs. 694.34

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. 10,372.62

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., accrued interest revenue, pension revenue) 40,468.79

Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds. 143,794.26

Change in Net Position of Governmental Activities \$ 864,686.10

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

EXHIBIT V - STATEMENT OF NET POSITION - PROPRIETARY FUND

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT V- STATEMENT OF NET POSITION
 PROPRIETARY FUND

June 30, 2015

| | <u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u> |
|---|--|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 23,695.26 |
| Accounts receivable, net | 361.35 |
| Inventory of stores purchased for resale | 4,703.30 |
| Inventory of donated food | <u>436.03</u> |
| Total current assets | <u>29,195.94</u> |
| Noncurrent assets: | |
| Net pension asset | 45,296.45 |
| Capital assets: | |
| Machinery and equipment--local funds | 47,539.31 |
| Machinery and equipment--federal assistance | 10,849.03 |
| Less: accumulated depreciation (credit) | <u>(52,034.56)</u> |
| Total noncurrent assets | <u>51,650.23</u> |
| Total Assets | <u>80,846.17</u> |
| Deferred Outflows of Resources: | |
| Pension related deferred outflows | <u>40,152.05</u> |

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

Enterprise Fund
Food Service
Fund

Liabilities:

Current liabilities:

| | |
|---|------------------|
| Contracts payable | \$12,397.10 |
| Payroll deductions and withholdings and employer matching payable | <u>4,018.45</u> |
| Total current liabilities | <u>16,415.55</u> |

Deferred Inflows of Resources:

| | |
|----------------------------------|------------------|
| Pension related deferred inflows | <u>52,460.93</u> |
|----------------------------------|------------------|

Net Position:

| | |
|--------------------------------|------------------|
| Net invested in capital assets | 6,353.78 |
| Other purposes - SDRS Pension | 32,987.57 |
| Unrestricted | <u>12,780.39</u> |

| | |
|--------------------|---------------------|
| Total Net Position | <u>\$ 52,121.74</u> |
|--------------------|---------------------|

EXHIBIT VI - STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT VI - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND

For the Year Ended June 30, 2015

| | <u>Enterprise Fund</u> Food Service Fund |
|--------------------------------|--|
| Operating Revenue: | |
| Food Sales: | |
| Sales: | |
| To adults | \$ 11,231.25 |
| Pension revenue | <u>1,913.31</u> |
| Total Operating Revenue | <u>13,144.56</u> |
| Operating Expenses: | |
| Food service: | |
| Salaries | 117,294.15 |
| Employee benefits | 14,032.00 |
| Purchased services | 1,099.65 |
| Supplies | 8,444.99 |
| Cost of sales - purchased food | 133,865.51 |
| Cost of sales - donated food | 14,072.41 |
| Depreciation | <u>1,074.70</u> |
| Total Operating Expenses | <u>289,883.41</u> |
| Operating Income (Loss) | <u>(276,738.85)</u> |

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

| | <u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u> |
|--|--|
| Nonoperating Revenue (Expense): | |
| State sources: | |
| Cash reimbursements | \$ 1,371.08 |
| Federal sources: | |
| Cash reimbursements | 167,809.96 |
| Donated food | <u>13,120.67</u> |
| Total Nonoperating Revenue (Expense) | <u>182,301.71</u> |
| Income (Loss) Before Transfers | (94,437.14) |
| Transfers In | <u>105,000.00</u> |
| Change in Net Position | <u>10,562.86</u> |
| Net Position - Beginning | 17,235.80 |
| Adjustments | |
| Prior period adjustment - Pension (See Note 8) | <u>24,323.08</u> |
| Adjusted Net Postion - Beginning | <u>41,558.88</u> |
| Net Position - Ending | <u>\$ 52,121.74</u> |

EXHIBIT VII - STATEMENT OF CASH FLOWS
PROPRIETARY FUND

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT VII - STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended June 30, 2015

| | <u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u> |
|--|--|
| Cash Flows from Operating Activities: | |
| Cash receipts from customers | \$ 11,323.25 |
| Cash payments to employees for services | (130,724.15) |
| Cash payments to suppliers of goods or services | (145,245.24) |
| Other operating cash payments | <u>(6,751.18)</u> |
| Net Cash Used by Operating Activities | <u>(271,397.32)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Cash reimbursement - state sources | 1,371.08 |
| Cash reimbursement - federal sources | 167,809.96 |
| Transfers from General Fund | <u>105,000.00</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>274,181.04</u> |
| Net Increase in Cash and Cash Equivalents | <u>\$ 2,783.72</u> |
| Cash and Cash Equivalents at Beginning of Year | \$ 20,911.54 |
| Cash and Cash Equivalents at End of Year | <u>23,695.26</u> |
| Net Increase in Cash and Cash Equivalents | <u>\$ 2,783.72</u> |

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

Enterprise Fund
Food Service
Fund

Reconciliation of Operating Income (Loss) to Net
Cash Used by Operating Activities:

| | |
|---|------------------------|
| Operating income (loss) | \$ (276,738.85) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | |
| Depreciation expense | 1,074.70 |
| Change in assets and liabilities: | |
| Accounts receivable | 92.00 |
| Inventories | (1,835.09) |
| Net pension asset | (27,570.08) |
| Pension related deferred outflows | (33,555.34) |
| Accrued wages payable | 602.00 |
| Pension related deferred inflows | 52,460.93 |
| Value of donated commodities used | <u>14,072.41</u> |
| Net cash used by operating activities | <u>\$ (271,397.32)</u> |
| Noncash Investing, Capital and Financing Activities: | |
| Value of commodities received | <u>\$ 13,120.67</u> |

DUPREE SCHOOL DISTRICT NO. 64-2

EXHIBIT VIII - STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 20,504.77</u> |
| Total Assets | <u>20,504.77</u> |
| Liabilities: | |
| Amounts held for others | <u>20,504.77</u> |
| Total Liabilities | <u>20,504.77</u> |
| Net Position | <u><u>\$ -</u></u> |

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Financial Reporting Entity:

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

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

Basis of Presentation:

Government-wide Financial Statements:

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

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (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 the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. 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 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 Funds - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued):

Governmental Funds (continued):

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.

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

Proprietary Funds:

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

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

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

The Food Service Fund is the only enterprise fund maintained by the School District.

Fiduciary Funds:

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2015 are federal/state grants.

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Basis of Accounting (continued):

Fund Financial Statements (continued)

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

Deposits and Investments:

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

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

Capital Assets:

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

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

Government-wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. 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 School District has borrowed no money for construction of fixed assets. Should the School District borrow funds for construction of fixed assets, interest costs incurred during construction of general capital assets, will not be capitalize along with other capital assets costs.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 8.21 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon. The total June 30, 2015 balance of capital assets for business-type activities are all valued at original cost.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued):

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

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|--|-------------------------------------|--------------------------------|----------------------------------|
| Land | \$ All | N/A | N/A |
| Improvements | \$ 15,000 | Straight-line | 10-30 yrs. |
| Buildings | \$ 50,000 | Straight-line | 30-50 yrs. |
| Machinery and Equipment (governmental) | \$ 5,000 | Straight-line | 5-20 yrs. |
| Machinery and Equipment (proprietary) | \$ 2,000 | Straight-line | 5-20 yrs. |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

Long-Term Liabilities:

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

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

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

Program Revenues:

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Program Revenues (continued):

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

Proprietary Funds Revenue and Expense Classifications:

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

Cash and Cash Equivalents:

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

Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Equity Classifications (continued):

Fund Financial Statements:

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

Application of Net Position:

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

Fund Balance Classification Policies and Procedures:

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

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

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance Classification Policies and Procedures (continued):

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

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u> |
|-----------------------------------|--|
| Capital Outlay Fund | Property taxes, investment earnings, contributions and donations, federal grants |
| Special Education Fund | Property taxes, tuition, investment earnings, charges for services, grants from state and federal government |

Pensions:

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

Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

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

Investments - In general, SDCL 4-5-6 permits school 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.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk (continued):

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

As of June 30, 2015, the School District had the following investment.

| | <u>Credit Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|---|--------------------------|-------------------|-----------------------|
| External Investment Pools: | | | |
| South Dakota Public Fund Investment Trust | Unrated | N/A | \$ 5,644.22 |
| Total Investments | | | <u>\$ 5,644.22</u> |

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.

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

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

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

Receivables and Payables:

The School District aggregates receivables and payables in the financial statements. Detail of the significant components is as follows:

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Receivables and Payables (continued):

Receivables at June 30, 2015, were as follows:

| | <u>Taxes</u> | <u>Accounts</u> | <u>Due from Other Governments</u> | <u>Total Receivables</u> |
|---------------------------------|----------------------|-----------------|---|------------------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 123,022.65 | \$ - | \$ 242,609.10 | \$ 365,631.75 |
| Capital Outlay Fund | 140,622.89 | - | - | 140,622.89 |
| Special Education Fund | <u>83,794.09</u> | <u>-</u> | <u>1,115.00</u> | <u>84,909.09</u> |
| Total - Governmental Activities | <u>\$ 347,439.63</u> | <u>\$ -</u> | <u>\$ 243,724.10</u> | <u>\$ 591,163.73</u> |
| Business-Type Activities: | | | | |
| Food Service Fund | <u>\$ -</u> | <u>361.35</u> | <u>\$ -</u> | <u>\$ 361.35</u> |

Payables at June 30, 2015 were as follows:

| | <u>Accounts</u> | <u>Accrued Wages</u> | <u>Other Payables</u> | <u>Total Payables</u> |
|---------------------------------|---------------------|--------------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 3,362.73 | \$ 281,679.60 | \$ 91,176.96 | \$ 376,219.29 |
| Capital Outlay Fund | 7,300.00 | - | - | 7,300.00 |
| Special Education Fund | <u>-</u> | <u>40,732.33</u> | <u>17,529.49</u> | <u>58,261.82</u> |
| Total - Governmental Activities | <u>\$ 10,662.73</u> | <u>\$ 322,411.93</u> | <u>\$ 108,706.45</u> | <u>\$ 441,781.11</u> |
| Business-Type Activities: | | | | |
| Food Service Fund | <u>\$ -</u> | <u>\$ 12,396.90</u> | <u>\$ 4,018.65</u> | <u>\$ 16,415.55</u> |

Inventory:

Inventory is stated at the lower of cost or market. Food Service Fund inventories for resale are valued at cost using the first in, first out (FIFO) method of accounting. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Inventory (continued):

In the governmental fund financial statements, the purchase method is applied for inventory items in the General Fund 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, 2015 in the governmental funds.

Subsequent events:

In preparing the financial statements, the School District has evaluated events and transactions for potential recognition or disclosure through February 11, 2016, the date the financial statements were available to be issued.

Note 2. Property Taxes

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore is not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 3. Changes in Capital Assets

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

Primary Government

| | Balance 7/1/2014 | Increases | Decreases | Balance 6/30/2015 |
|--|------------------------|----------------------|----------------------|------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 12,858.00 | \$ - | \$ - | \$ 12,858.00 |
| Construction in Progress | <u>-</u> | <u>895,823.80</u> | <u>-</u> | <u>895,823.80</u> |
| Total, not being depreciated | <u>12,858.00</u> | <u>895,823.80</u> | <u>-</u> | <u>908,681.80</u> |
| Capital asset, being depreciated: | | | | |
| Buildings | 5,516,661.81 | 157,026.80 | - | 5,673,688.61 |
| Machinery and equipment | <u>1,680,827.28</u> | <u>44,700.00</u> | <u>(15,860.00)</u> | <u>1,709,667.28</u> |
| Total, being depreciated | <u>7,197,489.09</u> | <u>201,726.80</u> | <u>(15,860.00)</u> | <u>7,383,355.89</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,010,207.72) | (100,108.78) | - | (2,110,316.50) |
| Machinery and equipment | <u>(1,162,307.35)</u> | <u>(183,627.35)</u> | <u>13,074.80</u> | <u>(1,332,859.90)</u> |
| Total accumulated depreciation | <u>(3,172,515.07)</u> | <u>(283,736.13)</u> | <u>13,074.80</u> | <u>(3,443,176.40)</u> |
| Total capital assets, being depreciated, net | <u>4,024,974.02</u> | <u>(82,009.33)</u> | <u>(2,785.20)</u> | <u>3,940,179.49</u> |
| Governmental activities capital assets, net | <u>\$ 4,037,832.02</u> | <u>\$ 813,814.47</u> | <u>\$ (2,785.20)</u> | <u>\$ 4,848,861.29</u> |

**Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|-------------------------|-----------------|
| Instruction | \$ 177,358.74 |
| Support Services | 99,640.86 |
| Cocurricular activities | <u>6,736.53</u> |

Total depreciation expense-governmental activities \$ 283,736.13

| | Balance 7/1/2014 | Increases | Decreases | Balance 6/30/2015 |
|--|---------------------|----------------------|-------------|----------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | \$ 58,388.34 | \$ - | \$ - | \$ 58,388.34 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | <u>(50,959.86)</u> | <u>(1,074.70)</u> | <u>-</u> | <u>(52,034.56)</u> |
| Business-type activities capital assets, net | <u>\$ 7,428.48</u> | <u>\$ (1,074.70)</u> | <u>\$ -</u> | <u>\$ 6,353.78</u> |

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 3. Changes in Capital Assets (continued)

** Depreciation expense was charged to functions as follows:

Business-type activities:

Food Services \$1,074.70

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

| <u>Project Name</u> | <u>Project Authorization</u> | <u>Expended Thru 6/30/2015</u> | <u>Committed</u> | <u>Required Future Financing</u> |
|--------------------------|----------------------------------|--|----------------------|--|
| Four Classroom Additions | <u>\$ 1,500,000.00</u> | <u>\$ 895,823.80</u> | <u>\$ 957,500.00</u> | <u>\$ -</u> |

Note 4. Long-Term Liabilities

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

Primary Government:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Accrued Compensated Absences - Governmental Funds | <u>\$104,363.65</u> | <u>\$101,605.02</u> | <u>\$(111,977.64)</u> | <u>\$ 93,991.03</u> | <u>\$21,859.50</u> |
| Total Governmental Activities | <u>104,363.65</u> | <u>101,605.02</u> | <u>(111,977.64)</u> | <u>93,991.03</u> | <u>21,859.50</u> |
| Total Primary Government | <u>\$104,363.65</u> | <u>\$101,605.02</u> | <u>\$(111,977.64)</u> | <u>\$ 93,991.03</u> | <u>\$21,859.50</u> |

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

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

Primary Government

Governmental Activities:

Compensated Absences

Accrued sick leave payable, paid from General Fund and
Special Education Fund.

\$ 93,991.03

Payment to be made by the fund that the payroll expenditures are charged to.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 5. Individual Fund Interfund Balances and Transactions

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

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 45,000.00 | \$ - |
| Special Education Fund | - | 45,000.00 |

Note 6. Restricted Net Position

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

Primary Government

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|---|----------------------|------------------------|
| Governmental activities: | | |
| Major Funds: | | |
| Capital Outlay Purposes | Law | \$ 429,437.84 |
| Capital Projects Purposes | Law | 164,176.20 |
| Other Purposes: | | |
| SDRS Pension Purposes | Law | <u>698,731.46</u> |
| Total Governmental Activities Restricted Net Position | | <u>\$ 1,292,345.50</u> |

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|--|----------------------|---------------------|
| Business-type activities: | | |
| Other Purposes: | | |
| SDRS Pension Purposes | Law | <u>\$ 32,987.57</u> |
| Total Business-type Activities Restricted Net Position | | <u>\$ 32,987.57</u> |

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Transfers

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

| <u>Transfer From:</u> | <u>Transfer to:</u> | |
|-----------------------|--------------------------|------------------------------|
| | <u>Food Service Fund</u> | <u>Capital Projects Fund</u> |
| Major Funds | | |
| General Fund | <u>\$105,000.00</u> | <u>\$1,060,000.00</u> |

The School District typically uses transfers to transfer investment earnings from the fund making the investment to the General Fund. Transfers of federal monies from the Impact Aid Fund, which is blended in the General Fund, to other funds are permissible under SDCL 13-13-26.2.

Note 8. Prior Period Adjustments

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

Primary Government

Government activities:

| | |
|--|-------------------|
| Net Postion July 1, 2014, as previously reported | \$ 8,855,818.52 |
| Restatement for pension accounting: | |
| Net Pension Asset | 374,938.12 |
| Pension related Deferred Outflows of Resources | <u>139,530.29</u> |

Governmental Activities Net Postion July 1, 2014, as restated \$ 9,370,286.93

Business-type activities:

| | |
|--|-----------------|
| Net Postion July 1, 2014, as previously reported | \$ 17,235.80 |
| Restatement for pension accounting: | |
| Net Pension Asset | 17,726.37 |
| Pension related Defferrec. Outflows of Resources | <u>6,596.71</u> |

Business-type Activities Net Postion July 1, 2014, as restated \$ 41,558.88

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan

Plan Information:

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

Benefits Provided:

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

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

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013, were \$150,545.44, \$146,589.26, and \$137,796.04, respectively, equal to the required contributions each year.

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

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

| | |
|---|---------------------------------|
| Proportionate share of net position restricted for pension benefits | \$ 14,773,109.32 |
| Less proportionate share of total pension liability | <u>13,769,728.09</u> |
| Proportionate share of net pension liability (asset) | <u><u>\$ (1,003,381.23)</u></u> |

At June 30, 2015, the School District reported an asset of \$1,003,381.23 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014 the School District's proportion was .1392697%, which is an increase of 0% from its proportion measured as of June 30, 2013.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

Actuarial Assumptions:

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

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

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

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

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

Discount Rate:

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

Sensitivity of liability (asset) to changes in the discount rate:

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|----------------|-----------------------------|-------------------|
| School District's proportionate share of the net pension asset | \$ 991,529.38 | \$ (1,003,381.23) | \$ (2,630,439.06) |

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 Ventures

The School District participates in the joint venture known as the Northwest Area Schools Multi-District/Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing vocational education, special education, administers the adult education program as well as 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 | 12.50% |
| Dupree School District | 12.50% |
| Faith School District | 12.50% |
| Harding County School District | 12.50% |
| McIntosh School District | 12.50% |
| McLaughlin School District | 12.50% |
| Onida/Sully Buttes | 12.50% |
| Timber Lake School District | 12.50% |

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 10. Joint Ventures (continued)

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

The School District retains no equity in the net 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/District Educational Cooperative.

At June 30, 2015, this joint venture had total assets and deferred outflows of \$3,076,487, total liabilities and deferred inflows of \$698,176, and net position of \$2,378,311.

Note 11. Risk Management

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

Employee Health Insurance

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool, currently operating as a common risks management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

Liability Insurance

The School 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 provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School 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 School District. The School 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 School District pays an annual premium to the pool to provide coverage for property, general liability, crime and auto.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management (continued)

Liability Insurance (continued)

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$13,942,144 limit for property, \$2,000,000 limit for comprehensive general liability, \$2,000,000 limit for employee benefits liability, \$2,000,000 limit for auto liability, and a \$200,000 limit for crime. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to upper limit for general liability, employee benefits liability and auto, and excess of \$10,000 to the upper limit for crime. The School District carries a \$500 deductible for the property and a \$1,000 deductible for crime coverage.

The ASBSD-PLF also provides an excess aggregate property coverage which will provide an additional \$236,057,856 in excess of the \$13,942,144 primary limit for property.

The ASBSD-PLF provides coverage for school board legal liability with a limit per member of \$2,000,000 per occurrence and a \$10,000 member deductible, and boiler and machinery coverage with a coverage of \$50,000,000 and a \$5,000 deductible for boiler and machinery.

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

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

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management (continued)

Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 12. Assigned Federal IDEA Part B, Sections 611 and 619 Grants

The School District for 2015, assigned its Federal IDEA, Part B, Sections 611 and 619 formula grant funding in the amount of \$111,750 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 the expenditures for these grants in the amount of \$111,750 are not reported on the School District's financial statements or the Schedule of Expenditures of Federal Awards.

Note 13. Contingencies

The Associated School Boards Health Benefits Fund has a deficit Net Position. As a member of Associated School District Health Benefits Fund, the School District has a potential liability. As of June 30, 2014, the School District's estimated share of the liability was \$160,146. This information was not available for the year ended June 30, 2015 at the time the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS- GENERAL FUND

DUPREE SCHOOL DISTRICT NO. 64-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|---------------|-------------------------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue from local sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$ 218,550.00 | \$ 218,550.00 | \$ 259,736.06 | \$ 41,186.06 |
| Prior years' ad valorem taxes | - | - | 1,099.69 | 1,099.69 |
| Utility taxes | 25,000.00 | 25,000.00 | 33,270.71 | 8,270.71 |
| Penalties and interest on taxes | - | - | 1,731.71 | 1,731.71 |
| Earnings on investments and deposits | 20,000.00 | 20,000.00 | - | (20,000.00) |
| Cocurricular activities: | | | | |
| Admissions | 10,000.00 | 10,000.00 | 11,089.38 | 1,089.38 |
| Other revenue from local sources: | | | | |
| Rentals | 3,000.00 | 3,000.00 | 7,894.21 | 4,894.21 |
| Refund of prior years' expenditures | - | - | 12,570.27 | 12,570.27 |
| Charges for services | 25,000.00 | 25,000.00 | 12,492.43 | (12,507.57) |
| Other local sources | - | - | 20,383.56 | 20,383.56 |
| Revenue from intermediate sources: | | | | |
| County sources: | | | | |
| County apportionment | 2,000.00 | 2,000.00 | 1,614.17 | (385.83) |
| Revenue from State sources: | | | | |
| Grants-in-aid: | | | | |
| Unrestricted grants-in-aid | 2,002,900.00 | 2,002,900.00 | 1,929,761.22 | (73,138.78) |
| Restricted grants-in-aid | - | - | 7,125.00 | 7,125.00 |

| | | | | |
|--|---------------------|---------------------|---------------------|--------------------|
| Revenue from Federal sources: | | | | |
| Grants-in-aid: | | | | |
| Restricted grants-in-aid | | | | |
| Received directly from Federal government | 56,735.00 | 56,735.00 | 57,018.00 | 283.00 |
| Received from Federal government through the State | 928,463.00 | 1,027,219.00 | 982,262.95 | (44,956.05) |
| Johnson O'Malley | - | 12,636.00 | 11,706.91 | (929.09) |
| Other Federal revenue | - | 3,530.00 | 3,531.10 | 1.10 |
| | <u>3,291,648.00</u> | <u>3,406,570.00</u> | <u>3,353,287.37</u> | <u>(53,282.63)</u> |
| Total Revenue | | | | |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 652,160.00 | 652,160.00 | 567,253.30 | 84,906.70 |
| High School | 888,836.00 | 901,692.00 | 795,226.48 | 106,465.52 |
| Special programs: | | | | |
| Gifted and talented | 5,000.00 | 5,000.00 | 1,375.00 | 3,625.00 |
| Culturally different | 56,735.00 | 69,371.00 | 66,740.91 | 2,630.09 |
| Educationally deprived | 664,294.00 | 719,633.00 | 674,640.59 | 44,992.41 |
| Support services: | | | | |
| Pupils | | | | |
| Attendance and social work | 37,430.00 | 37,430.00 | 20,110.74 | 17,319.26 |
| Guidance | 127,402.00 | 127,402.00 | 103,321.42 | 24,080.58 |
| Health | 20,975.00 | 20,975.00 | 17,533.96 | 3,441.04 |

See the accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS- GENERAL FUND (CONTINUED)

DUPREE SCHOOL DISTRICT NO. 64-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with |
|---|-----------------------|-----------------------|-------------------------------------|---------------------------------------|
| | Original | Final | | Final Budget - Positive (Negative) |
| Expenditures (continued): | | | | |
| Support services (continued): | | | | |
| Support services - instructional staff: | | | | |
| Improvement of instruction | \$ 80,993.00 | \$ 88,583.00 | \$ 95,632.35 | \$ (7,049.35) |
| Educational media | 157,677.00 | 157,677.00 | 134,045.92 | 23,631.08 |
| Support services - general administration: | | | | |
| Board of education | 71,875.00 | 71,875.00 | 54,973.04 | 16,901.96 |
| Executive administration | 159,198.00 | 159,198.00 | 143,645.91 | 15,552.09 |
| Support services - school administration: | | | | |
| Office of the principal | 295,803.00 | 295,803.00 | 260,160.27 | 35,642.73 |
| Title I program administration | 19,498.00 | 19,498.00 | 17,234.09 | 2,263.91 |
| Other | 1,600.00 | 1,600.00 | 257.88 | 1,342.12 |
| Support services - business: | | | | |
| Fiscal services | 200,012.00 | 200,012.00 | 190,187.19 | 9,824.81 |
| Operation and maintenance of plant | 474,060.00 | 474,060.00 | 411,526.96 | 62,533.04 |
| Pupil transportation | 297,047.00 | 297,047.00 | 222,631.38 | 74,415.62 |
| Food services | - | 15,609.00 | 15,609.00 | - |
| Community services | | | | |
| Custody and care of children | 86,264.00 | 97,156.00 | 80,625.53 | 16,530.47 |
| Cocurricular activities: | | | | |
| Combined activities | 122,006.00 | 122,006.00 | 87,130.15 | 34,875.85 |
| Contingencies | 200,000.00 | 200,000.00 | - | - |
| Amount transferred | - | - | - | 200,000.00 |
| Total Expenditures | <u>4,618,865.00</u> | <u>4,733,787.00</u> | <u>3,959,862.07</u> | <u>773,924.93</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(1,327,217.00)</u> | <u>(1,327,217.00)</u> | <u>(606,574.70)</u> | <u>720,642.30</u> |

| | | | | |
|--------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Other Financing Sources (Uses): | | | | |
| Transfer in | <u>866,753.00</u> | <u>866,753.00</u> | <u>420,227.65</u> | <u>(446,525.35)</u> |
| Total Other Financing Sources (Uses) | <u>866,753.00</u> | <u>866,753.00</u> | <u>420,227.65</u> | <u>(446,525.35)</u> |
| Net Change in Fund Balances | (460,464.00) | (460,464.00) | (186,347.05) | 274,116.95 |
| Fund Balance - Beginning | <u>533,604.59</u> | <u>533,604.59</u> | <u>533,604.59</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 73,140.59</u> | <u>\$ 73,140.59</u> | <u>\$ 347,257.54</u> | <u>\$ 274,116.95</u> |

See the accompanying notes to the
required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

DUPREE SCHOOL DISTRICT NO. 64-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|-------------------------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue from local sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$ 250,000.00 | \$ 250,000.00 | \$ 283,226.61 | \$ 33,226.61 |
| Prior years' ad valorem taxes | - | - | 1,101.84 | 1,101.84 |
| Penalties and interest on taxes | - | - | 1,864.84 | 1,864.84 |
| Revenue from Federal sources: | | | | |
| Grants-in-aid: | | | | |
| Unrestricted grants-in-aid | | | | |
| Received directly from Federal government | - | - | 27,961.00 | 27,961.00 |
| Total Revenue | <u>250,000.00</u> | <u>250,000.00</u> | <u>314,154.29</u> | <u>64,154.29</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 65,000.00 | 65,000.00 | 13,605.32 | 51,394.68 |
| High School | 55,500.00 | 55,500.00 | 10,874.43 | 44,625.57 |
| Support services: | | | | |
| Support services - business: | | | | |
| Facilities acquisition and construction | 345,000.00 | 345,000.00 | 163,844.31 | 181,155.69 |
| Operation and maintenance of plant | 100,000.00 | 100,000.00 | 14,067.49 | 85,932.51 |
| Pupil transportation | 130,000.00 | 130,000.00 | 44,700.00 | 85,300.00 |

| | | | | |
|---|-----------------------|-----------------------|----------------------|----------------------|
| Cocurricular activities | | | | |
| Combined activities | <u>20,000.00</u> | <u>20,000.00</u> | <u>3,885.45</u> | <u>16,114.55</u> |
| Total Expenditures | <u>715,500.00</u> | <u>715,500.00</u> | <u>250,977.00</u> | <u>464,523.00</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(465,500.00)</u> | <u>(465,500.00)</u> | <u>63,177.29</u> | <u>528,677.29</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | <u>81,500.00</u> | <u>81,500.00</u> | <u>-</u> | <u>(81,500.00)</u> |
| Total Other Financing Sources (Uses) | <u>81,500.00</u> | <u>81,500.00</u> | <u>-</u> | <u>(81,500.00)</u> |
| Net Change in Fund Balances | (384,000.00) | (384,000.00) | 63,177.29 | 447,177.29 |
| Fund Balance - Beginning | <u>365,546.38</u> | <u>365,546.38</u> | <u>365,546.38</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ (18,453.62)</u> | <u>\$ (18,453.62)</u> | <u>\$ 428,723.67</u> | <u>\$ 447,177.29</u> |

See the accompanying notes to the
required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

DUPREE SCHOOL DISTRICT NO. 64-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|-------------------------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue from local sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$135,000.00 | \$135,000.00 | \$ 167,950.29 | \$ 32,950.29 |
| Prior years' ad valorem taxes | - | - | 628.49 | 628.49 |
| Penalties and interest on taxes | - | - | 1,069.92 | 1,069.92 |
| Other revenue from local sources: | | | | |
| Charges for services | 4,500.00 | 4,500.00 | 3,942.83 | (557.17) |
| Other local sources | - | - | 2.48 | 2.48 |
| Revenue from State sources: | | | | |
| Grants-in-aid: | | | | |
| Unrestricted grants-in-aid | 171,515.00 | 171,515.00 | - | (171,515.00) |
| Restricted grants-in-aid | 122,000.00 | 122,000.00 | 113,862.00 | (8,138.00) |
| Revenue from Federal sources: | | | | |
| Grants-in-aid: | | | | |
| Unrestricted grants-in-aid | | | | |
| Received directly from Federal government | <u>43,824.00</u> | <u>43,824.00</u> | <u>46,106.53</u> | <u>2,282.53</u> |
| Total Revenue | <u>476,839.00</u> | <u>476,839.00</u> | <u>333,562.54</u> | <u>(143,276.46)</u> |

| | | | | |
|---|----------------------|----------------------|------------------------|-----------------------|
| Expenditures: | | | | |
| Instruction: | | | | |
| Special programs: | | | | |
| Programs for special education | 356,907.00 | 356,907.00 | 333,080.60 | 23,826.40 |
| Support services: | | | | |
| Pupils: | | | | |
| Speech pathology | 49,233.00 | 49,233.00 | 19,956.30 | 29,276.70 |
| Student therapy services | 50,000.00 | 50,000.00 | 22,663.00 | 27,337.00 |
| Support services - general administration: | | | | |
| Board of education | - | - | 3,800.59 | (3,800.59) |
| Support services - business: | | | | |
| Fiscal services | - | - | 3,800.59 | (3,800.59) |
| Support services - special education: | | | | |
| Administrative costs | 47,699.00 | 47,699.00 | 17,357.81 | 30,341.19 |
| Transportation costs | 7,000.00 | 7,000.00 | 104.00 | 6,896.00 |
| Other special education costs | - | - | 65,785.39 | (65,785.39) |
| | <u>510,839.00</u> | <u>510,839.00</u> | <u>466,548.28</u> | <u>44,290.72</u> |
| Total Expenditures | | | | |
| Excess of Revenue Over (Under) Expenditures | <u>(34,000.00)</u> | <u>(34,000.00)</u> | <u>(132,985.74)</u> | <u>(98,985.74)</u> |
| Net Change in Fund Balance | (34,000.00) | (34,000.00) | (132,985.74) | (98,985.74) |
| Fund Balance - Beginning | <u>31,362.22</u> | <u>31,362.22</u> | <u>31,362.22</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ (2,637.78)</u> | <u>\$ (2,637.78)</u> | <u>\$ (101,623.52)</u> | <u>\$ (98,985.74)</u> |

See the accompanying notes to the required supplementary information.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

Note 2. USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Note 3. USGAAP/Budgetary Accounting Basis Difference

The financial statements prepared in conformity with USGAAP presents the Impact Aid Fund, which is a special revenue fund established by South Dakota State Law, SDCL 13-16-30 and 13-16-31, blended with the General Fund. Per South Dakota State Law SDLC 13-11-2, all funds are required to be budgeted, such as General, Impact Aid, and Capital Outlay. GASB requires budgetary RSI for General and major special revenue funds. Impact Aid is not a GASB recognized major special revenue fund so it is not reported as budgetary RSI. General Fund budgetary RSI only includes the budgetary General Fund and not any blended Impact Aid amounts.

The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

| | Year Ended 6/30/2015 |
|--|-------------------------|
| General Fund: | |
| USGAAP Basis Fund Balance | \$ 4,287,430.98 |
| (Deduct) Impact Aid Revenue | (1,535,533.77) |
| Impact Aid Beginning Balance | (3,989,867.32) |
| Impact Aid Transfer Out | <u>1,585,227.65</u> |
| Net Adjustment to GAAP Basis Fund Balance | <u>(3,940,173.44)</u> |
| Budgetary Basis Fund Balance | <u>\$ 347,257.54</u> |

DUPREE SCHOOL DISTRICT NO. 64-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET

South Dakota Retirement System

| | <u>2015</u> |
|---|-----------------|
| District's proportion of the net pension asset | 0.13926970% |
| District's proportionate share of net pension asset | \$ 1,003,381.23 |
| District's covered-employee payroll | \$ 2,435,450.00 |
| District's proportionate share of the net pension asset as a percentage of its covered-employee payroll | 41.20% |
| Plan fiduciary net position as a percentage of the total pension asset | 107% |

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

See the accompanying notes to the
required supplementary information.

DUPREE SCHOOL DISTRICT NO. 64-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

| | <u>2015</u> |
|---|--------------------|
| Contractually required contribution | \$ 146,127.00 |
| Contributions in relation to the contractually required contribution | <u>146,127.00</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> |
| District's covered-employee payroll | \$ 2,435,450.00 |
| Contributions as a percentage of covered-employee payroll | 6.00% |

See the accompanying notes to the
required supplementary information.

DUPREE SCHOOL DISTRICT NO. 64-2

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension
Asset and Schedule of Contributions.

Changes of benefit terms:

No changes were made.

Changes of assumptions:

No changes were made.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DUPREE SCHOOL DISTRICT NO. 64-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| | <u>CFDA Number</u> | <u>Amount</u> |
|---|------------------------|------------------------|
| U.S. Department of Agriculture: | | |
| Indirect Federal Funding: | | |
| SD Department of Education: | | |
| Children Nutrition Cluster: | | |
| Non-Cash Assistance (Commodities): | | |
| National School Lunch Program | 10.555 | \$ 14,072.41 |
| Cash Assistance: | | |
| School Breakfast Program (Note 3) | 10.553 | 42,934.86 |
| National School Lunch Program (Note 3) | 10.555 | <u>124,875.10</u> |
| Total for Child Nutrition Cluster | | <u>181,882.37</u> |
| Other Programs: | | |
| Fresh Fruit and Vegetable Program | 10.582 | <u>15,609.00</u> |
| Total U.S. Department of Agriculture | | <u>197,491.37</u> |
| U.S. Department of Interior: | | |
| Indirect Federal Funding: | | |
| Cheyenne River Sioux Tribe: | | |
| Indian Education - Assistance to Schools (Note 2) | 15.130 | <u>37,915.47</u> |
| Total U.S. Department of Interior | | <u>37,915.47</u> |
| U.S. Department of Education: | | |
| Direct Federal Funding: | | |
| Impact Aid - Title VIII (Note 2) (Note 4) | 84.041 | 1,589,373.65 |
| Indian Education - Grants to Local Educational Agencies | 84.060 | 57,018.00 |
| Indirect Federal Funding: | | |
| SD Department of Education: | | |
| Title I Grants to Local Educational Agencies (Note 4) | 84.010 | 779,849.00 |
| Twenty-First Century Community Learning Centers | 84.287 | 83,551.96 |
| Improving Teacher Quality, State Grants | 84.367 | 101,753.00 |
| Mid-Central Coop: | | |
| College Access Challenge Grant | 84.378 | <u>3,531.10</u> |
| Total U.S. Department of Education | | <u>2,615,076.71</u> |
| Grand Total | | <u>\$ 2,850,483.55</u> |

- Note 1: The accompanying schedule of expenditures of federal awards included the federal grant activity of the school 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 OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
- Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.
- Note 3: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursements for specific expenditures.
- Note 4: This represents a major federal financial assistance program.