

# DUPREE SCHOOL DISTRICT NO. 64-2

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Financial Statements

**June 30, 2021**



**Dupree School District No. 64-2**  
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**June 30, 2021**

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## Independent Auditor's Report

School Board  
Dupree School District No. 64-2  
Dupree, 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 Dupree School District No. 64-2 (the District), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

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#### **GILLETTE**

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## **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 District, as of June 30, 2021, 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.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

The Corrective Action Plan and list of School District Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive, flowing style.

Casey Peterson, LTD

Rapid City, South Dakota

March 25, 2022



**Dupree School District No. 64-2**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

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This section of Dupree School District No. 64-2's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the 20 - 21 fiscal year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$1,209,565 more than the \$7,311,788 of governmental and business-type expenses.
- Impact Aid payment for 2021 was paid out at 90% LOT.
- The District received \$92,604 from the extraordinary cost fund for the Special Education Fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Dupree School District No. 64-2**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

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

**Figure A-1**

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

**Dupree School District No. 64-2**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

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**Government-wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

The District has three kinds of funds:

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

**Dupree School District No. 64-2**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

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

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

**Net Position**

The District's combined net position increased as follows:

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020 - 2021
Current and Other Assets	\$ 10,133,652	\$ 10,458,739	\$ 21,208	\$ 16,263	\$ 10,154,860	\$ 10,475,002	3.15%
Capital Assets (Net of Depreciation)	5,028,115	6,209,078	38,415	34,947	5,066,530	6,244,025	23.24%
<b>Total Assets</b>	<u>15,161,767</u>	<u>16,667,817</u>	<u>59,623</u>	<u>51,210</u>	<u>15,221,390</u>	<u>16,719,027</u>	9.84%
<b>Total Deferred Outflows of Resources</b>	<u>814,162</u>	<u>1,086,105</u>	<u>29,824</u>	<u>34,902</u>	<u>843,986</u>	<u>1,121,007</u>	32.82%
Long-Term Liabilities Outstanding	170,274	180,735	-	-	170,274	180,735	6.14%
Other Liabilities	485,765	520,039	1,740	1,736	487,505	521,775	7.03%
<b>Total Liabilities</b>	<u>656,039</u>	<u>700,774</u>	<u>1,740</u>	<u>1,736</u>	<u>657,779</u>	<u>702,510</u>	6.80%
<b>Total Deferred Inflows of Resources</b>	<u>958,631</u>	<u>1,458,924</u>	<u>8,920</u>	<u>28,989</u>	<u>967,551</u>	<u>1,487,913</u>	53.78%
Net Investment in Capital Assets	5,028,115	6,209,078	38,415	34,947	5,066,530	6,244,025	23.24%
Restricted	1,972,131	523,677	21,487	6,130	1,993,618	529,807	-73.42%
Unrestricted	7,361,013	8,861,469	18,885	14,310	7,379,898	8,875,779	20.27%
<b>Total Net Position</b>	<u>\$ 14,361,259</u>	<u>\$ 15,594,224</u>	<u>\$ 78,787</u>	<u>\$ 55,387</u>	<u>\$ 14,440,046</u>	<u>\$ 15,649,611</u>	8.38%

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

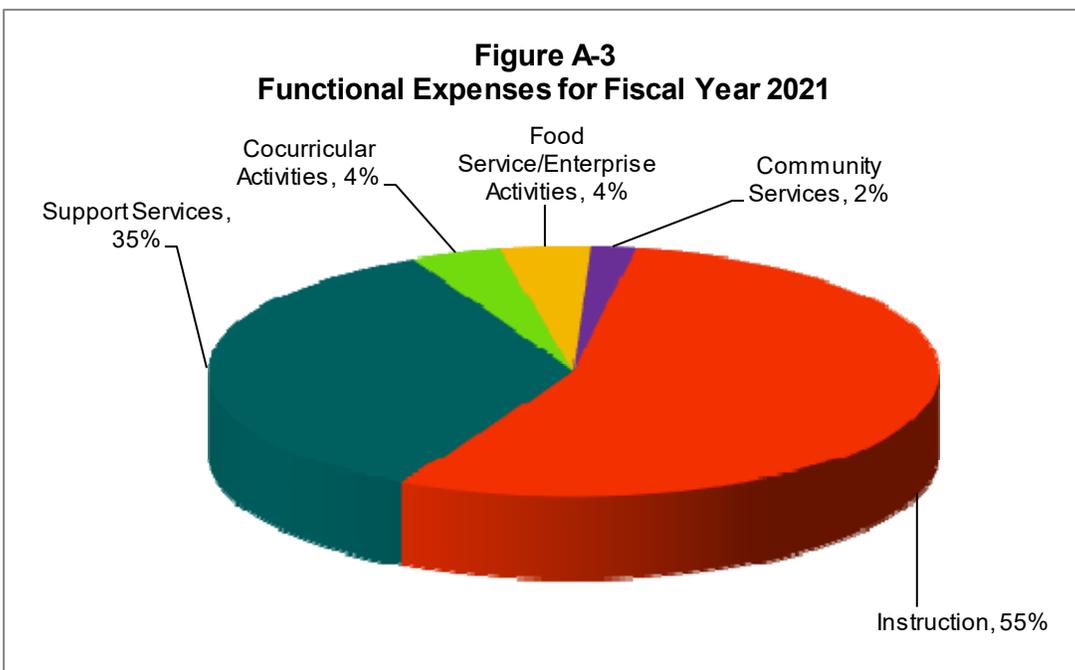
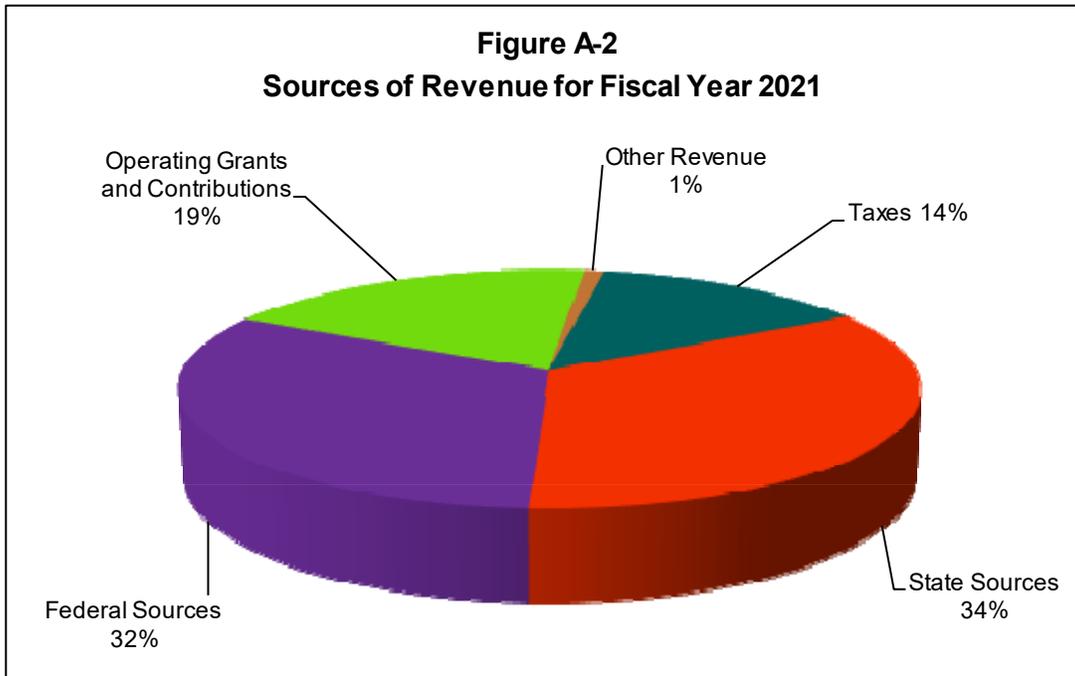
**Dupree School District No. 64-2  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021**

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**Changes in Net Position**

The District's revenues totaled \$8,523,637. Approximately 66% of the District's revenue came from federal and state sources, about 19% coming from operating grants and contributions, and about 15% coming from property and other taxes. (see Figure A-2).

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



**Dupree School District No. 64-2**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

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

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

	Governmental Activities		Business-type Activities		Total		Total
	2020	2021	2020	2021	2020	2021	Percentage Change 2020 - 2021
<b>Revenues</b>							
Program Revenues:							
Charges for Services	\$ 20,067	\$ 13,847	\$ 7,825	\$ 7,826	\$ 27,892	\$ 21,673	-22.30%
Operating Grants and Contributions	1,295,470	1,419,141	186,725	162,263	1,482,195	1,581,404	6.69%
General Revenues:							
Taxes	1,078,039	1,171,410	-	-	1,078,039	1,171,410	8.66%
Revenue State Sources	2,333,561	2,923,514	-	-	2,333,561	2,923,514	25.28%
Revenue Federal Sources	2,505,308	2,766,596	-	-	2,505,308	2,766,596	10.43%
Revenue Intermediate Sources	1,725	-	-	-	1,725	-	-100.00%
Revenue Local Sources	23,584	21,517	-	1,519	23,584	23,036	-2.32%
Unrestricted Investment Earnings	67,502	36,004	-	-	67,502	36,004	-46.66%
Total Revenues	<u>7,325,256</u>	<u>8,352,029</u>	<u>194,550</u>	<u>171,608</u>	<u>7,519,806</u>	<u>8,523,637</u>	13.35%
<b>Expenses</b>							
Instruction	4,025,107	4,049,207	-	-	4,025,107	4,049,207	0.60%
Support Services	2,484,767	2,539,587	-	-	2,484,767	2,539,587	2.21%
Cocurricular Activities	153,786	273,483	-	-	153,786	273,483	77.83%
Community Services	53,202	124,503	-	-	53,202	124,503	134.02%
Food Service	-	-	357,752	325,008	357,752	325,008	-9.15%
Total Expenses	<u>6,716,862</u>	<u>6,986,780</u>	<u>357,752</u>	<u>325,008</u>	<u>7,074,614</u>	<u>7,311,788</u>	3.35%
Excess (Deficiency) Before							
Special Items and Transfers	608,394	1,365,249	(163,202)	(153,400)	445,192	1,211,849	172.21%
Gain (Loss) on Sale of Capital Assets	-	(2,284)	-	-	-	(2,284)	0.00%
Transfers	(143,000)	(130,000)	143,000	130,000	-	-	0.00%
Increase (Decrease) in Net Position	465,394	1,232,965	(20,202)	(23,400)	445,192	1,209,565	171.70%
Net Position - Beginning	<u>13,895,865</u>	<u>14,361,259</u>	<u>98,989</u>	<u>78,787</u>	<u>13,994,854</u>	<u>14,440,046</u>	3.18%
Net Position - Ending	<u>\$ 14,361,259</u>	<u>\$ 15,594,224</u>	<u>\$ 78,787</u>	<u>\$ 55,387</u>	<u>\$ 14,440,046</u>	<u>\$ 15,649,611</u>	8.38%

**Dupree School District No. 64-2  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021**

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**GOVERNMENTAL ACTIVITIES**

Revenues of the District's governmental activities increased by approximately 14.02% to \$8,352,029 and expenses increased by approximately 4.02% to \$6,989,780.

**BUSINESS-TYPE ACTIVITIES**

Revenues of the District's business-type activities (Food Service) decreased by approximately 11.79% to \$171,608 and expenses decreased by approximately 9.15% to \$325,008.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The General Fund balance increased for the year ended June 30, 2021. This was due to revenues increasing more than expenses as a result of an increase in federal and state grant revenue. The Special Education fund balance showed an increase from the prior year due to an increase in local property tax revenue. The Capital Outlay fund balance was higher at year-end due to an increase in local property tax and federal grant revenue. The Capital Projects Fund balance decreased significantly from the prior year due to significant operating transfers into the Capital Projects Fund in the prior year to support costs of school projects for the 2020-2021 school year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**CAPITAL ASSET ADMINISTRATION**

By the end of FY 2021, the District had invested \$6,209,078 (net of depreciation) in a broad range of capital assets including land, buildings, improvements, equipment, and construction in progress. (See Table A-3) This amount represents a net increase (including additions and deductions) of \$1,177,495. The capitalization threshold remains at \$15,000 for all improvements, \$50,000 for all buildings, \$5,000 for all equipment for governmental activities, and \$2,000 for business-type activities.

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

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020 - 2021	2020 - 2021
Land	\$ 12,858	\$ 62,858	\$ -	\$ -	\$ 50,000	388.86%
Buildings	3,994,867	4,177,281	-	-	182,414	4.57%
Improvements	-	271,005	-	-	271,005	100.00%
Construction in Progress	103,559	1,010,196	-	-	906,637	875.48%
Equipment	916,831	687,738	38,415	34,947	(232,561)	-24.35%
<b>Total Capital Assets (Net)</b>	<b>\$ 5,028,115</b>	<b>\$ 6,209,078</b>	<b>\$ 38,415</b>	<b>\$ 34,947</b>	<b>\$ 1,177,495</b>	<b>23.24%</b>

This year's capital asset purchases were for a school bus, land, vehicles, and various equipment. The District also has construction for a weight room project which will be recorded in the Construction in Progress (CIP) account until the completion of the construction phases.

**Dupree School District No. 64-2  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021**

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**LONG-TERM DEBT**

At year-end, the District had \$180,735 long-term obligations. This is an increase of 6.14% as shown on Table A-4 below.

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

	Governmental Activities		Business-type Activities		Total Dollar Change 2020 - 2021	Total Percentage Change 2020 - 2021
	2020	2021	2020	2021		
Compensated Absences	\$ 170,274	\$ 180,735	\$ -	\$ -	\$ 10,461	6.14%

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

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

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

State Aid is currently based on a target student-to-teacher ratio basis based on the district size. Under this formula, the District's targeted teacher ratio is 13.48 based on an enrollment of 397. Future state aid allocation for the 2021-2022 school year will be determined by the state legislature.

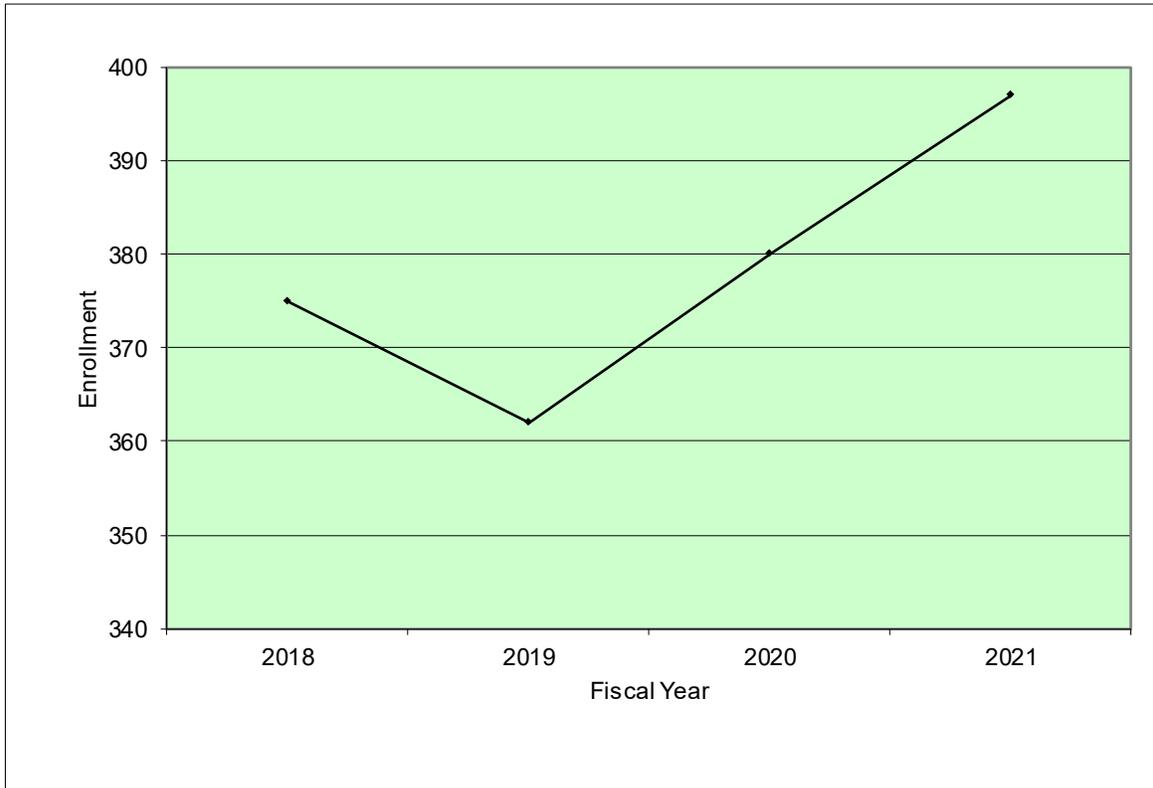
Impact Aid is a federal program providing assistance to schools for federally connected students. Payments are made in lieu of property taxes that are not levied. A majority of the District's children reside on Indian lands. Federally connected students during the 2020-21 school year were approximately 74% of the District's student enrollment. The final (LCR) allocation per weighted average for fiscal year 2021 was \$8,449 per student, a decrease of \$290 per weighted student average from the prior year.

The District's enrollment from 2018 through 2021 was as follows:

**Dupree School District No. 64-2  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021**

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**Average Daily Attendance by Fiscal Year**



**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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## BASIC FINANCIAL STATEMENTS

**Dupree School District No. 64-2**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,558,760	\$ 9,149	\$ 9,567,909
Investments	5,873	-	5,873
Taxes Receivable	533,306	-	533,306
Accounts Receivable	354,123	1,251	355,374
Due (To)/From Other Funds	(66)	66	-
Inventories	-	5,580	5,580
Restricted Assets:			
Net Pension Asset	6,743	217	6,960
	<u>10,458,739</u>	<u>16,263</u>	<u>10,475,002</u>
Capital Assets:			
Land	62,858	-	62,858
Construction in Progress	1,010,196	-	1,010,196
Buildings	7,018,711	-	7,018,711
Improvements	271,005	-	271,005
Equipment	2,350,081	107,041	2,457,122
Less: Accumulated Depreciation	<u>(4,503,773)</u>	<u>(72,094)</u>	<u>(4,575,867)</u>
Total Capital Assets, Net of Depreciation	<u>6,209,078</u>	<u>34,947</u>	<u>6,244,025</u>
Total Assets	<u>16,667,817</u>	<u>51,210</u>	<u>16,719,027</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related Deferred Outflows	<u>1,086,105</u>	<u>34,902</u>	<u>1,121,007</u>
<b>LIABILITIES</b>			
Accounts Payable	18,516	-	18,516
Other Current Liabilities	501,523	1,736	503,259
Long-term Liabilities:			
Due Within One Year	34,610	-	34,610
Due in More than One Year	<u>146,125</u>	<u>-</u>	<u>146,125</u>
Total Liabilities	<u>700,774</u>	<u>1,736</u>	<u>702,510</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Levied for Future Periods	528,876	-	528,876
Pension-related Deferred Inflows	902,097	28,989	931,086
Other Deferred Inflows of Resources	<u>27,951</u>	<u>-</u>	<u>27,951</u>
Total Deferred Inflows of Resources	<u>1,458,924</u>	<u>28,989</u>	<u>1,487,913</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,209,078	34,947	6,244,025
Restricted for:			
Capital Outlay	98,356	-	98,356
Capital Project Purposes	222,381	-	222,381
Special Education	12,189	-	12,189
Proportionate Share of Net Pension	190,751	6,130	196,881
Unrestricted	<u>8,861,469</u>	<u>14,310</u>	<u>8,875,779</u>
<b>TOTAL NET POSITION</b>	<u>\$ 15,594,224</u>	<u>\$ 55,387</u>	<u>\$ 15,649,611</u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Charges for Services
<b>GOVERNMENTAL ACTIVITIES</b>		
Instruction	\$ 4,049,207	\$ -
Support Services	2,539,587	13,725
Community Services	124,503	-
Cocurricular Activities	273,483	122
Total Governmental Activities	<u>6,986,780</u>	<u>13,847</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Food Service	<u>325,008</u>	<u>7,826</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 7,311,788</u>	<u>\$ 21,673</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 849,042	\$ -	\$ (3,200,165)	\$ -	\$ (3,200,165)
441,812	-	(2,084,050)	-	(2,084,050)
128,287	-	3,784	-	3,784
-	-	(273,361)	-	(273,361)
1,419,141	-	(5,553,792)	-	(5,553,792)
162,263	-	-	(154,919)	(154,919)
\$ 1,581,404	\$ -	(5,553,792)	(154,919)	(5,708,711)
<b>GENERAL REVENUES, TRANSFERS, AND GAINS</b>				
Taxes:				
Property Taxes		1,141,877	-	1,141,877
Gross Receipts Taxes		29,533	-	29,533
Revenue from State Sources:				
State Aid		2,923,514	-	2,923,514
Revenue from Federal Sources		2,766,596	-	2,766,596
Unrestricted Investment Earnings		36,004	-	36,004
Other General Revenues		21,517	1,519	23,036
Transfers		(130,000)	130,000	-
Loss on Disposal of Capital Assets		(2,284)	-	(2,284)
Total General Revenues, Transfers, and Gains		6,786,757	131,519	6,918,276
<b>CHANGE IN NET POSITION</b>		1,232,965	(23,400)	1,209,565
<b>NET POSITION - BEGINNING</b>		14,361,259	78,787	14,440,046
<b>NET POSITION - ENDING</b>		\$ 15,594,224	\$ 55,387	\$ 15,649,611

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	General Fund	Capital Outlay Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 9,175,479	\$ 81,563
Investments	5,873	-
Taxes Receivable, Current	170,039	172,497
Taxes Receivable, Delinquent	2,277	1,100
Accounts Receivable, Net	338,401	15,722
Due from Other Funds	-	-
	<u>9,692,069</u>	<u>270,882</u>
<b>TOTAL ASSETS</b>	<b>\$ 9,692,069</b>	<b>\$ 270,882</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 7,686	\$ -
Contracts Payable	338,724	-
Due to Other Funds	227	-
Payroll Deductions and Employer Matching Payable	114,267	-
	<u>460,904</u>	<u>-</u>
Total Liabilities		
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	170,039	172,497
Other Deferred Inflows	27,951	-
Delinquent Property Taxes Received Outside the Period of Availability	2,277	1,100
	<u>200,267</u>	<u>173,597</u>
Total Deferred Inflows of Resources		
Fund Balances:		
Restricted:		
For Capital Outlay	-	97,285
For Special Education	-	-
For Capital Project	-	-
Unassigned	9,030,898	-
	<u>9,030,898</u>	<u>97,285</u>
Total Fund Balances		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,692,069</b>	<b>\$ 270,882</b>

The accompanying notes are an integral part of this statement.

Special Education Fund	Capital Project Fund	Total Governmental Funds
\$ 78,241	\$ 223,477	\$ 9,558,760
-	-	5,873
186,340	-	528,876
1,053	-	4,430
-	-	354,123
<u>161</u>	<u>-</u>	<u>161</u>
<u>\$ 265,795</u>	<u>\$ 223,477</u>	<u>\$ 10,452,223</u>
\$ 9,734	\$ 1,096	\$ 18,516
31,012	-	369,736
-	-	227
<u>17,520</u>	<u>-</u>	<u>131,787</u>
<u>58,266</u>	<u>1,096</u>	<u>520,266</u>
186,340	-	528,876
-	-	27,951
<u>1,053</u>	<u>-</u>	<u>4,430</u>
<u>187,393</u>	<u>-</u>	<u>561,257</u>
-	-	97,285
20,136	-	20,136
-	222,381	222,381
<u>-</u>	<u>-</u>	<u>9,030,898</u>
<u>20,136</u>	<u>222,381</u>	<u>9,370,700</u>
<u>\$ 265,795</u>	<u>\$ 223,477</u>	<u>\$ 10,452,223</u>

The accompanying notes are an integral part of this statement.

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**Dupree School District No. 64-2**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Position**  
**June 30, 2021**

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Total Fund Balances - Governmental Funds	\$	9,370,700
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		6,209,078
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Compensated Absences		(180,735)
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.		4,430
Net pension asset reported in governmental activities is not an available financial resource and therefore not reported in the funds.		6,743
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the funds.		1,086,105
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the funds.		<u>(902,097)</u>
Net Position - Governmental Activities	\$	<u>15,594,224</u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
<b>REVENUES</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 390,550	\$ 374,522
Gross Receipts Taxes	29,533	-
Penalties and Interest on Taxes	7,255	3,774
Cocurricular Activities	122	-
Earnings on Investments and Deposits	36,004	-
Other Local Revenue	33,709	-
Total Revenue from Local Sources	<u>497,173</u>	<u>378,296</u>
Revenue from Intermediate Sources:		
County Sources	<u>614</u>	<u>-</u>
Revenue from State Sources:		
Unrestricted Grants-in-aid	2,532,515	-
Other State Revenue	<u>-</u>	<u>-</u>
Total Revenue from State Sources	<u>2,532,515</u>	<u>-</u>
Revenue from Federal Sources:		
Unrestricted Grants-in-aid	2,692,977	-
Restricted Grants-in-aid	<u>1,240,186</u>	<u>149,541</u>
Total Revenue from Federal Sources	<u>3,933,163</u>	<u>149,541</u>
Total Revenue	<u>6,963,465</u>	<u>527,837</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
\$ 391,590	\$ -	\$ 1,156,662
-	-	29,533
3,491	-	14,520
-	-	122
-	-	36,004
919	-	34,628
<u>396,000</u>	<u>-</u>	<u>1,271,469</u>
<u>-</u>	<u>-</u>	<u>614</u>
298,395	-	2,830,910
92,604	-	92,604
<u>390,999</u>	<u>-</u>	<u>2,923,514</u>
7,956	-	2,700,933
95,077	-	1,484,804
<u>103,033</u>	<u>-</u>	<u>4,185,737</u>
<u>890,032</u>	<u>-</u>	<u>8,381,334</u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended June 30, 2021**

	General Fund	Capital Outlay Fund
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	2,254,535	100,990
Special Programs	663,561	-
Total Instructional Services	<u>2,918,096</u>	<u>100,990</u>
Support Services:		
Pupils	198,715	-
Instructional Staff	244,414	-
General Administration	253,709	-
School Administration	396,893	-
Business	951,049	121,504
Special Education	-	-
Total Support Services	<u>2,044,780</u>	<u>121,504</u>
Community Services		
Custody and Care of Children	<u>124,503</u>	-
Cocurricular Activities:		
Combined Activities	<u>122,446</u>	<u>19,369</u>
Capital Outlay	<u>-</u>	<u>340,295</u>
Total Expenditures	<u>5,209,825</u>	<u>582,158</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,753,640	(54,321)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer In (Out)	<u>(230,000)</u>	<u>100,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,523,640	45,679
<b>FUND BALANCE - BEGINNING</b>	<u>7,507,258</u>	<u>51,606</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 9,030,898</u>	<u>\$ 97,285</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
-	-	2,355,525
<u>689,864</u>	-	<u>1,353,425</u>
<u>689,864</u>	-	<u>3,708,950</u>
73,501	-	272,216
-	-	244,414
10,632	-	264,341
-	-	396,893
10,632	-	1,083,185
<u>82,273</u>	-	<u>82,273</u>
<u>177,038</u>	-	<u>2,343,322</u>
-	-	<u>124,503</u>
-	-	<u>141,815</u>
-	<u>1,216,061</u>	<u>1,556,356</u>
<u>866,902</u>	<u>1,216,061</u>	<u>7,874,946</u>
23,130	(1,216,061)	506,388
-	-	<u>(130,000)</u>
23,130	(1,216,061)	376,388
<u>(2,994)</u>	<u>1,438,442</u>	<u>8,994,312</u>
<u>\$ 20,136</u>	<u>\$ 222,381</u>	<u>\$ 9,370,700</u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2021**

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Net Change in Fund Balances - Total Governmental Funds	\$	376,388
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.</p>		1,183,248
<p>Governmental funds only report proceeds from the sale of capital assets. However, the Statement of Activities reports gains and losses on capital assets. This is the amount in which retired capital assets book value exceeded accumulated depreciation.</p>		(2,284)
<p>The recognition of revenues in the governmental funds differs from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."</p>		(29,305)
<p>Governmental funds do not reflect the change in compensated absences, but the Statement of Activities reflects the change in these accruals through expenses.</p>		(10,461)
<p>Pension expenses in the Statement of Activities that do not provide current financial resources are not reported as expenses in the funds.</p>		(284,621)
Change in Net Position of Governmental Activities	\$	<u>1,232,965</u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

	Enterprise Funds
	Food Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 9,149
Accounts Receivable	1,251
Due from Other Funds	66
Inventory	5,580
Total Current Assets	16,046
Noncurrent Assets:	
Net Pension Asset	217
Machinery and Equipment - Local Funds	107,041
Less: Accumulated Depreciation	(72,094)
Total Noncurrent Assets	35,164
Total Assets	51,210
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension-related Deferred Outflows	34,902
<b>LIABILITIES</b>	
Current Liabilities:	
Payroll Deductions and Employer Matching Payable	1,736
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension-related Deferred Inflows	28,989
<b>NET POSITION</b>	
Net Investment in Capital Assets	34,947
Restricted Net Assets	6,130
Unrestricted	14,310
<b>TOTAL NET POSITION</b>	\$ 55,387

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Enterprise Funds
	Food Service Fund
<b>OPERATING REVENUE</b>	
Sales to Adults	\$ 7,826
Other Operating Revenue	1,519
Total Operating Revenue	9,345
<b>OPERATING EXPENSES</b>	
Salaries	125,891
Employee Benefits	46,964
Purchased Services	776
Supplies	18,518
Cost of Sales - Purchased	104,771
Cost of Sales - Donated Food	24,620
Depreciation	3,468
Total Operating Expenses	325,008
<b>OPERATING LOSS</b>	(315,663)
<b>NONOPERATING REVENUE</b>	
State Sources:	
Cash Reimbursements	878
Federal Sources:	
Grants	3,065
Cash Reimbursements	136,630
Donated Food	21,690
Total Nonoperating Revenues	162,263
<b>OTHER SOURCES/USES</b>	
Transfers In	130,000
<b>CHANGE IN NET POSITION</b>	(23,400)
<b>NET POSITION - BEGINNING</b>	78,787
<b>NET POSITION - ENDING</b>	\$ 55,387

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Enterprise Funds
	Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 9,797
Cash Payments to Employees for Services	(157,503)
Payments to Suppliers	(117,883)
Net Cash Used by Operating Activities	(265,589)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Subsidies	267,643
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,054
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	7,095
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 9,149
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (315,663)
Adjustments to Reconcile Operating Income to Net Cash by Operating Activities:	
Depreciation Expense	3,468
Cost of Sales - Donated Food	24,620
Change in Assets and Liabilities:	
Inventory	6,182
Accounts Receivable	452
Pension Activity	15,357
Payroll Liabilities	(5)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	\$ (265,589)
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Value of Commodities Received	\$ 21,690

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2021**

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$        19,198</u>
<b>NET POSITION</b>	
Restricted for Individuals	<u>\$        19,198</u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Statement of Changes in Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2021**

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Collections for Student Activities	\$ 47,998
<b>DEDUCTIONS</b>	
Payments for Student Activities	<u>56,456</u>
<b>CHANGE IN NET POSITION</b>	(8,458)
<b>NET POSITION - BEGINNING</b>	<u>27,656</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 19,198</u></u>

The accompanying notes are an integral part of this statement.

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

**A. REPORTING ENTITY**

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

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

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

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

*Government-wide Financial Statements*

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

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

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

**C. FUND TYPES AND MAJOR FUNDS**

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

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

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

**Governmental Funds**

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

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

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

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

*Capital Projects Funds* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Weight Room Fund is the only capital project fund maintained by the District. This is a major fund.

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

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

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

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

Measurement Focus

*Government-wide Financial Statements:*

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

*Fund Financial Statements*

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental 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).

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

*Fund Financial Statements*

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

Receivables, such as taxes receivable and grants receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

**E. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS**

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

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

**F. CASH AND CASH EQUIVALENTS**

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

**G. INVENTORY**

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

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

In the government-wide financial statements and the enterprise funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, the purchase method is applied for inventory items in the General and Special Revenue Funds. The cost is recorded as an expenditure at the time the individual inventory items are purchased. No material inventory of supplies existed at June 30, 2021 in the governmental funds.

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

**H. CAPITAL ASSETS**

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

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

*Government-wide Financial Statements*

All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their 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 District has borrowed no money for the construction of fixed assets. Should the District borrow funds for the construction of fixed assets, interest costs incurred during the construction of general capital assets are not capitalized.

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

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

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements*

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

**I. LONG-TERM LIABILITIES**

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

*Government-wide Financial Statements*

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

*Fund Financial Statements*

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

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

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

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

**K. NET POSITION AND FUND BALANCE**

*Government-wide Financial Statements*

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

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

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

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

*Fund Financial Statements*

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

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

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

*Unassigned* - Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

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

**M. PROGRAM REVENUES**

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

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

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

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

**N. PENSIONS**

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

As of June 30, 2021, the District had the following investment:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
South Dakota Public Investment Trust	Unrated	N/A	\$ 5,873

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

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

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

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

**NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES**

As of June 30, 2021, interfund receivable and payable balances were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 227
Special Education Fund	161	-
Enterprise Fund	66	-
	\$ 227	\$ 227

**NOTE 4 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 12,858	\$ 50,000	\$ -	\$ 62,858
Construction in Progress	103,558	924,039	17,401	1,010,196
Total Capital Assets Not Being Depreciated	116,416	974,039	17,401	1,073,054
Capital Assets Being Depreciated:				
Buildings	6,709,288	309,423	-	7,018,711
Improvements	271,005	-	-	271,005
Equipment	2,215,309	290,295	155,523	2,350,081
Total Capital Assets Being Depreciated	9,195,602	599,718	155,523	9,639,797
Less Accumulated Depreciation for:				
Equipment	1,569,484	246,098	153,239	1,662,343
Buildings	2,714,420	127,010	-	2,841,430
Total Accumulated Depreciation	4,283,904	373,108	153,239	4,503,773
Total Capital Assets Being Depreciated, Net	4,911,698	226,610	2,284	5,136,024
Net Capital Assets	\$ 5,028,114	\$ 1,200,649	\$ 19,685	\$ 6,209,078

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 4 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Business-type Activities:				
Equipment	\$ 107,041	\$ -	\$ -	\$ 107,041
Less: Accumulated Depreciation	<u>68,626</u>	<u>3,468</u>	<u>-</u>	<u>72,094</u>
Net Capital Assets	<u>\$ 38,415</u>	<u>\$ (3,468)</u>	<u>\$ -</u>	<u>\$ 34,947</u>

The total represented in the Construction in Progress balance is for the Weight Room project. The project is expected to be completed in September 2021, with a total estimated cost of \$1,290,986, and an estimated cost to finish of \$280,790.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 138,808
Support Services	106,569
Cocurricular Activities	<u>127,731</u>
Total Depreciation Expense	<u>\$ 373,108</u>

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

**NOTE 5 - LONG-TERM LIABILITIES**

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Amounts Due Within 1 Year
Governmental Activities:					
Compensated Absences	<u>170,274</u>	<u>10,461</u>	<u>-</u>	<u>180,735</u>	<u>34,610</u>
Total Long-term Liabilities	<u>\$ 170,274</u>	<u>\$ 10,461</u>	<u>\$ -</u>	<u>\$ 180,735</u>	<u>\$ 34,610</u>

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 6 - RESTRICTED NET POSITION**

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

Purpose	Restricted By		
Governmental Activities			
Major Purposes:			
Capital Outlay	Law	\$	98,356
Capital Project	Law		222,381
Special Education	Law		12,189
Proportionate Share of Net Pension	Law		190,751
			\$ 523,677
Business-type Activities			
Major Purposes:			
Proportionate Share of Net Pension	Law	\$	6,130

These balances are restricted by statutory requirements.

**NOTE 7 - PROPERTY TAX**

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

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

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

**NOTE 8 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2021 were as follows:

Transfers From:	Transfers To:		Total
	Capital Outlay Fund	Food Service Fund	
General Fund	\$ 100,000	\$ 130,000	\$ 230,000

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 9 - PENSION PLAN**

Plan Information

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

Benefits Provided

SDRS has three different classes of employees, Class A general members, Class B Public Safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

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

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

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$223,340, \$211,021, and \$198,122, respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability (asset) of the South Dakota Retirement System, for the District as of the measurement period ending June 30, 2020 and reported by the District as of June 30, 2021 are as follows:

Proportionate Share of Pension Liability	\$ 19,699,623
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>19,706,583</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (6,960)</u>

At June 30, 2021, the District reported a liability (asset) of (\$6,960) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District's proportion was 0.16025080% which is an increase of 0.0049490% from its proportion measured as of June 30, 2019.

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

For the year ended June 30, 2021, the District recognized pension expense (reduction of pension expense) of \$299,979. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 26,624	\$ 5,452
Changes in Assumption	224,176	904,115
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	646,867	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions		21,519
District Contributions Subsequent to the Measurement Date	<u>223,340</u>	<u>-</u>
Total	<u>\$ 1,121,007</u>	<u>\$ 931,086</u>

\$223,340 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2022	\$ (91,364)
2023	(68,059)
2024	6,194
2025	119,810
2026	-
Thereafter	<u>-</u>
Total	<u>\$ (33,419)</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLA's	1.41%

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white-collar rates for females, and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (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	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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 liability (asset).

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,699,887	\$ (6,960)	\$ (2,221,107)

Pension Plan Fiduciary Net Position

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

**NOTE 10 - JOINT VENTURE**

The District participates in the joint venture known as the Northwest Area Schools Multi-District/Educational Cooperative, a cooperative service unit (the Co-op), formed for the purpose of providing vocational education, 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	12.5%
Dupree School District	12.5%
Faith School District	12.5%
Harding County School District	12.5%
McIntosh School District	12.5%
McLaughlin School District	12.5%
Smee School District	12.5%
Timber Lake School District	12.5%

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

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

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-Educational Cooperative. At June 30, 2021, this joint venture had audited total assets of \$2,572,183, liabilities of \$431,002, and equity of \$2,141,181.

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 11 - CONCENTRATIONS**

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

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the District managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

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

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

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

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

**Dupree School District No. 64-2**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 12 - RISK MANAGEMENT (CONTINUED)**

Worker's Compensation

The District participates with several other educational units and related organizations in South Dakota in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and 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 District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

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

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

The District for 2021 assigned its Federal IDEA, Part B, Sections 611 and 619 formula grant funding in the amount of \$118,419 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 \$118,419 are not reported on the District's financial statements or the Schedule of Expenditures of Federal Awards.

**NOTE 14 - EMERGING ACCOUNTING PRONOUNCEMENTS**

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, *Leases*. GASB 87 affects any government agency that enters into a lease. The main difference between previous GAAP and GASB 87 is the recognition of lease assets and lease liabilities for the lessee and the recognition of a lease receivable and deferred inflow of resources for the lessor. The effective date for GASB 87 was postponed 18 months as a result of GASB Statement No. 95 issued May 2020 in response to the COVID-19 pandemic. GASB 87 is effective for years beginning after June 15, 2021. The District has not yet implemented this update and is in the process of assessing the effect on the District's financial statements.

**NOTE 15 - SUBSEQUENT EVENTS**

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

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REQUIRED SUPPLEMENTARY INFORMATION

**Dupree School District No. 64-2**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 340,500	\$ 340,500	\$ 390,550	\$ 50,050
Gross Receipts Taxes	30,000	30,000	29,533	(467)
Penalties and Interest on Taxes	-	-	7,255	7,255
Cocurricular Activities	10,000	10,000	122	(9,878)
Earnings on Deposits	-	-	36,004	36,004
Other Local Revenue	-	-	33,709	33,709
Total Revenue from Local Sources	<u>380,500</u>	<u>380,500</u>	<u>497,173</u>	<u>116,673</u>
Revenue from Intermediate Sources:				
County Sources	<u>2,500</u>	<u>2,500</u>	<u>614</u>	<u>(1,886)</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	<u>2,284,632</u>	<u>2,284,632</u>	<u>2,532,515</u>	<u>247,883</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	12,500	89,625	191,508	101,883
Restricted Grants-in-aid	<u>1,405,523</u>	<u>1,491,434</u>	<u>3,741,655</u>	<u>2,250,221</u>
Total Revenue from Federal Sources	<u>1,418,023</u>	<u>1,581,059</u>	<u>3,933,163</u>	<u>2,352,104</u>
Total Revenue	<u>4,085,655</u>	<u>4,248,691</u>	<u>6,963,465</u>	<u>2,714,774</u>

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

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	2,317,159	2,378,101	2,254,535	123,566
Special Programs	<u>680,767</u>	<u>683,267</u>	<u>663,561</u>	<u>19,706</u>
Total Instructional Services	<u>2,997,926</u>	<u>3,061,368</u>	<u>2,918,096</u>	<u>143,272</u>
Support Services:				
Pupils	-	-	198,715	(198,715)
Instructional Staff	224,264	261,437	244,414	17,023
General Administration	294,185	295,890	253,709	42,181
School Administration	412,980	416,390	396,893	19,497
Business	<u>1,219,247</u>	<u>1,239,763</u>	<u>951,049</u>	<u>288,714</u>
Total Support Services	<u>2,150,676</u>	<u>2,213,480</u>	<u>2,044,780</u>	<u>168,700</u>
Cocurricular Activities:				
Combined Activities	<u>154,679</u>	<u>154,679</u>	<u>122,446</u>	<u>32,233</u>
Community Services:				
Custody and Care of Children	<u>94,084</u>	<u>149,533</u>	<u>124,503</u>	<u>25,030</u>
Total Expenditures	<u>5,397,365</u>	<u>5,579,060</u>	<u>5,209,825</u>	<u>369,235</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(1,311,710)</u>	<u>(1,330,369)</u>	<u>1,753,640</u>	<u>3,084,009</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer In	1,350,553	1,350,553	850,000	(500,553)
Transfer Out	-	-	(1,080,000)	(1,080,000)
Contingencies	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Total Other Financing Sources	<u>1,450,553</u>	<u>1,450,553</u>	<u>(230,000)</u>	<u>(1,680,553)</u>
<b>NET CHANGE IN FUND BALANCES</b>	138,843	120,184	1,523,640	1,403,456
<b>FUND BALANCE - BEGINNING</b>	<u>7,507,258</u>	<u>7,507,258</u>	<u>7,507,258</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,646,101</u>	<u>\$ 7,627,442</u>	<u>\$ 9,030,898</u>	<u>\$ 1,403,456</u>

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

**Dupree School District No. 64-2**  
**Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 350,000	350,000	\$ 374,522	\$ 24,522
Penalties and Interest on Taxes	-	-	3,774	3,774
Total Revenue from Local Sources	<u>350,000</u>	<u>350,000</u>	<u>378,296</u>	<u>28,296</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	-	-	149,541	149,541
Total Revenue	<u>350,000</u>	<u>350,000</u>	<u>527,837</u>	<u>177,837</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	<u>435,000</u>	<u>435,000</u>	<u>290,126</u>	<u>144,874</u>
Support Services:				
Business	<u>536,518</u>	<u>536,518</u>	<u>272,663</u>	<u>263,855</u>
Cocurricular Activities:				
Combined Activities	<u>40,000</u>	<u>40,000</u>	<u>19,369</u>	<u>20,631</u>
Total Cocurricular Activities	<u>40,000</u>	<u>40,000</u>	<u>19,369</u>	<u>20,631</u>
Total Expenditures	<u>1,011,518</u>	<u>1,011,518</u>	<u>582,158</u>	<u>429,360</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(661,518)</u>	<u>(661,518)</u>	<u>(54,321)</u>	<u>607,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	<u>603,918</u>	<u>603,918</u>	<u>100,000</u>	<u>(503,918)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(57,600)	(57,600)	45,679	103,279
<b>FUND BALANCE - BEGINNING</b>	<u>51,606</u>	<u>51,606</u>	<u>51,606</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (5,994)</u>	<u>\$ (5,994)</u>	<u>\$ 97,285</u>	<u>\$ 103,279</u>

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

**Dupree School District No. 64-2**  
**Budgetary Comparison Schedule - Special Education Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 313,000	\$ 313,000	\$ 391,590	\$ 78,590
Penalties and Interest on Taxes	-	-	3,491	3,491
Other Local Revenue	<u>500</u>	<u>500</u>	<u>919</u>	<u>419</u>
Total Revenue from Local Sources	<u>313,500</u>	<u>313,500</u>	<u>396,000</u>	<u>82,500</u>
Revenue from State Sources:				
Unrestricted Grants-in-Aid	-	-	298,395	298,395
Restricted Grants-in-aid	662,919	662,919	-	(662,919)
Other State Revenue	<u>-</u>	<u>-</u>	<u>92,604</u>	<u>92,604</u>
Total Revenue from Federal Sources	<u>662,919</u>	<u>662,919</u>	<u>390,999</u>	<u>(271,920)</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Direct from Federal	85,659	85,659	-	(85,659)
Unrestricted Grants-in-Aid Direct through State	-	-	7,956	7,956
Restricted Grants-in-aid	<u>-</u>	<u>-</u>	<u>95,077</u>	<u>95,077</u>
Total Revenue from Federal Sources	<u>85,659</u>	<u>85,659</u>	<u>103,033</u>	<u>17,374</u>
Total Revenue	<u>1,062,078</u>	<u>1,062,078</u>	<u>890,032</u>	<u>(172,046)</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	<u>816,953</u>	<u>824,909</u>	<u>689,864</u>	<u>135,045</u>
Support Services:				
Pupils	-	-	73,501	(73,501)
General Admin	49,755	49,755	10,632	39,123
Business	16,585	16,585	10,632	5,953
Special Education	<u>78,785</u>	<u>78,785</u>	<u>82,273</u>	<u>(3,488)</u>
Total Support Services	<u>145,125</u>	<u>145,125</u>	<u>177,038</u>	<u>(31,913)</u>
Total Expenditures	<u>962,078</u>	<u>970,034</u>	<u>866,902</u>	<u>103,132</u>
<b>NET CHANGE IN FUND BALANCES</b>	100,000	92,044	23,130	(68,914)
<b>FUND BALANCE - BEGINNING</b>	<u>(2,994)</u>	<u>(2,994)</u>	<u>(2,994)</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 97,006</u>	<u>\$ 89,050</u>	<u>\$ 20,136</u>	<u>\$ (68,914)</u>

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

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

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

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

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

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

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

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

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

**Dupree School District No. 64-2**  
**Notes to the Required Supplementary Information**  
**June 30, 2021**

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**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

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

See independent auditor's report.

**Dupree School District No. 64-2**  
**Notes to the Required Supplementary Information**  
**June 30, 2021**

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**NOTE 3 - PENSION PLAN**

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retired prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA (currently 2.25%), the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in an FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in-depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

See independent auditor's report.

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## SINGLE AUDIT INFORMATION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dupree School District No. 64-2, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Dupree School District No. 64-2's basic financial statements and have issued our report thereon dated March 25, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dupree School District No. 64-2's internal control over financial reporting (internal control) as a basis for designing 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 Dupree School District No. 64-2's internal control. Accordingly, we do not express an opinion on the effectiveness of Dupree School District No. 64-2's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

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**FAITH**

127 MAIN ST. S.  
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605.791.3142

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dupree School District No. 64-2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Dupree School District No. 64-2's Response to Findings**

Dupree School District No. 64-2's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Dupree School District No. 64-2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dupree School District No. 64-2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dupree School District No. 64-2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Casey Peterson, LTD

Rapid City, South Dakota

March 25, 2022

Independent Auditor's Report on Compliance for  
Each Major Program and Report on Internal Control  
over Compliance Required by the Uniform Guidance

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

**Report on Compliance for Each Major Federal Program**

We have audited Dupree School District No. 64-2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dupree School District No. 64-2's major federal programs for the year ended June 30, 2021. Dupree School District No. 64-2's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Dupree School District No. 64-2'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Dupree School District No. 64-2'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 of Dupree School District No. 64-2's compliance.

**Opinion on Each Major Federal Program**

In our opinion, 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, 2021.

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## Report on Internal Control over Compliance

Management of Dupree School District No. 64-2 is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Dupree School District No. 64-2'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 the Uniform Guidance, 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 Dupree School District No. 64-2's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002, that we consider to be a material weakness.

Dupree School District No. 64-2's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Dupree School District No. 64-2's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Casey Peterson, LTD

Rapid City, South Dakota  
March 25, 2022

**Dupree School District No. 64-2**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of Dupree School District No. 64-2.
- b. The Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* disclosed a material weakness in internal control over financial reporting.
- c. No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
- d. The Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance for the District expressed an unmodified opinion on all major programs.
- e. One material weakness in internal control related to major federal award programs was reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.
- f. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- g. The federal awards tested as major programs were:
  - Impact Aid, AL #84.041
  - Elementary and Secondary School Emergency Relief Fund, AL #84.425D
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Dupree School District No. 64-2 did not qualify as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

Material Weakness

Lack of Segregation of Duties

2021-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the oversight of the payroll, journal entries, and cash reimbursement drawdown processes.

*Criteria:* Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management and is required under Uniform Guidance Section 200.303.

*Cause:* This condition exists due to the small staff size within the finance function of the District. This issue is common in a District of this size.

*Effect:* The possibility of fraud or errors occurring and not being detected or corrected is present.

*Repeat of Prior Year Finding:* This finding was partially reported in the prior year as 2020-001.

**Dupree School District No. 64-2**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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*Auditor's Recommendation:* We recommend management and those charged with governance train Business Office staff to perform additional duties related to payroll processing and disbursement and the preparation of journal entries to allow the Business Manager to perform oversight duties over those processes. Business Office staff could process payroll within Software Unlimited and initiate the disbursement, and the Business Manager could review payroll reports and compare them to the budgeted payroll amounts. Upon the Business Manager's approval, payroll could be disbursed. Similarly, office staff could prepare and enter journal entries and, upon approval from the Business Manager or Superintendent, could post the entries. In addition, we recommend the District implements a process to review drawdown requests prepared by the Business Manager.

*View of Management:* Management agrees with the finding. A response can be found in the Corrective Action Plan.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Elementary and Secondary School Emergency Relief Fund AL #84.425D

Material Weakness

Lack of Segregation of Duties

2021-002 See finding 2021-001 for the condition, criteria, cause, effect, repeat of prior year finding, auditor's recommendation, and view of management.



## Dupree School District 64-2

127 B Street P.O. Box 10  
Dupree, SD 57623  
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Leo Bakeberg, President  
Jake Longbrake, Vice President  
Kimberly McDaniel, Member  
Jodie Schrempp, Member  
Mandi Smith, Member

Keith Fodness, Superintendent

### SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

#### FINANCIAL STATEMENTS AUDIT

##### Material Weakness

##### Internal Control over Payroll and Journal Entry Processes

2020-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the oversight of the payroll and journal entry processes.

*Criteria:* Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

*Auditor's Recommendation:* We recommend that management and those charged with governance train Business Office staff to perform additional duties related to payroll processing and disbursement and the preparation of journal entries to allow the Business Manager to perform oversight duties over those processes. Business Office staff could process payroll within Software Unlimited and initiate the disbursement, and the Business Manager could review payroll reports and compare them to the budgeted payroll amounts. Upon the Business Manager's approval, payroll could be disbursed. Similarly, office staff could prepare and enter journal entries and, upon approval from the Business Manager or Superintendent, could post the entries.

*Current Status:* This finding is partially reported as 2021-001 and 2021-002 in the current year.

#### MAJOR FEDERAL AWARD PROGRAMS AUDIT

No prior year audit findings were reported.



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Jodie Schrempp, Member  
Mandi Smith, Member

Keith Fodness, Superintendent

**CORRECTIVE ACTION PLAN (UNAUDITED)**

Dupree School District No. 64-2 respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Casey Peterson, LTD  
909 St. Joseph St., Ste 101  
Rapid City, SD 57701

The findings from the 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

Material Weakness

Lack of Segregation of Duties

2021-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the oversight of the payroll, journal entries, and cash reimbursement drawdown processes.

*Criteria:* Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management and is required under Uniform Guidance Section 200.303.

*Repeat of Prior Year Finding:* This finding was partially reported in the prior year as 2020-001.

*Auditor's Recommendation:* We recommend management and those charged with governance train Business Office staff to perform additional duties related to payroll processing and disbursement and the preparation of journal entries to allow the Business Manager to perform oversight duties over those processes. Business Office staff could process payroll within Software Unlimited and initiate the disbursement, and the Business Manager could review payroll reports and compare them to the budgeted payroll amounts. Upon the Business Manager's approval, payroll could be disbursed. Similarly, office staff could prepare and enter journal entries and, upon approval from the Business Manager or Superintendent, could post the entries. In addition, we recommend the District implements a process to review drawdown requests prepared by the Business Manager.

*Management's Response:* This is a common condition for schools of similar size and management feels comfortable with this practice. The District will implement suggested controls wherever cost-effective by June 30, 2022.



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Mandi Smith, Member

Keith Fodness, Superintendent

**CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)**

**FINDINGS - FEDERAL AWARDS AUDIT**

Elementary and Secondary School Emergency Relief Fund AL #84.425D

Material Weakness

Lack of Segregation of Duties

2021-002 See finding 2021-001 for the condition, criteria, repeat of prior year finding, auditor's recommendation, and management's response.

If there are questions regarding this plan, please call Connie Alspach, Business Manager, at 605-673-3154.

Sincerely yours,

Connie Alspach, Business Manager  
Dupree School District No. 64-2  
Dupree, South Dakota

**Dupree School District No. 64-2**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Assistance Listing Numbers	Direct Award	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through ID	Amount
<b><i>Child Nutrition Cluster:</i></b>						
<b><u>U.S. Department of Agriculture</u></b>						
Non-Cash Assistance (Commodities):						
10 . 555	N	N	National School Lunch Program (Note 4)	South Dakota Department of Education	NA	\$ 21,690
Cash Assistance:						
10 . 553	N	N	School Breakfast Program (Note 4)	South Dakota Department of Education	NA	36,260
10 . 555	N	N	National School Lunch Program (Note 4)	South Dakota Department of Education	NA	<u>100,370</u>
<b>Total Child Nutrition Cluster</b>						<u>158,320</u>
<b><i>Other Programs:</i></b>						
<b><u>U.S. Department of Agriculture</u></b>						
10 . 582	N	N	Fresh Fruit and Vegetable Program (Note 4)	South Dakota Department of Education	NA	<u>15,573</u>
<b>Total Department of Agriculture</b>						<u>173,893</u>
<b><u>U.S. Department of Treasury</u></b>						
21 . 019	N	N	Coronavirus Relief Fund	South Dakota Department of Education	2021G-223	<u>197,500</u>
<b>Total Department of Treasury</b>						<u>197,500</u>

See independent auditor's report.

<b>U.S. Department of Education</b>						
84 . 041	Y	Y	Impact Aid (Title VII of ESEA) (Note 4)	NA	NA	1,175,077
84 . 060	Y	N	Indian Education - Grants to Local Education Agencies	NA	NA	70,055
84 . 010	N	N	Title I Grants to Local Educational Agencies	South Dakota Department of Education	2021G-CON64002	611,734
84 . 287	N	N	Twenty-First Century Community Learning Centers	South Dakota Department of Education	2021G-21CC64002	128,287
84 . 358	N	N	Rural Education	South Dakota Department of Education	S358B200041	4,655
84 . 367	N	N	Supporting Effective Instruction State Grant	South Dakota Department of Education	S367A200039	58,525
84 . 424A	N	N	Student Support and Academic Enrichment Program	South Dakota Department of Education	S424A200043	53,548
84 . 425D	N	Y	Elementary and Secondary School Emergency Relief	South Dakota Department of Education	2021G-CARE64002	443,940
<b>Total Department of Education</b>						<u>2,545,821</u>
<b>Total Federal Financial Assistance</b>						<u>\$ 2,917,214</u>

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

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

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

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

See independent auditor's report.

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## OTHER INFORMATION

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**Dupree School District No. 64-2**  
**School District Officials**  
**June 30, 2021**

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<b>BOARD MEMBERS</b>
President - Jesse Longbrake
Vice President - Leo Bakeberg
Jesse Brewer
Mandi Smith
Jodie Schremp
<b>SUPERINTENDENT</b>
Keith Fodness
<b>BUSINESS MANAGER</b>
Connie Alspach

See independent auditor's report.