

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

AUDITOR'S REPORT, FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2013



RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

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

To the School Board
Rapid City Area School District No. 51-4

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Rapid City Area School District No. 51-4's basic financial statements and have issued our report thereon dated December 04, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rapid City Area School District No. 51-4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Rapid City Area School District No. 51-4's internal control. Accordingly, we do not express an opinion on the effectiveness of Rapid City Area School District No. 51-4's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rapid City Area School District No. 51-4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002.

Rapid City Area School District No. 51-4's Response to Findings

Rapid City Area School District No. 51-4's response to the findings identified in our audit is described in the accompanying corrective action plan. Rapid City Area School District No. 51-4's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Casey Peterson & Associates, LTD

Rapid City, South Dakota
December 04, 2013



Independent Auditor's Report on Compliance for Each
Major Federal Program and Report on Internal Control
Over Compliance Required by OMB Circular A-133

Board of Directors
Rapid City Area School District No. 51-4
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Rapid City Area School District No. 51-4's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Rapid City Area School District No. 51-4's major federal programs for the year ended June 30, 2013. Rapid City Area School District No. 51-4's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rapid City Area School District No. 51-4's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rapid City Area School District No. 51-4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rapid City Area School District No. 51-4's compliance.

Opinion on Each Major Federal Program

In our opinion, Rapid City Area School District No. 51-4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002. Our opinion on each major federal program is not modified with respect to these matters.

Rapid City Area School District No. 51-4's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Rapid City Area School District No. 51-4's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Rapid City Area School District No. 51-4 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rapid City Area School District No. 51-4's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rapid City Area School District No. 51-4's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

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



Casey Peterson & Associates, LTD

Rapid City, South Dakota

December 04, 2013

Rapid City Area School District No. 51- 4
Schedule of Findings and Questioned Costs
June 30, 2013

SUMMARY OF THE INDEPENDENT AUDITOR’S RESULTS

- a. The independent auditor’s report expressed an unmodified 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 no material weaknesses in internal controls over financial reporting.
- c. Instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit and reported as material weaknesses.
- d. The independent auditor’s report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
- e. Noncompliance considered material weaknesses in internal control related to major federal programs was reported in the Internal Auditor’s 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 are two audit findings considered to be material weaknesses that are 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>Child Nutrition Cluster:</u>
1. 10.555	National School Lunch Program - Non-cash Assistance
2. 10.553	School Breakfast Program
3. 10.555	National School Lunch Program
4. 10.559	Summer Food Service Program for Children
5. 81.128	Energy Efficiency Conservation Block Grant Program, Recovery Act
	<u>Student Financial Aid Cluster:</u>
6. 84.007	Federal Supplemental Educational Opportunity Grants
7. 84.033	Federal Work Study Program
8. 84.063	Federal Pell Grant Program
9. 84.268	Federal Direct Student Loans
	<u>Indian Education Cluster:</u>
10. 84.060	Indian Education - Grants to Local Educational Agencies
11. 84.299	Indian Education - Special Programs for Indian Children
	<u>School Improvement Cluster:</u>
12. 84.377	School Improvement Grants
13. 84.388	School Improvement Grants, Recovery Act

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$707,601.
- 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, 2013

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF EDUCATION

STUDENT FINANCIAL AID CLUSTER

2013-001 *Condition:* The District does not have adequate internal controls to ensure all students with a change in enrollment status are reported to the clearinghouse that is responsible for compiling student loan and enrollment statuses. Of our sample of 17 students, 2 of the students were not properly reported to the clearinghouse until we requested the necessary documentation for testing purposes.

Criteria: The District did not comply with the Special Tests and Provisions compliance requirement of this program, which specifically requires the District to report students receiving student financial aid and have withdrawn from post secondary enrollment be reported to the clearinghouse within 30 days after the change in enrollment status.

Effect: Noncompliance with the Special Tests and Provision compliance requirement of the Student Financial Aid Cluster.

Cause: The absence of the employee responsible for completing the reporting to the clearinghouse each month caused this requirement to be missed during the summer semester.

Auditor's Recommendation: We recommend employees are cross-trained to provide coverage for critical duties in the absence of the employee that is regularly responsible for these duties. Additionally, we recommend another review is put into place for this procedure, and the list of students submitted to the clearinghouse is compared to the list of withdrawn students by an employee other than the employee submitting the clearinghouse report to ensure that all students are properly included in the clearinghouse submission.

U.S. DEPARTMENT OF AGRICULTURE

CHILD AND NUTRITION CLUSTER PASSED THROUGH THE S.D. DEPT OF EDUCATION

2013-002 *Condition:* The District does not have adequate internal controls to ensure all students enrolled in the free and reduced meal program have the necessary documentation, such as applications and reports from the State of South Dakota, to support their enrollment. During testing, the application for 1 student out of our sample of 60 could not be located. The District also performs an internal review for student application, which revealed students with missing eligibility documentation.

Criteria: The Child Nutrition Cluster requires students enrolled in the free and reduced meal program to meet certain eligibility requirements, which may be determined with an application, State of South Dakota eligibility sent to the District, or the student's guardians being enrolled in aid programs. The District is required to maintain this documentation to support the student's enrollment in the program.

Effect: The District did not comply with the eligibility compliance requirement related to the Child and Nutrition Cluster.

Cause: Reviews are not performed to ensure that students enrolled in the free and reduced meal program have the necessary documentation to support eligibility.

Rapid City Area School District No. 51- 4
Schedule of Findings and Questioned Costs
June 30, 2013

Auditor's Recommendation: We recommend the District review files for students enrolled in the free and reduced lunch program to ensure all necessary documentation supporting the students' eligibility is maintained.

FINDINGS - FINANCIAL STATEMENT AUDIT

None in the current year.

Rapid City Area School District No. 51- 4
Corrective Action Plan
June 30, 2013

Rapid City Area School District No. 51-4 respectfully submits the following corrective action plan for the year ended June 30, 2013.

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 EDUCATION

STUDENT FINANCIAL AID CLUSTER

2013-001 *Condition:* The District does not have adequate internal controls to ensure all students with a change in enrollment status are reported to the clearinghouse that is responsible for compiling student loan and enrollment statuses. Of our sample of 17 students, 2 of the students were not properly reported to the clearinghouse until we requested the necessary documentation for testing purposes.

Criteria: The District did not comply with the Special Tests and Provisions compliance requirement of this program, which specifically requires the District to report students receiving student financial aid and have withdrawn from post secondary enrollment be reported to the clearinghouse within 30 days after the change in enrollment status.

Auditor's Recommendation: We recommend employees are cross-trained to provide coverage for critical duties in the absence of the employee that is regularly responsible for these duties. Additionally, we recommend another review is put into place for this procedure, and the list of students submitted to the clearinghouse is compared to the list of withdrawn students by an employee other than the employee submitting the clearinghouse report to ensure that all students are properly included in the clearinghouse submission.

Action Taken: Employees will be cross-trained in these duties. Another review will be performed, comparing the list of withdrawn students to the clearinghouse submission.

U.S. DEPARTMENT OF AGRICULTURE

CHILD AND NUTRITION CLUSTER PASSED THROUGH THE S.D. DEPT OF EDUCATION

2013-002 *Condition:* The District does not have adequate internal controls to ensure all students enrolled in the free and reduced meal program have the necessary documentation, such as applications and reports from the State of South Dakota, to support their enrollment. During testing, the application for 1 student out of our sample of 60 could not be located. The District also performs an internal review for student application, which revealed students with missing eligibility documentation.

Criteria: The Child Nutrition Cluster requires students enrolled in the free and reduced meal program to meet certain eligibility requirements, which may be determined with an application, State of South Dakota eligibility sent to the District, or the student's guardians being enrolled in aid programs. The District is required to maintain this documentation to support the student's enrollment in the program.

Rapid City Area School District No. 51- 4
Corrective Action Plan
June 30, 2013

Auditor's Recommendation: We recommend the District review files for students enrolled in the free and reduced lunch program to ensure all necessary documentation supporting the students' eligibility is maintained.

Action Taken: A review of students enrolled in the free and reduced program will be performed to ensure necessary documentation is in their files.

Rapid City Area School District No. 51- 4
Summary Schedule of Prior Audit Findings
June 30, 2013

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

US DEPARTMENT OF EDUCATION

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.

Auditors' 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 expenditures of federal awards. If question still exists as to if the program should be reported on the schedule of expenditures of federal awards, management may use resources such as the program director at the granting agency or websites such as 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) require 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.

Current Status: This finding has been resolved.

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.

Auditors' 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 and 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.

Current Status: This finding has been resolved.



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for retiree health insurance coverage on pages 15 - 26 and 78 - 98, and 99, 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 placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rapid City Area School District No. 51-4's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of 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.



Casey Peterson & Associates, LTD

Rapid City, South Dakota
December 04, 2013

Rapid City Area School District No. 51- 4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

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, 2013. 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 position from government & business type activities increased \$10,349,954, or 10.52%. During the year, Cash & Cash Equivalents, Cash Designated for Special Purposes and Restricted Cash decreased \$18,694,794 or 25.28%. This was due to completion of capital projects.
- During the year, the District's unrestricted revenues generated from taxes and other sources increased \$2,647,895 or 2.52%. The District's net expenses before general revenues increased \$257,045 or .26%.
- 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 decreased long term debt by retiring \$4,065,000 in capital outlay certificates. This was a decrease of 4.89%.
- Total Governmental Fund Balances decreased \$13,513,576 or 22.72%. This is primarily due to building projects. The General Fund balance increased \$1,622,814 or 9.7%. Revenues decreased 2.37%, mainly due to decreased taxes, revenue in lieu of taxes and federal restricted grants-in-aid. Expenditures decreased 14.24% due to decreased building projects expenses. Several major projects were completed. The Capital Outlay fund balance decreased by \$15,707,330 or 44.67%. The Special Education fund balance decreased \$362,696 or 13.50%. The Post Secondary fund balance decreased \$103,770 or 2.45%. The Pension fund balance decreased by \$457,540 or 29.21%. The Capital Projects fund balance decreased \$1,120,726 or 100%. The Debt Service Fund balance increased by \$374,220 or 157.98%.
- The District's Food Service Fund experienced a \$235,800, or 15.5%, decrease in net position. Total revenue (both operating and non-operating) was up 20.92%. Revenues from food sales were up 3.11% and federal cash reimbursements from free and reduced student meals were up 20.63%. Operating expenses were up 23.22% due to increased food and employee costs.
- The Internal Service Fund (Health Ins. Trust) experienced a \$3,993,560, or 153.65%, increase in net position. Total revenue was up 11.97%. Total expenditures were down 15.91%.

Rapid City Area School District No. 51- 4 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

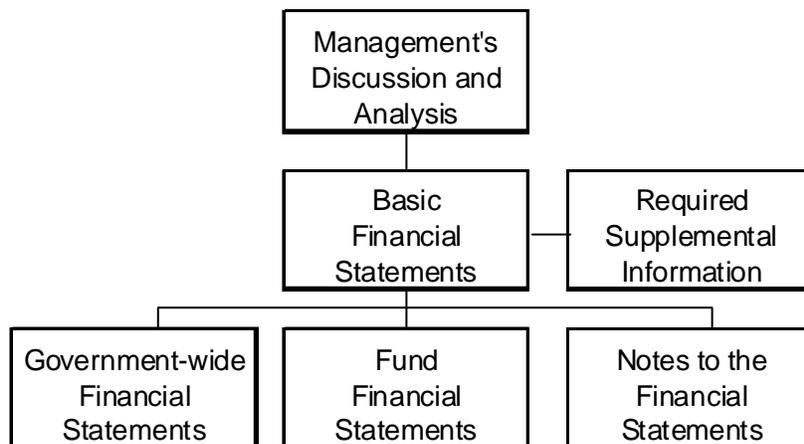
This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements (government-wide and fund financial statements), and required supplementary information. The basic financial statements include two kinds of statements that present different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

- The Statement of Net Position 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, the Self-Insurance Fund and the Preschool 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, 2013**

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 Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balances *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital 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, 2013

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 Position 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 Position 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 position and how they have changed. Net position - 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 position 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 position of the District changed during the most recent fiscal year. All changes in net position 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 has two business-type activity funds: Food Service Fund and Preschool Fund. The District charges a fee to students and receives federal and state reimbursement to cover the costs of providing lunch services to all students in the Food Service Fund. The District charges a fee to pupils to attend an integrated pre-school program in the Preschool Fund.

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, 2013

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) and Preschool Fund are the only enterprise funds 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 position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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, 2013**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The District's combined net position increased as follows:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012 - 2013
Current and Other Assets	\$ 113,455,314	\$ 91,896,173	\$ 1,601,761	\$ 1,558,898	\$ 115,057,075	\$ 93,455,071	-18.78%
Capital Assets (Net of Depreciation)	141,059,029	147,251,588	431,779	373,470	141,490,808	147,625,058	4.34%
Total Assets	254,514,343	239,147,761	2,033,540	1,932,368	256,547,883	241,080,129	-6.03%
Long-term Liabilities Outstanding	108,619,962	93,642,980	226,099	145,704	108,846,061	93,788,684	-13.83%
Other Liabilities	49,140,419	38,393,649	154,912	141,351	49,295,331	38,535,000	-21.83%
Total Liabilities	157,760,381	132,036,629	381,011	287,055	158,141,392	132,323,684	-16.33%
Net Position							
Net Investment in Capital Assets	72,075,697	67,344,132	431,779	373,469	72,507,476	67,717,601	-6.61%
Restricted	16,118,101	25,914,129	-	-	16,118,101	25,914,129	60.78%
Unrestricted	8,560,164	13,852,871	1,220,750	1,271,844	9,780,914	15,124,715	54.63%
Total Net Position	\$ 96,753,962	\$ 107,111,132	\$ 1,652,529	\$ 1,645,313	\$ 98,406,491	\$ 108,756,445	10.52%

Recall that the Statement of Net Position provides the perspective of the District as a whole. The most significant changes are a decrease in Current and Other Assets of \$21,602,004 or 18.78% and a corresponding decrease in Long-Term Liabilities Outstanding of \$15,057,377 or 13.83%. This is described in the bullets on page 13, and reflects the increase in Capital Assets due to major capital building projects and payment of capital outlay certificates. Overall Total Net Position is up by \$10,349,954 or 10.52%.

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

Changes in Net Position

The District's revenues totaled \$137,487,783. (See Table A-2). Approximately one-half of the District's revenue comes from property and other taxes, with 29% 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, 2013

The District's expenditures totaled \$127,137,919. 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, 2013 total revenues surpassed expenses by \$10,349,954.

SOURCES OF REVENUES FOR FISCAL YEAR 2013

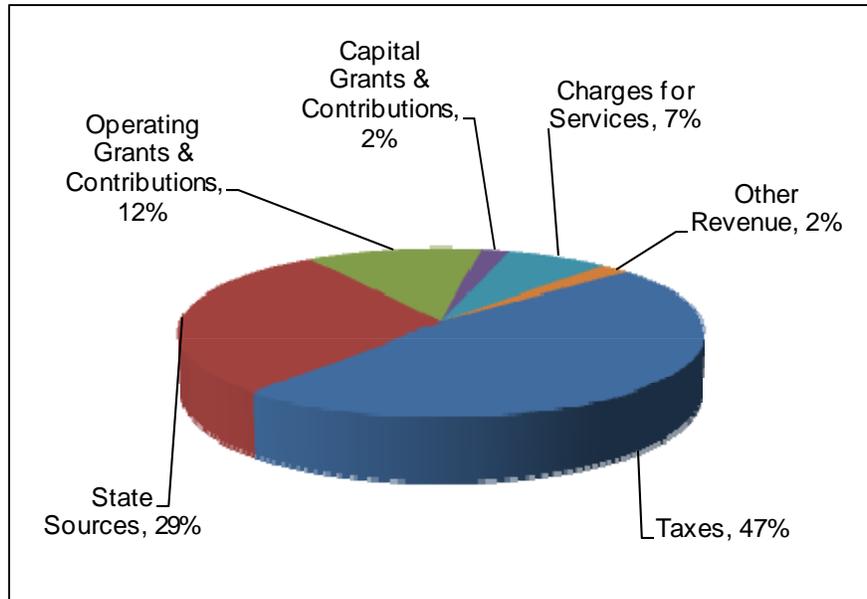


Figure A-3

FUNCTIONAL EXPENSES FOR FISCAL YEAR 2013

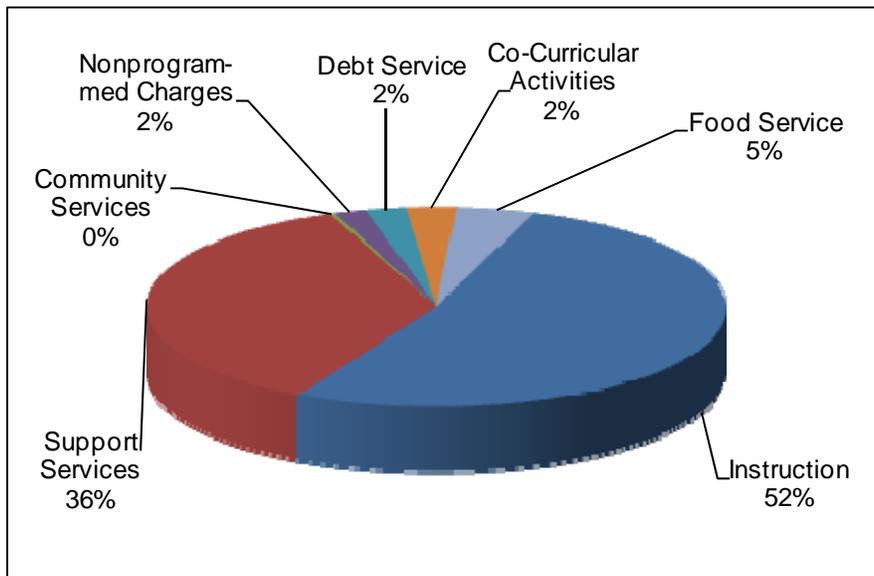


Figure A-4

**Rapid City Area School District No. 51- 4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013**

Governmental Activities

Table A-2 and the narrative that follows, shows the changes in net position for fiscal year 2013.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012 - 2013
Revenues							
Program Revenues							
Charges for Services	\$ 8,412,492	\$ 8,110,062	\$ 1,996,129	\$ 2,101,516	\$ 10,408,621	\$ 10,211,578	-1.89%
Operating Grants and Contributions	13,484,590	13,503,964	2,599,739	3,457,905	16,084,329	16,961,869	5.46%
Capital Grants and Contributions	4,017,127	2,632,451	-	24,785	4,017,127	2,657,236	-33.85%
General Revenues							
Taxes	65,109,284	64,783,432	-	-	65,109,284	64,783,432	-0.50%
Revenue State Sources	30,962,405	39,296,344	-	-	30,962,405	39,296,344	26.92%
Revenue Federal Sources	413,466	387,035	-	-	413,466	387,035	-6.39%
Revenue Intermediate Sources	2,240,271	1,719,182	-	-	2,240,271	1,719,182	-23.26%
Revenue Local Sources	4,721,689	453,162	450	15,491	4,722,139	468,653	-90.08%
Gain (Loss) on Disposal of Assets	533,759	(43,833)	3,798	-	537,557	(43,833)	-108.15%
Unrestricted Earnings	1,023,279	1,045,415	1,785	962	1,025,064	1,046,377	2.08%
Total Revenues	130,918,362	131,887,214	4,601,901	5,600,659	135,520,263	137,487,873	1.45%
Expenses							
Instruction	68,115,739	66,520,886	-	-	68,115,739	66,520,886	-2.34%
Support Services	46,095,466	45,723,608	-	-	46,095,466	45,723,608	-0.81%
Community Services	393,405	406,072	-	-	393,405	406,072	3.22%
Nonprogrammed Charges	2,482,841	2,222,538	-	-	2,482,841	2,222,538	-10.48%
Debt Service	3,454,810	2,864,460	-	-	3,454,810	2,864,460	-17.09%
Co Curricular Activities	2,201,649	3,574,021	-	-	2,201,649	3,574,021	62.33%
Food Service	-	-	4,666,753	5,630,683	4,666,753	5,630,683	20.66%
Depreciation (Unallocated)	150,496	195,651	-	-	150,496	195,651	30.00%
Total Expenses	122,894,406	121,507,236	4,666,753	5,630,683	127,561,159	127,137,919	-0.33%
Excess (Deficiency) Before Special							
Items and Transfers	8,023,956	10,379,978	(64,852)	(30,024)	7,959,104	10,349,954	30.04%
Transfers	(31,708)	(22,808)	31,708	22,808	-	-	0.00%
Increase in Net Position	\$ 7,992,248	\$ 10,357,170	\$ (33,144)	\$ (7,216)	\$ 7,959,104	\$ 10,349,954	30.04%

Rapid City Area School District No. 51- 4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

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 \$45,970,055, a decrease of \$13,513,576 compared to the prior year. \$12,638,223 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) \$2,188,117, assigned for next year's budget or special purposes \$4,137,165 or restricted to the specific purpose of the fund \$27,006,550.

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 \$12,638,223, while total fund balance was \$18,334,022. 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 16.26% of total general fund expenditures, while total fund balance represents 23.59% of that same amount.

Business-type Activities

Revenues of the District's business-type activities increased by 21.70% to \$5,600,659, and expenses increased by 20.66% to \$5,630,683.

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 two business-type funds - the Food Service Fund and the Preschool Fund.

General Fund Budgetary Highlights

Original vs. Final Budget

The Board of Education approved the original budget for the fiscal year on July 12, 2012. As a matter of practice, over the course of the year, it was revised ten 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 2012-13 fiscal year.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2013, the District's governmental activities had invested \$147,251,588 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 \$6,192,559 or 4.39%. 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, 2013**

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
	2012	2013	2012	2013	2012 - 2013	2012 - 2013
Land	\$ 2,469,293	\$ 2,469,293	\$ -	\$ -	\$ -	0.00%
Buildings	72,402,948	118,433,272	-	-	46,030,324	63.58%
Improvements	1,626,075	1,462,689	-	-	(163,386)	-10.05%
Equipment	7,391,391	8,516,096	431,779	373,470	1,066,396	13.63%
Construction in Progress	57,169,322	16,370,238	-	-	(40,799,084)	-71.37%
Total Capital Assets (Net)	\$ 141,059,029	\$ 147,251,588	\$ 431,779	\$ 373,470	\$ 6,134,250	4.34%

LONG TERM DEBT

At year-end the District had \$79,115,000 in Capital Outlay Certificates and other long-term obligations of \$14,673,684. This is a decrease of 13.83% 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
	2012	2013	2012	2013	2012 - 2013	2012 - 2013
Compensated Absences	\$ 9,298,617	\$ 8,754,155	\$ 170,780	\$ 93,304	\$ (621,938)	-6.57%
Accrued Leave Payable	257,809	251,039	4,837	3,858	(7,749)	-2.95%
Early Retirement	2,938,202	3,120,288	-	-	182,086	6.20%
OPEB Liability	1,847,694	1,981,224	50,482	48,542	131,590	6.93%
Due to Other Government	10,573,384	-	-	-	(10,573,384)	-100.00%
Training Financing	158,943	105,961	-	-	(52,982)	-33.33%
Energy Upgrade Loan	365,313	315,313	-	-	(50,000)	-13.69%
Capital Outlay Certificates	83,180,000	79,115,000	-	-	(4,065,000)	-4.89%
Total Outstanding Debt and Obligations	\$ 108,619,962	\$ 93,642,980	\$ 226,099	\$ 145,704	\$ (15,057,377)	-13.83%

The District retired \$4,065,000 of capital outlay certificates relating to capital projects.

Compensated absences payable (sick leave earned but not taken), earned by eligible employees, decreased due to a decrease 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, 2013**

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 was titled to the State of South Dakota in satisfaction of this liability.

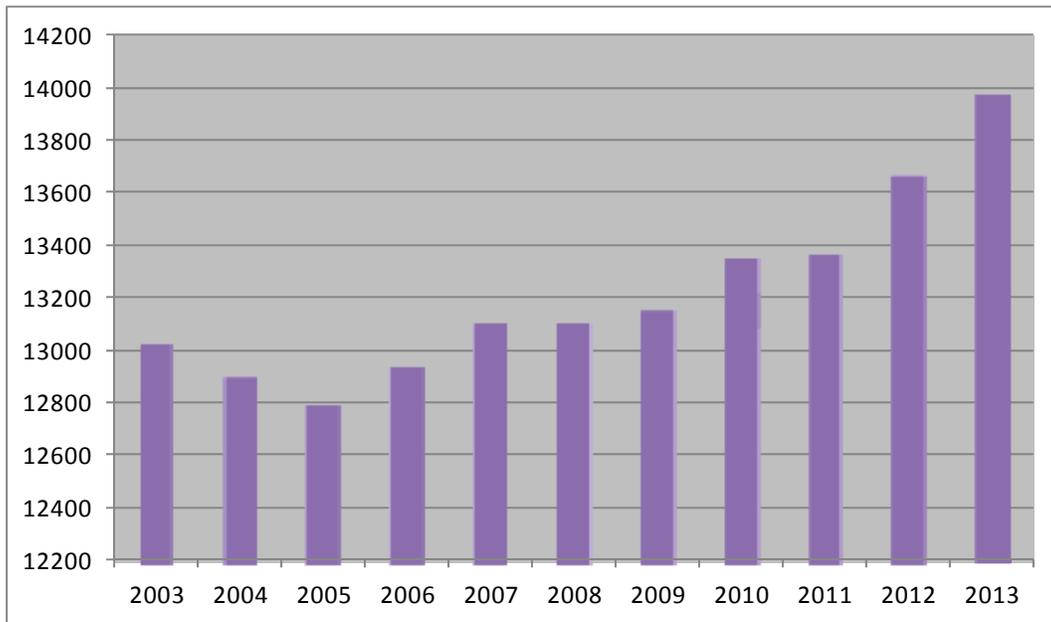
Training financing represents the financing of software for Western Dakota Tech over a five year period.

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, 2013 ensures that property taxes plus state aid will equal \$4,490.92 per student. There were also two one-time allocations of \$30.96 and \$45.84 per student in the year ended June 30, 2013. The per student allocation for the year ended June 30, 2014 has been increased to \$4,625.65. The District experienced an increase of 56 students’ average daily membership (ADM) during the year ended June 30, 2013 and a decrease of 57 ADM to 2013-2014. 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, 2013**

Student enrollment for 2013 showed a .40% increase. District forecasts 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 Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 53,570,908	\$ 797,881	\$ 54,368,789
Cash Designated for Special Purposes	272,793	-	272,793
Taxes Receivable	30,527,133	-	30,527,133
Inventories	747,616	252,856	1,000,472
Other Assets	5,796,525	156,616	5,953,141
Internal Balances	(351,545)	351,545	-
Debt Issuance Costs	721,639	-	721,639
	<u>91,285,069</u>	<u>1,558,898</u>	<u>92,843,967</u>
Capital Assets:			
Land	2,469,293	-	2,469,293
Buildings	161,157,789	-	161,157,789
Improvements	5,366,150	-	5,366,150
Equipment	23,183,470	1,793,645	24,977,115
Construction in Progress	16,370,238	-	16,370,238
Less Accumulated Depreciation	<u>(61,295,352)</u>	<u>(1,420,175)</u>	<u>(62,715,527)</u>
Total Capital Assets, Net of Depreciation	<u>147,251,588</u>	<u>373,470</u>	<u>147,625,058</u>
Restricted Assets:			
Cash Restricted for Debt Service	<u>611,104</u>	<u>-</u>	<u>611,104</u>
TOTAL ASSETS	<u>239,147,761</u>	<u>1,932,368</u>	<u>241,080,129</u>
LIABILITIES			
Accounts Payable	5,322,071	28,843	5,350,914
Deferred Revenue	32,279,124	99,594	32,378,718
Other Current Liabilities	-	12,914	12,914
Unamortized Premiums	792,454	-	792,454
Long-term Liabilities:			
Due Within One Year	6,379,207	33,992	6,413,199
Due in More than One Year	<u>87,263,773</u>	<u>111,712</u>	<u>87,375,485</u>
TOTAL LIABILITIES	<u>132,036,629</u>	<u>287,055</u>	<u>132,323,684</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	67,344,132	373,469	67,717,601
Restricted			
Capital Outlay	19,651,572	-	19,651,572
Special Education	2,061,925	-	2,061,925
Post Secondary Education	3,589,528	-	3,589,528
Debt Service	611,104	-	611,104
Unrestricted	<u>13,852,871</u>	<u>1,271,844</u>	<u>15,124,715</u>
TOTAL NET POSITION	<u>\$ 107,111,132</u>	<u>\$ 1,645,313</u>	<u>\$ 108,756,445</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, 2013

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 66,520,886	\$ 6,306,751
Support Services	45,723,608	1,525,813
Community Services	406,072	-
Cocurricular Activities	2,222,538	277,498
Nonprogrammed Charges	2,864,460	-
Interest on Long-term Debt *	3,574,021	-
Depreciation Unallocated **	195,651	-
Total Governmental Activities	<u>121,507,236</u>	<u>8,110,062</u>
BUSINESS-TYPE ACTIVITIES		
Food Service	5,602,985	2,065,541
Preschool	27,698	35,975
Total Business-type Activities	<u>5,630,683</u>	<u>2,101,516</u>
Total Primary Government	<u>\$ 127,137,919</u>	<u>\$ 10,211,578</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 Position		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 8,448,644	\$ -	\$ (51,765,491)	\$ -	\$ (51,765,491)
4,715,856	2,632,451	(36,849,488)	-	(36,849,488)
339,464	-	(66,608)	-	(66,608)
-	-	(1,945,040)	-	(1,945,040)
-	-	(2,864,460)	-	(2,864,460)
-	-	(3,574,021)	-	(3,574,021)
-	-	(195,651)	-	(195,651)
<u>13,503,964</u>	<u>2,632,451</u>	<u>(97,260,759)</u>	<u>-</u>	<u>(97,260,759)</u>
3,457,905	24,785	-	(54,754)	(54,754)
-	-	-	8,277	8,277
<u>3,457,905</u>	<u>24,785</u>	<u>-</u>	<u>(46,477)</u>	<u>(46,477)</u>
<u>\$ 16,961,869</u>	<u>\$ 2,657,236</u>	<u>(97,260,759)</u>	<u>(46,477)</u>	<u>(97,307,236)</u>
GENERAL REVENUES				
Taxes:				
Property Taxes		62,925,378	-	62,925,378
Gross Receipts Taxes		1,858,054	-	1,858,054
Revenue From State Sources:				
State Aid		30,157,147	-	30,157,147
Other		9,139,197	-	9,139,197
Revenue From Federal Sources		387,035	-	387,035
Revenue From Intermediate Sources		1,719,182	-	1,719,182
Unrestricted Investment Earnings		1,045,415	962	1,046,377
Loss on Sale of Capital Assets		(43,833)	-	(43,833)
Other General Revenues		453,162	15,491	468,653
Transfers		(22,808)	22,808	-
Total General Revenues and Transfers		<u>107,617,929</u>	<u>39,261</u>	<u>107,657,190</u>
CHANGE IN NET POSITION		10,357,170	(7,216)	10,349,954
NET POSITION - BEGINNING		<u>96,753,962</u>	<u>1,652,529</u>	<u>98,406,491</u>
NET POSITION - ENDING		<u>\$ 107,111,132</u>	<u>\$ 1,645,313</u>	<u>\$ 108,756,445</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, 2013

	General Fund	Capital Outlay Fund	Special Education Fund
ASSETS			
Cash and Cash Equivalents	\$ 17,238,394	\$ 21,332,047	\$ 2,277,935
Cash Designated for Special Purposes	272,793	-	-
Taxes Receivable, Current	16,904,079	8,304,810	3,994,797
Taxes Receivable, Delinquent	320,463	119,258	40,694
Accounts Receivable, Net	23,949	139,851	172
Due From Other Governments	2,711,076	319,837	205,197
Inventory of Supplies	550,329	-	778
Inventory of Stores Purchased for Resale	-	-	-
Prepaid Expenses	1,042,794	102,835	106,469
Restricted Assets:			
Cash Restricted for Debt Service	-	-	-
TOTAL ASSETS	<u>\$ 39,063,877</u>	<u>\$ 30,318,638</u>	<u>\$ 6,626,042</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 912,845	\$ 1,767,862	\$ 63,506
Contracts Payable	123,621	-	4,295
Payroll Deductions and Employer Matching Payable	350,496	-	38,904
Deferred Revenue	<u>19,342,893</u>	<u>9,095,600</u>	<u>4,195,126</u>
Total Liabilities	<u>20,729,855</u>	<u>10,863,462</u>	<u>4,301,831</u>
Fund Balances:			
Nonspendable			
Inventory	515,840	-	778
Prepaid Expenses	1,042,794	102,835	106,469
Restricted			
For Capital Outlay	-	19,352,341	-
For Special Education	-	-	2,216,964
For Post Secondary Education	-	-	-
For Pension	-	-	-
For Debt Service	-	-	-
Assigned			
For Next Year's Budget	3,864,372	-	-
For Special Purposes	272,793	-	-
Unassigned	<u>12,638,223</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>18,334,022</u>	<u>19,455,176</u>	<u>2,324,211</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,063,877</u>	<u>\$ 30,318,638</u>	<u>\$ 6,626,042</u>

The accompanying notes are an integral part of this statement.

Post Secondary Fund	Pension Fund	Debt Service Fund	Total Governmental Funds
\$ 3,724,833	\$ 1,212,048	\$ -	\$ 45,785,257
-	-	-	272,793
-	835,834	-	30,039,520
-	7,198	-	487,613
138,788	-	-	302,760
515,178	368	-	3,751,656
-	-	-	551,107
196,509	-	-	196,509
225,075	-	-	1,477,173
-	-	611,104	611,104
<u>\$ 4,800,383</u>	<u>\$ 2,055,448</u>	<u>\$ 611,104</u>	<u>\$ 83,475,492</u>
\$ 410,951	\$ 72,011	\$ -	\$ 3,227,175
61,252	-	-	189,168
58,121	-	-	447,521
<u>133,526</u>	<u>874,428</u>	<u>-</u>	<u>33,641,573</u>
<u>663,850</u>	<u>946,439</u>	<u>-</u>	<u>37,505,437</u>
194,326	-	-	710,944
225,075	-	-	1,477,173
-	-	-	19,352,341
-	-	-	2,216,964
3,717,132	-	-	3,717,132
-	1,109,009	-	1,109,009
-	-	611,104	611,104
-	-	-	3,864,372
-	-	-	272,793
-	-	-	12,638,223
<u>4,136,533</u>	<u>1,109,009</u>	<u>611,104</u>	<u>45,970,055</u>
<u>\$ 4,800,383</u>	<u>\$ 2,055,448</u>	<u>\$ 611,104</u>	<u>\$ 83,475,492</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 Position
June 30, 2013

Total Fund Balances - Governmental Funds	\$ 45,970,055
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	147,251,588
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	(79,115,000)
Training Financing	(105,961)
Compensated Absences	(8,754,155)
Energy Upgrade Loan	(315,313)
Early Retirement Benefits	(3,120,288)
Accrued Leave Payable	(251,039)
Other Post Employment Benefits (OPEB)	(1,981,224)
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.	1,362,084
Debt issuance costs and unamortized premiums are immediately recognized as expenditures and other financing sources, respectively, in the governmental funds.	
Debt Issuance Costs	721,639
Unamortized Premiums	(792,454)
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 Position.	<u>6,241,200</u>
Net Position - Governmental Activities	<u><u>\$107,111,132</u></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, 2013

	General Fund	Capital Outlay Fund	Special Education Fund
REVENUES			
Revenue From Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 17,548,718	\$ 8,658,685	\$ 4,172,485
Prior Years' Ad Valorem	17,705,798	8,747,979	4,252,591
Gross Receipts Taxes	1,844,782	8,938	4,333
Penalties and Interest on Taxes	75,699	32,130	15,702
Tax Deed Revenue	1,689	-	-
Tuition and Fees			
Local Sources	123,799	-	46,046
Federal Sources	-	-	-
Support Services	1,233,156	-	216,233
Post Secondary	-	-	-
Cocurricular Activities	280,849	-	-
Earnings on Deposits	22,938	1,009,358	3,165
Restricted Operating Contributions	228,273	35,613	1,484
Other Local Revenue	206,176	2,632,451	4,265
Total Revenue From Local Sources	<u>39,271,877</u>	<u>21,125,154</u>	<u>8,716,304</u>
Revenue From Intermediate Sources:			
County Sources	984,692	-	-
Revenue in Lieu of Taxes	448,642	180,366	87,445
Revenue for Joint Facilities	310,988	-	-
Total Revenue From Intermediate Sources	<u>1,744,322</u>	<u>180,366</u>	<u>87,445</u>
Revenue From State Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	30,157,147	-	-
Restricted Grants-in-Aid	45,500	-	5,668,634
Other State Revenue	164,373	-	-
Total Revenue From State Sources	<u>30,367,020</u>	<u>-</u>	<u>5,668,634</u>
Revenue From Federal Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	42,481	-	-
Restricted Grants-in-Aid	7,900,296	-	3,184,459
Other Federal Revenue	-	-	-
Total Revenue From Federal Sources	<u>7,942,777</u>	<u>-</u>	<u>3,184,459</u>
TOTAL REVENUES	<u>79,325,996</u>	<u>21,305,520</u>	<u>17,656,842</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>
\$ -	\$ 865,869	\$ -	\$ -	\$ 31,245,757
-	874,791	-	-	31,581,159
-	893	-	-	1,858,946
-	3,235	-	-	126,766
-	-	-	-	1,689
3,321,016	-	-	-	3,490,861
2,768,043	-	-	-	2,768,043
-	-	-	-	1,449,389
47,627	-	-	-	47,627
659,529	-	-	-	940,378
8,046	1,635	164	109	1,045,415
-	-	-	-	265,370
<u>233,461</u>	<u>-</u>	<u>21,152</u>	<u>-</u>	<u>3,097,505</u>
<u>7,037,722</u>	<u>1,746,423</u>	<u>21,316</u>	<u>109</u>	<u>77,918,905</u>
-	-	-	-	984,692
-	18,037	-	-	734,490
-	-	-	-	310,988
-	<u>18,037</u>	-	-	<u>2,030,170</u>
-	-	-	-	30,157,147
3,975,063	-	-	-	9,689,197
<u>90,014</u>	<u>-</u>	<u>2,996,895</u>	<u>-</u>	<u>3,251,282</u>
<u>4,065,077</u>	<u>-</u>	<u>2,996,895</u>	<u>-</u>	<u>43,097,626</u>
-	-	-	-	42,481
482,221	-	-	-	11,566,976
<u>5,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,990</u>
<u>488,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,615,447</u>
<u>11,591,010</u>	<u>1,764,460</u>	<u>3,018,211</u>	<u>109</u>	<u>134,662,148</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, 2013

	General Fund	Capital Outlay Fund	Special Education Fund
EXPENDITURES			
Instructional Services:			
Regular Programs	43,919,239	935,428	-
Special Programs	4,611,132	54,337	12,346,861
Post-Secondary Occupational Programs	-	-	-
Total Instructional Services	<u>48,530,371</u>	<u>989,765</u>	<u>12,346,861</u>
Support Services:			
Pupils	2,293,355	35,216	3,992,814
Instructional Staff	5,272,062	2,215,289	-
General Administration	1,555,469	1,988	-
School Administration	5,871,581	6,285	-
Business	10,416,913	5,294,279	-
Central	713,930	20,000	-
Special Education	-	799	1,679,863
Other Support Services	297,890	-	-
Total Support Services	<u>26,421,200</u>	<u>7,573,856</u>	<u>5,672,677</u>
Community Services:			
Direction	55,842	-	-
Custody and Care of Children	211,118	-	-
Nonpublic School	140,193	8,113	-
Total Community Services	<u>407,153</u>	<u>8,113</u>	<u>-</u>
Cocurricular Activities:			
Male Activities	787,506	31,135	-
Female Activities	743,705	23,221	-
Combined Activities	673,067	6,591	-
Total Cocurricular Activities	<u>2,204,278</u>	<u>60,947</u>	<u>-</u>
Other Nonprogrammed Costs	-	-	-
Debt Services	-	7,704,853	-
Capital Outlay	154,016	20,378,705	-
TOTAL EXPENDITURES	<u>77,717,018</u>	<u>36,716,239</u>	<u>18,019,538</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>
-	-	-	-	44,854,667
-	-	-	-	17,012,330
<u>4,064,874</u>	-	-	-	<u>4,064,874</u>
<u>4,064,874</u>	-	-	-	<u>65,931,871</u>
486,981	-	-	-	6,808,366
312,451	-	-	-	7,799,802
185,370	-	-	-	1,742,827
1,124,845	-	-	-	7,002,711
2,887,603	-	-	-	18,598,795
670,378	-	-	-	1,404,308
-	-	-	-	1,680,662
<u>56,359</u>	-	-	-	<u>354,249</u>
<u>5,723,987</u>	-	-	-	<u>45,391,720</u>
-	-	-	-	55,842
-	-	-	-	211,118
-	-	-	-	148,306
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,266</u>
-	-	-	-	818,641
-	-	-	-	766,926
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,658</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,265,225</u>
<u>240,707</u>	<u>2,222,000</u>	<u>-</u>	<u>-</u>	<u>2,462,707</u>
<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,754,853</u>
<u>451,572</u>	<u>-</u>	<u>3,049,142</u>	<u>-</u>	<u>24,033,435</u>
<u>10,531,140</u>	<u>2,222,000</u>	<u>3,049,142</u>	<u>-</u>	<u>148,255,077</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, 2013

	General Fund	Capital Outlay Fund	Special Education Fund
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES	1,608,978	(15,410,719)	(362,696)
OTHER FINANCING SOURCES			
Net Transfers In (Out)	-	(296,611)	-
Debt Proceeds	-	-	-
Sale of Surplus Property	13,836	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES	13,836	(296,611)	-
NET CHANGE IN FUND BALANCES	1,622,814	(15,707,330)	(362,696)
FUND BALANCE - BEGINNING	16,711,208	35,162,506	2,686,907
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - ENDING	<u>\$ 18,334,022</u>	<u>\$ 19,455,176</u>	<u>\$ 2,324,211</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>
1,059,870	(457,540)	(30,931)	109	(13,592,929)
(1,168,652)	-	1,091,152	374,111	-
-	-	60,505	-	60,505
<u>5,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,848</u>
<u>(1,163,640)</u>	<u>-</u>	<u>1,151,657</u>	<u>374,111</u>	<u>79,353</u>
(103,770)	(457,540)	1,120,726	374,220	(13,513,576)
<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>\$ 4,136,533</u>	<u>\$ 1,109,009</u>	<u>\$ -</u>	<u>\$ 611,104</u>	<u>\$ 45,970,055</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (13,513,576)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets 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.	6,054,083
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.	(62,681)
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.	201,226
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".	(1,137,948)
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.	10,911,982
Repayment of general obligation debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	4,065,000
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 and unamortized premiums exceeded deferrals for the current period.	65,831
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>3,773,243</u>
Change in Net Position of Governmental Activities	<u>\$ 10,357,160</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51- 4
Statement of Net Position - Proprietary Funds
June 30, 2013

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 790,890	\$ 6,991	\$ 797,881	\$ 7,785,651
Accounts Receivable, Net	-	-	-	189,939
Due From Other Governments	44,397	-	44,397	-
Inventory of Supplies	28,590	-	28,590	-
Inventory of Stores Purchased for Resale	113,822	-	113,822	-
Inventory of Donated Food	110,444	-	110,444	-
Prepaid Expenses	110,933	1,286	112,219	74,997
Total Current Assets	<u>1,199,076</u>	<u>8,277</u>	<u>1,207,353</u>	<u>8,050,587</u>
Noncurrent Assets:				
Machinery and Equipment - Local Funds	1,732,475	-	1,732,475	-
Machinery and Equipment - Federal Assistance	61,170	-	61,170	-
Less Accumulated Depreciation	<u>(1,420,175)</u>	<u>-</u>	<u>(1,420,175)</u>	<u>-</u>
Total Noncurrent Assets	<u>373,470</u>	<u>-</u>	<u>373,470</u>	<u>-</u>
TOTAL ASSETS	<u>1,572,546</u>	<u>8,277</u>	<u>1,580,823</u>	<u>8,050,587</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	28,843	-	28,843	139,842
Incurred But Not Reported Claims	-	-	-	1,318,000
Deferred Revenue	99,594	-	99,594	-
Payroll Deductions and Employer Matching Payable	12,914	-	12,914	-
Current Portion of Noncurrent Liabilities	33,992	-	33,992	-
Total Current Liabilities	<u>175,343</u>	<u>-</u>	<u>175,343</u>	<u>1,457,842</u>
Noncurrent Liabilities:				
Compensated Absences, Net of Current Portion	63,170	-	63,170	-
OPEB Liability	48,542	-	48,542	-
Total Noncurrent Liabilities	<u>111,712</u>	<u>-</u>	<u>111,712</u>	<u>-</u>
TOTAL LIABILITIES	<u>287,055</u>	<u>-</u>	<u>287,055</u>	<u>1,457,842</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
NET POSITION				
Net Investment in Capital Assets	373,469	-	373,469	-
Unrestricted	912,022	8,277	920,299	6,592,745
Total Net Position	<u>\$ 1,285,491</u>	<u>\$ 8,277</u>	1,293,768	<u>\$ 6,592,745</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 Position are different because of the Food Service Fund's participation in the activities conducted in the internal service fund.

	<u>351,545</u>
Net Position of Business-type Activities	<u>\$ 1,645,313</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 Position - Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
OPERATING REVENUE				
Sales to Pupils	\$ 1,328,996	\$ -	\$ 1,328,996	\$ -
Sales to Adults	48,992	-	48,992	-
Sales A la Carte	677,256	-	677,256	-
Tuition		35,975	35,975	
Other	357,044	-	357,044	-
Self-Insurance Premiums	-	-	-	16,582,799
Total Operating Revenue	<u>2,412,288</u>	<u>35,975</u>	<u>2,448,263</u>	<u>16,582,799</u>
OPERATING EXPENSES				
Salaries	1,569,287	16,980	1,586,267	-
Employee Benefits	1,057,859	8,202	1,066,061	-
Purchased Services	108,824	46	108,870	1,078,005
Supplies	262,936	2,470	265,406	-
Cost of Sales - Purchased Food	2,401,267	-	2,401,267	-
Cost of Sales - Donated Food	343,699	-	343,699	-
Depreciation	79,430	-	79,430	-
Self Insurance Costs	-	-	-	11,934,698
Total Operating Expenses	<u>5,823,302</u>	<u>27,698</u>	<u>5,851,000</u>	<u>13,012,703</u>
OPERATING INCOME (LOSS)	<u>(3,411,014)</u>	<u>8,277</u>	<u>(3,402,737)</u>	<u>3,570,096</u>
NONOPERATING REVENUE				
Local Sources:				
Interest Earned	962	-	962	891
Miscellaneous	15,491	-	15,491	422,573
State Sources:				
Cash Reimbursements	43,279	-	43,279	-
Federal Sources:				
Cash Reimbursements	2,802,910	-	2,802,910	-
Donated Food	289,754	-	289,754	-
Total Nonoperating Revenue	<u>3,152,396</u>	<u>-</u>	<u>3,152,396</u>	<u>423,464</u>

The accompanying notes are an integral part of this statement.

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Food Service Fund</u>	<u>Preschool Fund</u>	<u>Total</u>	
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(258,618)	8,277	(250,341)	3,993,560
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Donation of Equipment from Capital Outlay Fund	<u>22,808</u>	<u>-</u>	<u>22,808</u>	<u>-</u>
Total Capital Contributions	<u>22,808</u>	<u>-</u>	<u>22,808</u>	<u>-</u>
CHANGE IN NET POSITION	(235,810)	8,277	(227,533)	3,993,560
NET POSITION - BEGINNING	<u>1,521,301</u>	<u>-</u>	<u>1,521,301</u>	<u>2,599,185</u>
NET POSITION - ENDING	<u>\$ 1,285,491</u>	<u>\$ 8,277</u>	<u>\$ 1,293,768</u>	<u>\$ 6,592,745</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 Position
to the Statement of Activities
For the Year Ended June 30, 2013**

Change in Net Position - Total Enterprise Funds \$ (227,533)

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.

220,317

Change in Net Position of Business-type Activities \$ (7,216)

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, 2013

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Receipts From Customers	\$ 2,428,112	\$ 35,975	\$ 2,464,087	\$ -
Receipts From Interfund Services Provided	-	-	-	16,554,149
Payments to Suppliers	(2,795,406)	(3,802)	(2,799,208)	(1,341,361)
Payments to Employees	(2,713,484)	(25,182)	(2,738,666)	-
Claims Paid	-	-	-	(12,144,698)
Net Cash Provided (Used) by Operating Activities	<u>(3,080,778)</u>	<u>6,991</u>	<u>(3,073,787)</u>	<u>3,068,090</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies	2,845,607	-	2,845,607	-
Other Sources	15,491	-	15,491	422,575
Net Cash Provided by Noncapital Financing Activities	<u>2,861,098</u>	<u>-</u>	<u>2,861,098</u>	<u>422,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earnings	962	-	962	891
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(218,718)	6,991	(211,727)	3,491,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,009,598</u>	<u>-</u>	<u>1,009,598</u>	<u>4,294,095</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 790,880</u>	<u>\$ 6,991</u>	<u>\$ 797,871</u>	<u>\$ 7,785,651</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (3,411,014)	\$ 8,277	\$ (3,402,737)	\$ 3,570,096
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	79,430	-	79,430	-
Cost of Sales - Donated Food	343,699	-	343,699	-
Change in Assets and Liabilities:				
Accounts Receivable	-	-	-	(28,650)
Inventories	41,661	-	41,661	-
Prepaid Expenses	(40,598)	(1,286)	(41,884)	(8,465)
Accounts Payable	(23,442)	-	(23,442)	(254,891)
Incurred But Not Reported Claims	-	-	-	(210,000)
Deferred Revenue	15,824	-	15,824	-
Payroll Deductions and Employer Matching Payable	(5,943)	-	(5,943)	-
Accrued Leave Payable	(980)	-	(980)	-
Compensated Absences Payable	(77,475)	-	(77,475)	-
Accrued Leave Payable	(1,940)	-	(1,940)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,080,778)</u>	<u>\$ 6,991</u>	<u>\$ (3,073,787)</u>	<u>\$ 3,068,090</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated Equipment Received	\$ 22,808	\$ -	\$ 22,808	\$ -
Value of Commodities Received	289,754	-	289,754	-
	<u>\$ 312,562</u>	<u>\$ -</u>	<u>\$ 312,562</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 Position - Fiduciary Funds
June 30, 2013

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 60,224	\$ 433,133
LIABILITIES		
Amounts Held for Others	-	\$ 433,133
NET POSITION		
Restricted for Scholarships:		
Non-Expendable	10,000	
Expendable	50,224	
TOTAL NET POSITION	<u>\$ 60,224</u>	

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51- 4
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Private Donations	\$ 1,000
Interest	<u>403</u>
Total Additions	1,403
DEDUCTIONS	
Scholarships Awarded	<u>2,650</u>
CHANGE IN NET POSITION	(1,247)
NET POSITION - BEGINNING	<u>61,471</u>
NET POSITION - ENDING	<u><u>\$ 60,224</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, 2013

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

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

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, 2013

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. The project was completed during the year ended June 30, 2013 and this fund was closed.

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 and 2011A 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 enterprise funds are 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.

Preschool Fund - A fund used to record financial transactions related to the preschool operations. This fund is financed by user charges. 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.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Surbeck Scholarship Fund, and the Vocational Scholarship Fund. The purpose of these funds is to provide scholarships to qualifying students.

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental 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 Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests), and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

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

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2013

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:

	Capitalization Threshold	Estimated Useful Life
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, training financing costs, amounts due to other governments over a period of more than one year, other post-employment benefits, capital outlay certificates payable and other loans 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, 2013

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 POSITION AND FUND BALANCE

Government-wide Financial Statements:

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

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

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

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

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2013

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, 2013 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, 2013, the District had the following investments:

Investment	Credit Rating	Maturities	Fair Value
SD FIT	Unrated	Varies	\$ 611,104

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, 2013

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, 2013:

S.D. Department of Education	\$ 1,840,503
Pennington County	1,358,170
City of Rapid City	325,729
21st Century Grant	116,914
U.S. Government	90,473
Mid Central Education Cooperative	29,844
Miscellaneous	<u>34,420</u>
	<u>\$ 3,796,053</u>
Reconciliation to Fund Financial Statements	
Due From Other Governments - Governmental Funds	\$ 3,751,656
Due From Other Governments - Enterprise Fund	<u>44,397</u>
	<u>\$ 3,796,053</u>

NOTE 4 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013 were as follows:

Transfers From:	Transfers To:		
	Debt Service Fund	Capital Outlay Fund	Capital Projects Fund
Capital Outlay Fund	\$ 374,111	\$ -	\$ -
Post Secondary Fund	<u>-</u>	<u>77,500</u>	<u>1,091,152</u>
	<u>\$ 374,111</u>	<u>\$ 77,500</u>	<u>\$ 1,091,152</u>

Transfers were made for the following purposes:

- A transfer was made from the Capital Outlay Fund to the Debt Service Fund to make payments to the sinking fund related to the 2010B and 2011A Capital Outlay Certificates.
- A transfer was made from the Post Secondary Fund to the Capital Outlay Fund for property purchased by the Capital Outlay Fund for the Post Secondary Fund.
- A transfer was made from the Post Secondary Fund to the Capital Projects Fund to pay final construction costs related to the new building for post secondary education.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Balance <u>June 30, 2012</u>	Increase	Decrease	Balance <u>June 30, 2013</u>
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 2,469,293	\$ -	\$ -	\$ 2,469,293
Depreciable Capital Assets:				
Buildings	112,198,096	48,959,693	-	161,157,789
Improvements	5,366,150	-	-	5,366,150
Equipment	20,896,328	2,865,838	(578,696)	23,183,470
Construction in Progress	57,169,322	21,310,330	(62,109,414)	16,370,238
Subtotal	<u>198,099,189</u>	<u>73,135,861</u>	<u>(62,688,110)</u>	<u>208,546,940</u>
Less Accumulated Depreciation for:				
Buildings	39,795,148	2,929,369	-	42,724,517
Improvements	3,740,075	163,386	-	3,903,461
Equipment	13,504,937	1,678,383	(515,946)	14,667,374
Subtotal	<u>57,040,160</u>	<u>4,771,138</u>	<u>(515,946)</u>	<u>61,295,352</u>
Net Capital Assets	<u>\$ 141,059,029</u>	<u>\$ 68,364,723</u>	<u>\$ (62,172,164)</u>	<u>\$ 147,251,588</u>
Business-type Activities:				
Depreciable Capital Assets:				
Equipment	\$ 1,797,532	\$ 22,808	\$ (26,695)	\$ 1,793,645
Less Accumulated Depreciation	<u>1,365,753</u>	<u>79,430</u>	<u>(25,008)</u>	<u>1,420,175</u>
Net Capital Assets	<u>\$ 431,779</u>	<u>\$ (56,622)</u>	<u>\$ (1,687)</u>	<u>\$ 373,470</u>

Transfers out of construction in progress include \$12,888,092 of costs related to expansion at Western Dakota Technical Institute. These costs were not capitalized by the District. The majority of these construction costs were 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, 2013 are discussed in Note 14.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,792,867
Support Services	1,782,620
Depreciation not Allocated to Specific Functions	<u>195,651</u>
Total Depreciation Expense	<u>\$ 4,771,138</u>

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance June 30, 2012	Increase	Decrease	Balance June 30, 2013	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 83,180,000	\$ -	\$ (4,065,000)	\$ 79,115,000	\$ 3,985,000
Other Liabilities:					
Training Financing	158,943	-	(52,982)	105,961	52,982
Due to Other Government	10,573,384	1,851,865	(12,425,249)	-	-
Accrued Leave Payable	257,809	358,946	(365,716)	251,039	241,303
Compensated Absences	9,298,617	324,605	(869,067)	8,754,155	565,665
Energy Upgrade Loan	365,313	-	(50,000)	315,313	50,000
Early Retirement Benefits	2,938,202	1,581,485	(1,399,399)	3,120,288	1,484,257
OPEB Liability	1,847,694	133,530	-	1,981,224	-
Total Other Liabilities	<u>25,439,962</u>	<u>4,250,431</u>	<u>(15,162,413)</u>	<u>14,527,980</u>	<u>2,394,207</u>
Total Long-term Liabilities	<u>\$ 108,619,962</u>	<u>\$ 4,250,431</u>	<u>\$ (19,227,413)</u>	<u>\$ 93,642,980</u>	<u>\$ 6,379,207</u>
Business-type Activities:					
Accrued Leave Payable	\$ 4,837	\$ 5,740	\$ (6,719)	\$ 3,858	\$ 3,857
Compensated Absences	170,780	-	(77,476)	93,304	30,135
OPEB Liability	50,482	-	(1,940)	48,542	-
Total Long-term Liabilities	<u>\$ 226,099</u>	<u>\$ 5,740</u>	<u>\$ (86,135)</u>	<u>\$ 145,704</u>	<u>\$ 33,992</u>

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Capital outlay certificates at June 30, 2013 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.	\$ 665,000
2005 Capital Outlay Certificates. Bearing interest at fixed rates ranging from 3.00% to 5.00%. Due 1/1/2018.	2,780,000
2010A Capital Outlay Certificates (Build America Bonds). Bearing interest at fixed rates ranging from 1.35% to 5.60%. Due 1/1/2023.	39,310,000
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.	9,620,000
2012 A Capital Outlay Certificates. Bearing interest at fixed rates ranging from 2.00% to 3.375%. Due 1/1/2032.	7,895,000
2012 B Capital Outlay Certificates. Bearing interest at fixed rates ranging from 2.00% to 3.25%. Due 1/1/2032.	<u>11,845,000</u>
	<u>\$ 79,115,000</u>

The debt reported as Due to Other Government consists of amounts the District has received from the State of South Dakota and construction completed for the expansion at Western Dakota Technical Institute. The expansion was completed during the year ended June 30, 2013, at which time title of the assets were transferred to the State of South Dakota. 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, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2013, excluding compensated absences, accrued leave payable, due to other governments, and the OPEB liability are as follows:

Year Ending June 30,	<u>General Obligation Debt</u>		Training Financing	Energy Upgrade Loan	Early Retirement Benefits	Totals
	Principal	Interest				
2014	\$ 3,985,000	\$ 3,154,860	\$ 52,982	\$ 50,000	\$ 1,495,657	\$ 8,738,499
2015	3,805,000	3,050,427	52,979	50,000	1,107,012	8,065,418
2016	3,885,000	2,932,248	-	50,000	513,062	7,380,310
2017	3,995,000	2,798,931	-	50,000	37,227	6,881,158
2018	3,975,000	2,656,263	-	115,313	-	6,746,576
2019-2023	18,035,000	11,133,824	-	-	-	29,168,824
2024-2028	21,035,000	7,024,928	-	-	-	28,059,928
2029+	<u>20,400,000</u>	<u>1,563,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,963,584</u>
Total Payments	<u>\$ 79,115,000</u>	<u>\$ 34,315,065</u>	<u>\$ 105,961</u>	<u>\$ 315,313</u>	3,152,958	<u>\$ 117,004,297</u>
Less Interest					<u>32,670</u>	
Present Value of Early Retirement Benefits					<u>\$ 3,120,288</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.

The Energy Upgrade Loan was obtained during the year ended June 30, 2012 to provide lighting upgrades at WDTI. Repayment began during the year ended June 30, 2013. The loan requires annual payments of \$50,000 at 0% interest until maturity on July 1, 2024.

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, 2013, there were 123 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 2017. Early retirement benefit liabilities are recorded in the Statement of Net Position 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, 2013, June 30, 2012, and June 30, 2011, respectively.

For the year ended June 30, 2013, payments of early retirement benefits were made from the Post Secondary Fund in the amount of \$18,846 and the Pension Fund in the amount of \$1,385,069. These payments included interest of \$13,951.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

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 for the 2010B Capital Outlay Certificates as of June 30, 2013 was \$394,888.

Sinking fund provisions on the 2011A Capital Outlay Certificates require semi-annual deposits of \$108,108 on or before May 1 and November 1 of each year through May 2030, during which the fund will continue to earn interest until maturity of the debt on November 1, 2030. 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 for the 2011A Capital Outlay Certificates as of June 30, 2013 was \$216,326.

NOTE 7 - RESTRICTED NET POSITION

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Fund	State Law	\$ 19,651,572
Special Education Fund	State Law	2,061,925
Post Secondary Fund	State Law	<u>3,589,528</u>
Total Special Revenue Funds		25,303,025
 Debt Service Fund	 Debt Covenants	 <u>611,104</u>
Total Restricted Net Position		<u>\$ 25,914,129</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."

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 8 - PROPERTY TAX (CONTINUED)

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	2.420
Owner Occupied	4.199
Commercial	8.992
Capital Outlay Fund	3.000
Special Education Fund	1.448
Pension Fund	.300

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

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, 2013, 2012 and 2011 were \$4,112,463, \$4,028,907, and \$4,115,649 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, 2013, the District paid \$581,341 for services provided by the Co-op.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 10 - JOINT VENTURES (CONTINUED)

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 position of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

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

At June 30, 2013, this joint venture had assets of \$5,603,769, liabilities of \$1,086,639 and net position of \$4,517,130 (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. This project was completed and placed into service during the year ended June 30, 2013. The District retains all ownership of the Rapid City Performing Arts Center.

Now that the performing arts facility is constructed, a Board of Directors will be established to set policies and procedures for the management and operation of the facility. Board members will be appointed by the City, the District, and the Coalition. In the initial year, a one year occupation agreement is in place. Under this one year occupation agreement, utilities, custodial and maintenance are paid by the District. The District will work towards a long-term lease arrangement for the facility. Proceeds from the sale of tickets and concessions will be retained by the organization holding the event at the Rapid City Performing Arts Center.

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 constructed a facility that includes a library to be jointly used by the Rapid City Public Library. Pennington County contributed \$1 million during the year ended June 30, 2010 to assist in the construction of the facility. The District and Rapid City Public Library share in the costs of utilities, custodial, maintenance, and staffing expenditures.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

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, 2013 this rate was \$22 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, 2013 were \$620,845 for credit courses and \$6,096 for non-credit courses.

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 was completed during the year ended June 30, 2013 for a total amount of \$12,888,092 (see Note 6). The District recognized a liability during each year of construction to represent the transfer of the WDTI expansion to the Authority upon completion of construction. The transfer to the Authority was completed during the year ended June 30, 2013. Over the term of the construction project, the District paid \$1,091,152 in construction costs that were not reimbursed by the Authority or other funding sources. This loss was recognized over the term of the project. During the year ended June 30, 2013, \$462,843 of the loss was recognized in the Statement of Activities as Support Services in the governmental activities.

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 \$35,912,509 as of June 30, 2013. 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, 2013.

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 \$56,926 in revenue under this contract for the year ended June 30, 2013.

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 \$40,120 in revenue under this contract for the year ended June 30, 2013.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 12 - OPERATING LEASES (CONTINUED)

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, 2013 was \$13,775.

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 \$1,485,046 of expenses under this lease during the year ended June 30, 2013.

On June 1, 2011, the District entered into a two year non-cancelable lease with West River Foundation for the lease of office and classroom space. Minimum monthly lease payments under this lease are \$4,480 plus \$400 per year for utilities. The District recognized \$57,760 of expenses under this lease.

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, 2013, the District managed its risks as follows:

Employee Health Insurance

During the year ended June 30, 2013, 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 \$2,000 per individual or \$3,600 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 a 70% coinsurance up to an out of pocket limit of \$4,000 single or \$6,800 family after which 100% is paid. 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 coverage. The amount of participant contributions, net of benefit expenditures/expenses, recognized during the year ended June 30, 2013 for retired employees was \$13,182. As of June 30, 2013, there were approximately 148 retirees eligible to receive benefits.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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, 2013 and 2012 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011 - 2012	1,292,000	15,440,719	15,204,719	1,528,000
2012 - 2013	1,528,000	15,347,266	15,557,266	1,318,000

As of June 30, 2013, the District had accumulated \$6,539,427 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.

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, 2013 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 \$53,318 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, 2013 total claims were \$17,147. 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 2014.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 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, 2010, the District began mechanical and electrical upgrades to Dakota Middle School. The total estimated project cost is \$6,548,627. During the year ended June 30, 2012, the District began renovation of the Dakota Middle School for the future location of the academies of Rapid City High School. The total estimated project cost is \$12,158,192. As of June 30, 2013, the District had incurred combined costs of \$16,370,238. The projects are expected to be completed during the year ended June 30, 2014. 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 and the \$10 million Build America Bond capital outlay certificates issued November 1, 2011.

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, 2013 was 5.0%. There was no balance outstanding at June 30, 2013.

NOTE 15 - INTERNAL BALANCES

Internal balances as shown on the Statement of Net Position are related to the allocation of the net position of the Internal Service Fund as of June 30, 2013.

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 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 coverage. Under GASB 45, the District incurs an expense due to the implicit rate subsidy for retirees.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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	\$ 559,000
Interest on Net OPEB	38,000
Adjustment to ARC	<u>(51,000)</u>
Annual OPEB Cost	546,000
Contribution Made	<u>(414,410)</u>
Change in Net OPEB Obligation	131,590
Net OPEB Obligation-June 30, 2012	<u>1,898,176</u>
Net OPEB Obligation-June 30, 2013	<u>\$ 2,029,766</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 675,000	48.38%	\$ 1,442,835
6/30/2012	675,000	32.55%	1,898,176
6/30/2013	546,000	75.90%	2,029,766

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.

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.

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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.

The actuarial assumptions included:

- The assumed claims costs were developed using past 24 months of plan experience.
- Health care cost trend rates were 10% for 2013, decreasing 0.5% until an ultimate health care cost trend rate of 5.0% is reached.
- 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 projected to 2015.
- Retiree Participation rate was assumed to be 90% and initial spouse participation rate was assumed to be 20% for both male and female employees.
- Turnover rates were based on the South Dakota Retirement System actuarial valuation as of June 30, 2012. Sample rates vary by age:

Age	Class A Teachers		Class A Non-Teachers	
	Male	Female	Male	Female
25	16.80%	15.80%	9.90%	10.80%
30	11.20%	11.20%	8.20%	9.10%
35	8.50%	8.50%	7.10%	7.60%
40	6.47%	6.60%	5.90%	6.70%
45	4.75%	4.55%	5.20%	5.90%
50	4.25%	4.25%	4.70%	5.20%
55	4.25%	4.25%	4.50%	5.00%

Rapid City Area School District No. 51- 4
Notes to the Financial Statements
June 30, 2013

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

- Retirement rates vary by age, as follows and were based on the South Dakota Retirement System actuarial valuation as of June 30, 2012:

Age	Rate			
	Class A Teachers		Class A Non-Teachers	
	Male	Female	Male	Female
55-58	7.0%	6.5%	5.0%	4.0%
59	7.0%	7.5%	5.0%	6.0%
60	9.0%	8.5%	6.0%	8.0%
61	12.5%	12.0%	10.0%	9.5%
62-63	12.5%	12.5%	13.5%	12.0%
64	17.5%	20.0%	17.5%	20.0%
65	30.0%	35.0%	40.0%	32.5%
66-69	25.0%	25.0%	25.0%	20.0%
70-79	30.0%	30.0%	30.0%	30.0%
80	100.0%	100.0%	100.0%	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, 2013

	Budgeted Original	Amounts Final
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 18,071,000	\$ 18,071,000
Prior Years' Ad Valorem	17,849,022	17,849,022
Gross Receipts Taxes	1,250,000	1,250,000
Penalties and Interest on Taxes	90,000	90,000
Tax Deed Revenue	-	-
Tuition and Fees	155,000	155,000
Support Services	959,000	959,000
Cocurricular Activities	180,000	180,000
Earnings on Deposits	25,000	25,000
Restricted Operating Contributions	56,770	56,770
Other Local Revenue	57,500	57,500
Total Revenue From Local Sources	38,693,292	38,693,292
Revenue From Intermediate Sources:		
County Sources	800,000	800,000
Revenue in Lieu of Taxes	250,000	250,000
Revenue for Joint Facilities	225,000	225,000
Total Revenue From Intermediate Sources	1,275,000	1,275,000
Revenue From State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	27,852,665	28,606,122
Other State Revenue	75,000	75,000
Total Revenue From State Sources	27,927,665	28,681,122
Revenue From Federal Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	40,000	40,000
Restricted Grants-in-Aid	9,605,397	8,766,538
Total Revenue From Federal Sources	9,645,397	8,806,538
TOTAL REVENUES	77,541,354	77,455,952

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 17,548,718	\$ (522,282)
17,705,798	(143,224)
1,844,782	594,782
75,699	(14,301)
1,689	1,689
123,799	(31,201)
1,233,156	274,156
280,849	100,849
22,938	(2,062)
228,273	171,503
206,176	148,676
<u>39,271,877</u>	<u>578,585</u>
984,692	184,692
448,642	198,642
310,988	85,988
<u>1,744,322</u>	<u>469,322</u>
30,157,147	1,551,025
164,373	89,373
<u>30,367,020</u>	<u>1,685,898</u>
42,481	2,481
7,900,296	(866,242)
<u>7,942,777</u>	<u>(863,761)</u>
<u>79,325,996</u>	<u>1,870,044</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, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
EXPENDITURES		
Instructional Services:		
Regular Programs	44,952,620	44,841,105
Special Programs	<u>5,303,385</u>	<u>5,009,125</u>
Total Instruction	<u>50,256,005</u>	<u>49,850,230</u>
Support Services:		
Pupils	2,387,684	2,469,191
Instructional Staff	6,277,375	5,806,892
General Administration	1,808,224	1,790,259
School Administration	6,130,831	6,134,754
Business	10,787,697	10,761,826
Central	798,171	798,171
Other Support Services	<u>296,693</u>	<u>296,693</u>
Total Support Services	<u>28,486,675</u>	<u>28,057,786</u>
Community Services:		
Direction	78,880	78,880
Custody and Care of Children	248,481	233,666
Nonpublic School	<u>108,363</u>	<u>99,168</u>
Total Community Services	<u>435,724</u>	<u>411,714</u>
Cocurricular Activities:		
Male Activities	764,557	764,557
Female Activities	754,366	727,846
Combined Activities	<u>638,769</u>	<u>665,289</u>
Total Cocurricular Activities	<u>2,157,692</u>	<u>2,157,692</u>
TOTAL EXPENDITURES	<u>81,336,096</u>	<u>80,477,422</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
43,942,827	898,278
<u>4,612,815</u>	<u>396,310</u>
<u>48,555,642</u>	<u>1,294,588</u>
2,293,548	175,643
5,272,062	534,830
1,555,469	234,790
5,871,581	263,173
10,527,869	233,957
713,930	84,241
<u>297,890</u>	<u>(1,197)</u>
<u>26,532,349</u>	<u>1,525,437</u>
55,842	23,038
211,118	22,548
<u>140,193</u>	<u>(41,025)</u>
<u>407,153</u>	<u>4,561</u>
787,506	(22,949)
743,705	(15,859)
<u>690,663</u>	<u>(25,374)</u>
<u>2,221,874</u>	<u>(64,182)</u>
<u>77,717,018</u>	<u>2,760,404</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, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,794,742)	(3,021,470)
OTHER FINANCING SOURCES		
Sale of Surplus Property	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(3,794,742)	(3,021,470)
FUND BALANCE - BEGINNING	<u>16,711,208</u>	<u>16,711,208</u>
FUND BALANCE - ENDING	<u>\$ 12,916,466</u>	<u>\$ 13,689,738</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
1,608,978	4,630,448
<u>13,836</u>	<u>13,836</u>
<u>13,836</u>	<u>13,836</u>
1,622,814	4,644,284
<u>16,711,208</u>	<u>-</u>
<u>\$ 18,334,022</u>	<u>\$ 4,644,284</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, 2013

	Budgeted Original	Amounts Final
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 8,904,495	\$ 8,904,495
Prior Years' Ad Valorem	8,784,111	8,784,111
Gross Receipts Taxes	5,000	5,000
Penalties and Interest on Taxes	30,000	30,000
Earnings on Deposits	450,000	450,000
Restricted Operating Contributions	-	-
Other Local Revenue	300,000	300,000
Total Revenue From Local Sources	18,473,606	18,473,606
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	10,000	10,000
TOTAL REVENUES	18,483,606	18,483,606
EXPENDITURES		
Instructional Services:		
Regular Programs	1,082,378	1,082,378
Special Programs	59,411	59,411
Total Instructional Services	1,141,789	1,141,789
Support Services:		
Pupils	35,814	35,814
Instructional Staff	2,129,442	2,129,442
General Administration	-	-
School Administration	6,393	6,393
Business	24,060,500	27,060,500
Central	-	-
Other Support Services	799	799
Total Support Services	26,232,948	29,232,948

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 8,658,685	\$ (245,810)
8,747,979	(36,132)
8,938	3,938
32,130	2,130
1,009,358	559,358
35,613	35,613
<u>2,632,451</u>	<u>2,332,451</u>
<u>21,125,154</u>	<u>2,651,548</u>
<u>180,366</u>	<u>170,366</u>
<u>21,305,520</u>	<u>2,821,914</u>
953,456	128,922
54,337	5,074
<u>1,007,793</u>	<u>133,996</u>
35,216	598
2,316,714	(187,272)
1,988	(1,988)
6,285	108
25,530,062	1,530,438
20,000	(20,000)
799	-
<u>27,911,064</u>	<u>1,321,884</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, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
Community Services:		
Nonpublic School	<u>100,000</u>	<u>100,000</u>
Cocurricular Activities:		
Male Activities	52,743	52,743
Female Activities	35,161	35,161
Combined Activities	<u>2,691</u>	<u>2,691</u>
Total Cocurricular Activities	<u>90,595</u>	<u>90,595</u>
Debt Services	<u>6,671,241</u>	<u>6,671,241</u>
TOTAL EXPENDITURES	<u>34,236,573</u>	<u>37,236,573</u>
EXCESS OF REVENUES OVER (UNDER)		
EXPENDITURES	(15,752,967)	(18,752,967)
OTHER FINANCING SOURCES		
Sale of Surplus Property	5,000	5,000
Net Transfers	(296,611)	(296,611)
Debt Proceeds, Net of Premium	<u>14,000,000</u>	<u>14,000,000</u>
TOTAL OTHER FINANCING SOURCES	<u>13,708,389</u>	<u>13,703,389</u>
NET CHANGE IN FUND BALANCES	(2,044,578)	(5,044,578)
FUND BALANCE - BEGINNING	<u>35,162,506</u>	<u>35,162,506</u>
FUND BALANCE - ENDING	<u>\$ 33,117,928</u>	<u>\$ 30,117,928</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
<u>8,113</u>	<u>91,887</u>
47,305	5,438
30,520	4,641
<u>6,591</u>	<u>(3,900)</u>
<u>84,416</u>	<u>6,179</u>
<u>7,704,853</u>	<u>(1,033,612)</u>
<u>36,716,239</u>	<u>520,334</u>
(15,410,719)	3,342,248
-	(5,000)
(296,611)	-
<u>-</u>	<u>(14,000,000)</u>
<u>(296,611)</u>	<u>(14,000,000)</u>
(15,707,330)	(10,662,752)
<u>35,162,506</u>	<u>-</u>
<u>\$ 19,455,176</u>	<u>\$ (10,662,752)</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, 2013

	Budgeted Original	Amounts Final
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 4,363,431	\$ 4,363,431
Prior Years' Ad Valorem	4,284,244	4,284,244
Penalties and Interest on Taxes	15,000	15,000
Gross Receipts Taxes	2,000	2,000
Support Services	120,000	120,000
Tuition and Fees	35,000	35,000
Earnings on Deposits	2,500	2,500
Restricted Operating Contributions	-	-
Other Local Revenue	-	-
Total Revenue From Local Sources	8,822,175	8,822,175
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	2,000	2,000
Revenue From State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	5,852,236	5,852,236
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	3,096,507	3,185,715
TOTAL REVENUES	17,772,918	17,862,126

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 4,172,485	\$ (190,946)
4,252,591	(31,653)
15,702	702
4,333	2,333
216,233	96,233
46,046	11,046
3,165	665
1,484	1,484
4,265	4,265
<u>8,716,304</u>	<u>(105,871)</u>
<u>87,445</u>	<u>85,445</u>
<u>5,668,634</u>	<u>(183,602)</u>
<u>3,184,459</u>	<u>(1,256)</u>
<u>17,656,842</u>	<u>(205,284)</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 (Continued)
For the Year Ended June 30, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
EXPENDITURES		
Instructional Services:		
Special Programs	<u>12,145,657</u>	<u>12,145,657</u>
Support Services:		
Pupils	4,177,403	4,177,403
Special Education	<u>1,789,854</u>	<u>1,789,854</u>
Total Support Services	<u>5,967,257</u>	<u>5,967,257</u>
TOTAL EXPENDITURES	<u>18,162,914</u>	<u>18,162,914</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(389,996)</u>	<u>(300,788)</u>
NET CHANGE IN FUND BALANCES	(389,996)	(300,788)
FUND BALANCE - BEGINNING	<u>2,686,907</u>	<u>2,686,907</u>
FUND BALANCE - ENDING	<u>\$ 2,296,911</u>	<u>\$ 2,386,119</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<u>12,346,861</u>	<u>(201,204)</u>
3,992,814	184,589
<u>1,679,863</u>	<u>109,991</u>
<u>5,672,677</u>	<u>294,580</u>
<u>18,019,538</u>	<u>143,376</u>
<u>(362,696)</u>	<u>(61,908)</u>
(362,696)	(61,908)
<u>2,686,907</u>	<u>-</u>
<u>\$ 2,324,211</u>	<u>\$ (61,908)</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, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Tuition and Fees	\$ 6,399,175	\$ 6,399,175
Post Secondary	30,500	49,500
Cocurricular Activities	660,000	660,000
Earnings on Deposits	4,000	4,000
Other Local Revenue	<u>202,000</u>	<u>214,000</u>
Total Revenue From Local Sources	<u>7,295,675</u>	<u>7,326,675</u>
Revenue From State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	3,230,783	3,564,920
Other State Revenue	<u>90,000</u>	<u>90,000</u>
Total Revenue From State Sources	<u>3,320,783</u>	<u>3,654,920</u>
Revenue From Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	725,510	729,088
Other Federal Revenue	<u>5,000</u>	<u>5,000</u>
Total Revenue From Federal Sources	<u>730,510</u>	<u>734,088</u>
TOTAL REVENUES	<u>11,346,968</u>	<u>11,715,683</u>
EXPENDITURES		
Instructional Services:		
Post-Secondary Occupational Programs	<u>5,046,318</u>	<u>4,948,944</u>
Support Services:		
Pupils	442,951	531,832
Instructional Staff	474,927	427,666
General Administration	203,988	162,489
School Administration	1,214,252	1,170,349
Business	2,522,829	3,074,686
Central	858,281	816,295
Other Support Services	<u>79,196</u>	<u>79,196</u>
Total Support Services	<u>5,796,424</u>	<u>6,262,513</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 6,089,059	\$ (310,116)
47,627	(1,873)
659,529	(471)
8,046	4,046
233,461	19,461
<u>7,037,722</u>	<u>(288,953)</u>
3,975,063	410,143
90,014	14
<u>4,065,077</u>	<u>410,157</u>
482,221	(246,867)
5,990	990
<u>488,211</u>	<u>(245,877)</u>
<u>11,591,010</u>	<u>(124,673)</u>
<u>4,326,675</u>	<u>622,269</u>
486,981	44,851
316,802	110,864
185,370	(22,881)
1,124,845	45,504
2,985,708	88,978
757,692	58,603
56,359	22,837
<u>5,913,757</u>	<u>348,756</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, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
Other Nonprogrammed Costs	268,570	268,570
Debt Services	<u>50,000</u>	<u>50,000</u>
TOTAL EXPENDITURES	<u>11,161,312</u>	<u>11,530,027</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	185,656	185,656
OTHER FINANCING SOURCES		
Operating Transfers Out	(1,295,668)	(1,295,668)
Sale of Surplus Property	<u>10,000</u>	<u>10,000</u>
TOTAL OTHER FINANCING SOURCES	<u>(1,285,668)</u>	<u>(1,285,668)</u>
NET CHANGE IN FUND BALANCES	(1,100,012)	(1,100,012)
FUND BALANCE - BEGINNING	<u>4,240,303</u>	<u>4,240,303</u>
FUND BALANCE - ENDING	<u>\$ 3,140,291</u>	<u>\$ 3,140,291</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
240,708	27,862
<u>50,000</u>	<u>-</u>
10,531,140	998,887
1,059,870	(874,214)
(1,168,652)	(127,016)
<u>5,012</u>	<u>4,988</u>
<u>(1,163,640)</u>	<u>(122,028)</u>
(103,770)	(996,242)
<u>4,240,303</u>	<u>-</u>
<u>\$ 4,136,533</u>	<u>\$ (996,242)</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, 2013

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 880,568	\$ 880,568
Prior Years' Ad Valorem	879,019	879,019
Gross Receipts Taxes	-	-
Penalties and Interest on Taxes	3,000	3,000
Earnings on Deposits	<u>1,000</u>	<u>1,000</u>
Total Revenue From Local Sources	<u>1,763,587</u>	<u>1,763,587</u>
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,763,587</u>	<u>1,763,587</u>
EXPENDITURES		
Other Nonprogram Costs:		
Early Retirement	<u>2,200,000</u>	<u>2,200,000</u>
NET CHANGE IN FUND BALANCES	(436,413)	(436,413)
FUND BALANCE - BEGINNING	<u>1,566,549</u>	<u>1,566,549</u>
FUND BALANCE - ENDING	<u>\$ 1,130,136</u>	<u>\$ 1,130,136</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 865,869	\$ (14,699)
874,791	(4,228)
893	893
3,235	235
1,635	635
<u>1,746,423</u>	<u>(17,164)</u>
<u>18,037</u>	<u>18,037</u>
<u>1,764,460</u>	<u>873</u>
<u>2,222,000</u>	<u>(22,000)</u>
(457,540)	22,873
<u>1,566,549</u>	<u>-</u>
<u>\$ 1,109,009</u>	<u>\$ (21,127)</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, 2013

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.
11. During the year ended June 30, 2013, the District over-expended the Pension Fund appropriations of \$2,200,000 by \$22,000. Actual expenses for early retirement exceeded the budgeted appropriations.

Rapid City Area School District No. 51- 4
Schedule of Funding Progress for Retiree Health Insurance Coverage
June 30, 2013

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%
6/30/2013	-	6,201,000	6,201,000	0.00%	66,932,398	9.26%

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SUPPLEMENTARY INFORMATION

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Rapid City Area School District No. 51- 4
School District Officials
June 30, 2013

BOARD MEMBERS

Sheryl Kirkeby, President
Jim Hansen, 1st Vice President
Jeff Nelsen, 2nd Vice President
Dave Davis
Ed McLaughlin
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, 2013

	CFDA Numbers	Amount
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-cash Assistance (Commodities)		
National School Lunch Program	10.555	\$ 289,754
Cash Assistance		
School Breakfast Program (Note 2)	10.553	363,856
National School Lunch Program (Note 2)	10.555	2,387,234
Summer Food Service Program for Children (Note 2)	10.559	76,603
Fresh Fruits and Vegetable Program	10.582	321,535
Pass-through Pennington County:		
Schools and Roads Cluster:		
School and Roads - Grants to States	10.665	32,188
TOTAL U.S. DEPARTMENT OF AGRICULTURE		3,471,170
U.S. DEPARTMENT OF DEFENSE		
Direct Federal Funding:		
Reserve Officer Training Corps	12.XXX	66,542
U.S. DEPARTMENT OF INTERIOR		
Pass-through Pennington and Meade Counties:		
Distribution of Receipts to State and Local Governments (Note 2)	15.227	9,748
U.S. DEPARTMENT OF LABOR		
Pass-through the S.D. Department of Education:		
Trade Adjustment Assistance Community College and Career Training Grants	17.282	114,674
U.S. DEPARTMENT OF TRANSPORTATION		
Pass-Through the S.D. Department of Labor:		
Highway Planning and Construction - Safe Route to Schools	20.205	11,133
NATIONAL FOUNDATION ON THE ARTS & HUMANITIES		
Pass-through the S.D. Department of Tourism:		
Promotion of the Arts-Partnership Agreements	45.025	1,027
NATIONAL SCIENCE FOUNDATION		
Pass Through the S.D. Department of Education:		
Office of Experimental Program to Stimulate Competitive Research	47.081	13,460

See independent auditor's report.

	<u>CFDA Numbers</u>	<u>Amount</u>
U.S. DEPARTMENT OF EDUCATION (CONTINUED)		
Direct Federal Funding:		
Student Financial Assistance Programs Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	42,802
Federal Work Study Programs	84.033	16,643
Federal Pell Grant Program	84.063	2,726,184
Federal Direct Student Loans (Note 4)	84.268	5,219,192
Impact Aid	84.041	545
Indian Education Cluster:		
Indian Education-Formula Grants to Local Educational Agencies	84.060	484,443
Indian Education-Special Programs for Indian Children	84.299	297,889
Pass-through the SD Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	4,390,085
Title I State Agency Program for Neglected and Delinquent Children	84.013	223,504
Special Education Cluster:		
Special Education-Grants to States	84.027	3,108,920
Special Education-Preschool Grants	84.173	78,407
Career and Technical Education-Basic Grants to States (Note 3)	84.048	673,821
Education for Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	89,577
College Access Challenge Grant Program	84.378	31,709
Improving Teacher Quality State Grants	84.367	1,124,363
School Improvement Grants Cluster:		
School Improvement Grants	84.377	169,199
School Improvement Grants, Recovery Act	84.388	609,301
Investing in Innovation Fund	84.411	28,141
Pass-through Black Hills Special Services Cooperative		
21st Century Community Learning Centers	84.287	<u>148,666</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>19,463,391</u>
U.S. DEPARTMENT OF ENERGY		
Pass-through the SD Energy Management Office		
Energy Efficiency Conservation Block Grant Program, Recovery Act	81.128	<u>365,314</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, 2013

	CFDA Numbers	Amount
U.S. DEPARTMENT OF HEALTH		
Pass-through the SD Dept. of Education		
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	5,000
U.S. DEPARTMENT OF HOMELAND SECURITY		
Pass-through Pennington County		
Homeland Security Grant Program	97.067	65,246
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 23,586,705

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	\$ 49,591

NOTE 4: 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	\$ 401,670
Stafford Loans	2,428,725
Unsubsidized Stafford Loans	2,388,797
	\$ 5,219,192

See independent auditor's report.