

**RAPID CITY AREA SCHOOL  
DISTRICT NO. 51- 4**

AUDITOR'S REPORT, FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2012



RAPID CITY, SOUTH DAKOTA  
GILLETTE, WYOMING



**Rapid City Area School District No. 51- 4**  
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Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards*

School Board  
Rapid City Area School District No. 51- 4  
Pennington County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Rapid City Area School District No. 51- 4 (the District), Pennington County, South Dakota, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 03, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-2 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the School Board and management of the District and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, Ltd." The signature is written in a cursive, flowing style.

Casey Peterson & Associates, Ltd.

Rapid City, South Dakota  
December 03, 2012



Report on Compliance With Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133

School Board  
Rapid City Area School District No. 51- 4  
Pennington County, South Dakota

Compliance

We have audited Rapid City Area School District No. 51- 4's (the District), Pennington County, South Dakota compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2012-1.

### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

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 deficiencies, significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, others within the District, federal awarding agencies, pass-through entities, and the South Dakota Legislature and is not intended to be and should not be used by anyone other than these specified parties.



Casey Peterson & Associates, Ltd.

Rapid City, South Dakota  
December 03, 2012

**Rapid City Area School District No. 51- 4**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

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

- a. The independent auditor’s report expressed an unqualified opinion on the financial statements of Rapid City Area School District No. 51-4.
- b. The 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 controls over financial reporting.
- c. An instance of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, was noted during the audit and reported as a material weakness.
- d. The auditor’s report on compliance for the major federal award programs for the District expresses and unqualified opinion on all major federal programs.
- e. No noncompliance or material weakness in internal control related to major federal programs was reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
- f. There was one audit finding considered to be a material weakness that is required to be reported in accordance with section 510(a) of OMB Circular A-133 in this schedule.
- g. The federal awards tested as major programs were:

CFDA Numbers	Name of Federal Program
	<u>Student Financial Aid Cluster:</u>
1. 84.063	Federal Pell Grant Program
2. 84.007	Federal Supplemental Education Opportunity Grant
3. 84.033	Federal Work Study Program
4. 84.268	Federal Direct Student Loans
5. 84.010	Title I Grants to Local Educational Agencies
	<u>School Improvement Cluster:</u>
6. 84.377	School Improvement Grants
7. 84.388	School Improvements Grants, Recovery Act
8. 84.367	Improving Teacher Quality State Grants

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$725,008.
- i. Rapid City Area School District No. 51- 4 did not qualify as a low-risk entity.

**Rapid City Area School District No. 51- 4**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

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

**U.S. DEPARTMENT OF ENERGY**

2012-1 *Condition:* The District does not have adequate internal controls to ensure the schedule of expenditures of federal awards includes all federal expenditures.

*Criteria:* The District did not comply with OMB Circular A-133 Section 310(b), which requires the schedule of expenditures of federal awards include all expenditures incurred for the reporting period that were funded with federal grants governed by OMB Circular A-133.

*Effect:* Expenditures of the Energy Efficiency Conservation Block Grant Loan Program, Recovery Act CFDA# 84.128 were not reported on the schedule of expenditures of federal awards resulting in material audit adjustments.

*Cause:* Management was not aware that some federal loan programs are governed by OMB Circular A-133 and require reporting on the schedule of expenditures of federal awards.

*Auditor's Recommendation:* Loan agreements from federal programs should be reviewed for CFDA numbers that would identify the loan as a program that may need to be reported on the schedule of federal expenditures. If question still exists as to if the program should be reported on the schedule of federal expenditures, management may use resources such as the program director at the granting agency or websites such as [www.cfda.gov](http://www.cfda.gov) to identify whether federal loan programs should be reported on the schedule of expenditures of federal awards. OMB Circular A-133 Section .205(b) requires loan and loan guarantees to be reported at the value of new loans made or received during the fiscal year and the balance of the loan reported in subsequent years on the schedule of expenditures of federal awards.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

2012-2 See finding 2012-1 for a description of the condition, criteria, effect, cause and auditor's recommendation.

**Rapid City Area School District No. 51- 4**  
**Corrective Action Plan**  
**June 30, 2012**

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Rapid City Area School District No. 51-4 respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

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

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

**U.S. DEPARTMENT OF ENERGY**

2012-1 *Condition:* The District does not have adequate internal controls to ensure the schedule of expenditures of federal awards includes all federal expenditures.

*Criteria:* The District did not comply with OMB Circular A-133 Section 310(b), which requires the schedule of expenditures of federal awards include all expenditures incurred for the reporting period that were funded with federal grants governed by OMB Circular A-133.

*Auditor's Recommendation:* Loan agreements from federal programs should be reviewed for CFDA numbers that would identify the loan as a program that may need to be reported on the schedule of federal expenditures. If question still exists as to if the program should be reported on the schedule of federal expenditures, management may use resources such as the program director at the granting agency or websites such as [www.cfda.gov](http://www.cfda.gov) to identify whether federal loan programs should be reported on the schedule of expenditures of federal awards. OMB Circular A-133 Section .205(b) requires loan and loan guarantees to be reported at the value of new loans made or received during the fiscal year and the balance of the loan reported in subsequent years on the schedule of expenditures of federal awards.

*Action Taken:* Procedures will be put in place to review loan agreements from federal programs for CFDA numbers to ensure all amounts are included on the schedule of expenditures of federal awards.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

2012-2 See finding 2012-1 for a description of the condition, criteria and auditor's recommendation.

**Rapid City Area School District No. 51- 4**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2012**

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**PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

US DEPARTMENT OF EDUCATION

2011-1 *Condition:* The District does not have adequate internal controls to ensure the schedule of expenditures of federal awards includes all federal expenditures.

*Criteria:* The District did not comply with OMB Circular A-133 Section 310(b), which requires the schedule of expenditures of federal awards include all expenditures incurred for the reporting period.

*Auditor's Recommendation:* Reported expenditures should be reviewed at year-end to ensure all amounts are properly included on the schedule of expenditures of federal awards, and the amounts should be based on program expenditures versus program revenues. Remittance reports from the SD Department of Education (SD DOE) can also be reviewed to ensure all federal awards passed through the SD DOE are properly included on the schedule of expenditures of federal awards.

*Action Taken:* This finding was reported as 2012-1 in the current year.

2011-2 *Condition:* The District does not have adequate internal controls to ensure that student status changes are properly reported to the National Student Loan Data System (NSLDS). Additionally, instances were noted where the certification page of the verification worksheet used internally by the Student Financial Aid Office were not maintained in the student's file. The verification worksheet is used by the District to verify information reported by the student on the Free Application for Federal Student Aid (FAFSA) and includes a certification page where the student will attest to the truthfulness of the information provided on the verification worksheet.

*Criteria:* The District did not comply with the Special Tests and Provisions requirement of the SFA Cluster, which requires the District to submit student status changes to the NSLDS within 30 days of the students' status change. Verification testing should also be performed, which includes the certification of information used in the verification process performed by the District. Otherwise, risk exists that students are receiving federal assistance who are not eligible.

*Auditor's Recommendation:* Reports remitted to NSLDS for student status changes should be compared to the list of students with a change in status by a member of the Student Financial Aid office to ensure completeness. Additionally, student files should be reviewed for completeness prior to disbursing the federal assistance to the student.

*Action Taken:* This finding has been resolved.

2010-1 See Finding 2011-1 for a description of the condition, criteria, auditor's recommendation, and current status.



## Independent Auditor's Report

School Board  
Rapid City Area School District No. 51- 4  
Pennington County, South Dakota

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 Rapid City Area School District No. 51- 4 (the District), Pennington County, South Dakota, as of and for the year ended June 30, 2012, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 03, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for retiree health insurance coverage, on pages 11 through 22, 76 through 96, and 97, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for 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 consists 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.

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 School District Officials is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* 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 related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of School District Officials has 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 it.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, Ltd." The signature is written in a cursive, flowing style.

Casey Peterson & Associates, Ltd.

Rapid City, South Dakota  
December 03, 2012

**Rapid City Area School District No. 51- 4**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2012**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

It is again a privilege to present the financial picture of the Rapid City Area School District No. 51 - 4 (the District). This discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; please review the notes to the financial statements and the financial statements to enhance your understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Net assets from government & business type activities increased \$7,959,104 or 8.8%. During the year, Cash & Cash Equivalents, Cash Designated for Special Purposes and Restricted Cash increased \$2,265,052 or 3.16%. This was due to under-spending of budgeted expenses and issuance of capital outlay certificates for major projects in progress.
- During the year, the District's unrestricted revenues generated from taxes and other sources increased \$1,177,101 or 1.13%. The District's net expenses before general revenues increased \$1,806,345 or 1.9%.
- The increase in District revenue is due primarily to an increase in state aid and reimbursements from the City of Rapid City for joint capital projects. The increased net expenses were due to a decrease in capital and operating grants received.
- The District increased long term debt by retiring \$2,055,000 in capital outlay certificates and issuing \$34,735,000 in certificates to finance the District's building projects. This was an increase of 64.71%.
- Total Governmental Fund Balances decreased \$796,798 or 1.32%. This is primarily due to building projects in progress. The General Fund balance increased \$1,058,493 or 6.76%. Revenues decreased 3.58%, mainly due to decreased taxes, revenue in lieu of taxes and federal restricted grants-in-aid. Expenditures decreased 4.9% due to budget cut backs in all areas. The Capital Outlay fund balance decreased by \$222,134 or .63%. The Special Education fund balance decreased \$635,601 or 19.13%. The Post Secondary fund balance increased \$727,450 or 20.71%. The Pension fund balance decreased by \$19,335 or 1.22%. The Capital Projects fund balance decreased \$1,863,606 or 250.86%. The Debt Service Fund balance increased by \$157,935 or 200%.
- The District's Food Service Fund experienced a \$96,553, or 5.97%, decrease in net assets. Total revenue (both operating and non-operating) was up 5.15%. Revenues from food sales were down, but federal cash reimbursements from free and reduced student meals were up 10.85%. Operating expenses were up 10.12% due to increased food, supply and employee health insurance benefit costs.
- The Internal Service Fund (Health Ins. Trust) experienced a \$1,213,298, or 87.55%, increase in net assets. Total revenue was up 15.46%. Total expenditures were up 4%. The increase in net assets is due to a \$1,500,000 transfer in from the general fund to cover claims.

# Rapid City Area School District No. 51- 4 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2012

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## OVERVIEW OF THE FINANCIAL STATEMENTS

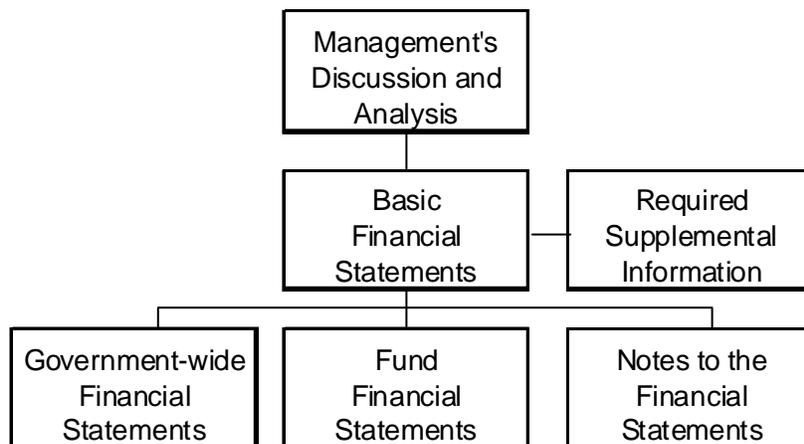
This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements (government-wide and fund financial statements), and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities 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, reporting the District's operations in more detail than the government-wide financial statements.
  - Governmental funds statements tell how general governmental services are 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 funds operated by the District are the Food Service Fund and the Self-Insurance Fund.
  - Fiduciary fund statements provide information about the financial relationships - like student organization club accounts - 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 provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year.

Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1  
Required Components of Rapid City Area School's Financial Report



**Rapid City Area School District No. 51- 4  
Management’s Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the activities reported and the types of information they contain. 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-2**

Major Features of Rapid City 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 instructional, support and cocurricular activities.	Activities of the District operates similar to private businesses, the food services operation.	Assets held by District on behalf of someone else. Student organizations that have funds on deposit with the District are reported here.
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balances *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets *Statement of Changes in Fiduciary Net Assets
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 or long-term liabilities 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.

# **Rapid City Area School District No. 51- 4 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2012**

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## **Government-wide Financial Statements**

The view of the District as a whole looks at all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?" The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. The government-wide financial statements report information about the District as a whole using full accrual accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District'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 financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's overall financial health or position.

- Over time, increases or decreases in the District's net assets are useful indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and changes in the state school aid funding formula from the State of South Dakota need to be considered.

The Statement of Activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities 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, pupil transportation, etc.), debt service payments, special education, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state aid formula, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students and receives federal and state reimbursement to cover the costs of providing lunch services to all students. The Food Service Fund is the only business-type activity of the District.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's individual funds - not the District as a whole. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Funds are accounting devices that the District uses to ensure and demonstrate compliance with finance-related legal requirements.

- State Law requires some of the funds (like the Capital Outlay Fund, Special Education Fund, Post Secondary Fund and the Pension Fund).
- The School Board establishes other funds to control and manage money for particular purposes (like managing medical insurance premiums and claims).

**Rapid City Area School District No. 51- 4**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2012**

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The District has three kinds of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at the year-end that are available for funding future basic services (an accounting method called modified accrual accounting). The governmental funds statements provide a detailed short-term view that helps 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 financial statements, an explanation of additional information is included at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

The District maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, Special Education Fund, Post-Secondary Fund, the Pension Fund, the Capital Project Fund and the Debt Service Fund since these are considered major funds.

- Proprietary Funds -
  - Enterprise Funds - Services for which the District charges customers a fee and for which revenues are expected to cover all expenses are generally reported in proprietary funds-enterprise funds. Enterprise funds, like the government-wide financial statements, provide both short and long-term financial information. The enterprise funds use the same basis of accounting as business-type activities. Therefore, these statements will essentially match the information provided in the statements for the District as a whole. The Food Service Fund (one type of proprietary fund) is the only enterprise fund maintained by the District.
  - Internal Service Funds - A fund provided to account for monies received from other funds as payment for providing medical, hospitalization, and dental employee health benefits. The self-insurance fund makes payments for services provided to employees to a third party administrator for claim payments, administration, stop-loss coverage or other reinsurance. The amounts charged are intended to recoup the total costs of such services. Unemployment insurance is also included in this fund with payments made quarterly to the State Unemployment office.
- Fiduciary Funds - The District is the trustee, or fiduciary, for external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes and only by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Rapid City Area School District No. 51- 4  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

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

**Net Assets**

The District's combined net assets increased as follows:

Table A-1  
Rapid City Area School District No. 51- 4  
Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011 - 2012
Current and Other Assets	\$ 108,463,390	\$ 113,455,314	\$ 1,533,716	\$ 1,601,761	\$ 109,997,106	\$ 115,057,075	4.60%
Capital Assets (Net of Depreciation)	91,082,092	141,059,029	480,094	431,779	91,562,186	141,490,808	54.53%
<b>Total Assets</b>	<b>199,545,482</b>	<b>254,514,343</b>	<b>2,013,810</b>	<b>2,033,540</b>	<b>201,559,292</b>	<b>256,547,883</b>	<b>27.28%</b>
Long-Term Liabilities Outstanding	65,612,752	108,619,962	215,310	226,099	65,828,062	108,846,061	65.35%
Other Liabilities	45,171,016	49,140,419	112,827	154,912	45,283,843	49,295,331	8.86%
<b>Total Liabilities</b>	<b>110,783,768</b>	<b>157,760,381</b>	<b>328,137</b>	<b>381,011</b>	<b>111,111,905</b>	<b>158,141,392</b>	<b>42.33%</b>
<b>Net Assets</b>							
Invested in Capital Assets,							
Net of Related Debt	57,304,784	72,075,697	480,094	431,779	57,784,878	72,507,476	25.48%
Restricted	23,130,247	16,118,101	-	-	23,130,247	16,118,101	-30.32%
Unrestricted	8,326,683	8,560,164	1,205,579	1,220,750	9,532,262	9,780,914	2.61%
<b>Total Net Assets</b>	<b>\$ 88,761,714</b>	<b>\$ 96,753,962</b>	<b>\$ 1,685,673</b>	<b>\$ 1,652,529</b>	<b>\$ 90,447,387</b>	<b>\$ 98,406,491</b>	<b>8.80%</b>

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The most significant changes are an increase in Capital Assets of \$49,928,621 or 54.53% and a corresponding increase in Long-Term Liabilities Outstanding of \$43,017,999 or 65.35%. This is described in the bullets on page 13, and reflects the increase in Capital Assets due to major capital building projects, funded by the issuance of capital outlay certificates. Overall Total Net Assets are up by \$7,959,104 or 8.8%.

The Statement of Net Assets 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, early retirement benefits payable, capital outlay certificates payable, an OPEB liability, amounts payable to other governments, and training financing have been reported in this manner on the Statement of Net Assets. The difference between the District's assets and liabilities is its net assets.

**Changes in Net Assets**

The District's revenues totaled \$138,962,732. (See Table A-2). Approximately one-half of the District's revenue comes from property and other taxes, with 23% coming from state aid. (See Figure A-3).

**Rapid City Area School District No. 51- 4  
Management’s Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

The District’s expenditures totaled \$127,561,159. The District’s expenses cover a range of services, encompassing instruction, support service, transportation and food services. Over one-half of the total expenses were spent on instruction with more than one-third for support services. (See Figure A-4).

For the year ended June 30, 2012 total revenues surpassed expenses by \$7,959,104.

**SOURCES OF REVENUES FOR FISCAL YEAR 2012**

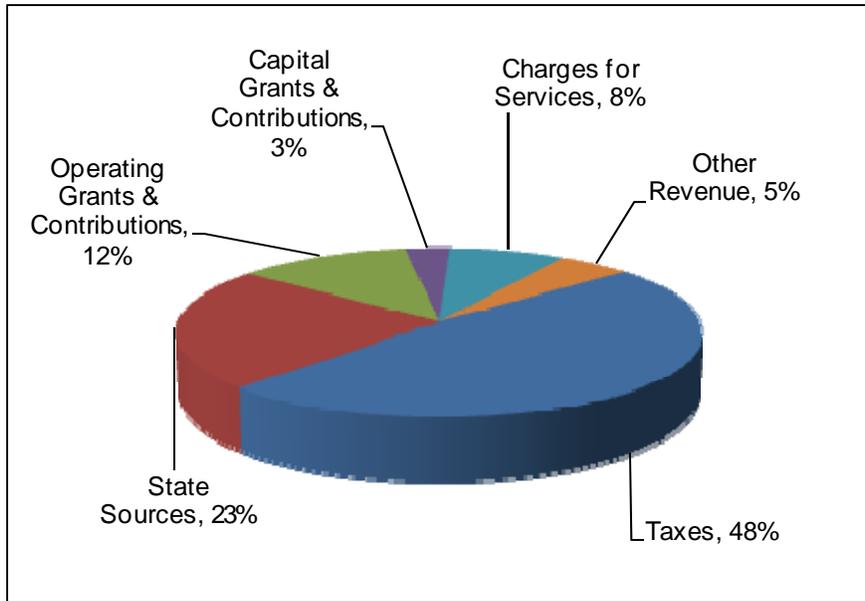


Figure A-3

**FUNCTIONAL EXPENSES FOR FISCAL YEAR 2012**

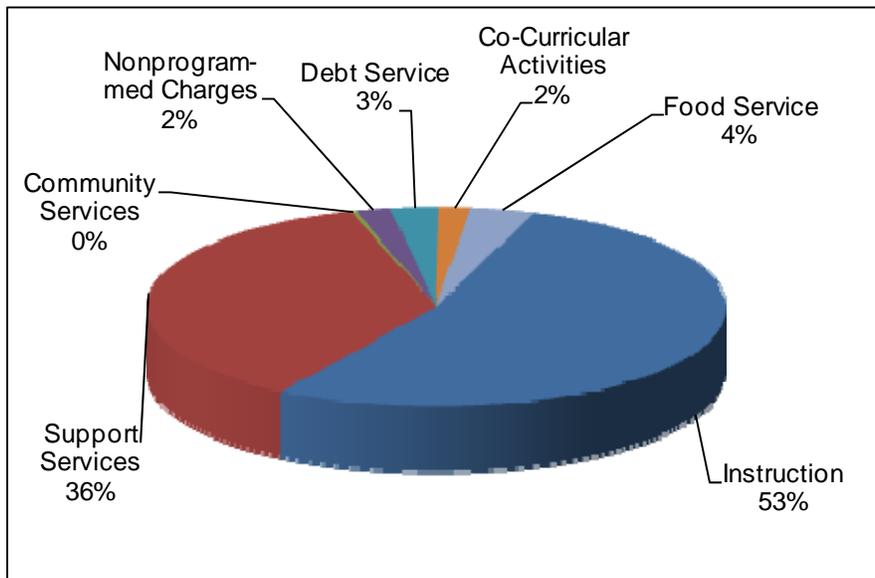


Figure A-4

**Rapid City Area School District No. 51- 4  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

**Governmental Activities**

Table A-2 and the narrative that follows, shows the changes in net assets for fiscal year 2012.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011 - 2012
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$ 9,132,592	\$ 8,412,492	\$ 2,009,843	\$ 1,996,129	\$ 11,142,435	\$ 10,408,621	-6.59%
Operating Grants and Contributions	20,728,232	13,484,590	2,375,472	2,599,739	23,103,704	16,084,329	-30.38%
Capital Grants and Contributions	883,508	4,017,127	-	-	883,508	4,017,127	0.00%
<b>General Revenues</b>							
Taxes	65,617,577	65,109,284	-	-	65,617,577	65,109,284	-0.77%
Revenue State Sources	33,182,621	30,962,405	-	-	33,182,621	30,962,405	-6.69%
Revenue Federal Sources	84,889	413,466	-	-	84,889	413,466	387.07%
Revenue Intermediate Sources	2,604,463	2,240,271	-	-	2,604,463	2,240,271	-13.98%
Revenue Local Sources	1,480,693	4,721,689	674	450	1,481,367	4,722,139	218.77%
Gain (Loss) on Disposal of Assets	62,894	533,759	(11,428)	3,798	51,466	537,557	0.00%
Unrestricted Earnings	808,855	1,023,279	1,847	1,785	810,702	1,025,064	26.44%
<b>Total Revenues</b>	<b>134,586,324</b>	<b>130,918,362</b>	<b>4,376,408</b>	<b>4,601,901</b>	<b>138,962,732</b>	<b>135,520,263</b>	<b>-2.48%</b>
<b>Expenses</b>							
Instruction	71,228,441	68,115,739	-	-	71,228,441	68,115,739	-4.37%
Support Services	46,233,379	46,095,466	-	-	46,233,379	46,095,466	-0.30%
Community Services	703,697	393,405	-	-	703,697	393,405	-44.09%
Nonprogrammed Charges	2,372,428	2,482,841	-	-	2,372,428	2,482,841	4.65%
Debt Service	2,591,913	3,454,810	-	-	2,591,913	3,454,810	33.29%
Co Curricular Activities	2,913,777	2,201,649	-	-	2,913,777	2,201,649	-24.44%
Food Service	-	-	4,330,749	4,666,753	4,330,749	4,666,753	7.76%
Depreciation (Unallocated)	-	150,496	-	-	-	150,496	0.00%
<b>Total Expenses</b>	<b>126,043,635</b>	<b>122,894,406</b>	<b>4,330,749</b>	<b>4,666,753</b>	<b>130,374,384</b>	<b>127,561,159</b>	<b>-2.16%</b>
<b>Excess (Deficiency) Before Special</b>							
Items and Transfers	8,542,689	8,023,956	45,659	(64,852)	8,588,348	7,959,104	-7.33%
Transfers	29,425	(31,708)	(29,425)	31,708	-	-	0.00%
<b>Increase in Net Assets</b>	<b>\$ 8,572,114</b>	<b>\$ 7,992,248</b>	<b>\$ 16,234</b>	<b>\$ (33,144)</b>	<b>\$ 8,588,348</b>	<b>\$ 7,959,104</b>	<b>-7.33%</b>

**Rapid City Area School District No. 51- 4  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

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The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$59,483,631, a decrease of \$796,798 compared to the prior year. \$11,073,136 of the ending fund balance is unassigned, which is available for spending at the District's discretion. The remainder of the fund balances are non-spendable (invested in inventory and prepaid expenses) \$2,897,691, assigned for next year's budget or special purposes \$4,022,734 or restricted to the specific purpose of the fund \$41,490,070.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,073,136, while total fund balance was \$16,711,208. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14.56% of total general fund expenditures, while total fund balance represents 21.97% of that same amount.

**Business-type Activities**

Revenues of the District's business-type activities increased by 5.15% to \$4,601,901, and expenses increased by 7.76% to \$4,666,753.

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

The financial analysis of the District's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The District maintains only one business-type fund - the Food Service Fund.

**General Fund Budgetary Highlights**

**Original vs. Final Budget**

The Board of Education approved the original budget for the fiscal year on July 7, 2011. As a matter of practice, over the course of the year, it was revised eleven times. These amendments fall into two categories:

Supplemental appropriations approved for unanticipated, yet necessary expenses to provide for items necessary for the education programs.

Increases and decreases in federal funds to reflect changes made in grant programs.

There were no significant budget variances during the 11-12 fiscal year.

**CAPITAL ASSET ADMINISTRATION**

By the end of fiscal year 2012, the District's governmental activities had invested \$141,059,029 in a broad range of capital assets, including land, building, improvements other than buildings, and various machinery and equipment (See Table A-3). This amount represents a net increase (including additions and deletions) of \$49,976,936 or 54.87%. This is primarily the result of several large building projects: Central High School expansion and remodeling, construction of East Middle School, Western Dakota Tech expansion project, Corral Drive expansion and remodeling, Energy Plant retrofit and Dakota Middle School remodeling.

**Rapid City Area School District No. 51- 4  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

Table A-3  
Rapid City Area School District No. 51- 4  
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2011	2012	2011	2012	2011 - 2012	2011 - 2012
Land	\$ 2,479,293	\$ 2,469,293	\$ -	\$ -	\$ (10,000)	-0.40%
Buildings	51,928,897	72,402,948	-	-	20,474,051	39.43%
Improvements	1,792,551	1,626,075	-	-	(166,476)	-9.29%
Equipment	6,763,283	7,391,391	480,094	431,779	579,793	8.00%
Construction in Progress	28,118,069	57,169,322	-	-	29,051,253	103.32%
<b>Total Capital Assets (Net)</b>	<b>\$ 91,082,093</b>	<b>\$ 141,059,029</b>	<b>\$ 480,094</b>	<b>\$ 431,779</b>	<b>\$ 49,928,621</b>	<b>54.53%</b>

**LONG TERM DEBT**

At year-end the District had \$83,180,000 in Capital Outlay Certificates and other long-term obligations of \$25,666,061. This is an increase of 65.35% as shown in Table A-4 below.

Table A-4  
Rapid City Area School District No. 51- 4  
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2011	2012	2011	2012	2011 - 2012	2011 - 2012
Compensated Absences	\$ 9,263,944	\$ 9,298,617	\$ 172,603	\$ 170,780	\$ 32,850	0.35%
Accrued Leave Payable	279,145	257,809	6,429	4,837	(22,928)	-8.03%
Early Retirement	2,416,545	2,938,202	-	-	521,657	21.59%
OPEB Liability	1,406,557	1,847,694	36,278	50,482	455,341	31.56%
Due to Other Government	1,534,636	10,573,384	-	-	9,038,748	588.98%
Training Financing	211,925	158,943	-	-	(52,982)	-25.00%
Energy Upgrade Loan	-	365,313	-	-	365,313	100.00%
Capital Outlay Certificates	50,500,000	83,180,000	-	-	32,680,000	64.71%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 65,612,752</b>	<b>\$ 108,619,962</b>	<b>\$ 215,310</b>	<b>\$ 226,099</b>	<b>\$ 43,017,999</b>	<b>65.35%</b>

The District retired \$2,055,000 of capital outlay certificates relating to capital projects and issued \$34,735,000 in new certificates.

Compensated absences payable (sick leave earned but not taken), earned by eligible employees, increased due to an increase in the calculated daily rate.

The District is liable for the accrued leave payable to various groups with 12-month employees: Secretarial, Custodial Maintenance Union and Western Dakota Technical. The decrease is due to a decrease in the calculated pay rate.

## Rapid City Area School District No. 51- 4 Management’s Discussion and Analysis (Unaudited) For the Year Ended June 30, 2012

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The District also maintains an early retirement plan, which allows certified staff meeting certain qualifications, to retire early and receive a percentage of their last year’s salary spread over three to five years. This plan allows the school to reduce the overall program cost by hiring lower paid staff to replace the higher paid staff. The increase this year is due to an increase in the number of employees retiring.

The Due to Other Government represents the liability to the State of South Dakota for the expansion of Western Dakota Tech. Upon completion of the expansion, the building asset will be titled to the State of South Dakota in satisfaction of this liability.

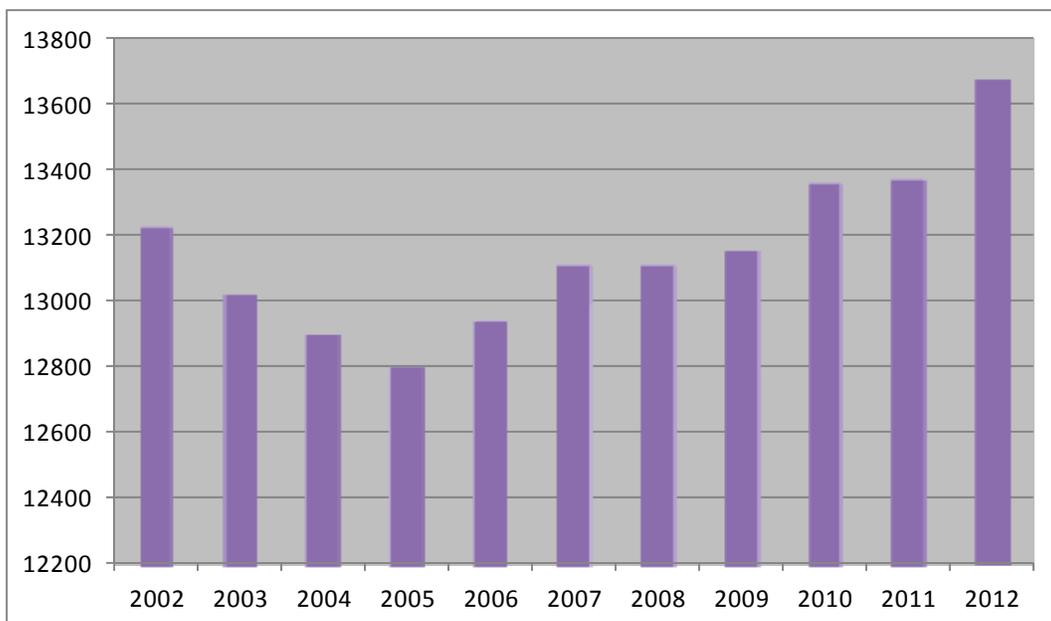
Training financing represents the financing of software for Western Dakota Tech over a five year period.

Energy upgrade loan represents the financing of lighting upgrades for Western Dakota Tech at no-interest over a ten year period.

### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The District’s current economic position has improved due to budget reductions in the past two years and increased enrollment. However, overall revenues are expected to be flat.

One of the primary sources of revenue to the District is a per student allocation received from the State of South Dakota. The state aid formula for the year ended June 30, 2012 ensures that property taxes plus state aid will equal \$4,389.95 per student. There were also two one-time allocations of \$97.64 and \$69.42 per student in the year ended June 30, 2012. The per student allocation for the year ended June 30, 2013 has been increased to \$4,490.92 plus a one-time allocation of \$30.73 (estimated). The District experienced an increase of 302 students’ average daily membership (ADM) during the year ended June 30, 2012 and an increase of 246 ADM to 2012-2013. The District’s enrollment for the last eleven years has been as follows:



**Rapid City Area School District No. 51- 4  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2012**

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Student enrollment for 2012 showed a 2.26% increase. This exceeded District forecasts, which indicated a plateau in enrollment in the Rapid City Schools. The District keeps current with existing technology within available resources and mandates. Management by the District will continue to be challenged with balancing staffing needs, enrollment, and prudently providing the resources to meet the students' needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 financial information, contact Mary R. Duncan, CPA, Accounting Manager, Rapid City Area School District, 300 Sixth Street, Rapid City, SD 57701.

## BASIC FINANCIAL STATEMENTS

**Rapid City Area School District No. 51- 4**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 49,293,192	\$ 1,009,598	\$ 50,302,790
Cash Designated for Special Purposes	227,992	-	227,992
Taxes Receivable	31,107,643	-	31,107,643
Inventories	763,032	346,785	1,109,817
Other Assets	7,918,547	114,150	8,032,697
Internal Balances	(131,228)	131,228	-
Debt Issuance Costs	859,438	-	859,438
	<u>90,038,616</u>	<u>1,601,761</u>	<u>91,640,377</u>
Capital Assets:			
Land	2,469,293	-	2,469,293
Buildings	112,198,096	-	112,198,096
Improvements	5,366,150	-	5,366,150
Equipment	20,896,328	1,797,532	22,693,860
Construction in Progress	57,169,322	-	57,169,322
Less Accumulated Depreciation	<u>(57,040,160)</u>	<u>(1,365,753)</u>	<u>(58,405,913)</u>
Total Capital Assets, Net of Depreciation	<u>141,059,029</u>	<u>431,779</u>	<u>141,490,808</u>
Restricted Assets:			
Investments Restricted for Capital Projects	23,179,814	-	23,179,814
Cash Restricted for Debt Service	<u>236,884</u>	<u>-</u>	<u>236,884</u>
<b>TOTAL ASSETS</b>	<u>254,514,343</u>	<u>2,033,540</u>	<u>256,547,883</u>
<b>LIABILITIES</b>			
Accounts Payable	16,616,133	52,285	16,668,418
Deferred Revenue	31,528,202	83,770	31,611,972
Other Current Liabilities	-	18,857	18,857
Unamortized Premiums	996,084	-	996,084
Long-term Liabilities:			
Due Within One Year	6,998,755	15,376	7,014,131
Due in More than One Year	<u>101,621,207</u>	<u>210,723</u>	<u>101,831,930</u>
<b>TOTAL LIABILITIES</b>	<u>157,760,381</u>	<u>381,011</u>	<u>158,141,392</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	72,075,697	431,779	72,507,476
Restricted			
Capital Outlay	9,951,741	-	9,951,741
Special Education	2,452,626	-	2,452,626
Post Secondary Education	3,476,850	-	3,476,850
Debt Service	236,884	-	236,884
Unrestricted	<u>8,560,164</u>	<u>1,220,750</u>	<u>9,780,914</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 96,753,962</u>	<u>\$ 1,652,529</u>	<u>\$ 98,406,491</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Charges for Services
<b>GOVERNMENTAL ACTIVITIES</b>		
Instruction	\$ 68,115,739	\$ 6,293,619
Support Services	46,095,466	1,836,003
Community Services	393,405	695
Cocurricular Activities	2,482,841	282,175
Nonprogrammed Charges	3,454,810	-
Interest on Long-term Debt *	2,201,649	-
Depreciation Unallocated **	150,496	-
Total Governmental Activities	<u>122,894,406</u>	<u>8,412,492</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Food Service	<u>4,666,753</u>	<u>1,996,129</u>
Total Primary Government	<u>\$ 127,561,159</u>	<u>\$ 10,408,621</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.

\*\* This amount excludes the depreciation that is included in the direct expense of the various functions. See Note 5.

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 9,221,333	\$ -	\$ (52,600,787)	\$ -	\$ (52,600,787)
3,965,782	4,017,127	(36,276,554)	-	(36,276,554)
297,475	-	(95,235)	-	(95,235)
-	-	(2,200,666)	-	(2,200,666)
-	-	(3,454,810)	-	(3,454,810)
-	-	(2,201,649)	-	(2,201,649)
-	-	(150,496)	-	(150,496)
<u>13,484,590</u>	<u>4,017,127</u>	<u>(96,980,197)</u>	<u>-</u>	<u>(96,980,197)</u>
<u>2,599,739</u>	<u>-</u>	<u>-</u>	<u>(70,885)</u>	<u>(70,885)</u>
<u>\$ 16,084,329</u>	<u>\$ 4,017,127</u>	<u>(96,980,197)</u>	<u>(70,885)</u>	<u>(97,051,082)</u>
<b>GENERAL REVENUES</b>				
Taxes:				
Property Taxes		63,753,537	-	63,753,537
Gross Receipts Taxes		1,355,747	-	1,355,747
Revenue From State Sources:				
State Aid		27,706,117	-	27,706,117
Other		3,256,288	-	3,256,288
Revenue From Federal Sources		413,466	-	413,466
Revenue From Intermediate Sources		2,240,271	-	2,240,271
Unrestricted Investment Earnings		1,023,279	1,785	1,025,064
Gain (Loss) on Sale of Capital Assets		533,759	3,798	537,557
Other General Revenues		4,721,689	450	4,722,139
Transfers		(31,708)	31,708	-
Total General Revenues and Transfers		<u>104,972,445</u>	<u>37,741</u>	<u>105,010,186</u>
<b>CHANGE IN NET ASSETS</b>		7,992,248	(33,144)	7,959,104
<b>NET ASSETS - BEGINNING</b>		<u>88,761,714</u>	<u>1,685,673</u>	<u>90,447,387</u>
<b>NET ASSETS - ENDING</b>		<u>\$ 96,753,962</u>	<u>\$ 1,652,529</u>	<u>\$ 98,406,491</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Balance Sheet - Governmental Funds**  
**June 30, 2012**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,484,236	\$ 21,253,259	\$ 2,444,788
Cash Designated for Special Purposes	227,992	-	-
Taxes Receivable, Current	17,215,082	8,457,053	4,098,472
Taxes Receivable, Delinquent	302,965	118,104	57,848
Accounts Receivable, Net	22,825	576,177	-
Due From Other Governments	1,380,545	876,557	377,201
Inventory of Supplies	519,201	-	51
Inventory of Stores Purchased for Resale	-	-	-
Prepaid Expenses	1,125,858	742,523	103,660
Restricted Assets:			
Investments Restricted for Capital Projects	-	23,179,814	-
Cash Restricted for Debt Service	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 36,278,704</u></b>	<b><u>\$ 55,203,487</u></b>	<b><u>\$ 7,082,020</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 822,490	\$ 10,786,205	\$ 62,612
Contracts Payable	124,882	-	4,644
Payroll Deductions and Employer Matching Payable	311,472	-	37,741
Deferred Revenue	<u>18,308,652</u>	<u>9,254,776</u>	<u>4,290,116</u>
<b>Total Liabilities</b>	<b><u>19,567,496</u></b>	<b><u>20,040,981</u></b>	<b><u>4,395,113</u></b>
Fund Balances:			
Nonspendable			
Inventory	489,480	-	51
Prepaid Expenses	1,125,858	742,523	103,660
Restricted			
For Capital Outlay	-	11,240,169	-
For Special Education	-	-	2,583,196
For Post Secondary Education	-	-	-
For Pension	-	-	-
For Debt Service	-	-	-
For Capital Projects	-	23,179,814	-
Assigned			
For Next Year's Budget	3,794,742	-	-
For Special Purposes	227,992	-	-
Unassigned	<u>11,073,136</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balances</b>	<b><u>16,711,208</u></b>	<b><u>35,162,506</u></b>	<b><u>2,686,907</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 36,278,704</u></b>	<b><u>\$ 55,203,487</u></b>	<b><u>\$ 7,082,020</u></b>

The accompanying notes are an integral part of this statement.

Post Secondary Fund	Pension Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
\$ 4,110,096	\$ 1,591,298	\$ 115,420	\$ -	\$ 44,999,097
-	-	-	-	227,992
-	850,911	-	-	30,621,518
-	7,208	-	-	486,125
49,974	-	-	-	648,976
168,440	3,916	2,068,541	-	4,875,200
65	-	-	-	519,317
243,715	-	-	-	243,715
194,507	-	-	-	2,166,548
-	-	-	-	23,179,814
-	-	-	236,884	236,884
<u>\$ 4,766,797</u>	<u>\$ 2,453,333</u>	<u>\$ 2,183,961</u>	<u>\$ 236,884</u>	<u>\$ 108,205,186</u>
\$ 380,979	\$ 100	\$ 2,099,152	\$ -	\$ 14,151,538
7,263	-	-	-	136,789
55,860	-	-	-	405,073
<u>82,392</u>	<u>886,684</u>	<u>1,205,535</u>	<u>-</u>	<u>34,028,155</u>
<u>526,494</u>	<u>886,784</u>	<u>3,304,687</u>	<u>-</u>	<u>48,721,555</u>
241,612	-	-	-	731,143
194,507	-	-	-	2,166,548
-	-	-	-	11,240,169
-	-	-	-	2,583,196
3,804,184	-	-	-	3,804,184
-	1,566,549	-	-	1,566,549
-	-	-	236,884	236,884
-	-	(1,120,726)	-	22,059,088
-	-	-	-	3,794,742
-	-	-	-	227,992
-	-	-	-	11,073,136
<u>4,240,303</u>	<u>1,566,549</u>	<u>(1,120,726)</u>	<u>236,884</u>	<u>59,483,631</u>
<u>\$ 4,766,797</u>	<u>\$ 2,453,333</u>	<u>\$ 2,183,961</u>	<u>\$ 236,884</u>	<u>\$ 108,205,186</u>

The accompanying notes are an integral part of this statement.

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**Rapid City Area School District No. 51- 4**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Assets**  
**June 30, 2012**

Total Fund Balances - Governmental Funds	\$	59,483,631
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		141,059,029
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:		
General Obligation Debt		(83,180,000)
Training Financing		(158,943)
Due to Other Government		(10,573,384)
Compensated Absences		(9,298,617)
Energy Upgrade Loan		(365,313)
Early Retirement Benefits		(2,938,202)
Accrued Leave Payable		(257,809)
Other Post Employment Benefits (OPEB)		(1,847,694)
Assets, including property taxes receivable, grants receivable, and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.		2,499,953
Debt issuance costs and unamortized premiums are immediately recognized as expenditures and other financing sources, respectively, in the governmental funds.		
Debt Issuance Costs		859,438
Unamortized Premiums		(996,084)
The internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		<u>2,467,957</u>
Net Assets - Governmental Activities	\$	<u>96,753,962</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2012**

	General Fund	Capital Outlay Fund	Special Education Fund
<b>REVENUES</b>			
Revenue From Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 17,694,865	\$ 8,737,624	\$ 4,258,205
Prior Years' Ad Valorem	18,161,100	8,773,209	4,317,460
Gross Receipts Taxes	1,343,060	7,975	3,915
Penalties and Interest on Taxes	96,489	40,727	20,014
Tuition and Fees			
Local Sources	267,558	-	39,356
Federal Sources	-	-	-
Support Services	1,108,400	-	173,243
Post Secondary	-	-	-
Cocurricular Activities	282,175	-	-
Earnings on Deposits	20,649	988,170	4,303
Restricted Operating Contributions	364,368	-	89
Other Local Revenue	738,215	4,017,127	-
Total Revenue From Local Sources	<u>40,076,879</u>	<u>22,564,832</u>	<u>8,816,585</u>
Revenue From Intermediate Sources:			
County Sources	964,190	-	-
Revenue in Lieu of Taxes	833,552	278,323	136,374
Revenue for Joint Facilities	252,287	-	-
Other Intermediate Revenue	-	-	-
Total Revenue From Intermediate Sources	<u>2,050,029</u>	<u>278,323</u>	<u>136,374</u>
Revenue From State Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	27,155,337	-	-
Restricted Grants-in-Aid	1,750	-	4,097,250
Other State Revenue	567,033	-	-
Total Revenue From State Sources	<u>27,724,120</u>	<u>-</u>	<u>4,097,250</u>
Revenue From Federal Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	50,298	-	-
Restricted Grants-in-Aid	9,217,120	-	3,091,045
Other Federal Revenue	-	-	-
Total Revenue From Federal Sources	<u>9,267,418</u>	<u>-</u>	<u>3,091,045</u>
<b>TOTAL REVENUES</b>	<u>79,118,446</u>	<u>22,843,155</u>	<u>16,141,254</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary Fund</u>	<u>Pension Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 873,762	\$ -	\$ -	\$ 31,564,456
-	877,314	-	-	32,129,083
-	797	-	-	1,355,747
-	4,112	-	-	161,342
2,872,854	-	-	-	3,179,768
2,838,325	-	-	-	2,838,325
41,877	-	-	-	1,323,520
64,437	-	-	-	64,437
692,320	-	-	-	974,495
6,992	2,033	1,092	40	1,023,279
-	-	-	-	364,457
<u>227,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,982,881</u>
<u>6,744,344</u>	<u>1,758,018</u>	<u>1,092</u>	<u>40</u>	<u>79,961,790</u>
-	-	-	-	964,190
-	27,832	-	-	1,276,081
-	-	-	-	252,287
<u>-</u>	<u>-</u>	<u>7,234,555</u>	<u>-</u>	<u>7,234,555</u>
<u>-</u>	<u>27,832</u>	<u>7,234,555</u>	<u>-</u>	<u>9,727,113</u>
-	-	-	-	27,155,337
3,535,163	-	-	-	7,634,163
45,000	-	-	-	612,033
<u>3,580,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,401,533</u>
-	-	-	-	50,298
474,602	-	-	-	12,782,767
4,180	-	-	-	4,180
<u>478,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,837,245</u>
<u>10,803,289</u>	<u>1,785,850</u>	<u>7,235,647</u>	<u>40</u>	<u>137,927,681</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended June 30, 2012**

	General Fund	Capital Outlay Fund	Special Education Fund
<b>EXPENDITURES</b>			
Instructional Services:			
Regular Programs	43,100,582	1,500,811	-
Special Programs	4,988,522	25,289	11,322,135
Post-Secondary Occupational Programs	-	-	-
Total Instructional Services	<u>48,089,104</u>	<u>1,526,100</u>	<u>11,322,135</u>
Support Services:			
Pupils	2,313,170	35,469	3,851,735
Instructional Staff	5,419,272	1,919,390	-
General Administration	1,575,245	-	-
School Administration	5,713,712	1,952	-
Business	9,145,362	6,393,120	-
Central	694,675	-	-
Special Education	-	-	1,602,985
Other Support Services	327,779	-	-
Total Support Services	<u>25,189,215</u>	<u>8,349,931</u>	<u>5,454,720</u>
Community Services:			
Direction	9,251	-	-
Custody and Care of Children	232,733	-	-
Nonpublic School	122,970	29,699	-
Total Community Services	<u>364,954</u>	<u>29,699</u>	<u>-</u>
Cocurricular Activities:			
Male Activities	855,018	28,455	-
Female Activities	774,440	15,155	-
Combined Activities	737,958	-	-
Total Cocurricular Activities	<u>2,367,416</u>	<u>43,610</u>	<u>-</u>
Other Nonprogrammed Costs	-	-	-
Debt Services	-	4,035,528	-
Capital Outlay	61,416	44,266,026	-
<b>TOTAL EXPENDITURES</b>	<u>76,072,105</u>	<u>58,250,894</u>	<u>16,776,855</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary Fund</u>	<u>Pension Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
-	-	-	-	44,601,393
-	-	-	-	16,335,946
<u>4,127,701</u>	-	-	-	<u>4,127,701</u>
<u>4,127,701</u>	-	-	-	<u>65,065,040</u>
500,684	-	-	-	6,701,058
371,655	-	-	-	7,710,317
215,137	-	-	-	1,790,382
932,856	-	-	-	6,648,520
2,363,433	-	-	-	17,901,915
744,005	-	-	-	1,438,680
-	-	-	-	1,602,985
<u>68,193</u>	-	-	-	<u>395,972</u>
<u>5,195,963</u>	-	-	-	<u>44,189,829</u>
-	-	-	-	9,251
-	-	-	-	232,733
-	-	-	-	152,669
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,653</u>
-	-	-	-	883,473
-	-	-	-	789,595
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737,958</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,411,026</u>
<u>219,492</u>	<u>2,305,185</u>	<u>-</u>	<u>-</u>	<u>2,524,677</u>
<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,085,528</u>
<u>418,593</u>	<u>-</u>	<u>9,454,062</u>	<u>-</u>	<u>54,200,097</u>
<u>10,011,749</u>	<u>2,305,185</u>	<u>9,454,062</u>	<u>-</u>	<u>172,870,850</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended June 30, 2012**

	General Fund	Capital Outlay Fund	Special Education Fund
<b>EXCESS OF REVENUE OVER (UNDER)</b>			
<b>EXPENDITURES</b>	3,046,341	(35,407,739)	(635,601)
<b>OTHER FINANCING SOURCES</b>			
Net Transfers In (Out)	(2,000,000)	(80,395)	-
Debt Proceeds	-	34,735,000	-
Premium on Capital Outlay Certificates Issued	-	-	-
Sale of Surplus Property	12,152	531,000	-
<b>NET CHANGE IN FUND BALANCES</b>	1,058,493	(222,134)	(635,601)
<b>FUND BALANCE - BEGINNING</b>	15,652,715	35,384,640	3,322,508
<b>FUND BALANCE - ENDING</b>	<u>\$ 16,711,208</u>	<u>\$ 35,162,506</u>	<u>\$ 2,686,907</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary Fund</u>	<u>Pension Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
791,540	(519,335)	(2,218,415)	40	(34,943,169)
(77,500)	500,000	-	157,895	(1,500,000)
-	-	354,809	-	35,089,809
-	-	-	-	-
<u>13,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,562</u>
727,450	(19,335)	(1,863,606)	157,935	(796,798)
<u>3,512,853</u>	<u>1,585,884</u>	<u>742,880</u>	<u>78,949</u>	<u>60,280,429</u>
<u>\$ 4,240,303</u>	<u>\$ 1,566,549</u>	<u>\$ (1,120,726)</u>	<u>\$ 236,884</u>	<u>\$ 59,483,631</u>

The accompanying notes are an integral part of this statement.

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**Rapid City Area School District No. 51- 4**  
**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, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$	(796,798)
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
		49,577,992
Governmental funds only report proceeds from the sale of capital assets. However, the Statement of Activities report gains and losses on capital assets. This is the amount in which retired capital assets book value exceeded accumulated depreciation.		
		(22,803)
Governmental funds do not report contributions from non-cash items such as capital assets. However, the Statement of Activities reports these contributions of this nature as revenue.		
		5,783
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available".		
		891,203
Governmental funds do not reflect the change in accrued leave, compensated absences, early retirement, other post-employment benefits, long-term liabilities due to other governments, energy upgrade loan, and software financing, but the Statement of Activities reflects the change in these accruals through expenses.		
		(10,327,210)
Repayment of general obligation debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		2,055,000
Proceeds from general obligation debt is recorded as other financing sources in the governmental funds, but proceeds from general obligation debt increases long-term liabilities in the Statement of Activities.		
		(34,319,687.00)
Debt issuance costs, unamortized premiums and the deferred amount on refunding associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which the amortization of debt issue costs, unamortized premiums, and the deferred amount on refunding exceeded deferrals for the current period.		
		(221,121)
The internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue of the internal service funds are reported with governmental activities.		
		<u>1,149,889</u>
Change in Net Assets of Governmental Activities	\$	<u><u>7,992,248</u></u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2012**

	Enterprise Fund	
	Food Service Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,009,598	\$ 4,294,095
Accounts Receivable, Net	-	161,289
Due From Other Governments	43,815	-
Inventory of Supplies	54,038	-
Inventory of Stores Purchased for Resale	160,283	-
Inventory of Donated Food	132,464	-
Prepaid Expenses	70,335	66,534
Total Current Assets	1,470,533	4,521,918
Noncurrent Assets:		
Machinery and Equipment - Local Funds	1,736,362	-
Machinery and Equipment - Federal Assistance	61,170	-
Less Accumulated Depreciation	(1,365,753)	-
Total Noncurrent Assets	431,779	-
<b>TOTAL ASSETS</b>	<b>1,902,312</b>	<b>4,521,918</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	52,285	394,733
Incurred But Not Reported Claims	-	1,528,000
Deferred Revenue	83,770	-
Payroll Deductions and Employer Matching Payable	18,857	-
Current Portion of Noncurrent Liabilities	-	-
Total Current Liabilities	154,912	1,922,733
Noncurrent Liabilities:		
Accrued Leave Payable, Net of Current Portion	4,837	-
Compensated Absences, Net of Current Portion	170,780	-
OPEB Liability	50,482	-
Total Noncurrent Liabilities	226,099	-
<b>TOTAL LIABILITIES</b>	<b>381,011</b>	<b>1,922,733</b>

The accompanying notes are an integral part of this statement.

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>	<u>Internal</u> <u>Service Funds</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	431,779	-
Unrestricted	<u>1,089,522</u>	<u>2,599,185</u>
Total Net Assets	1,521,301	<u>\$ 2,599,185</u>
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Net Assets are different because of the Food Service Fund's participation in the activities conducted in the internal service fund.	<u>131,228</u>	
Net Assets of Business-type Activities	<u>\$ 1,652,529</u>	

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Assets - Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Food Service</u>	<u>Service Funds</u>
	<u>Fund</u>	<u>Service Funds</u>
<b>OPERATING REVENUE</b>		
Sales to Pupils	\$ 1,210,011	\$ -
Sales to Adults	52,614	-
Sales A la Carte	730,537	-
Other	2,967	-
Self-Insurance Premiums	-	14,100,594
	-	14,100,594
Total Operating Revenue	1,996,129	14,100,594
<b>OPERATING EXPENSES</b>		
Salaries	1,486,294	-
Employee Benefits	874,742	-
Purchased Services	93,111	987,499
Supplies	281,714	-
Cost of Sales - Purchased Food	1,624,696	-
Cost of Sales - Donated Food	289,258	-
Miscellaneous	466	-
Depreciation	79,881	-
Self Insurance Costs	-	14,487,966
	-	14,487,966
Total Operating Expenses	4,730,162	15,475,465
<b>OPERATING LOSS</b>	<b>(2,734,033)</b>	<b>(1,374,871)</b>
<b>NONOPERATING REVENUE</b>		
Local Sources:		
Interest Earned	1,785	434
Miscellaneous	4,245	1,087,735
State Sources:		
Cash Reimbursements	35,225	-
Federal Sources:		
Cash Reimbursements	2,284,977	-
Donated Food	279,540	-
	279,540	-
Total Nonoperating Revenue	2,605,772	1,088,169

The accompanying notes are an integral part of this statement.

	<u>Enterprise Fund</u> Food Service Fund	<u>Internal Service Funds</u>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(128,261)	(286,702)
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>		
Transfer In	-	1,500,000
Donation of Equipment from Capital Outlay Fund	<u>31,708</u>	<u>-</u>
Total Capital Contributions	<u>31,708</u>	<u>1,500,000</u>
<b>CHANGE IN NET ASSETS</b>	(96,553)	1,213,298
<b>NET ASSETS - BEGINNING</b>	<u>1,617,854</u>	<u>1,385,887</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,521,301</u>	<u>\$ 2,599,185</u>

The accompanying notes are an integral part of this statement.

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**Rapid City Area School District No. 51- 4**  
**Reconciliation of the Enterprise Fund Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2012**

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Net Change in Net Assets - Total Enterprise Funds	\$ (96,553)
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Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Activities are different because of the Food Service Fund's participation in the activities conducted in the internal service fund.

63,409

Change in Net Assets of Business-type Activities	<u>\$ (33,144)</u>
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The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<u>Enterprise Fund</u>	
	<u>Food Service</u>	<u>Internal</u>
	<u>Fund</u>	<u>Service Funds</u>
<b>CASH FLOWS USED BY OPERATING ACTIVITIES</b>		
Receipts From Customers	\$ 2,005,146	\$ -
Receipts From Interfund Services Provided	-	14,032,424
Payments to Suppliers	(2,115,972)	(741,490)
Payments to Employees	(2,341,388)	-
Claims Paid	-	(14,251,966)
Net Cash Used by Operating Activities	(2,452,214)	(961,032)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Subsidies	2,293,031	-
Transfers In From Other Funds	-	1,500,000
Other Sources	4,245	1,087,737
Net Cash Provided by Noncapital Financing Activities	2,297,276	2,587,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earnings	1,785	434
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(153,153)	1,627,139
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,162,751	2,666,956
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,009,598	\$ 4,294,095

The accompanying notes are an integral part of this statement.

	<u>Enterprise Fund</u>	
	Food Service Fund	Internal Service Funds
	<u>                    </u>	<u>                    </u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (2,734,033)	\$ (1,374,871)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	79,881	-
Cost of Sales - Donated Food	289,258	-
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	-	(68,170)
Inventories	(143,374)	-
Prepaid Expenses	3,180	2,251
Increase (Decrease) in:		
Accounts Payable	24,209	243,758
Incurred But Not Reported Claims	-	236,000
Deferred Revenue	9,017	-
Payroll Deductions and Employer Matching Payable	8,859	-
Accrued Leave Payable	(14,732)	-
Compensated Absences Payable	11,318	-
Accrued Leave Payable	14,203	-
	<u>                    </u>	<u>                    </u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (2,452,214)</u>	<u>\$ (961,032)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Donated Equipment Received	\$ 31,708	\$ -
Value of Commodities Received	279,540	-
	<u>                    </u>	<u>                    </u>
	<u>\$ 311,248</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Fiduciary Net Assets - Fiduciary Funds**  
**June 30, 2012**

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	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 61,471	\$ 400,646
<b>LIABILITIES</b>		
Amounts Held for Others	-	\$ 400,646
<b>NET ASSETS</b>		
Restricted for Scholarships:		
Non-Expendable	10,000	
Expendable	51,471	
<b>TOTAL NET ASSETS</b>	<b>\$ 61,471</b>	

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51- 4**  
**Statement of Changes in Fiduciary Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2012**

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	<u>Private- Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Private Donations	\$ 75,051
Interest	<u>73</u>
Total Additions	75,124
<b>DEDUCTIONS</b>	
Scholarships Awarded	<u>49,503</u>
<b>CHANGE IN NET ASSETS</b>	25,621
<b>NET ASSETS - BEGINNING</b>	<u>35,850</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 61,471</u></u>

The accompanying notes are an integral part of this statement.

# Rapid City Area School District No. 51- 4

## Notes to the Financial Statements

### June 30, 2012

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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 Rapid City Area School District No. 51-4 (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 seven 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.

##### **B. RELATED ORGANIZATIONS**

Related organizations are excluded from the financial reporting entity because the District's accountability for these organizations does not extend beyond making appointments or because management has determined the assets the District has the ability to otherwise access are not significant. Related organizations are described as follows:

Black Hills Special Services Cooperative (Co-op) - A cooperative service unit formed for the purpose of providing special educational services to member school districts. The governing board of the Co-op is comprised of one representative from each member school district, who is a school board member. The Co-op reports independently. See Note 10 entitled "Joint Ventures" for specific disclosures.

Rapid City Public School Foundation (School Foundation) - A private, non-profit organization. The School Foundation's mission is to enhance and enrich the educational experiences of students, to motivate and recognize those who guide student learning, and to increase community support for K-12 public education. The District's Board nominates one member of the School Foundation's twenty-five member governing board and also has two employees that participate on the Foundation's governing board. The School Foundation reports independently.

Western Dakota Technical Institute Foundation, Inc. (WDTI Foundation) - A non-profit organization whose charitable and educational purposes are designed to benefit the activities, programs, and students of Western Dakota Technical Institute. WDTI Foundation's governing board consists of nine directors who are elected independently of the District. WDTI Foundation reports independently.

##### **C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

###### *Government-wide Financial Statements:*

The Statement of Net Assets and the Statement of Activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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.

*Fund Financial Statements:*

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

**D. 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, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting 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. 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 which 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.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

*Post Secondary Fund* - A fund established by SDCL 13-39-36 to pay post secondary education for training to upgrade or update the occupational skills of persons to prepare them for the labor market or to assist those who have already entered the labor market. This fund is financed by student tuition and fees as well as state and federal grants. This is a major fund.

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

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

The Capital Project Fund is the only capital projects fund maintained by the District and is used to track restricted contributions related to construction at Western Dakota Technical Institute. This is a major fund.

*Debt Service Fund* - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District's debt service fund is used to account for the accumulation of resources to meet debt sinking fund requirements related to the 2010B Capital Outlay Certificates. This is a major fund.

**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.

*Internal Service Fund Types* - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies on a cost-reimbursement basis. The Unemployment Fund and the Master Insurance Fund are the only internal service funds maintained by the District. Internal service funds are never considered to be major funds.

**Fiduciary Funds:**

Fiduciary funds are never considered to be major funds.

*Private-Purpose Trust Fund Types* - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefits individuals, private organizations, or other governments. The District maintains the Cheerleader Memorial Scholarship Fund, the Scholarship Fund, the Surbeck Scholarship Fund, and the Vocational Scholarship Fund. The purpose of these funds is to provide scholarships to qualifying students.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

*Agency Fund Types* - Agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of the results of operations. The District maintains a variety of agency funds. These funds are established to account for the monies earned by student organizations for various expenditures. The students of these organizations earn the monies recorded in the agency funds and determine the appropriate expenditures based on the purpose of the student organization.

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

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

**Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**Basis of Accounting**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

All governmental 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 thirty days after year-end.

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.

Business-type activities and the enterprise funds do not apply FASB Statements and Interpretations issued after November 30, 1989.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

**F. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS**

In the process of aggregating data for the government-wide financial statements the District has charged certain "centralized expenses", including an administrative overhead component, as direct expenses to programs in order to show all expenses that are associated with a service, program or department. This process minimizes the doubling-up effect on internal service fund activity.

**G. CASH AND CASH EQUIVALENTS**

The District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. The District pools its cash resources for depositing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. All reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

**H. 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 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.

Inventory in the governmental activities and the governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used. Inventories reported in the fund financial statements are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The non-spendable fund balance associated with inventory is reduced by the related amounts included in accounts payable, if applicable.

**I. CAPITAL ASSETS**

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

The accounting treatment 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.

Land and buildings used in the operation of the post-secondary fund are owned and financed by the State of South Dakota (see Note 11 for additional information). It is the District's policy to record any capital improvements made to the state-owned facilities as a contribution to the State in the same period.

*Government-wide Financial Statements:*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are not capitalized.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	50,000	50 yrs
Improvements	20,000	20 yrs
Machinery and Equipment	5,000	5-15 yrs

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of exhaustible fixed assets for machinery and equipment 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.

**J. 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 payable, accrued leave payable, early retirement benefits payable, software financing costs, amounts due to other governments over a period of more than one year, other post-employment benefits, and capital outlay certificates payable. Accounting policies related to compensated absences and accrued leave payable are as follows:

*Compensated Absences Payable* - Compensated absences payable is sick leave earned by employees at the rate of 13 to 16 days per year cumulative to 140 or 180 days depending on job description. Upon termination, employees are entitled to receive compensation for their accrued sick leave balance if they meet various age and years of service requirements. They will receive one-half of unused sick leave, but not in excess of 50 or 90 days, depending on job description, of their actual accumulated unused sick leave. The amount of sick leave pay is determined by the employee's basic salary. These amounts are submitted to a special pay plan that does not require the District to withhold payroll taxes. For employees normally paid out of the governmental funds these amounts are charged as an expenditure at the time of retirement. For employees normally paid out of the enterprise fund these amounts are recorded as an expense when earned. Compensated absences for governmental activities typically have been liquidated from the General Fund, Pension Fund, and Post Secondary Fund.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

*Accrued Leave Payable* - Accrued leave payable is the annual vacation earned by employees at the rate of 5 to 20 days per year depending on years of service and job description, and accumulates to a maximum of one and one-half times the annual accrual. Employees are only eligible for accrued leave after the completion of one year of service. Upon termination, employees are entitled to receive compensation for their accrued annual vacation balance at their most recent hourly rate. These amounts include the employer's matching share of payroll deductions, unless the employee is retiring in which case the payment is submitted to the special pay plan and taxes are not withheld. Accrued leave payable for governmental activities typically has been liquidated from the General Fund, Pension Fund, and Post Secondary Fund.

*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.

**K. DEFERRED REVENUE**

Receivables, such as taxes 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 revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

**L. NET ASSETS AND FUND BALANCE**

*Government-wide Financial Statements:*

It is the District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets on the Statement of Net Assets include the following:

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

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

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

*Fund Financial Statements:*

The fund definitions were discussed in Note 1.D. Classification of governmental fund balances are as follows:

*Nonspendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by resolutions of the School Board.

*Assigned* - Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Amounts can be assigned by committees of the School Board or management of the District.

*Unassigned* - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

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

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

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

In the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets 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.

**N. 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.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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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.

The District's policy is to report deposits at cost plus interest and credit all income from investments to the fund making the investment, with the exception of the payroll clearing account whose interest income is credited to the General Fund.

*Investments* - In general, SDCL 4-5-6 permits the District's funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or in shares of an open-end, no-load mutual fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

*Custodial Credit Risk - Deposits* - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2012 the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

*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.

*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.

As of June 30, 2012, the District had the following investments:

Investment	Credit Rating	Maturities	Fair Value
SD FIT	Unrated	Varies	\$ 23,179,814

The South Dakota Fund Investment Trust (SD FIT) 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 SD FIT money market account is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

*Concentration of Credit Risk* - The District places no limit on the amount that may be invested in any one issuer.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments included in the fund financial statements consisted of the following as of June 30, 2012:

Department of Corrections	\$ 1,211,955
City of Rapid City	898,802
S.D. Department of Education	851,419
First National Bank in Sioux Falls	848,905
State of South Dakota Board Culture Affairs	501,315
Pennington County	243,802
U.S. Government	145,466
Rapid City Transit	60,505
21st Century Grant	43,683
Mid Central Education Cooperative	15,271
Miscellaneous	<u>97,892</u>
	<u>\$ 4,919,015</u>
Reconciliation to Fund Financial Statements	
Due From Other Governments - Governmental Funds	\$ 4,875,200
Due From Other Governments - Enterprise Fund	<u>43,815</u>
	<u>\$ 4,919,015</u>

**NOTE 4 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2012 were as follows:

<b>Transfers From:</b>	<b>Transfers To:</b>			
	Internal Service Fund	Debt Service Fund	Capital Outlay Fund	Pension Fund
General Fund	\$ 1,500,000	\$ -	\$ -	\$ 500,000
Capital Outlay Fund	-	157,895	-	-
Post Secondary Fund	-	-	77,500	-
	<u>\$ 1,500,000</u>	<u>\$ 157,895</u>	<u>\$ 77,500</u>	<u>\$ 500,000</u>

During the year ended June 30, 2012, a transfer was made from the General Fund to the Internal Service Fund to fund health insurance claims in excess of premiums paid. A transfer was also made from the Post Secondary Fund to the Capital Outlay Fund for property purchased by the Capital Outlay Fund for the Post Secondary Fund. The Capital Outlay Fund made a transfer to the Debt Service Fund to make the escrow payment related to the 2010B Capital Outlay Certificates. The General Fund also transferred amounts to the Pension Fund to help fund retirement payments.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

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

	Balance <u>June 30, 2011</u>	Increase	Decrease	Balance <u>June 30, 2012</u>
<b>Governmental Activities:</b>				
Land	\$ 2,479,293	\$ -	\$ (10,000)	\$ 2,469,293
Buildings	89,722,901	22,475,195	-	112,198,096
Improvements	5,367,574	-	(1,424)	5,366,150
Equipment	19,070,179	2,232,409	(406,260)	20,896,328
Construction in Progress	28,118,069	51,941,763	(22,890,510)	57,169,322
Subtotal	<u>144,758,016</u>	<u>76,649,367</u>	<u>(23,308,194)</u>	<u>198,099,189</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	37,794,004	2,001,144	-	39,795,148
Improvements	3,575,023	166,476	(1,424)	3,740,075
Equipment	12,306,896	1,592,149	(394,108)	13,504,937
Subtotal	<u>53,675,923</u>	<u>3,759,769</u>	<u>(395,532)</u>	<u>57,040,160</u>
<b>Net Capital Assets</b>	<u><b>\$ 91,082,093</b></u>	<u><b>\$ 72,889,598</b></u>	<u><b>\$ (22,912,662)</b></u>	<u><b>\$ 141,059,029</b></u>
<b>Business-type Activities:</b>				
Equipment	\$ 1,767,845	\$ 31,707	\$ (2,020)	\$ 1,797,532
Less Accumulated Depreciation	<u>1,287,751</u>	<u>79,878</u>	<u>(1,876)</u>	<u>1,365,753</u>
<b>Net Capital Assets</b>	<u><b>\$ 480,094</b></u>	<u><b>\$ (48,171)</b></u>	<u><b>\$ (144)</b></u>	<u><b>\$ 431,779</b></u>

Construction in progress includes \$10,573,384 of costs related to expansion at Western Dakota Technical Institute. The majority of these construction costs are being reimbursed by the State of South Dakota through the issuance of bonds. See Note 11 for more information related to the construction project and the agreement with the State of South Dakota.

Commitments related to all other construction projects in progress as of June 30, 2012 are discussed in Note 14.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,051,413
Support Services	1,491,954
Cocurricular Activities	65,906
Depreciation not Allocated to Specific Functions	<u>150,496</u>
<b>Total Depreciation Expense</b>	<u><b>\$ 3,759,769</b></u>

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 6 - LONG-TERM LIABILITIES**

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

	Balance June 30, 2011	Increase	Decrease	Balance June 30, 2012	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 50,500,000	\$ 34,735,000	\$ (2,055,000)	\$ 83,180,000	\$ 4,065,000
Other Liabilities:					
Training Financing	211,925	-	(52,982)	158,943	52,982
Due to Other Government	1,534,636	9,454,062	(415,314)	10,573,384	-
Accrued Leave Payable	279,145	364,316	(385,652)	257,809	251,170
Compensated Absences	9,263,944	1,219,225	(1,184,552)	9,298,617	1,201,889
Energy Upgrade Loan	-	415,313	(50,000)	365,313	50,000
Early Retirement Benefits	2,416,545	1,619,719	(1,098,062)	2,938,202	1,377,714
OPEB Liability	1,406,557	441,137	-	1,847,694	-
Total Other Liabilities	<u>15,112,752</u>	<u>13,513,772</u>	<u>(3,186,562)</u>	<u>25,439,962</u>	<u>2,933,755</u>
Total Long-term Liabilities	<u>\$ 65,612,752</u>	<u>\$ 48,248,772</u>	<u>\$ (5,241,562)</u>	<u>\$ 108,619,962</u>	<u>\$ 6,998,755</u>
Business-type Activities:					
Accrued Leave Payable	\$ 6,429	\$ 720	\$ (2,312)	\$ 4,837	\$ 4,837
Compensated Absences	172,603	-	(1,823)	170,780	10,539
OPEB Liability	36,278	14,204	-	50,482	-
Total Long-term Liabilities	<u>\$ 215,310</u>	<u>\$ 14,924</u>	<u>\$ (4,135)</u>	<u>\$ 226,099</u>	<u>\$ 15,376</u>

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

Capital outlay certificates at June 30, 2012 are comprised of the following individual issues:

2008 Capital Outlay Certificates, Bearing Interest at Fixed Rates Ranging from 2.35% to 3.70%. Due 1/1/2018.	\$ 790,000
2005 Capital Outlay Certificates, Bearing Interest at Fixed Rates Ranging from 3.00% to 5.00%. Due 1/1/2018.	3,290,000
2010A Capital Outlay Certificates (Build America Bonds) Bearing Interest at Fixed Rates Ranging from 1.35% to 5.60%. Due 1/1/2023.	41,365,000
2010B Capital Outlay Certificates (Qualified School Construction Bonds) Bearing Interest at 5.30%. Due 11/1/2029.	3,000,000
2011 A Capital Outlay Certificates. Bearing Interest at 5.0% Due 11/1/2030.	4,000,000
2011 B Capital Outlay Certificates. Bearing Interest at Fixed Rates Ranging from 2.0% to 3.375%. Due 11/1/2031.	10,000,000
2012 A Capital Outlay Certificates. Bearing Interest at Fixed Rates Ranging from 2.00% to 3.375%. Due 1/1/2032.	8,235,000
2012 B Capital Outlay Certificates. Bearing Interest at Fixed Rates Ranging from 2.00% to 3.25%. Due 1/1/2032.	<u>12,500,000</u>
	<u>\$ 83,180,000</u>

The \$10,573,384 reported as Due to Other Government consists of amounts the District has received from the State of South Dakota for the expansion at Western Dakota Technical Institute. Upon completion of the expansion, title of the assets will transfer to the State of South Dakota. The corresponding construction is reported in construction in progress in Note 5. Also see Note 11 for more information related to the construction and agreement with the State of South Dakota.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2012, excluding compensated absences, accrued leave payable, due to other governments, and the OPEB liability are as follows:

Year Ending June 30,	General Obligation Debt		Training Financing	Energy Upgrade Loan	Early Retirement Benefits
	Principal	Interest			
2013	\$ 4,065,000	\$ 3,634,953	\$ 52,982	\$ 50,000	\$ 1,382,154
2014	3,985,000	3,154,860	52,982	50,000	1,022,260
2015	3,805,000	3,050,427	52,979	50,000	562,218
2016	3,885,000	2,932,248	-	50,000	-
2017	3,995,000	2,798,931	-	50,000	-
2018-2022	18,190,000	11,865,128	-	115,313	-
2023-2027	20,360,000	7,918,773	-	-	-
2028+	<u>24,895,000</u>	<u>2,607,859</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Payments	<u>\$ 83,180,000</u>	<u>\$ 37,963,179</u>	<u>\$ 158,943</u>	<u>\$ 365,313</u>	2,966,632
Less Interest					<u>28,430</u>
Present Value of Early Retirement Benefits					<u>\$ 2,938,202</u>

Payments of all capital outlay certificates were made from the Capital Outlay Fund.

The training financing was obtained during the year ended June 30, 2011 and represents service payments to provide training on new student management software at WDTI. The debt requires semi-annual payments of \$26,491 on October 1 and March 1 of each year until maturity on March 1, 2015.

Early retirement benefits are available to teachers and administrators that meet certain criteria. Upon retirement, the employee is entitled to receive a payment which is dependent upon several criteria, one of which may include the employee's last contract salary. At June 30, 2012, there were 116 employees entitled to receive early retirement payments. Early retirement benefits are paid in two to six equal installments on the first payroll date after July 1 with subsequent payments every six months thereafter, until paid in full. Final payment is currently scheduled for January 2015. Early retirement benefit liabilities are recorded in the Statement of Net Assets at the present value of future payments and have been discounted at a rate of 1.79%, 4.52% and 0.71% per year, for liabilities incurred during the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively.

For the year ended June 30, 2012, payments of early retirement benefits were made from the Post Secondary Fund in the amount of \$22,525 and the Pension Fund in the amount of \$1,075,537. These payments included interest of \$21,586.

Sinking fund provisions on the 2010B Capital Outlay Certificates - Qualified School Construction Bonds require semi-annual deposits of \$78,947 on or before May 1 and November 1 of each year through 2029, during which the fund will continue to earn interest until maturity of the debt on November 1, 2029. The current balance of the sinking fund is presented as restricted assets of the Debt Service Fund in the governmental funds balance sheet. The total amount included in the sinking fund as of June 30, 2012 was \$236,884.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 7 - RESTRICTED NET ASSETS**

The following table shows restricted net assets and the purposes for such restrictions as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Fund	State Law	\$ 9,951,741
Special Education Fund	State Law	2,452,626
Post Secondary Fund	State Law	<u>3,476,850</u>
Total Special Revenue Funds		15,881,217
Debt Service Fund	Debt Covenants	<u>236,884</u>
Total Restricted Net Assets		<u>\$ 16,118,101</u>

**NOTE 8 - 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."

The District is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the school district:

General Fund:	
Agricultural Property	2.51
Non Ag Z	3.61
Owner Occupied	4.17
Commercial	8.93
Capital Outlay Fund	3.00
Special Education Fund	1.46
Pension Fund	.30

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

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 9 - RETIREMENT PLAN**

All employees working more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are Class A Members, as defined by the plan, and are required by state statute to contribute 6.0%. State statute also requires the employer to contribute an amount equal to the employee's contribution. The statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's shares of contributions to the SDRS for the years ended June 30, 2012, 2011 and 2010 were \$4,028,907, \$4,115,649, and \$4,012,393 respectively, and were equal to the employee required contributions each year.

**NOTE 10 - JOINT VENTURES**

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2012, the District paid \$643,484 for services provided by the Co-op.

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

Spearfish School District No. 40-2	8.33%
Lead/Deadwood School District No. 40-1	8.33%
Oelrichs School District No. 23-3	8.33%
Meade School District No. 46-1	8.33%
Rapid City School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

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

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

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 10 - JOINT VENTURES (CONTINUED)**

At June 30, 2012, this joint venture had assets of \$6,978,327, liabilities of \$1,104,191 and net assets of \$5,874,136 (unaudited).

During the year ended June 30, 2010, the District entered into an agreement with the City of Rapid City (City) and the Rapid City Performing Arts Coalition (Coalition) to construct and renovate a Performing Arts Center owned by the District. The City has agreed to reimburse the District for actual expenditures for construction of the performing arts facility up to \$3.25 million. In addition, the Coalition has agreed to make contributions to the District to fund the cost of the construction of the facility, up to the amount of money obtained through fundraising for the project. The District will retain all ownership of the Performing Arts Center. See Note 14 for additional disclosures related to construction commitments.

Once the performing arts facility is constructed, a five member Board of Directors will be established to set policies and procedures for the management and operation of the facility. One board member will be appointed by the City, two members will be appointed by the District, and two members will be appointed by the Coalition. In addition, the District has agreed to lease the facility to the Coalition for a period of 25 years for one dollar per year. All operation, maintenance, and upkeep expenses associated with the facility shall be shared equally by the District and the Coalition. Proceeds from the sale of tickets and concessions will be retained by the organization holding the event.

The District has also entered into an agreement with the Rapid City Public Library and Pennington County for the operation of a joint use library facility on the Western Dakota Technical Institute (WDTI) campus. The District has agreed to construct a facility that includes a library to be jointly used by the Rapid City Public Library. Pennington County has agreed to contribute \$1 million to construct the facility. The District received the contribution from Pennington County during the year ended June 30, 2010 and is currently accounting for the contribution and construction related to the new facility at WDTI in the Capital Projects Fund. The District has agreed to pay all utilities, custodial, and maintenance expenditures, while the Rapid City Public Library and Pennington County will assist the District in staffing the new library facility and in collection acquisition.

**NOTE 11 - WESTERN DAKOTA TECHNICAL INSTITUTE LEASE**

The District operates Western Dakota Technical Institute (WDTI) in facilities owned by the State of South Dakota. These facilities are leased by WDTI from the South Dakota Board of Education. The facilities were constructed with debt proceeds issued by the South Dakota Health and Education Facilities Authority (Authority). The South Dakota Board of Education leases the facility from the Authority and then sub-leases it to WDTI to operate a post secondary education facility. The lease agreement calls for rental payments coinciding with the bond retirement schedule. Currently, those rentals are being paid by WDTI through a monthly facility fee for each attending student at a rate set by the State Board of Education. It is anticipated that these fees will be sufficient to make the debt payments throughout the term of the leases and, therefore, no rent expense has been recorded by the District. As of June 30, 2012 this rate was \$14 per credit hour for credit courses and \$.45 per credit hour for non-credit courses. Total expenditures related to this monthly facility fee for the year ended June 30, 2012 were \$564,655 for credit courses and \$10,007 for non-credit courses.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 11 - WESTERN DAKOTA TECHNICAL INSTITUTE LEASE (CONTINUED)**

A supplement to the sublease agreement discussed above was signed on October 21, 2010 for the Authority to provide approximately \$11,500,000 through additional bond issues to finance a portion of the cost of the expansion at WDTI. The construction related to this project is reported as construction in progress on the Statement of Net Assets as of June 30, 2012 with an offsetting liability in the amount of \$10,573,384 to represent the transfer of the facility to the Authority upon completion (see Note 6). See Note 14 for additional disclosures related to construction commitments.

The WDTI campus was financed by debt issued by the Authority and ownership of the campus is held by the Authority. As such, the facilities comprising the WDTI campus are not reported as assets by the District. The estimated book value of these assets was \$23,024,417 as of June 30, 2012. The bonds used to construct these facilities are not obligations of the District and are being repaid by fees assessed by the South Dakota Board of Education. Therefore, the bonds are not included in these financial statements.

**NOTE 12 - OPERATING LEASES**

On February 1, 2009 the District entered into a five year lease with the State of South Dakota, through the Office of Executive Management, Bureau of Administration (lessee), for the lease of office space, furniture, and parking for the Governor's Office. Minimum monthly lease payments under this lease are \$2,167. The District recognized \$26,004 in revenue under this lease agreement for the year ended June 30, 2012.

On December 1, 2010, the District entered into a 10 year contract with Pepsi-Cola to provide beverages to specific school buildings. The contract provides for the District to receive commissions on products sold by Pepsi-Cola in the school buildings. The District recognized \$75,741 in revenue under this contract for the year ended June 30, 2012.

In August and September 2004, the District entered into 10 year contracts with Coca-Cola Bottling Company of the Black Hills (Coca-Cola) to provide beverages to specific school buildings. The contract provides for the District to receive commissions on products sold by Coca-Cola in the school buildings. The District recognized \$35,891 in revenue under this contract for the year ended June 30, 2012.

The District (lessee) has entered into an operating lease with the South Dakota School of Mines and Technology for the use of its football field, track facilities and swimming pool. This lease expires on June 30, 2013. The rental fees are based on a per use fee for each type of activity. Rent expense for the year ended June 30, 2012 was \$20,750.

On April 1, 2010, the District entered into a two year lease agreement for office space for the technology services department. This lease was renewed on April 1, 2012 for another two year term. Minimum monthly lease payments under this agreement are \$3,852. The District recognized \$46,224 of expenses under this lease.

On June 17, 2010 the District entered into a three year non-cancelable lease with a vendor for the use of computers. The lease requires six semiannual lease payments of \$742,672. The District recognized \$1,485,344 of expenses under this lease during the year ended June 30, 2012. Future lease payments will be \$1,485,344 for the year ended June 30, 2013.

On September 1, 2011, the District entered into a five year lease agreement with a company to lease a piece of equipment for the fire sciences curriculum at WDTI. The lease requires annual installments of \$3,000 each year beginning September 1, 2011. The District recognized \$3,000 of expenses under this lease during the year ended June 30, 2012. Future lease payments will be \$3,000 for each of the years ending June 30, 2013, 2014, 2015, and 2016.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 13 - 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, 2012, the District managed its risks as follows:

Employee Health Insurance

During the year ended June 30, 2012, employees of the District were covered by a self-insured health and dental insurance plan. The self-insured health plan has been in place since September 1993 and the self-insured dental plan was established during the year ended June 30, 2010. The District pays 75% of the family premium and 100% of the single premium. The coverage provides various deductibles per calendar year. After the deductibles of \$1,000 per individual or \$1,800 per family for the health insurance plan and \$50 per individual and \$150 per family for the dental insurance plan are met, the plan has an 80% coinsurance of the first \$10,000, then 100% thereafter with a lifetime maximum of \$2,000,000. Included in the group insurance premium is also a \$10,000 life insurance and accidental death insurance policy. Claims are paid by a third party administrator (First Administrators) acting on behalf of the District. The administrative contract between the District and First Administrators is renewable annually and administrative fees and stop-loss premiums are included in the contractual provision. The District is covered by stop loss coverage for individual claims exceeding \$135,000.

In accordance with the District's self-insured health insurance plan agreement, retired employees of the District may elect to continue their participation in the plan. Retired employees must pay 100% of the premiums for his or her coverage. The amount of benefit expenditures/expenses, net of participant contributions, recognized during the year ended June 30, 2012 for retired employees was \$224,382. As of June 30, 2012, there were approximately 145 retirees eligible to receive benefits.

The District estimates the liabilities for claims based on claims paid out subsequent to year end. Changes in the claims liability for the years ended June 30, 2012 and 2011 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2010 - 2011	\$ 1,349,344	\$ 14,844,643	\$ 14,901,987	\$ 1,292,000
2011 - 2012	1,292,000	15,440,719	15,204,719	1,528,000

As of June 30, 2012, the District had accumulated \$1,385,889 in the Master Insurance Fund, which is available to fund claims incurred in future years.

Liability Insurance

The District purchases insurance for risks related to theft or damage to property, general liability, educators' legal liability, automobile and crime and fidelity from a commercial carrier, American Zurich Insurance Company, through Western Dakota Insurors.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
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**NOTE 13 - RISK MANAGEMENT (CONTINUED)**

The policy provides that the above coverage will be provided with a \$2,000,000 limit on liability coverage and \$254,101,040 limit on property. As of June 30, 2012 the District carried the following deductibles related to insurance coverage:

General Liability	\$ -
Educators Legal Liability	10,000
Property	5,000
Automobile	1,000
Crime	1,000

In prior years, settled claims resulting from these risks have not exceeded the District's liability coverage.

Workmen's Compensation

The District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits

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

The District has accumulated \$53,076 in the Unemployment Fund, which is available to fund unemployment claims incurred in future years. Claims are billed by the state quarterly. During the year ended June 30, 2012 total claims were \$34,746. These claims were funded by interest earnings on deposits and premium payments recorded in the Unemployment Fund. The District expects that interest earned on these deposits during fiscal year 2013 and current cash reserves in the Unemployment Fund will be sufficient to cover claims incurred during fiscal year 2013.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

Pending Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Construction in Progress

During the year ended June 30, 2011, the District continued renovation and additions to Central High School. The total Phase I project cost is expected to be \$27,712,100 and Phase II project cost is \$9,945,000. As of June 30, 2012, costs of \$34,616,288 were incurred, \$22,239,274 of which was placed into service during 2012. These expenses were paid from reserves in the Capital Outlay Fund and proceeds of the \$42 million limited tax general obligation capital outlay certificates (Build America Bonds) issued on July 1, 2010 to fund this and other projects.

During the year ended June 30, 2011, the District began renovation of the Dakota Middle School Theatre. As of June 30, 2012, costs of \$4,318,265 were incurred. The final cost of this project is \$4,400,000 and will be reimbursed to the District by the City of Rapid City from 2012 funds. The Performing Arts Coalition will also provide additional funds obtained through fundraising efforts. In the event there are shortfalls in funding, the project will require modifications, or the District may fund, at its option, any shortfalls.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
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**NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

During the year ended June 30, 2010, the District began mechanical and electrical upgrades to Dakota Middle School. The total project cost is \$6,548,627. As of June 30, 2012, the District had incurred costs of \$5,351,574. These expenses were funded by proceeds of the \$3 million limited tax general obligation taxable capital outlay certificates (Qualified School Construction Bonds) issued on November 12, 2010 and the \$12.5 million limited tax general obligation capital outlay certificates issued on June 15, 2012 to fund this and other projects.

During the year ended June 30, 2012, the District began renovation of Dakota Middle School for the future location of the academics as Rapid City High School. The total project cost is \$12,158,192. As of June 30, 2012, the District had incurred costs of \$650,686. These expenses were funded by proceeds of the \$10 million Build America Bond capital outlay certificates issued November 1, 2011 and the \$12.5 million limited tax general obligation capital outlay certificates issued on June 15, 2012 to fund this and other projects.

During the year ended June 30, 2011, the District entered into a contract for construction at Western Dakota Technical Institute. The total project cost is \$13,347,737. As of June 30, 2012, \$10,573,384 in costs was incurred. These expenses were funded by debt issued by the State Board of Education. In addition, the District received \$1 million from Pennington County for construction of a library, as discussed in Note 10.

During the year ended June 30, 2010, the District began design and development of East Middle School. Construction began during the year ended June 30, 2011 at an estimated project cost of \$21,626,650. As of June 30, 2012, costs of \$18,890,121 were incurred by the District. These expenses were funded by proceeds of the \$42 million Build America Bonds issued on July 1, 2010 to fund this and other projects.

During the year ended June 30, 2011, the District began design and development of renovations and additions to West Middle School, Stevens High School and Corral Drive Elementary School. Costs incurred during the year ended June 30, 2012 were \$79,386, \$142,613, and \$1,687,300, respectively. These expenses were funded by reserves in the capital outlay fund and proceeds of the \$12.5 million limited tax general obligation capital outlay certificates issued on June 15, 2012 to fund this and other projects. Total estimated cost of the projects has not yet been determined, as the projects have not been bid yet.

During the year ended June 30, 2011, the District began construction of restrooms at the Parkview Tennis Court Complex. As of June 30, 2012, the District completed this project for total cost of \$235,921, which was paid with capital outlay reserves.

During the year ended June 30, 2011, the District began renovation of the joint Energy Plant shared with the City of Rapid City, South Dakota. The total project cost is \$7 million, which will be shared equally with the City of Rapid City and the District. Expenses in the amount of \$1,999,056 were incurred as of June 30, 2012 and were funded with capital outlay reserves. The District intends on issuing \$4 million of Qualified Energy Conservation Bonds issued on November 1, 2011 to finance the project.

Line of Credit

The District has an unsecured revolving line of credit of up to \$8,000,000. Interest is charged on the outstanding principal at a variable rate of 1.75% above the Prime Rate. The interest rate at June 30, 2012 was 3.25%. There was no balance outstanding at June 30, 2012.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 15 - INTERNAL BALANCES**

Internal balances as shown on the Statement of Net Assets are related to the allocation of the net assets of the Internal Service Fund as of June 30, 2012.

**NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

The Rapid City Area School District offers a self-insured health insurance plan. Claims are paid by a third party administrator (First Administrators) acting on behalf of the District. Retired employees of the District may elect to continue their participation in the plan. The self-insured health insurance plan is a single employer plan, established under SDCL 13-10-3. Coverage ceases when the retiree attains the age of 65. Retired employees must pay 100% of the premiums for his or her coverage. The contribution rates of the covered retirees are established by, and may be amended by, the School Board. The self-insured health plan does not have separately stated stand-alone financial statements.

Funding Policy

Retired employees must pay 100% of the premiums for his or her coverage. Under GASB 45, the District incurs an expense due to the implicit rate subsidy for retirees.

Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

ARC		\$	682,000
Interest on Net OPEB			22,000
Adjustment to ARC			(29,000)
Annual OPEB Cost			675,000
Contribution Made			(219,659)
Change in Net OPEB Obligation			455,341
Net OPEB Obligation-June 30, 2011			1,442,835
Net OPEB Obligation-June 30, 2012		\$	1,898,176

The District's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 545,935	0.00%	\$ 1,094,432
6/30/2011	675,000	0.00%	1,442,835
6/30/2012	675,000	0.00%	1,898,176

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The District has elected to apply the statement prospectively. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The state prohibits local governments from separately rating active employees and retirees, therefore both groups are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Credit actuarial cost method was used to determine the annual required contribution.

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. Initially, the actuarial value of assets is to be equal to the fair market value of assets. This method will be formally adopted after decisions regarding the OPEB Plan's funding and investment policy are made.

The unfunded accrued liability is being amortized as a level dollar amount on an open basis over a period of 30 years.

**Rapid City Area School District No. 51- 4**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

The actuarial assumptions included:

- The assumed claims costs were determined from a weighting of 75% of the actual observed claims costs and 25% of a manually derived rate from plan provisions.
- Health care cost trend rates were 10% for 2011, decreasing 1% each year to 2016 and after, which would be 5%.
- Investment return was calculated at 2% per year.
- Salary increases were calculated at 3.5% per year.
- Mortality was according to the RP 2000 Mortality Table.
- Retiree Participation rate was assumed to be 90% and initial spouse participation rate was assumed to be 15% for both male and female employees.
- Turnover rates were based on Scale T-9 of Actuary's Pension Handbook. Sample rates vary by age:

<u>Age</u>	<u>Rate</u>
20	17.9%
25	17.2%
30	15.8%
35	13.7%
40	11.2%
45	8.4%
50	5.1%
55	1.7%
60	0.2%

- Retirement rates vary by age, as follows:

<u>Age</u>	<u>Rate</u>
55	35.0%
56	20.0%
57	20.0%
58	25.0%
59	25.0%
60	30.0%
61	30.0%
62	60.0%
63	25.0%
64	25.0%
65 or Over	100.0%

**NOTE 17 - CONCENTRATIONS**

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

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REQUIRED SUPPLEMENTARY INFORMATION

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - General Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2012**

	<u>Budgeted</u> <u>Original</u>	<u>Amounts</u> <u>Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 17,738,842	\$ 17,738,842
Prior Years' Ad Valorem	18,078,556	18,078,556
Gross Receipts Taxes	893,000	893,000
Penalties and Interest on Taxes	90,000	90,000
Tuition and Fees	110,000	110,000
Support Services	909,000	909,000
Cocurricular Activities	157,000	157,000
Earnings on Deposits	30,000	30,000
Restricted Operating Contributions	743,459	840,233
Other Local Revenue	<u>437,500</u>	<u>437,500</u>
Total Revenue From Local Sources	<u>39,187,357</u>	<u>39,284,131</u>
Revenue From Intermediate Sources:		
County Sources	800,000	800,000
Revenue in Lieu of Taxes	125,000	125,000
Revenue for Joint Facilities	<u>200,000</u>	<u>200,000</u>
Total Revenue From Intermediate Sources	<u>1,125,000</u>	<u>1,125,000</u>
Revenue From State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	23,109,439	24,109,439
Other State Revenue	<u>1,645,250</u>	<u>1,645,250</u>
Total Revenue From State Sources	<u>24,754,689</u>	<u>25,754,689</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	<u>9,815,501</u>	<u>9,882,193</u>
Total Revenue From Federal Sources	<u>9,815,501</u>	<u>9,882,193</u>
<b>TOTAL REVENUES</b>	<u>74,882,547</u>	<u>76,046,013</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 17,694,865	\$ (43,977)
18,161,100	82,544
1,343,060	450,060
96,489	6,489
267,558	157,558
1,108,400	199,400
282,175	125,175
20,649	(9,351)
364,368	(475,865)
738,215	300,715
<u>40,076,879</u>	<u>792,748</u>
964,190	164,190
833,552	708,552
252,287	52,287
<u>2,050,029</u>	<u>925,029</u>
27,155,337	3,045,898
567,033	(1,078,217)
<u>27,724,120</u>	<u>1,969,431</u>
<u>9,217,120</u>	<u>(665,073)</u>
<u>9,267,418</u>	<u>(614,775)</u>
<u>79,118,446</u>	<u>3,072,433</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - General Fund -**  
**Budgetary Basis (Continued)**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	44,084,082	44,227,504
Special Programs	<u>5,675,501</u>	<u>5,369,804</u>
Total Instruction	<u>49,759,583</u>	<u>49,597,308</u>
Support Services:		
Pupils	2,448,782	2,434,588
Instructional Staff	5,763,639	5,974,483
General Administration	1,880,213	1,838,110
School Administration	5,967,448	5,948,301
Business	9,317,720	9,317,462
Central	679,333	679,333
Other Support Services	<u>188,750</u>	<u>470,743</u>
Total Support Services	<u>26,245,885</u>	<u>26,663,020</u>
Community Services:		
Direction	-	9,151
Custody and Care of Children	288,822	248,481
Nonpublic School	<u>134,458</u>	<u>107,012</u>
Total Community Services	<u>423,280</u>	<u>364,644</u>
Cocurricular Activities:		
Male Activities	843,208	843,208
Female Activities	816,503	816,503
Combined Activities	<u>650,694</u>	<u>650,694</u>
Total Cocurricular Activities	<u>2,310,405</u>	<u>2,310,405</u>
Other Nonprogrammed Costs and Contingencies	<u>-</u>	<u>-</u>
Debt Services	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>78,739,153</u>	<u>78,935,377</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
43,116,303	1,111,201
<u>4,998,861</u>	<u>370,943</u>
<u>48,115,164</u>	<u>1,482,144</u>
2,313,170	121,418
5,419,272	555,211
1,575,245	262,865
5,713,712	234,589
9,145,362	172,100
694,675	(15,342)
<u>338,752</u>	<u>131,991</u>
<u>25,200,188</u>	<u>1,462,832</u>
9,251	(100)
232,733	15,748
<u>122,970</u>	<u>(15,958)</u>
<u>364,954</u>	<u>(310)</u>
866,489	(23,281)
774,440	42,063
<u>750,870</u>	<u>(100,176)</u>
<u>2,391,799</u>	<u>(81,394)</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>76,072,105</u>	<u>2,863,272</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - General Fund -**  
**Budgetary Basis (Continued)**  
**For the Year Ended June 30, 2012**

	<u>Budgeted</u>	<u>Amounts</u>
	<u>Original</u>	<u>Final</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>		
<b>EXPENDITURES</b>	(3,856,606)	(2,889,364)
<b>OTHER FINANCING SOURCES</b>		
Transfers Out	-	(2,000,000)
Sale of Surplus Property	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>(2,000,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,856,606)	(4,889,364)
<b>FUND BALANCE - BEGINNING</b>	<u>15,652,715</u>	<u>15,652,715</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 11,796,109</u>	<u>\$ 10,763,351</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
3,046,341	5,935,705
(2,000,000)	-
<u>12,152</u>	<u>12,152</u>
<u>(1,987,848)</u>	<u>12,152</u>
1,058,493	5,947,857
<u>15,652,715</u>	<u>-</u>
<u>\$ 16,711,208</u>	<u>\$ 5,947,857</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Capital Outlay Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 8,685,132	\$ 8,685,132
Prior Years' Ad Valorem	8,857,762	8,857,762
Gross Receipts Taxes	5,000	(5,000)
Penalties and Interest on Taxes	40,000	40,000
Earnings on Deposits	20,000	979,000
Other Local Revenue	-	-
Total Revenue From Local Sources	<u>17,607,894</u>	<u>18,556,894</u>
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>10,000</u>	<u>240,000</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>17,617,894</u>	<u>18,796,894</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	1,768,282	1,768,282
Special Programs	<u>19,804</u>	<u>19,804</u>
Total Instructional Services	<u>1,788,086</u>	<u>1,788,086</u>
Support Services:		
Pupils	37,174	37,174
Instructional Staff	2,383,350	2,383,350
General Administration	-	-
School Administration	2,042	2,042
Business	52,892,217	52,892,217
Other Support Services	<u>-</u>	<u>-</u>
Total Support Services	<u>55,314,783</u>	<u>55,314,783</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 8,737,624	\$ 52,492
8,773,209	(84,553)
7,975	12,975
40,727	727
988,170	9,170
<u>4,017,127</u>	<u>4,017,127</u>
<u>22,564,832</u>	<u>4,007,938</u>
<u>278,323</u>	<u>38,323</u>
<u>-</u>	<u>-</u>
<u>22,843,155</u>	<u>4,046,261</u>
1,693,609	74,673
<u>25,289</u>	<u>(5,485)</u>
<u>1,718,898</u>	<u>69,188</u>
35,469	1,705
2,070,541	312,809
-	-
1,952	90
50,307,318	2,584,899
<u>-</u>	<u>-</u>
<u>52,415,280</u>	<u>2,899,503</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Capital Outlay Fund -**  
**Budgetary Basis (Continued)**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
Community Services:		
Nonpublic School	<u>79,500</u>	<u>79,500</u>
Cocurricular Activities:		
Male Activities	45,539	45,539
Female Activities	<u>22,544</u>	<u>22,544</u>
Total Cocurricular Activities	<u>68,083</u>	<u>68,083</u>
Debt Services	<u>4,277,480</u>	<u>4,052,480</u>
<b>TOTAL EXPENDITURES</b>	<u>61,527,932</u>	<u>61,302,932</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(43,910,038)	(42,506,038)
<b>OTHER FINANCING SOURCES</b>		
Net Transfers	-	80,395
Sale of Surplus Property	-	-
Debt Proceeds, Net of Premium	<u>-</u>	<u>34,735,000</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>34,815,395</u>
<b>NET CHANGE IN FUND BALANCES</b>	(43,910,038)	(7,690,643)
<b>FUND BALANCE - BEGINNING</b>	<u>35,384,640</u>	<u>35,384,640</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (8,525,398)</u>	<u>\$ 27,693,997</u>

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

<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<u>29,699</u>	<u>49,801</u>
36,334	9,205
<u>15,155</u>	<u>7,389</u>
<u>51,489</u>	<u>16,594</u>
<u>4,035,528</u>	<u>16,952</u>
<u>58,250,894</u>	<u>3,052,038</u>
(35,407,739)	7,098,299
(80,395)	(160,790)
531,000	531,000
<u>34,735,000</u>	<u>-</u>
<u>35,185,605</u>	<u>370,210</u>
(222,134)	7,468,509
<u>35,384,640</u>	<u>-</u>
<u>\$ 35,162,506</u>	<u>\$ 7,468,509</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Special Education Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2012**

	<u>Budgeted</u> <u>Original</u>	<u>Amounts</u> <u>Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 4,296,405	\$ 4,296,405
Prior Years' Ad Valorem	4,332,000	4,332,000
Penalties and Interest on Taxes	15,000	15,000
Gross Receipts Taxes	2,000	2,000
Support Services	130,000	130,000
Tuition and Fees	35,000	35,000
Earnings on Deposits	2,500	2,500
Other Local Revenue	-	-
Total Revenue From Local Sources	<u>8,812,905</u>	<u>8,812,905</u>
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>2,000</u>	<u>2,000</u>
Revenue From State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	<u>4,406,316</u>	<u>4,406,316</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	<u>3,096,507</u>	<u>3,096,507</u>
<b>TOTAL REVENUES</b>	<u>16,317,728</u>	<u>16,317,728</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 4,258,205	\$ (38,200)
4,317,460	(14,540)
20,014	5,014
3,915	1,915
173,243	43,243
39,356	4,356
4,303	1,803
-	-
8,816,585	3,680
136,374	134,374
4,097,250	(309,066)
3,091,045	(5,462)
16,141,254	(176,474)

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Special Education Fund -**  
**Budgetary Basis (Continued)**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Special Programs	<u>12,144,599</u>	<u>12,144,599</u>
Support Services:		
Pupils	3,949,455	3,949,455
Special Education	<u>1,704,563</u>	<u>1,704,563</u>
Total Support Services	<u>5,654,018</u>	<u>5,654,018</u>
<b>TOTAL EXPENDITURES</b>	<u>17,798,617</u>	<u>17,798,617</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>(1,480,889)</u>	<u>(1,480,889)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,480,889)	(1,480,889)
<b>FUND BALANCE - BEGINNING</b>	<u>3,322,508</u>	<u>3,322,508</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,841,619</u>	<u>\$ 1,841,619</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<u>11,322,135</u>	<u>822,464</u>
3,851,735	97,720
<u>1,602,985</u>	<u>101,578</u>
<u>5,454,720</u>	<u>199,298</u>
<u>16,776,855</u>	<u>1,021,762</u>
<u>(635,601)</u>	<u>845,288</u>
(635,601)	845,288
<u>3,322,508</u>	<u>-</u>
<u>\$ 2,686,907</u>	<u>\$ 845,288</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Post Secondary Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Tuition and Fees	\$ 6,759,794	\$ 6,192,946
Support Services	166,000	34,090
Post Secondary	63,500	63,500
Cocurricular Activities	902,500	657,740
Earnings on Deposits	3,000	3,000
Other Local Revenue	<u>159,500</u>	<u>159,500</u>
Total Revenue From Local Sources	<u>8,054,294</u>	<u>7,110,776</u>
Revenue From State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	3,293,506	3,535,163
Other State Revenue	<u>45,000</u>	<u>45,000</u>
Total Revenue From State Sources	<u>3,338,506</u>	<u>3,580,163</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	457,293	467,284
Other Federal Revenue	<u>5,000</u>	<u>5,000</u>
Total Revenue From Federal Sources	<u>462,293</u>	<u>472,284</u>
<b>TOTAL REVENUES</b>	<u>11,855,093</u>	<u>11,163,223</u>
<b>EXPENDITURES</b>		
Instructional Services:		
Post-Secondary Occupational Programs	<u>4,850,541</u>	<u>4,676,449</u>
Support Services:		
Pupils	555,946	529,279
Instructional Staff	444,091	447,124
General Administration	234,146	234,247
School Administration	1,394,734	1,236,968
Business	3,214,380	2,861,369
Central	1,019,717	1,035,321
Other Support Services	<u>77,166</u>	<u>77,751</u>
Total Support Services	<u>6,940,180</u>	<u>6,422,059</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 5,711,179	\$ (481,767)
41,877	7,787
64,437	937
692,320	34,580
6,992	3,992
<u>227,539</u>	<u>68,039</u>
<u>6,744,344</u>	<u>(366,432)</u>
3,535,163	-
<u>45,000</u>	<u>-</u>
<u>3,580,163</u>	<u>-</u>
474,602	7,318
<u>4,180</u>	<u>(820)</u>
<u>478,782</u>	<u>6,498</u>
<u>10,803,289</u>	<u>(359,934)</u>
<u>4,349,791</u>	<u>326,658</u>
500,684	28,595
392,826	54,298
215,137	19,110
932,856	304,112
2,510,582	350,787
744,218	291,103
<u>96,162</u>	<u>(18,411)</u>
<u>5,392,465</u>	<u>1,029,594</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Post Secondary Fund -**  
**Budgetary Basis (Continued)**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
Other Nonprogrammed Costs	259,768	251,575
Debt Services	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>12,050,489</u>	<u>11,350,083</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(195,396)	(186,860)
<b>OTHER FINANCING SOURCES</b>		
Operating Transfers Out	(77,500)	(77,500)
Sale of Surplus Property	<u>5,000</u>	<u>13,410</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>(72,500)</u>	<u>(64,090)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(267,896)	(250,950)
<b>FUND BALANCE - BEGINNING</b>	<u>3,512,853</u>	<u>3,512,853</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,244,957</u>	<u>\$ 3,261,903</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
219,493	32,082
<u>50,000</u>	<u>(50,000)</u>
10,011,749	1,338,334
791,540	978,400
(77,500)	-
<u>13,410</u>	<u>-</u>
<u>(64,090)</u>	<u>-</u>
727,450	978,400
<u>3,512,853</u>	<u>-</u>
<u>\$ 4,240,303</u>	<u>\$ 978,400</u>

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

**Rapid City Area School District No. 51- 4**  
**Budgetary Comparison Schedule - Pension Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
<b>REVENUES</b>		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 868,013	\$ 868,013
Prior Years' Ad Valorem	884,276	884,276
Gross Receipts Taxes	-	-
Penalties and Interest on Taxes	3,000	3,000
Earnings on Deposits	<u>3,000</u>	<u>3,000</u>
Total Revenue From Local Sources	<u>1,758,289</u>	<u>1,758,289</u>
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,758,289</u>	<u>1,758,289</u>
<b>EXPENDITURES</b>		
Other Nonprogram Costs:		
Early Retirement	<u>1,758,289</u>	<u>2,408,289</u>
<b>OTHER FINANCING SOURCES</b>		
Net Transfers	-	-
<b>NET CHANGE IN FUND BALANCES</b>	-	(650,000)
<b>FUND BALANCE - BEGINNING</b>	<u>1,585,884</u>	<u>1,585,884</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,585,884</u>	<u>\$ 935,884</u>

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

Actual ( Budgetary Basis)	Variance Positive (Negative)
\$ 873,762	\$ 5,749
877,314	(6,962)
797	797
4,112	1,112
2,033	(967)
<u>1,758,018</u>	<u>(271)</u>
<u>27,832</u>	<u>27,832</u>
<u>1,785,850</u>	<u>27,561</u>
<u>2,305,185</u>	<u>103,104</u>
500,000	500,000
(19,335)	424,457
<u>1,585,884</u>	<u>-</u>
<u>\$ 1,566,549</u>	<u>\$ 630,665</u>

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

**Rapid City Area School District No. 51- 4**  
**Notes to Required Supplementary Information**  
**June 30, 2012**

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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 the month of 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 Trust and Agency Funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
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.

**Rapid City Area School District No. 51- 4**  
**Schedule of Funding Progress for Retiree Health Insurance Coverage**  
**June 30, 2012**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 4,958,487	\$ 4,958,487	0.00%	\$ 67,133,417	7.39%
6/30/2011	-	7,667,000	7,667,000	0.00%	69,083,526	11.10%

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SUPPLEMENTARY INFORMATION

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**Rapid City Area School District No. 51- 4**  
**School District Officials**  
**June 30, 2012**

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**BOARD MEMBERS**

Sheryl Kirkeby, President  
Jim Hansen, 1st Vice President  
Brian Blenner, 2nd Vice President  
Bret Swanson  
Jeff Nelsen  
Laura Schad  
Matt Stephens

**SUPERINTENDENT**

Dr. Timothy Mitchell

**DIRECTOR OF BUDGET, FINANCE AND COMMUNITY DEVELOPMENT**

David Janak

See independent auditor's report.

**Rapid City Area School District No. 51- 4**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

	CFDA Numbers	Amount
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-cash Assistance (Commodities)		
National School Lunch Program	10.555	\$ 279,537
Cash Assistance		
School Breakfast Program (Note 2)	10.553	183,303
National School Lunch Program (Note 2)	10.555	2,087,838
Summer Food Service Program for Children (Note 2)	10.559	43,814
Fresh Fruits and Vegetable Program	10.582	310,383
Pass-through Pennington and Meade Counties:		
Schools and Roads Cluster:		
School and Roads - Grants to States (Note 4)	10.665	42,261
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>2,947,136</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>		
Direct Federal Funding:		
Reserve Officer Training Corps	12.XXX	61,031
<b>U.S. DEPARTMENT OF INTERIOR</b>		
Pass-through Pennington and Meade Counties:		
Distribution of Receipts to State and Local Governments (Note 2)	15.227	7,567
<b>U.S. DEPARTMENT OF LABOR</b>		
Pass-through the S.D. Department of Education:		
Program of Comp Grants for Worker Training & Placement in High Growth & Emerging Industry Sectors	17.275	35,680
<b>NATIONAL FOUNDATION ON THE ARTS &amp; HUMANITIES</b>		
Pass-through the S.D. Department of Tourism:		
Promotion of the Arts-Partnership Agreements	45.025	3,547
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Direct Federal Funding:		
Student Financial Assistance Programs Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	40,875
Federal Work Study Programs	84.033	26,922
Federal Pell Grant Program	84.063	2,800,510
Federal Direct Student Loans (Note 6)	84.268	5,373,330

See independent auditor's report.

	<u>CFDA Numbers</u>	<u>Amount</u>
<b>U.S. DEPARTMENT OF EDUCATION (CONTINUED)</b>		
Impact Aid	84.041	470
Indian Education Cluster:		
Indian Education-Formula Grants to Local Educational Agencies	84.060	456,547
Indian Education-Special Programs for Indian Children	84.299	327,779
Pass-through the SD Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	5,360,322
Title I State Agency Program for Neglected and Delinquent Children	84.013	224,297
Special Education Cluster:		
Special Education-Grants to States (Note 2)	84.027	3,012,380
Special Education-Preschool Grants	84.173	78,665
Career and Technical Education-Basic Grants to States (Note 3)	84.048	623,110
Education for Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	89,859
College Access Challenge Grant Program	84.378	8,285
Improving Teacher Quality State Grants	84.367	1,245,260
School Improvement Grants Cluster:		
School Improvement Grants	84.377	135,708
School Improvement Grants, Recovery Act	84.388	547,981
Education Jobs Fund	84.410	31,209
Investing in Innovation Fund	84.411	17,359
Pass-through Black Hills Special Services Cooperative 21st Century Community Learning Centers	84.287A	<u>148,666</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>20,549,534</u>
<b>U.S. DEPARTMENT OF ENERGY</b>		
Pass-through the SD Energy Management Office Energy Efficiency Conservation Block Grant Program, Recovery Act	81.128	<u>415,314</u>

See independent auditor's report.

**Rapid City Area School District No. 51- 4**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2012**

	CFDA Numbers	Amount
<b>U.S. DEPARTMENT OF HEALTH</b>		
Pass-through the SD Dept. of Health		
Public Health Emergency Preparedness	93.069	23,116
Pass-through the SD Dept. of Social Services		
Grants to States for Operation of Offices of Rural Health	93.913	3,000
<b>TOTAL U.S. DEPARTMENT OF HEALTH</b>		26,116
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
Pass-through Pennington County		
Homeland Security Grant Program	97.067	60,062
<b>GENERAL SERVICES ADMINISTRATION</b>		
Pass-through the SD Bureau of Administration - SD		
Federal Property Agency		
Donation of Federal Surplus Personal Property (Note 5)	39.003	60,932
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		\$ 24,166,919

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: The District provided federal awards to subrecipients as follows:

	CFDA Numbers	Amount
Career and Technical Education-Basic Grants to States	84.048	\$ 52,010

NOTE 4: The amount reflects cash received. Federal payments are based on an entitlement rather than on reimbursement for specific expenditures. Payments passed through Meade and Pennington Counties for this program are as follows:

Pennington County		\$ 39,068
Meade County		3,193
		\$ 42,261

See independent auditor's report.

NOTE 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the District. (Original acquisition cost is provided by Federal Surplus Property. It is not what the District actually paid for the item.)

NOTE 6: Loans guaranteed under federal guarantee loan programs and issued to parents of eligible students or eligible students attending this vocational technical school had the following values:

Federal PLUS Loans	\$	353,676
Stafford Loans		2,482,697
Unsubsidized Stafford Loans		<u>2,536,957</u>
	\$	<u>5,373,330</u>

See independent auditor's report.