

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

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2016



CASEY PETERSON, LTD.
CPAs & Financial Advisors

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
Pennington County, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4, as of and for the year ended June 30, 2016, 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 9, 2016.

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 of 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider 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 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 2016-001 and 2016-002.

District'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 schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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.

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

Casey Peterson, Ltd.

Rapid City, South Dakota
December 9, 2016



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

Board of Directors
Rapid City Area School District No. 51-4
Pennington County, 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 Compliance Supplement* that could have a 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. 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 schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and significant deficiencies.

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 2016-001 and 2016-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, to be a significant deficiency.

Rapid City Area School District No. 51-4's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Casey Peterson, LTD.

Casey Peterson, Ltd.

Rapid City, South Dakota

December 9, 2016

Rapid City Area School District No. 51-4
Schedule of Findings and Questioned Costs
June 30, 2016

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 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* disclosed 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.
- d. The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance disclosed material weaknesses and a significant deficiency in internal controls over compliance.
- e. 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.
- f. Noncompliance in relation to major federal programs was reported in the Independent 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 the Uniform Guidance.
- 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
	<u>Student Financial Aid Cluster:</u>
5. 84.007	Federal Supplemental Educational Opportunity Grants
6. 84.033	Federal Work Study Program
7. 84.063	Federal Pell Grant Program
8. 84.268	Federal Direct Student Loans
	<u>Indian Education Cluster</u>
9. 84.060	Indian Education - Grants to Local Education Agencies
10. 84.299	Indian Education - Special Programs for Indian Children
11. 84.010	Title I Grants to Local Educational Agencies

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- 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, 2016

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Child & Adult Nutrition Cluster (CFDAs: 10.553, 10.555, 10.559)

Material Weakness - Internal Control Over Compliance

Non-Compliance

2016-001 *Condition:* We noted four instances of missing applications for students receiving free and reduced meals under the CANS program.

Repeat Finding: Yes, this issue was also reported in 2015 as finding 2015-001.

Criteria: Applications are required to support student eligibility within the program.

Cause: An error was made in the database when preparing for the school year causing the database to reflect applications received for students who had not turned in applications.

Effect: We were unable to determine whether the students with missing applications were properly classified within the program.

Auditor's Recommendation: The District should continue performing spot-checks of student applications. In addition, when starting a new year, the District should ensure that the proper data is carried over from year to year.

Management's Response: The District will continue performing spot-checks of student applications. The District will monitor and coordinate with technology for the data rollover from year to year.

Indian Education Cluster (CFDAs: 84.060 and 84.299)

Material Weakness - Internal Control Over Compliance

Non-Compliance

2016-002 *Condition:* During our testing of expenses charged to the program, we noted 4 of 35 disbursements that do not meet the program objectives. Two of the four purchases were for meals while the other two transactions were for supplies that did not fulfill program objectives.

Repeat Finding: No

Criteria: Program objectives are to address the unique educational and culturally related academic needs of Indian students, so that these students can meet challenging state performance standards expected of all students; to ensure that Indian students gain knowledge and understanding of Native communities, languages, tribal histories, traditions, and cultures; and to ensure that teachers, principals, other school leaders and other staff who serve Indian students have that ability to provide culturally appropriate and effective instruction. The program is designed to develop, test, and demonstrate the effectiveness of services and programs to improve educational opportunities and achievement of Indian children. In addition, the Department of Education has a high burden of proof for the purpose and necessity of meals when paid for with federal grant dollars.

Cause: There is little formal guidance for spending under this program.

Effect: The total amount identified during testing and the projection of the total error are below threshold for reporting questioned costs.

Auditor's Recommendation: We suggest that only items necessary and reasonable for the performance of the grant be charged to the program. Disbursements should be reviewed prior to payment by the grant to ensure compliance with grant objectives.

Rapid City Area School District No. 51-4
Schedule of Findings and Questioned Costs
June 30, 2016

Management's Response: The District will review practices for charging to this program. When an item may not fulfill the objectives of the program, the District will use other revenue sources for the purchase.

Student Financial Assistance Cluster (CFDAs: 84.033, 84.007, 84.063, 84.069, 84.268)
Significant Deficiency - Internal Control Over Compliance

2016-003 *Condition:* During our testing of return of funds, we noted that Return of Title IV Funds calculations were not performed for students exceeding 60% of completion of the semester. We noted three students for which the calculation was not performed.

Repeat Finding: No

Criteria: Per review of the SFA Handbook, for a student who withdraws after the 60% point-in-time, there are no unearned funds. However, a school must still determine whether the student is eligible for a post-withdrawal disbursement (PWD).

Cause: Calculations were not performed or documented for all students that withdrew after completion of 60% of the semester.

Effect: Upon identification, these calculations were performed to determine whether students were owed a post withdrawal disbursement. In all cases, the students were not owed a post withdrawal disbursement. No noncompliance or questioned costs were identified.

Auditor's Recommendation: We recommend that the institution review requirements outlined in the compliance supplement for this program and that all students withdrawing be reviewed for potential post withdrawal disbursements.

Management's Response: Management will perform return of funds calculations for all students withdrawing from the institution that have completed 60% of the semester.

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings were identified in the current period.

Rapid City Area School District No. 51-4
Summary Schedule of Prior Audit Findings
June 30, 2016

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Child & Adult Nutrition Cluster (CFDAs: 10.553, 10.555, 10.559)

Material Weakness - Internal Control Over Compliance

Non-Compliance

2015-001 *Condition:* We noted three instances of missing applications and one incorrectly prepared application for students receiving free and reduced meals under the CANS program.

Criteria: Applications are required to support student eligibility within the program.

Auditor's Recommendation: The District should continue performing spot-checks of student applications. In addition, when starting a new year, the District should ensure that the proper data is carried over from year to year.

Current Status: This finding is reported as item 2016-001.

Student Financial Assistance Cluster (CFDAs: 84.003, 84.007, 84.063, 84.069, 84.268)

Significant Deficiency - Internal Control Over Compliance

2015-002 *Condition:* Students flagged for identification verification submitted appropriate notarized documentation to the institution. However, copies of the students' government-issued identification were not included in their files. During interim testing with an initial sample of 51 students, only one was verified externally and a copy of the government-issued identification was not on file. We expanded our sample to review another student with external verification and found the same issue. During final testing, we selected three more students and found the documentation had been properly obtained.

Criteria: Students flagged by the federal agency are required to have verification of their identities. Verifications can be handled by the institution or by an external notary public. If an external notary public is used, the institution must retain a copy of the notarized documents and a copy of the government-issued identification, as required by the program compliance supplement.

Auditor's Recommendation: We recommend that the institution review requirements outlined in the compliance supplement for documentation to be retained in student files and establish procedures to make sure such documentation is complete.

Current Status: This finding has been resolved.

**Rapid City Area School District No. 51-4
Corrective Action Plan (Unaudited)
June 30, 2016**

Rapid City Area School District No. 51-4 respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm:

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

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Child & Adult Nutrition Cluster (CFDAs: 10.553, 10.555, 10.559)
Material Weakness - Internal Control Over Compliance
Non-Compliance

2016-001 *Condition:* We noted four instances of missing applications for students receiving free and reduced meals under the CANS program.

Criteria: Applications are required to support student eligibility within the program.

Auditor's Recommendation: The District should continue performing spot-checks of student applications. In addition, when starting a new year, the District should ensure that the proper data is carried over from year to year.

Management's Response: The District will continue performing spot-checks of student applications. The District will monitor and coordinate with technology for the data rollover from year to year. This issue will be resolved by June 30, 2017.

Indian Education Cluster (CFDAs: 84.060 and 84.299)
Material Weakness - Internal Control Over Compliance
Non-Compliance

2016-002 *Condition:* During our testing of expenses charged to the program, we noted 4 of 35 disbursements that do not meet the program objectives. Two of the four purchases were for meals while the other two transactions were for supplies that did not fulfill program objectives.

Criteria: Program objectives are to address the unique educational and culturally related academic needs of Indian students, so that these students can meet challenging state performance standards expected of all students; to ensure that Indian students gain knowledge and understanding of Native communities, languages, tribal histories, traditions, and cultures; and to ensure that teachers, principals, other school leaders and other staff who serve Indian students have that ability to provide culturally appropriate and effective instruction. The program is designed to develop, test, and demonstrate the effectiveness of services and programs to improve educational opportunities and achievement of Indian children. In addition, the Department of Education has a high burden of proof for the purpose and necessity of meals when paid for with federal grant dollars.

Auditor's Recommendation: We suggest that only items necessary and reasonable for the performance of the grant be charged to the program. Disbursements should be reviewed prior to payment by the grant to ensure compliance with grant objectives.

Management's Response: The District will review practices for charging to this program. When an item may not fulfill the objectives of the program, the District will use other revenue sources for the purchase. This issue will be resolved by June 30, 2017.

Rapid City Area School District No. 51-4
Corrective Action Plan (Unaudited)
June 30, 2016

Student Financial Assistance Cluster (CFDAs: 84.033, 84.007, 84.063, 84.069, 84.268)
Significant Deficiency - Internal Control Over Compliance

2016-003 *Condition:* During our testing of return of funds, we noted that Return of Title IV Funds calculations were not performed for students exceeding 60% of completion of the semester. We noted three students for which the calculation was not performed.

Criteria: Per review of the SFA Handbook, for a student who withdraws after the 60% point-in-time, there are no unearned funds. However, a school must still determine whether the student is eligible for a post-withdrawal disbursement (PWD).

Auditor's Recommendation: We recommend that the institution review requirements outlined in the compliance supplement for this program and that all students withdrawing be reviewed for potential post withdrawal disbursements.

Management's Response: Management will perform return of funds calculations for all students withdrawing from the institution that have completed 60% of the semester. This issue will be resolved by June 30, 2017.

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings were identified in the current period.

If there are any questions regarding this plan, please contact Mary R. Duncan, CPA, CGMA, Accounting Manager, at (605) 394-4026.

Sincerely,

Mary Duncan, CPA, CGMA, Accounting Manager
Rapid City Area School District No. 51-4
Pennington County, South Dakota



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rapid City Area School District No. 51-4, as of June 30, 2016, 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, schedule of funding progress for retiree health insurance coverage, schedule of net pension asset, and schedule of pension contributions on pages 17 - 28, 88 - 104, 105, 106, and 107 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 Balance Sheet - Western Dakota Technical Institute, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Western Dakota Technical Institute, the Schedule of Capital Assets - Western Dakota Technical Institute, and the Schedule of Long-term Debt - Western Dakota Technical Institute are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Balance Sheet - Western Dakota Technical Institute, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Western Dakota Technical Institute, the Schedule of Capital Assets - Western Dakota Technical Institute, the Schedule of Long-term Debt - Western Dakota Technical Institute, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of Rapid City Area School District No. 51-4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rapid City Area School District No. 51-4's internal control over financial reporting and compliance.

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

Casey Peterson, Ltd.

Rapid City, South Dakota
December 9, 2016

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rapid City Area School District No. 51-4's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position from governmental and business type activities increased \$12,096,473, or 8.3%. During the year, Cash & Cash Equivalents, Cash Designated for Special Purposes and Restricted Cash increased \$1,920,227, or 3.2%. This is mainly due to revenues exceeding budget and controlling expenses.
- During the year, the District's unrestricted revenues generated from taxes and other sources decreased \$1,314,149 or 1.1%. The District's net expenses before general revenues increased \$7,546,522 or 8%.
- The decrease in District revenue is due primarily to a decrease in state aid and loss on disposal of capital assets. The increased net expenses were primarily due to increased governmental activities net expense.
- The District's long-term debt increased by \$8,671,216, or 9.25%, due to the building project in process at Western Dakota Tech which is also a Due to Other Government.
- Total Governmental Fund Balances decreased \$1,087,214 or 1.97%, primarily due to capital projects. Individual Fund Balance changes are as follows: General Fund increased \$3,499,344, or 27.5%; Capital Outlay Fund decreased \$6,210,750 or 19.3%, Special Education Fund increased \$1,177,093, or 42.1%; Post Secondary Fund decreased \$1,221,184, or 22.6%; Pension Fund increased \$1,293,984, or 183.19%; and, Debt Service Fund increased \$374,299, or 27.53%.
- The District's Food Service Fund experienced an increase in net position of \$909,896 or 45.4%. Total non-operating revenue was up 4.6%. Revenues from food sales were up 4.2% and federal cash reimbursements from free and reduced student meals were up 4.7%. Operating expenses were down 3% due to concerted efforts to contain labor and food costs.
- The Internal Service Fund (Health Insurance Trust) experienced a \$239,700 or 1.9% increase in net position. Total revenue decreased 6.2%. Total expenditures were up \$1,443,735 due to higher claims.

Rapid City Area School District No. 51-4 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

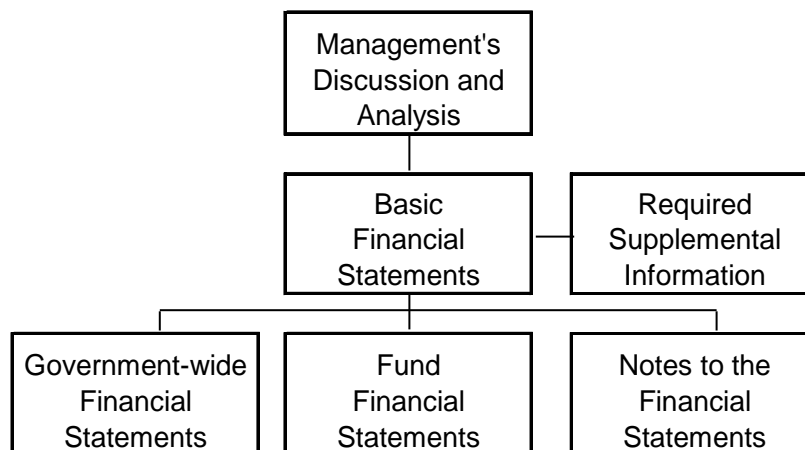
This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements (government-wide and fund financial statements), and required supplementary information. The basic financial statements include two kinds of statements that present different 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, 2016**

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 co-curricular 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	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Deferred Outflow of Resources/ Liability/ Deferred Inflow or Resources Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; all deferred outflows and inflows of resources; no capital or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	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, 2016

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, 2016

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 six 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 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, 2016**

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
	2015	2016	2015	2016	2015	2016	2015 - 2016
Current and Other Assets	\$ 137,160,455	\$ 127,278,170	\$ 3,083,806	\$ 3,690,856	\$ 140,244,261	\$ 130,969,026	-6.61%
Capital Assets (Net of Depreciation)	148,367,728	166,234,668	406,920	353,848	148,774,648	166,588,516	11.97%
Total Assets	285,528,183	293,512,838	3,490,726	4,044,704	289,018,909	297,557,542	2.95%
Deferred Outflows of Resources	25,001,309	30,340,574	698,201	828,895	25,699,510	31,169,469	21.28%
Total Assets and Deferred Outflows	310,529,492	323,853,412	4,188,927	4,873,599	314,718,419	328,727,011	4.45%
Long-term Liabilities Outstanding	93,451,122	102,123,539	249,277	248,076	93,608,832	102,371,615	9.36%
Other Liabilities	6,762,737	9,106,942	157,710	160,400	7,012,014	9,267,342	32.16%
Total Liabilities	100,213,859	111,230,481	406,987	408,476	100,620,846	111,638,957	10.95%
Deferred Inflows of Resources	67,176,294	58,341,706	915,534	644,130	68,091,828	58,985,836	-13.37%
Net Position							
Net Investment in Capital Assets	78,259,853	85,541,190	406,920	353,848	78,666,773	85,895,038	9.19%
Restricted	51,249,124	58,005,255	573,168	621,310	51,822,292	58,626,565	13.13%
Unrestricted	13,630,362	10,734,780	1,886,318	2,845,835	15,516,680	13,580,615	-12.48%
Total Net Position	\$ 143,139,339	\$ 154,281,225	\$ 2,866,406	\$ 3,820,993	\$ 146,005,745	\$ 158,102,218	8.28%

Recall that the Statement of Net Position provides the perspective of the District as a whole. The most significant changes are an increase in Other Liabilities of \$2,255,328, or 32.16%, and an increase in Deferred Outflows of Resources of \$5,469,959, or 21.28%. Overall Total Net Position is up by \$12,096,473, or 8.28%.

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 \$158,513,034. (See Table A-2). Approximately one-half of the District's revenue comes from property and other taxes, with 26% 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, 2016**

The District's expenditures totaled \$146,416,561. 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, 2016, total revenues surpassed expenses by \$12,096,473.

SOURCES OF REVENUES FOR FISCAL YEAR 2016

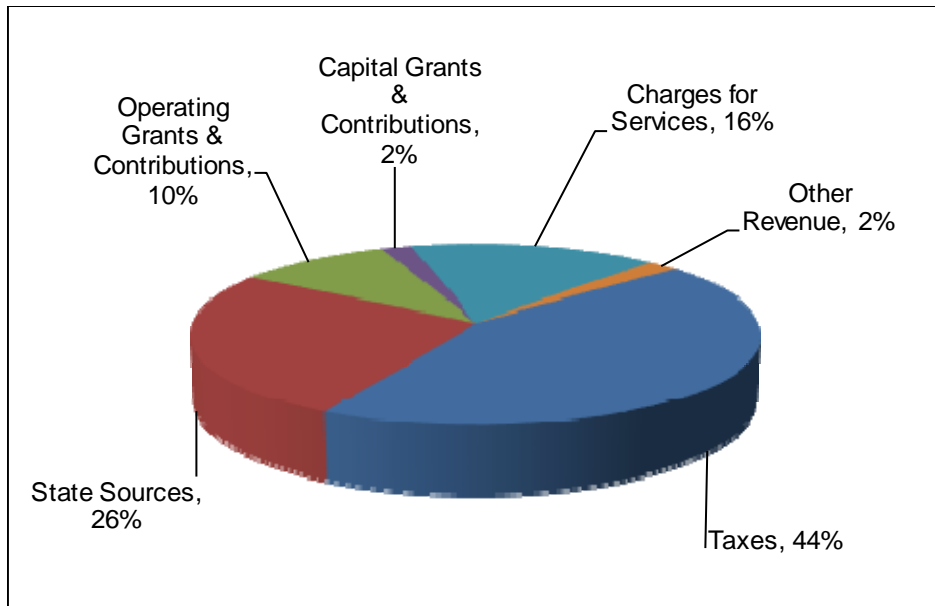


Figure A-3

FUNCTIONAL EXPENSES FOR FISCAL YEAR 2016

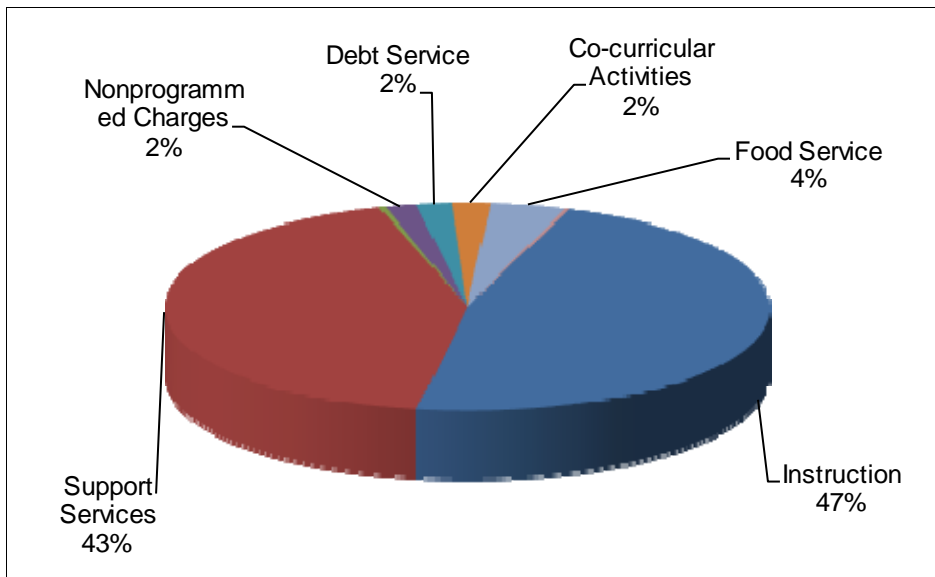


Figure A-4

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

Governmental Activities

Table A-2 and the narrative that follows, shows the changes in net position for fiscal year 2016.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	2015 - 2016
Revenues							
Program Revenues							
Charges for Services	\$ 22,833,994	\$ 21,956,204	\$ 2,895,058	\$ 2,823,881	\$ 25,729,052	\$ 24,780,085	-3.69%
Operating Grants and Contributions	19,191,412	12,084,083	4,368,893	4,413,667	23,560,305	16,497,750	-29.98%
Capital Grants and Contributions	1,626,911	3,119,009	-	-	1,626,911	3,119,009	91.71%
General Revenues							
Taxes	69,353,063	70,467,147	-	-	69,353,063	70,467,147	1.61%
Revenue State Sources	41,559,339	40,841,777	-	-	41,559,339	40,841,777	-1.73%
Revenue Federal Sources	45,412	71,916	-	-	45,412	71,916	58.36%
Revenue Intermediate Sources	1,882,338	1,928,271	-	-	1,882,338	1,928,271	2.44%
Revenue Local Sources	1,232,365	1,022,162	26,784	29,726	1,259,149	1,051,888	-16.46%
Gain (Loss) on Disposal of Assets	425,495	(1,155,411)	45	-	425,540	(1,155,411)	-371.52%
Unrestricted Earnings	905,397	910,488	101	114	905,498	910,602	0.56%
Total Revenues	159,055,726	151,245,646	7,290,881	7,267,388	166,346,607	158,513,034	-4.71%
Expenses							
Instruction	72,936,795	68,999,052	-	-	72,936,795	68,999,052	-5.40%
Support Services	57,143,722	62,349,703	-	-	57,143,722	62,349,703	9.11%
Community Services	438,263	506,126	-	-	438,263	506,126	15.48%
Nonprogrammed Charges	2,506,360	2,477,228	-	-	2,506,360	2,477,228	-1.16%
Debt Service	2,913,291	2,761,777	-	-	2,913,291	2,761,777	-5.20%
Co-curricular Activities	3,044,059	3,009,874	-	-	3,044,059	3,009,874	-1.12%
Food Service	-	-	6,016,896	5,961,335	6,016,896	5,961,335	-0.92%
Preschool	-	-	390,077	351,466	390,077	351,466	-9.90%
Total Expenses	138,982,490	140,103,760	6,406,973	6,312,801	145,389,463	146,416,561	0.71%
Excess (Deficiency) Before Special							
Items and Transfers	20,073,236	11,141,886	883,908	954,587	20,957,144	12,096,473	-42.28%
Transfers	(168,977)	-	168,977	-	-	-	0.00%
Change in Net Position	\$ 19,904,259	\$ 11,141,886	\$ 1,052,885	\$ 954,587	\$ 20,957,144	\$ 12,096,473	-42.28%

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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 \$54,026,870, a decrease of \$1,087,214 compared to the prior year. \$13,995,114 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) \$2,663,136, assigned for next year's budget or special purposes \$313,744 or restricted to the specific purpose of the fund \$37,054,876.

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 \$13,995,114, while total fund balance was \$16,221,937. 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 17.99% of total general fund expenditures, while total fund balance represents 20.85% of that same amount.

Business-type Activities

Revenues of the District's business-type activities decreased by 0.3% to \$7,267,388, and expenses decreased by 1.5% to \$6,312,801.

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 14, 2015. As a matter of practice, over the course of the year, it was revised five 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 2015-16 fiscal year.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2016, the District's governmental activities had invested \$166,234,668 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 \$17,866,940 or 12%. This is primarily the result of equipment purchases and building projects at Stevens High School and Western Dakota Tech.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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
	2015	2016	2015	2016	2015 - 2016	2015 - 2016
Land	\$ 2,520,991	\$ 2,520,991	\$ -	\$ -	\$ -	0.00%
Buildings	129,267,243	125,900,627	-	-	(3,366,616)	-2.60%
Improvements	1,108,813	1,168,508	-	-	59,695	5.38%
Equipment	12,523,152	12,682,096	406,920	353,848	105,872	0.82%
Construction in Progress	2,947,529	23,962,446	-	-	21,014,917	712.97%
Total Capital Assets (Net)	\$ 148,367,728	\$ 166,234,668	\$ 406,920	\$ 353,848	\$ 17,813,868	11.97%

LONG-TERM DEBT

At year-end, the District had \$75,055,000 in Capital Outlay Certificates and other long-term obligations of \$27,316,615. This is an increase of 9.25% 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
	2015	2016	2015	2016	2015 - 2016	2015 - 2016
Compensated Absences	\$ 8,733,556	\$ 8,716,952	\$ 188,237	\$ 183,246	\$ (21,595)	-0.24%
Due to Other Governments	-	11,956,087	-	-	11,956,087	100.00%
Accrued Leave Payable	232,141	230,431	5,574	6,920	(364)	-0.15%
Early Retirement	3,270,368	3,502,446	-	-	232,078	7.10%
OPEB Liability	2,254,802	2,359,209	55,466	57,910	106,851	4.63%
Energy Upgrade Loan	215,313	165,313	-	-	(50,000)	-23.22%
Capital Lease	144,942	138,101	-	-	(6,841)	-4.72%
Capital Outlay Certificates	78,600,000	75,055,000	-	-	(3,545,000)	-4.51%
Total Outstanding Debt and Obligations	\$ 93,451,122	\$ 102,123,539	\$ 249,277	\$ 248,076	\$ 8,671,216	9.25%

The District retired \$3,545,000 of capital outlay certificates relating to capital projects and did not issue any new certificates.

Due to Other Governments represents WDT construction in progress which will be transferred to the State of South Dakota upon completion.

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, 2016

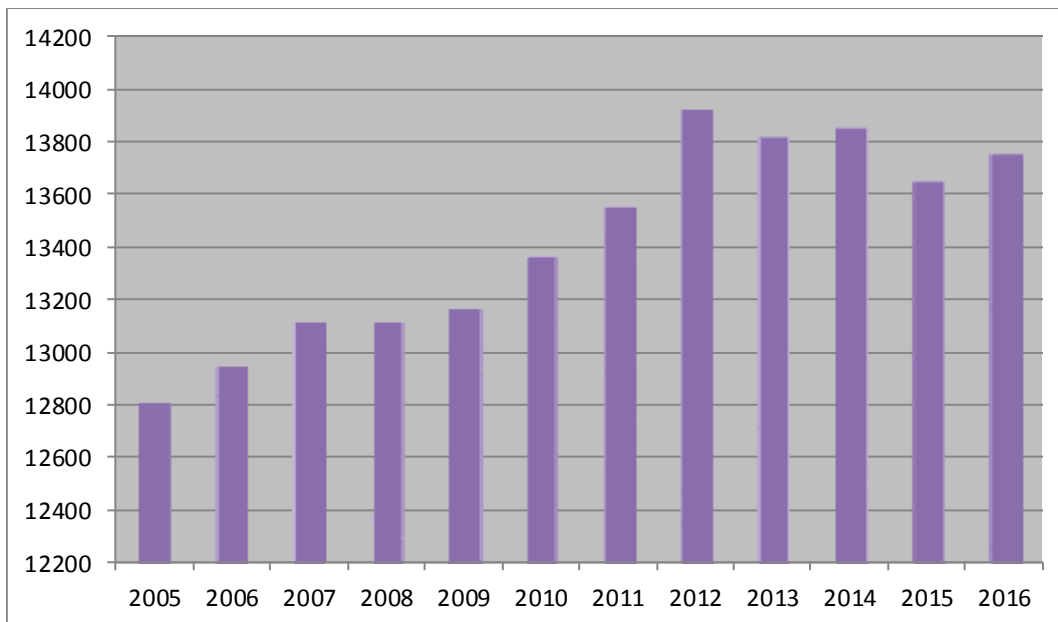
The District also maintains an early retirement plan, which allows certified staff meeting certain qualifications, to retire early and receive a percentage of their last year's salary spread over three to five years. The plan allows the school to reduce the overall program cost by hiring lower paid staff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

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 an allocation received from the State of South Dakota. The state aid formula for the year ended June 30, 2016 ensures that property taxes plus state aid will equal \$4,876.76 per student. The District experienced a decrease of 212 students' average daily membership (ADM) during the year ended June 30, 2016 and a decrease of 3 ADM to 2016-2017. The District's enrollment for the last twelve years has been as follows:



Student enrollment for 2016 showed a 1.5% increase. The 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.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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, CGMA, 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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 58,505,904	\$ 2,201,198	\$ 60,707,102
Cash Designated for Special Purposes	313,744	-	313,744
Taxes Receivable	33,094,431	-	33,094,431
Inventories	512,023	37,520	549,543
Internal Balances	(814,418)	814,418	-
Other Assets	<u>7,924,852</u>	<u>201,175</u>	<u>8,126,027</u>
	<u>99,536,536</u>	<u>3,254,311</u>	<u>102,790,847</u>
Capital Assets:			
Land	2,520,991	-	2,520,991
Buildings	178,408,934	-	178,408,934
Improvements	5,446,202	-	5,446,202
Equipment	29,476,074	1,675,214	31,151,288
Construction in Progress	23,962,446	-	23,962,446
Less: Accumulated Depreciation	<u>(73,579,979)</u>	<u>(1,321,366)</u>	<u>(74,901,345)</u>
Total Capital Assets, Net of Depreciation	<u>166,234,668</u>	<u>353,848</u>	<u>166,588,516</u>
Restricted Assets:			
Investments Restricted for Capital Outlay	9,939,717	-	9,939,717
Cash Restricted for Debt Service	1,733,951	-	1,733,951
Cash Restricted for Health Care	88,841	-	88,841
Net Pension Asset	<u>15,979,125</u>	<u>436,545</u>	<u>16,415,670</u>
Total Restricted Assets	<u>27,741,634</u>	<u>436,545</u>	<u>28,178,179</u>
TOTAL ASSETS	<u>293,512,838</u>	<u>4,044,704</u>	<u>297,557,542</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>30,340,574</u>	<u>828,895</u>	<u>31,169,469</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>30,340,574</u>	<u>828,895</u>	<u>31,169,469</u>
LIABILITIES			
Accounts Payable	8,005,029	70,139	8,075,168
Amounts Held for Others	64,487	-	64,487
Unearned Revenue	299,633	90,261	389,894
Unamortized Premiums	737,793	-	737,793
Long-term Liabilities:			
Due Within One Year	6,661,074	39,030	6,700,104
Due in More than One Year	<u>95,462,465</u>	<u>209,046</u>	<u>95,671,511</u>
TOTAL LIABILITIES	<u>111,230,481</u>	<u>408,476</u>	<u>111,638,957</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	34,764,200	-	34,764,200
Pension Related Deferred Inflows	<u>23,577,506</u>	<u>644,130</u>	<u>24,221,636</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>58,341,706</u>	<u>644,130</u>	<u>58,985,836</u>
NET POSITION			
Net Investment in Capital Assets	85,541,190	353,848	85,895,038
Restricted:			
Capital Outlay	25,988,537	-	25,988,537
Proportionate Share of Net Pension Asset	22,742,193	621,310	23,363,503
Special Education	3,643,711	-	3,643,711
Post Secondary Education	3,896,863	-	3,896,863
Debt Service	1,733,951	-	1,733,951
Unrestricted	<u>10,734,780</u>	<u>2,845,835</u>	<u>13,580,615</u>
TOTAL NET POSITION	<u>\$ 154,281,225</u>	<u>\$ 3,820,993</u>	<u>\$ 158,102,218</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, 2016**

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 68,999,052	\$ 5,137,968
Support Services	62,349,703	16,132,898
Community Services	506,126	-
Cocurricular Activities	2,477,228	685,338
Nonprogrammed Charges	2,761,777	-
Interest on Long-term Debt *	3,009,874	-
Total Governmental Activities	<u>140,103,760</u>	<u>21,956,204</u>
BUSINESS-TYPE ACTIVITIES		
Food Service	5,961,335	2,547,171
Preschool	<u>351,466</u>	<u>276,710</u>
Total Business-type Activities	<u>6,312,801</u>	<u>2,823,881</u>
Total Primary Government	<u>\$ 146,416,561</u>	<u>\$ 24,780,085</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 9,724,308	\$ -	\$ (54,136,776)	\$ -	\$ (54,136,776)
1,997,083	3,119,009	(41,100,713)	-	(41,100,713)
362,692	-	(143,434)	-	(143,434)
-	-	(1,791,890)	-	(1,791,890)
-	-	(2,761,777)	-	(2,761,777)
-	-	(3,009,874)	-	(3,009,874)
<u>12,084,083</u>	<u>3,119,009</u>	<u>(102,944,464)</u>	<u>-</u>	<u>(102,944,464)</u>
4,413,667	-	-	999,503	999,503
-	-	-	(74,756)	(74,756)
<u>4,413,667</u>	<u>-</u>	<u>-</u>	<u>924,747</u>	<u>924,747</u>
<u>\$ 16,497,750</u>	<u>\$ 3,119,009</u>	<u>(102,944,464)</u>	<u>924,747</u>	<u>(102,019,717)</u>
GENERAL REVENUES				
Taxes:				
Property Taxes		69,236,453	-	69,236,453
Gross Receipts Taxes		1,230,694	-	1,230,694
Revenue From State Sources:				
State Aid		30,840,512	-	30,840,512
Other		10,001,265	-	10,001,265
Revenue From Federal Sources		71,916	-	71,916
Revenue From Intermediate Sources		1,928,271	-	1,928,271
Unrestricted Investment Earnings		82,267	114	82,381
Interest Rebate		828,221	-	828,221
Loss on Disposal of Capital Assets		(1,155,411)	-	(1,155,411)
Other General Revenues		1,022,162	29,726	1,051,888
Total General Revenues		<u>114,086,350</u>	<u>29,840</u>	<u>114,116,190</u>
CHANGE IN NET POSITION		11,141,886	954,587	12,096,473
NET POSITION - BEGINNING		<u>143,139,339</u>	<u>2,866,406</u>	<u>146,005,745</u>
NET POSITION - ENDING		<u>\$154,281,225</u>	<u>\$ 3,820,993</u>	<u>\$ 158,102,218</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, 2016

	General Fund	Capital Outlay Fund	Special Education Fund
ASSETS			
Cash and Cash Equivalents	\$ 14,933,116	\$ 19,427,181	\$ 3,993,572
Cash Designated for Special Purposes	313,744	-	-
Taxes Receivable, Current	18,313,100	9,247,812	4,417,377
Taxes Receivable, Delinquent	114,076	48,130	24,345
Accounts Receivable, Net	10,637	497,223	75
Due From Other Governments	2,640,351	28,475	236,775
Inventory of Supplies	306,190	1,115	3,259
Inventory of Stores Purchased for Resale	-	-	-
Prepaid Expenses	1,628,525	122,835	119,463
Restricted Assets:			
Investments Restricted for Capital Projects	-	9,939,717	-
Cash Restricted for Debt Service	-	-	-
TOTAL ASSETS	<u>\$ 38,259,739</u>	<u>\$ 39,312,488</u>	<u>\$ 8,794,866</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary (WDT) Fund</u>	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 3,613,750	\$ 2,074,420	\$ -	\$ 44,042,039
-	-	-	313,744
-	924,781	-	32,903,070
-	4,810	-	191,361
152,464	-	-	660,399
2,085,837	130	-	4,991,568
-	-	-	310,564
201,459	-	-	201,459
302,792	-	-	2,173,615
-	-	-	9,939,717
-	-	1,733,951	1,733,951
<u>\$ 6,356,302</u>	<u>\$ 3,004,141</u>	<u>\$ 1,733,951</u>	<u>\$ 97,461,487</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Balance Sheet - Governmental Funds (Continued)
June 30, 2016

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 771,472	\$ 3,554,407	\$ 73,112
Contracts Payable	93,463	-	471
Payroll Deductions and Employer Matching Payable	163,157	-	3,996
Unearned Revenue	<u>295,837</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,323,929</u>	<u>3,554,407</u>	<u>77,579</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Future Periods	19,351,151	9,769,554	4,666,540
Property Taxes Received Outside the Period of Availability	96,490	42,755	21,792
Grants Received Outside the Period of Availability	<u>1,266,232</u>	<u>27,194</u>	<u>56,882</u>
Total Deferred Inflows of Resources	<u>20,713,873</u>	<u>9,839,503</u>	<u>4,745,214</u>
Fund Balances:			
Nonspendable			
Inventory	284,554	1,115	3,259
Prepaid Expenses	1,628,525	122,835	119,463
Restricted			
For Capital Outlay	-	25,794,628	-
For Special Education	-	-	3,849,351
For Post Secondary Education	-	-	-
For Pension	-	-	-
For Debt Service	-	-	-
Assigned			
For Special Purposes	313,744	-	-
Unassigned	<u>13,995,114</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>16,221,937</u>	<u>25,918,578</u>	<u>3,972,073</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 38,259,739</u>	<u>\$ 39,312,488</u>	<u>\$ 8,794,866</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary (WDT) Fund</u>	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 1,856,580	\$ 22,565	\$ -	\$ 6,278,136
21,412	-	-	115,346
35,518	-	-	202,671
3,796	-	-	299,633
<u>1,917,306</u>	<u>22,565</u>	<u>-</u>	<u>6,895,786</u>
-	976,955	-	34,764,200
-	4,272	-	165,309
<u>259,014</u>	<u>-</u>	<u>-</u>	<u>1,609,322</u>
<u>259,014</u>	<u>981,227</u>	<u>-</u>	<u>36,538,831</u>
200,593	-	-	489,521
302,792	-	-	2,173,615
-	-	-	25,794,628
-	-	-	3,849,351
3,676,597	-	-	3,676,597
-	2,000,349	-	2,000,349
-	-	1,733,951	1,733,951
-	-	-	313,744
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,995,114</u>
<u>4,179,982</u>	<u>2,000,349</u>	<u>1,733,951</u>	<u>54,026,870</u>
<u>\$ 6,356,302</u>	<u>\$ 3,004,141</u>	<u>\$ 1,733,951</u>	<u>\$ 97,461,487</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, 2016**

Total Fund Balances - Governmental Funds	\$ 54,026,870
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.	166,234,668
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	(75,055,000)
Due to Other Government	(11,956,087)
Capital Lease	(138,101)
Compensated Absences	(8,716,952)
Energy Upgrade Loan	(165,313)
Early Retirement Benefits	(3,502,446)
Accrued Leave Payable	(230,431)
Other Post Employment Benefits (OPEB)	(2,359,209)
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.	1,774,631
Unamortized premiums are immediately recognized as expenditures and other financing sources in the governmental funds.	(737,793)
Pension related balances reported in the governmental activities are not available financial resources and therefore are not reported in the funds.	
Net Pension Asset	15,979,125
Pension Related Deferred Outflows	30,340,574
Pension Related Deferred Inflows	(23,577,506)
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>12,364,195</u>
Net Position - Governmental Activities	<u>\$ 154,281,225</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, 2016

	General Fund	Capital Outlay Fund	Special Education Fund
REVENUES			
Revenue From Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 19,375,562	\$ 9,787,194	\$ 4,674,908
Prior Years' Ad Valorem	19,464,458	9,264,026	4,684,719
Gross Receipts Taxes	1,216,171	9,128	4,482
Penalties and Interest on Taxes	56,722	25,523	12,945
Tuition and Fees			
Local Sources	152,317	-	-
Support Services	570,569	-	116,293
Post Secondary	-	-	-
Cocurricular Activities	286,742	-	-
Earnings on Deposits	19,312	53,540	4,434
Restricted Operating Contributions	364,757	-	-
Other Local Revenue	265,692	3,295,874	1,274
Total Revenue From Local Sources	<u>41,772,302</u>	<u>22,435,285</u>	<u>9,499,055</u>
Revenue From Intermediate Sources:			
County Sources	969,806	-	-
Revenue in Lieu of Taxes	467,110	162,336	78,556
Revenue for Joint Facilities	234,229	-	-
Total Revenue From Intermediate Sources	<u>1,671,145</u>	<u>162,336</u>	<u>78,556</u>
Revenue From State Sources:			
Unrestricted Grants-in-aid	30,711,638	-	-
Restricted Grants-in-aid	3,002	-	6,530,758
Other State Revenue	63,584	-	-
Total Revenue From State Sources	<u>30,778,224</u>	<u>-</u>	<u>6,530,758</u>
Revenue From Federal Sources:			
Unrestricted Grants-in-aid	44,722	-	-
Restricted Grants-in-aid	7,030,829	-	3,284,667
Other Federal Revenue	-	-	-
Total Revenue From Federal Sources	<u>7,075,551</u>	<u>-</u>	<u>3,284,667</u>
TOTAL REVENUES	<u>81,297,222</u>	<u>22,597,621</u>	<u>19,393,036</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary (WDT) Fund</u>	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 979,333	\$ -	\$ 34,816,997
-	926,402	-	34,339,605
-	913	-	1,230,694
-	2,619	-	97,809
4,985,651	-	-	5,137,968
583,957	-	-	1,270,819
398,596	-	-	398,596
-	-	-	286,742
564	3,043	188	81,081
-	-	-	364,757
404,705	-	-	3,967,545
<u>6,373,473</u>	<u>1,912,310</u>	<u>188</u>	<u>81,992,613</u>
-	-	-	969,806
-	16,234	-	724,236
-	-	-	234,229
<u>-</u>	<u>16,234</u>	<u>-</u>	<u>1,928,271</u>
128,874	-	-	30,840,512
3,527,754	-	-	10,061,514
483,593	-	-	547,177
<u>4,140,221</u>	<u>-</u>	<u>-</u>	<u>41,449,203</u>
-	-	-	44,722
599,664	-	-	10,915,160
7,721	-	-	7,721
<u>607,385</u>	<u>-</u>	<u>-</u>	<u>10,967,603</u>
<u>11,121,079</u>	<u>1,928,544</u>	<u>188</u>	<u>136,337,690</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, 2016

	General Fund	Capital Outlay Fund	Special Education Fund
EXPENDITURES			
Instructional Services:			
Regular Programs	44,263,937	1,007,600	148,050
Special Programs	4,768,017	15,198	12,275,121
Post-secondary Occupational Programs	-	-	-
Total Instructional Services	<u>49,031,954</u>	<u>1,022,798</u>	<u>12,423,171</u>
Support Services:			
Pupils	2,251,170	40,502	4,028,814
Instructional Staff	4,571,148	2,412,350	107,688
General Administration	1,526,803	4,363	-
School Administration	6,175,670	5,306	-
Business	9,947,738	7,145,272	-
Central	896,642	553	-
Special Education	-	1,343	1,655,695
Other Support Services	101,602	-	-
Total Support Services	<u>25,470,773</u>	<u>9,609,689</u>	<u>5,792,197</u>
Community Services:			
Community Recreation Services	71,732	-	-
Custody and Care of Children	218,468	-	-
Nonpublic School Pupil Services	209,734	14,108	-
Total Community Services	<u>499,934</u>	<u>14,108</u>	<u>-</u>
Cocurricular Activities:			
Male Activities	840,670	75,157	-
Female Activities	716,524	7,675	-
Combined Activities	756,102	502	575
Total Cocurricular Activities	<u>2,313,296</u>	<u>83,334</u>	<u>575</u>
Other Nonprogrammed Costs	-	-	-
Debt Services	-	6,741,063	-
Capital Outlay	485,280	12,772,869	-
TOTAL EXPENDITURES	<u>77,801,237</u>	<u>30,243,861</u>	<u>18,215,943</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary (WDT) Fund</u>	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
-	-	-	45,419,587
-	-	-	17,058,336
<u>4,297,167</u>	-	-	<u>4,297,167</u>
<u>4,297,167</u>	-	-	<u>66,775,090</u>
337,018	-	-	6,657,504
327,045	-	-	7,418,231
397,868	-	-	1,929,034
900,753	-	-	7,081,729
3,530,278	-	-	20,623,288
671,044	-	-	1,568,239
-	-	-	1,657,038
1,999	-	-	103,601
<u>6,166,005</u>	-	-	<u>47,038,664</u>
-	-	-	71,732
-	-	-	218,468
-	-	-	223,842
-	-	-	<u>514,042</u>
-	-	-	915,827
-	-	-	724,199
-	-	-	757,179
-	-	-	<u>2,397,205</u>
<u>127,217</u>	<u>2,634,560</u>	-	<u>2,761,777</u>
<u>50,000</u>	-	-	<u>6,791,063</u>
<u>12,150,459</u>	-	-	<u>25,408,608</u>
<u>22,790,848</u>	<u>2,634,560</u>	-	<u>151,686,449</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, 2016

	General Fund	Capital Outlay Fund	Special Education Fund
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES	3,495,985	(7,646,240)	1,177,093
OTHER FINANCING SOURCES			
Net Transfers In (Out)	-	(64,111)	-
Debt Proceeds	-	100,982	-
Interest Rebate	-	828,221	-
Sale of Surplus Property	3,359	570,398	-
TOTAL OTHER FINANCING SOURCES	3,359	1,435,490	-
NET CHANGE IN FUND BALANCES	3,499,344	(6,210,750)	1,177,093
FUND BALANCE - BEGINNING	12,722,593	32,129,328	2,794,980
FUND BALANCE - ENDING	<u>\$ 16,221,937</u>	<u>\$ 25,918,578</u>	<u>\$ 3,972,073</u>

The accompanying notes are an integral part of this statement.

<u>Post Secondary (WDT) Fund</u>	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
(11,669,769)	(706,016)	188	(15,348,759)
(310,000)	2,000,000	374,111	2,000,000
10,721,284	-	-	10,822,266
-	-	-	828,221
<u>37,301</u>	<u>-</u>	<u>-</u>	<u>611,058</u>
<u>10,448,585</u>	<u>2,000,000</u>	<u>374,111</u>	<u>14,261,545</u>
(1,221,184)	1,293,984	374,299	(1,087,214)
<u>5,401,166</u>	<u>706,365</u>	<u>1,359,652</u>	<u>55,114,084</u>
<u>\$ 4,179,982</u>	<u>\$ 2,000,349</u>	<u>\$ 1,733,951</u>	<u>\$ 54,026,870</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (1,087,214)
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.	19,633,407
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.	(1,766,469)
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".	509,959
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, software financing, and capital lease but the Statement of Activities reflects the change in these accruals through expenses.	(261,330)
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.	3,545,000
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 unamortized premiums exceeded deferrals for the current period.	186,189
Pension revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.	2,218,064
Debt proceeds are reported as revenues in the governmental funds, but are reported as a long-term liability in the governmental activities.	(11,956,087)
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>120,365</u>
Change in Net Position of Governmental Activities	<u><u>\$ 11,141,884</u></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, 2016

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,192,200	\$ 8,998	\$ 2,201,198	\$ 14,463,865
Restricted Cash	-	-	-	88,841
Accounts Receivable, Net	-	-	-	99,270
Due From Other Governments	71,385	-	71,385	-
Inventory of Supplies	21,090	-	21,090	-
Inventory of Stores Purchased for Resale	11,266	-	11,266	-
Inventory of Donated Food	5,164	-	5,164	-
Prepaid Expenses	128,490	1,300	129,790	-
Total Current Assets	<u>2,429,595</u>	<u>10,298</u>	<u>2,439,893</u>	<u>14,651,976</u>
Noncurrent Assets:				
Machinery and Equipment - Local Funds	1,614,044	-	1,614,044	-
Machinery and Equipment - Federal Assistance	61,170	-	61,170	-
Less: Accumulated Depreciation	(1,321,366)	-	(1,321,366)	-
Restricted Net Pension Asset	379,092	57,453	436,545	-
Total Noncurrent Assets	<u>732,940</u>	<u>57,453</u>	<u>790,393</u>	<u>-</u>
TOTAL ASSETS	<u>3,162,535</u>	<u>67,751</u>	<u>3,230,286</u>	<u>14,651,976</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related Deferred Outflows	719,805	109,090	828,895	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>719,805</u>	<u>109,090</u>	<u>828,895</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	60,054	-	60,054	450,876
Amounts Held For Others	-	-	-	64,487
Incurred But Not Reported Claims	-	-	-	958,000
Unearned Revenue	90,261	-	90,261	-
Payroll Deductions and Employer Matching Payable	10,085	-	10,085	-
Current Portion of Noncurrent Liabilities	39,030	-	39,030	-
Total Current Liabilities	<u>199,430</u>	<u>-</u>	<u>199,430</u>	<u>1,473,363</u>
Noncurrent Liabilities:				
Compensated Absences, Net of Current Portion	151,136	-	151,136	-
OPEB Liability	57,910	-	57,910	-
Total Noncurrent Liabilities	<u>209,046</u>	<u>-</u>	<u>209,046</u>	<u>-</u>
TOTAL LIABILITIES	<u>408,476</u>	<u>-</u>	<u>408,476</u>	<u>1,473,363</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related Deferred Inflows	<u>559,357</u>	<u>84,773</u>	<u>644,130</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>559,357</u>	<u>84,773</u>	<u>644,130</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	353,849	-	353,849	-
Restricted for Net Pension Asset	539,540	81,770	621,310	-
Unrestricted	2,021,118	10,298	2,031,416	13,178,613
Total Net Position	<u>\$ 2,914,507</u>	<u>\$ 92,068</u>	<u>\$ 3,006,575</u>	<u>\$ 13,178,613</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>814,418</u>
Net Position of Business-type Activities	<u>\$ 3,820,993</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, 2016

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
OPERATING REVENUE				
Sales to Pupils	\$ 1,729,319	\$ -	\$ 1,729,319	\$ -
Sales to Adults	32,441	-	32,441	-
Sales A la Carte	424,452	-	424,452	-
Tuition	-	276,710	276,710	-
Other	360,959	-	360,959	-
Self-insurance Premiums	-	-	-	14,862,079
Total Operating Revenue	<u>2,547,171</u>	<u>276,710</u>	<u>2,823,881</u>	<u>14,862,079</u>
OPERATING EXPENSES				
Salaries	1,638,551	249,275	1,887,826	-
Employee Benefits	852,028	99,717	951,745	-
Purchased Services	132,403	-	132,403	1,384,054
Supplies	282,133	2,474	284,607	-
Cost of Sales - Purchased Food	2,601,757	-	2,601,757	-
Cost of Sales - Donated Food	518,741	-	518,741	-
Miscellaneous	2,492	-	2,492	-
Depreciation	52,563	-	52,563	-
Self-insurance Costs	-	-	-	12,330,617
Total Operating Expenses	<u>6,080,668</u>	<u>351,466</u>	<u>6,432,134</u>	<u>13,714,671</u>
OPERATING INCOME (LOSS)	<u>(3,533,497)</u>	<u>(74,756)</u>	<u>(3,608,253)</u>	<u>1,147,408</u>
NONOPERATING REVENUE				
Local Sources:				
Interest Earned	-	114	114	1,191
Miscellaneous	29,726	-	29,726	1,091,099
State Sources:				
Cash Reimbursements	43,188	-	43,188	-
Federal Sources:				
Cash Reimbursements	4,013,952	-	4,013,952	-
Donated Food	<u>356,527</u>	<u>-</u>	<u>356,527</u>	<u>-</u>
Total Nonoperating Revenue	<u>4,443,393</u>	<u>114</u>	<u>4,443,507</u>	<u>1,092,290</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
NET INCOME (LOSS) BEFORE TRANSFERS	909,896	(74,642)	835,254	2,239,698
TRANSFERS				
Transfers Out	-	-	-	(2,000,000)
CHANGE IN NET POSITION	909,896	(74,642)	835,254	239,698
NET POSITION - BEGINNING	2,004,611	166,710	2,171,321	12,938,915
NET POSITION - ENDING	<u>\$ 2,914,507</u>	<u>\$ 92,068</u>	<u>\$ 3,006,575</u>	<u>\$ 13,178,613</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, 2016**

Change in Net Position - Total Enterprise Funds	\$ 835,254
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Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Activities are different because of the Food Service Fund's participation in the activities conducted in the internal service fund.

<u>119,333</u>

Change in Net Position of Business-type Activities
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<u>\$ 954,587</u>

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, 2016

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
CASH FLOWS PROVIDED (USED)				
BY OPERATING ACTIVITIES				
Receipts From Customers	\$ 2,510,598	\$ 276,710	\$ 2,787,308	\$ -
Receipts From Interfund				
Services Provided	-	-	-	14,856,777
Payments to Suppliers	(3,047,073)	(2,527)	(3,049,600)	(1,364,452)
Payments to Employees	(2,537,036)	(350,036)	(2,887,072)	-
Claims Paid	-	-	-	(12,339,585)
Net Cash Provided (Used) by Operating Activities	<u>(3,073,511)</u>	<u>(75,853)</u>	<u>(3,149,364)</u>	<u>1,152,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies	4,057,096	-	4,057,096	-
Transfers to Other Funds				(2,000,000)
Other Sources	<u>29,726</u>	<u>-</u>	<u>29,726</u>	<u>1,091,099</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,086,822</u>	<u>-</u>	<u>4,086,822</u>	<u>(908,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earnings	<u>-</u>	<u>114</u>	<u>114</u>	<u>1,191</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,013,311	(75,739)	937,572	245,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,178,889</u>	<u>84,737</u>	<u>1,263,626</u>	<u>14,218,833</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,192,200</u>	<u>\$ 8,998</u>	<u>\$ 2,201,198</u>	<u>\$ 14,463,863</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)	\$ (3,533,497)	\$ (74,756)	\$ (3,608,253)	\$ 1,147,408
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	52,563	-	52,563	-
Cost of Sales - Donated Food	518,741	-	518,741	-
Loss on Disposal of Equipment	553	-	553	-
Net Pension Revenue	(47,098)	(1,044)	(48,142)	-
Change in Assets and Liabilities:				
Accounts Receivable	(12,811)	-	(12,811)	(5,302)
Inventories	(44,147)	-	(44,147)	-
Prepaid Expenses	(9,389)	32	(9,357)	(24,356)
Accounts Payable	24,695	(85)	24,610	43,958
Incurred But Not Reported Claims	-	-	-	(8,968)
Deferred Revenue	(23,762)	-	(23,762)	-
Payroll Deductions and Employer Matching Payable	1,842	-	1,842	-
Compensated Absences Payable	(3,645)	-	(3,645)	-
OPEB Liability	2,444	-	2,444	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,073,511)</u>	<u>\$ (75,853)</u>	<u>\$ (3,149,364)</u>	<u>\$ 1,152,740</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Value of Commodities Received	<u>\$ 356,527</u>	<u>\$ -</u>	<u>\$ 356,527</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, 2016

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 54,674</u>	<u>\$ 452,485</u>
LIABILITIES		
Amounts Held for Others	<u>-</u>	<u>\$ 452,485</u>
NET POSITION		
Restricted for Scholarships:		
Non-expendable	10,000	
Expendable	<u>44,674</u>	
TOTAL NET POSITION	<u><u>\$ 54,674</u></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, 2016

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Interest	<u>\$ 73</u>
DEDUCTIONS	
Scholarships Awarded	<u>950</u>
CHANGE IN NET POSITION	(877)
NET POSITION - BEGINNING	<u>55,551</u>
NET POSITION - ENDING	<u>\$ 54,674</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, 2016

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 and deferred outflows of resources minus liabilities and deferred inflows of resources 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, 2016

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

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

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

Governmental Funds:

General Fund - The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding Capital Outlay Fund and Special Education Fund expenditures. 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post Secondary Fund (WDT)- 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.

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.

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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 upon completion of such improvements.

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.

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

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9. There are no deferred outflows of resources reported in the governmental funds' balance sheets.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 30 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected with the available period, property taxes collected within the available period that are intended to finance the next fiscal year, and grants receivable not collected within the available period. In the government-wide financial statements, the District reports deferred inflows of resources for the property taxes levied for future periods and pension related inflows. The District has no deferred inflows of resources to report in the proprietary fund statements for the current year. The District does report pension related deferred inflows and outflows of resources in the business-type activities.

L. UNEARNED REVENUE

The food service fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

The governmental funds report various grants and tuition payments received in advance of the eligibility criteria for revenue recognition as unearned revenue.

M. 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."

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Assigned - Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. 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.

N. 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.

O. PROGRAM REVENUES

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

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

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

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. PENSIONS

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

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, 2016 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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2016, the District had the following investments:

Investment	Total
Cash & Money Market Account	\$ 9,939,717
SD FIT Money Market	1,733,951
	\$ 11,673,668

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.

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, 2016:

State of South Dakota	\$ 2,608,385
Pennington County	510,331
U.S. Government	63,161
City of Rapid City	54,728
Various Other School Districts	11,582
Miscellaneous	1,814,766
	\$ 5,062,953
Reconciliation to Fund Financial Statements	
Due From Other Governments - Governmental Funds	\$ 4,991,568
Due From Other Governments - Enterprise Fund	71,385
	\$ 5,062,953

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 4 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016 were as follows:

Transfers From:	Transfers To:			
	Debt Service Fund	Capital Outlay Fund	Pension Fund	General Fund
Capital Outlay Fund	\$ 374,111	\$ -	\$ -	\$ -
Insurance Fund	-	-	-	2,000,000
General Fund	-	-	2,000,000	-
Post Secondary Fund	-	310,000	-	-
	\$ 374,111	\$ 310,000	\$ 2,000,000	\$ 2,000,000

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 a past property purchase by the Capital Outlay Fund for the Post Secondary Fund.
- A transfer was made from the Health Insurance Internal Service Fund to the General Fund to repay amounts that had been transferred to the Health Insurance Internal Service fund several years prior.
- A transfer was made from the General Fund to the Pension Fund for retirement payments.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Increase	Decrease	Balance June 30, 2016
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 2,520,991	\$ -	\$ -	\$ 2,520,991
Construction in Progress	2,947,529	22,754,426	(1,739,509)	23,962,446
Subtotal	<u>5,468,520</u>	<u>22,754,426</u>	<u>(1,739,509)</u>	<u>26,483,437</u>
Depreciable Capital Assets:				
Buildings	178,408,934	-	-	178,408,934
Improvements	5,239,063	207,139	-	5,446,202
Equipment	28,826,730	2,659,804	(2,010,460)	29,476,074
Subtotal	<u>212,474,727</u>	<u>2,866,943</u>	<u>(2,010,460)</u>	<u>213,331,210</u>
Less Accumulated Depreciation for:				
Buildings	49,141,691	3,366,616	-	52,508,307
Improvements	4,130,250	147,444	-	4,277,694
Equipment	16,303,578	2,266,762	(1,776,362)	16,793,978
Subtotal	<u>69,575,519</u>	<u>5,780,822</u>	<u>(1,776,362)</u>	<u>73,579,979</u>
Net Capital Assets	<u>\$ 148,367,728</u>	<u>\$ 19,840,547</u>	<u>\$ (1,973,607)</u>	<u>\$ 166,234,668</u>
Business-type Activities:				
Depreciable Capital Assets:				
Equipment	\$ 1,685,613	\$ -	\$ (10,399)	\$ 1,675,214
Less Accumulated Depreciation	1,278,693	52,563	(9,890)	1,321,366
Net Capital Assets	<u>\$ 406,920</u>	<u>\$ (52,563)</u>	<u>\$ (509)</u>	<u>\$ 353,848</u>

Commitments related to construction projects in progress as of June 30, 2016 are discussed in Note 13.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,373,733
Support Services	2,328,622
Cocurricular	<u>78,467</u>
Total Depreciation Expense	<u>\$ 5,780,822</u>

Depreciation expense was charged to the business-type activities as follows:

Food Service	<u>\$ 52,563</u>
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Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance June 30, 2015	Increase	Decrease	Balance June 30, 2016	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 78,600,000	\$ -	\$ (3,545,000)	\$ 75,055,000	\$ 3,625,000
Other Liabilities:					
Accrued Leave Payable	232,141	425,000	(426,710)	230,431	230,431
Compensated Absences	8,733,556	1,037,774	(1,054,378)	8,716,952	956,677
Due to Other Government	-	11,956,087	-	11,956,087	-
Energy Upgrade Loan	215,313	-	(50,000)	165,313	50,000
Capital Leases	144,942	100,982	(107,823)	138,101	104,462
Early Retirement Benefits	3,270,368	1,862,719	(1,630,641)	3,502,446	1,694,504
OPEB Liability	2,254,802	104,407	-	2,359,209	-
Total Other Liabilities	<u>14,851,122</u>	<u>15,486,969</u>	<u>(3,269,552)</u>	<u>27,068,539</u>	<u>3,036,074</u>
Total Long-term Liabilities	<u>\$ 93,451,122</u>	<u>\$ 15,486,969</u>	<u>\$ (6,814,552)</u>	<u>\$ 102,123,539</u>	<u>\$ 6,661,074</u>
Business-type Activities:					
Accrued Leave Payable	\$ 5,574	\$ 8,346	\$ (7,000)	\$ 6,920	\$ 6,920
Compensated Absences	188,237	27,119	(32,110)	183,246	32,110
OPEB Liability	55,466	2,444	-	57,910	-
Total Long-term Liabilities	<u>\$ 249,277</u>	<u>\$ 37,909</u>	<u>\$ (39,110)</u>	<u>\$ 248,076</u>	<u>\$ 39,030</u>

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Capital outlay certificates at June 30, 2016 are comprised of the following individual issues:

2010A Capital Outlay Certificates (Build America Bonds). Bearing interest at fixed rates ranging from 1.35% to 5.60%. Due 1/1/2023.	\$ 33,450,000
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 2.00% to 3.375%. Due 11/1/2031.	8,430,000
2012 A Capital Outlay Certificates. Bearing interest at fixed rates ranging from 2.00% to 3.375%. Due 1/1/2032.	6,850,000
2012 B Capital Outlay Certificates. Bearing interest at fixed rates ranging from 2.00% to 3.25%. Due 1/1/2032.	10,305,000
2014 A Capital Outlay Certificates. Bearing interest at fixed rates ranging from 2.00% to 4.00%. Due 7/1/2034.	<u>9,020,000</u>
	<u>\$ 75,055,000</u>

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2016, excluding compensated absences, accrued leave payable, and the OPEB liability are as follows:

Year Ending June 30,	General Obligation Debt		Capital Lease		Energy Upgrade Loan	Early Retirement Benefits	Totals
	Principal	Interest	Principal	Interest			
2017	\$ 3,625,000	\$ 3,078,241	\$ 104,462	\$ 3,363	\$ 50,000	\$ 1,700,743	\$ 8,561,809
2018	3,705,000	2,955,870	33,639	1,719	50,000	1,257,498	8,003,726
2019	3,805,000	2,821,870	-	-	50,000	587,476	7,264,346
2020	3,905,000	2,671,478	-	-	15,313	-	6,591,791
2021	4,015,000	2,513,191	-	-	-	-	6,528,191
2022-2026	22,065,000	9,929,448	-	-	-	-	31,994,448
2027-2031	30,005,000	4,526,177	-	-	-	-	34,531,177
2032-2036	<u>3,930,000</u>	<u>189,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,119,959</u>
Total Payments	<u>\$ 75,055,000</u>	<u>\$ 28,686,234</u>	<u>\$ 138,101</u>	<u>\$ 5,082</u>	<u>\$ 165,313</u>	3,545,717	<u>\$ 107,595,447</u>
Less Interest						<u>43,271</u>	
Present Value of Early Retirement Benefits						<u>\$ 3,502,446</u>	

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

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. This loan is paid from the Post Secondary Fund.

The debt reported as Due to Other Government consists of amounts the District has received from the State of South Dakota in the form of bond proceeds used to finance the construction project for the expansion of facilities at Western Dakota Technical Institute. The expansion is expected to be completed in FY 2017, at which time the title of the assets will be transferred to the State of South Dakota. Also, see Note 11 for more information related to the relationship between Western Dakota Technical Institute and the State of South Dakota.

A Capital Lease was obtained for software during the year ended June 30, 2015. Repayment also began during the year ended June 30, 2015. The lease requires annual payments and matures in November of 2016. This loan is paid from the Capital Outlay Fund.

A Capital Lease was obtained for custodial during the year ended June 30, 2016. Repayment also began during the year ended June 30, 2016. The lease requires annual payments and matures in 2018. This loan is paid from the Capital Outlay Fund.

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, 2016, 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 2019. 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 1.17%, 1.68%, and 1.68% per year, for liabilities incurred during the years ended June 30, 2016, June 30, 2015, and June 30, 2014, respectively.

For the year ended June 30, 2016, payments of early retirement benefits were made from the Pension Fund in the amount of \$1,574,302 and from the Post Secondary Fund in the amount of \$56,339.

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, 2016 was \$868,838.

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, 2016 was \$865,113.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

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>Major Purposes:</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	State Law	\$ 25,988,537
Special Education Purposes	State Law	3,643,711
Post Secondary Purposes	State Law	3,896,863
Proportionate Share of Net Pension Asset	State Law	23,363,503
Debt Service Purpose	Debt Covenants	<u>1,733,951</u>
 Total Restricted Net Position		 <u>\$ 58,626,565</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, is not susceptible to accrual has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

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

General Fund:	
Agricultural Property	1.568
Owner Occupied	4.075
Commercial	8.727
Capital Outlay Fund	3.000
Special Education Fund	1.409
Pension Fund	.300

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN

Plan Information

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

Benefits Provided

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

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2016, 2015, and 2014 were \$4,219,783, \$4,243,941, and \$4,235,231, respectively, equal to the required contributions each year.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

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

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the District as of June 30, 2015 are as follows:

Proportionate Share of Net Position Restricted for Pension Benefits	\$ 417,099,990
Less Proportionate Share of Total Pension Liability	<u>400,684,320</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (16,415,670)</u>

At June 30, 2016, the District reported an asset of \$16,415,670 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. June 30, 2015, the District's proportion was 3.87%, which is a decrease of 0.168% from its proportion measured as of June 30, 2014. Proportionate share information as of June 30, 2014 is not available.

For the year ended June 30, 2016, the District recognized pension revenue of \$1,953,578. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 3,361,183	\$ -
Changes in Assumption	13,016,593	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,028,055	24,221,636
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	543,855	-
District Contributions Subsequent to the Measurement Date	<u>4,219,783</u>	<u>-</u>
Total	<u>\$ 31,169,469</u>	<u>\$ 24,221,636</u>

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

\$4,219,783 is reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30,	
2017	\$ 779,100
2018	779,100
2019	(2,091,370)
2020	2,721,674
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 2,188,504</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.8%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the District's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the School's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 41,318,059</u>	<u>\$ (16,415,670)</u>	<u>\$ (63,492,554)</u>

Pension Plan Fiduciary Net Position

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 10 - JOINT VENTURES

Black Hills Special Services Cooperative

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, 2016, the District paid \$513,505 for services provided by the Co-op.

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

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

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

The District retains no equity in the net 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, 2016, this joint venture had assets of \$15,284,527, liabilities of \$7,273,246 and net position of \$8,011,281 (unaudited).

Rapid City Performing Arts Center

During the year ended June 30, 2010, the District entered into an agreement with the City of Rapid City (City) and the Rapid City Performing Arts Coalition (Coalition) to construct and renovate a Performing Arts Center owned by the District. The District retains all ownership of the Rapid City Performing Arts Center (RCPAC).

A Board of Directors was established to set policies and procedures for the management and operation of the RCPAC. Board members are appointed by the City, the District, and the Coalition. Proceeds from the sale of tickets and concessions will be retained by the organization holding the event at the RCPAC.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 10 - JOINT VENTURES (CONTINUED)

Joint Use Library at Western Dakota Technical Institute

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

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, 2016 this rate was \$30 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, 2016 were \$623,616 for credit courses and \$5,687 for non-credit courses.

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 approximately \$46,000,000 as of June 30, 2016. 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 outstanding bonds are not included in these financial statements. The bonds currently being used for construction are shown in these financial statements and long-term liabilities due to other governments, upon completion of the construction project, all assets and related debt will be transferred to the State of South Dakota.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the District managed its risks as follows:

Employee Health Insurance

During the year ended June 30, 2016, 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 (Wellmark) acting on behalf of the District. The administrative contract between the District and Wellmark 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, 2016 for retired employees was \$203,408. As of June 30, 2016, there were approximately 115 retirees eligible to receive benefits.

The District estimates the liabilities for claims based on claims paid out subsequent to year-end. Changes in the claims liability for the years ended June 30, 2016, 2015 and 2014 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2013 - 2014	\$ 1,318,000	\$ 17,346,258	\$ 17,412,258	\$ 1,252,000
2014 - 2015	1,252,000	12,458,244	12,743,276	966,968
2015 - 2016	966,968	13,348,945	13,357,913	958,000

As of June 30, 2016, the District had accumulated \$13,125,000 in the Master Insurance Fund, which is available to fund claims incurred in future years.

Liability Insurance

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 12 - RISK MANAGEMENT (CONTINUED)

The policy provides that the above coverage will be provided with a \$2,000,000 limit on liability coverage and \$353,554,959 limit on property. As of June 30, 2016, 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 \$53,543 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, 2016 total claims were \$14,315. 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 2016 and current cash reserves in the Unemployment Fund will be sufficient to cover claims incurred during fiscal year 2017.

NOTE 13 - 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, 2015, the District started a renovation and building addition at Stevens High School. The estimated cost of the project is \$10,281,605 which will be paid for with the capital outlay certificates issued during the year ended June 30, 2015 in the amount of \$9.3 million in addition to capital outlay funds available. The project is expected to be complete in FY 2017.

During the year ended June 30, 2015, the District began construction at WDT. The estimated cost of the project is \$16,764,951, which will be paid for with debt issued by the State of SD. The project is expected to be complete in 2017.

The District also has projects at several locations for storm sewer and drainage renovations. These projects are expected to cost a total of \$2,836,972 and will be paid for with capital outlay funds. These projects are expected to be completed in 2017.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2016 was 5.0%. There was no balance outstanding at June 30, 2016.

NOTE 14 - 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, 2016.

NOTE 15 - 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 (Wellmark) 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.

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	\$ 321,000
Interest on Net OPEB	46,200
Adjustment to ARC	<u>(56,941)</u>
Annual OPEB Cost	310,259
Contribution Made	<u>(203,408)</u>
Change in Net OPEB Obligation	106,851
Net OPEB Obligation-June 30, 2015	<u>2,310,268</u>
Net OPEB Obligation-June 30, 2016	<u>\$ 2,417,119</u>

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

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2014	305,999	91.50%	2,284,269
6/30/2015	305,999	66.47%	2,310,268
6/30/2016	310,259	91.50%	2,417,119

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 15 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

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

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

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2016

NOTE 15 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The actuarial assumptions included:

- The assumed claims costs were developed using past 24 months of plan experience.
- Health care cost trend rates were 8% for 2015, decreasing 0.5% until an ultimate health care cost trend rate of 4.5% 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 2014 Mortality Table projected to 2025 using Scale MP-14.
- 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, 2014. Sample rates vary by age:

Age	Rate			
	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, 2016

NOTE 15 - 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, 2014:

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%
70-77	30.0%	30.0%	30.0%	30.0%
78-79	50.0%	50.0%	30.0%	30.0%
80	100.0%	100.0%	100.0%	100.0%

NOTE 16 - CONCENTRATIONS

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

NOTE 17 - SUBSEQUENT EVENTS

On November 8, 2016, a ballot initiative was approved by voters to create a new governance structure for technical education institutes within the state of South Dakota. It is undetermined how this will impact future reporting for Western Dakota Technical Institute.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Rapid City Area School District No. 51-4
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2016

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 18,589,494	\$ 18,589,494
Prior Years' Ad Valorem	18,907,637	18,907,637
Gross Receipts Taxes	900,000	900,000
Penalties and Interest on Taxes	75,000	75,000
Tax Deed Revenue	100,000	100,000
Tuition and Fees		
Local Sources	155,000	155,000
Support Services	878,000	878,000
Cocurricular Activities	183,000	195,400
Earnings on Deposits	20,000	20,000
Restricted Operating Contributions	298,807	598,438
Other Local Revenue	<u>13,500</u>	<u>13,500</u>
Total Revenue From Local Sources	<u>40,120,438</u>	<u>40,432,469</u>
Revenue From Intermediate Sources:		
County Sources	800,000	800,000
Revenue in Lieu of Taxes	150,000	150,000
Revenue for Joint Facilities	<u>225,000</u>	<u>225,000</u>
Total Revenue From Intermediate Sources	<u>1,175,000</u>	<u>1,175,000</u>
Revenue From State Sources:		
Unrestricted Grants-in-aid	31,645,995	31,645,995
Restricted Grants-in-aid	-	-
Other State Revenue	<u>53,000</u>	<u>53,000</u>
Total Revenue From State Sources	<u>31,698,995</u>	<u>31,698,995</u>
Revenue From Federal Sources:		
Unrestricted Grants-in-aid	-	-
Restricted Grants-in-aid	<u>7,211,658</u>	<u>8,586,186</u>
Total Revenue From Federal Sources	<u>7,211,658</u>	<u>8,586,186</u>
TOTAL REVENUES	<u>80,206,091</u>	<u>81,892,650</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 19,375,562	\$ 786,068
19,464,458	556,821
1,216,171	316,171
56,722	(18,278)
-	(100,000)
152,317	(2,683)
570,569	(307,431)
286,742	91,342
19,312	(688)
364,757	(233,681)
<u>265,692</u>	<u>252,192</u>
<u>41,772,302</u>	<u>1,339,833</u>
969,806	169,806
467,110	317,110
<u>234,229</u>	<u>9,229</u>
<u>1,671,145</u>	<u>496,145</u>
30,711,638	(934,357)
3,002	3,002
<u>63,584</u>	<u>10,584</u>
<u>30,778,224</u>	<u>(920,771)</u>
44,722	44,722
<u>7,030,829</u>	<u>(1,555,357)</u>
<u>7,075,551</u>	<u>(1,510,635)</u>
<u>81,297,222</u>	<u>(595,428)</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, 2016**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
EXPENDITURES		
Instructional Services:		
Regular Programs	42,948,571	43,104,121
Special Programs	<u>4,382,228</u>	<u>5,664,577</u>
Total Instructional Services	<u>47,330,799</u>	<u>48,768,698</u>
Support Services:		
Pupils	2,369,558	2,374,858
Instructional Staff	5,073,381	5,215,319
General Administration	1,262,802	1,439,754
School Administration	6,119,053	6,090,094
Business	14,162,859	10,210,021
Central	907,143	907,143
Other Support Services	<u>128,860</u>	<u>121,500</u>
Total Support Services	<u>30,023,656</u>	<u>26,358,689</u>
Community Services:		
Community Recreation Services	59,213	59,213
Custody and Care of Children	209,969	220,081
Nonpublic School Pupil Services	<u>181,978</u>	<u>293,694</u>
Total Community Services	<u>451,160</u>	<u>572,988</u>
Co-curricular Activities:		
Male Activities	858,461	864,661
Female Activities	820,318	826,518
Combined Activities	<u>686,921</u>	<u>686,921</u>
Total Co-curricular Activities	<u>2,365,700</u>	<u>2,378,100</u>
TOTAL EXPENDITURES	<u>80,171,315</u>	<u>78,078,475</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	34,776	3,814,175
OTHER FINANCING SOURCES		
Sale of Surplus Property	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	34,776	3,814,175
FUND BALANCE - BEGINNING	<u>12,722,593</u>	<u>12,722,593</u>
FUND BALANCE - ENDING	<u>\$ 12,757,369</u>	<u>\$ 16,536,768</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
44,287,600	(1,183,479)
<u>5,165,806</u>	<u>498,771</u>
<u>49,453,406</u>	<u>(684,708)</u>
2,251,170	123,688
4,619,741	595,578
1,526,803	(87,049)
6,175,670	(85,576)
9,947,738	262,283
896,642	10,501
<u>101,602</u>	<u>19,898</u>
<u>25,519,366</u>	<u>839,323</u>
71,732	(12,519)
219,424	657
<u>209,734</u>	<u>83,960</u>
<u>500,890</u>	<u>72,098</u>
840,670	23,991
716,524	109,994
<u>770,381</u>	<u>(83,460)</u>
<u>2,327,575</u>	<u>50,525</u>
<u>77,801,237</u>	<u>277,238</u>
3,495,985	(318,190)
<u>3,359</u>	<u>3,359</u>
<u>3,359</u>	<u>3,359</u>
3,499,344	(314,831)
<u>12,722,593</u>	<u>-</u>
<u>\$ 16,221,937</u>	<u>\$ (314,831)</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, 2016

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 9,537,191	\$ 9,537,191
Prior Years' Ad Valorem	9,277,847	9,277,847
Gross Receipts Taxes	5,000	5,000
Penalties and Interest on Taxes	27,500	27,500
Earnings on Deposits	25,000	25,000
Other Local Revenue	-	1,893,388
Total Revenue From Local Sources	<u>18,872,538</u>	<u>20,765,926</u>
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>25,000</u>	<u>25,000</u>
Revenue From Federal Sources:		
Restricted Grants-in-aid	<u>-</u>	<u>27,174</u>
TOTAL REVENUES	<u>18,897,538</u>	<u>20,818,100</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 9,787,194	\$ 250,003
9,264,026	(13,821)
9,128	4,128
25,523	(1,977)
53,540	28,540
<u>3,295,874</u>	<u>1,402,486</u>
<u>22,435,285</u>	<u>1,669,359</u>
<u>162,336</u>	<u>137,336</u>
<u>-</u>	<u>(27,174)</u>
<u>22,597,621</u>	<u>1,779,521</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, 2016

	Budgeted Original	Amounts Final
EXPENDITURES		
Instructional Services:		
Regular Programs	1,155,158	1,155,158
Special Programs	15,515	15,515
Total Instructional Services	<u>1,170,673</u>	<u>1,170,673</u>
Support Services:		
Pupils	43,303	43,303
Instructional Staff	2,146,650	2,262,728
General Administration	17,000	17,000
School Administration	-	-
Business	13,719,507	19,391,250
Central	-	-
Special Education	95,000	95,000
Total Support Services	<u>16,021,460</u>	<u>21,809,281</u>
Community Services:		
Nonpublic School Pupil Services	<u>100,000</u>	<u>100,000</u>
Cocurricular Activities:		
Male Activities	123,792	123,792
Female Activities	8,335	8,335
Combined Activities	504	504
Total Cocurricular Activities	<u>132,631</u>	<u>132,631</u>
Debt Services	<u>6,741,163</u>	<u>6,741,163</u>
TOTAL EXPENDITURES	<u>24,165,927</u>	<u>29,953,748</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(5,268,389)	(9,135,648)
OTHER FINANCING SOURCES		
Net Transfers	(374,111)	(374,111)
Debt Proceeds	-	-
Interest Rebate	475,000	475,000
Sale of Surplus Property	-	-
TOTAL OTHER FINANCING SOURCES	<u>100,889</u>	<u>100,889</u>
NET CHANGE IN FUND BALANCES	(5,167,500)	(9,034,759)
FUND BALANCE - BEGINNING	<u>32,129,328</u>	<u>32,129,328</u>
FUND BALANCE - ENDING	<u>\$ 26,961,828</u>	<u>\$ 23,094,569</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
1,033,792	121,366
<u>15,198</u>	<u>317</u>
<u>1,048,990</u>	<u>121,683</u>
40,502	2,801
2,539,581	(276,853)
47,008	(30,008)
5,306	(5,306)
19,558,626	(167,376)
11,075	(11,075)
<u>94,768</u>	<u>232</u>
<u>22,296,866</u>	<u>(487,585)</u>
<u>14,108</u>	<u>85,892</u>
128,557	(4,765)
13,775	(5,440)
<u>502</u>	<u>2</u>
<u>142,834</u>	<u>(10,203)</u>
<u>6,741,063</u>	<u>100</u>
<u>30,243,861</u>	<u>(290,113)</u>
(7,646,240)	1,489,408
(64,111)	310,000
100,982	100,982
828,221	353,221
<u>570,398</u>	<u>570,398</u>
<u>1,435,490</u>	<u>1,334,601</u>
(6,210,750)	2,824,009
<u>32,129,328</u>	<u>-</u>
<u>\$ 25,918,578</u>	<u>\$ 2,824,009</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, 2016

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 4,599,372	\$ 4,599,372
Prior Years' Ad Valorem	4,683,573	4,683,573
Gross Receipts Taxes	2,000	2,000
Penalties and Interest on Taxes	15,000	15,000
Tuition and Fees		
Local Sources	35,000	35,000
Support Services	137,500	137,500
Earnings on Deposits	2,500	2,500
Other Local Revenue	-	-
Total Revenue From Local Sources	<u>9,474,945</u>	<u>9,474,945</u>
Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>40,000</u>	<u>40,000</u>
Revenue From State Sources:		
Restricted Grants-in-aid	<u>6,764,421</u>	<u>6,764,421</u>
Revenue From Federal Sources:		
Restricted Grants-in-aid	<u>3,185,715</u>	<u>3,185,715</u>
TOTAL REVENUES	<u>19,465,081</u>	<u>19,465,081</u>
EXPENDITURES		
Instructional Services:		
Regular Programs	238,317	238,317
Special Programs	<u>13,301,513</u>	<u>13,301,513</u>
Total Instructional Services	<u>13,539,830</u>	<u>13,539,830</u>
Support Services:		
Pupils	3,959,809	3,959,809
Instructional Staff	-	98,341
Special Education	<u>2,105,099</u>	<u>2,105,099</u>
Total Support Services	<u>6,064,908</u>	<u>6,163,249</u>
Cocurricular Activities:		
Combined Activities	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>19,604,738</u>	<u>19,703,079</u>
NET CHANGE IN FUND BALANCES	(139,657)	(237,998)
FUND BALANCE - BEGINNING	<u>2,794,980</u>	<u>2,794,980</u>
FUND BALANCE - ENDING	<u>\$ 2,655,323</u>	<u>\$ 2,556,982</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 4,674,908	\$ 75,536
4,684,719	1,146
4,482	2,482
12,945	(2,055)
-	(35,000)
116,293	(21,207)
4,434	1,934
1,274	1,274
<u>9,499,055</u>	<u>24,110</u>
<u>78,556</u>	<u>38,556</u>
<u>6,530,758</u>	<u>(233,663)</u>
<u>3,284,667</u>	<u>98,952</u>
<u>19,393,036</u>	<u>(72,045)</u>
148,050	90,267
<u>12,275,121</u>	<u>1,026,392</u>
<u>12,423,171</u>	<u>1,116,659</u>
4,028,814	(69,005)
107,688	(9,347)
<u>1,655,695</u>	<u>449,404</u>
<u>5,792,197</u>	<u>371,052</u>
<u>575</u>	<u>(575)</u>
<u>18,215,943</u>	<u>1,487,136</u>
1,177,093	1,415,091
<u>2,794,980</u>	<u>-</u>
<u>\$ 3,972,073</u>	<u>\$ 1,415,091</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, 2016

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Tuition and Fees		
Local Sources	\$ 6,006,500	\$ 5,647,053
Support Services	670,000	610,000
Post Secondary	45,500	403,325
Earnings on Deposits	2,007	2,007
Other Local Revenue	<u>240,975</u>	<u>240,975</u>
Total Revenue From Local Sources	<u>6,964,982</u>	<u>6,903,360</u>
Revenue From State Sources:		
Unrestricted Grants-in-aid	-	128,000
Restricted Grants-in-aid	3,376,944	3,443,749
Other State Revenue	<u>(45,000)</u>	<u>940,247</u>
Total Revenue From State Sources	<u>3,331,944</u>	<u>4,511,996</u>
Revenue From Federal Sources:		
Restricted Grants-in-aid	803,061	808,895
Other Federal Revenue	<u>7,000</u>	<u>7,000</u>
Total Revenue From Federal Sources	<u>810,061</u>	<u>815,895</u>
TOTAL REVENUES	<u>11,106,987</u>	<u>12,231,251</u>
EXPENDITURES		
Instructional Services:		
Post-secondary Occupational Programs	<u>4,607,487</u>	<u>5,806,885</u>
Support Services:		
Pupils	327,657	345,685
Instructional Staff	341,221	316,221
General Administration	311,978	311,978
School Administration	9,093,397	6,560,949
Business	14,334,919	14,827,097
Central	737,255	762,451
Other Support Services	<u>18,261</u>	<u>3,761</u>
Total Support Services	<u>25,164,688</u>	<u>23,128,142</u>
Other Nonprogrammed Costs	<u>176,605</u>	<u>104,605</u>
Debt Services	<u>50,000</u>	<u>50,000</u>
TOTAL EXPENDITURES	<u>29,998,780</u>	<u>29,089,632</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 4,985,651	\$ (661,402)
583,957	(26,043)
398,596	(4,729)
564	(1,443)
<u>404,705</u>	<u>163,730</u>
<u>6,373,473</u>	<u>(529,887)</u>
128,874	874
3,527,754	84,005
<u>483,593</u>	<u>(456,654)</u>
<u>4,140,221</u>	<u>(371,775)</u>
599,664	(209,231)
<u>7,721</u>	<u>721</u>
<u>607,385</u>	<u>(208,510)</u>
<u>11,121,079</u>	<u>(1,110,172)</u>
<u>5,066,764</u>	<u>740,121</u>
337,018	8,667
344,286	(28,065)
397,868	(85,890)
916,253	5,644,696
14,807,412	19,685
742,031	20,420
<u>1,999</u>	<u>1,762</u>
<u>17,546,867</u>	<u>5,581,275</u>
<u>127,217</u>	<u>(22,612)</u>
<u>50,000</u>	<u>-</u>
<u>22,790,848</u>	<u>6,298,784</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, 2016

	<u>Budgeted Original</u>	<u>Amounts Final</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(18,891,793)	(16,858,381)
OTHER FINANCING SOURCES		
Net Transfers In (Out)	(310,000)	(310,000)
Debt Proceeds	10,811,800	10,811,800
Sale of Surplus Property	<u>10,000</u>	<u>10,000</u>
TOTAL OTHER FINANCING SOURCES	<u>10,511,800</u>	<u>10,511,800</u>
NET CHANGE IN FUND BALANCES	(8,379,993)	(6,346,581)
FUND BALANCE - BEGINNING	<u>5,401,166</u>	<u>5,401,166</u>
FUND BALANCE - ENDING	<u>\$ (2,978,827)</u>	<u>\$ (945,415)</u>

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

Actual (Budgetary Basis)	Variance Positive (Negative)
(11,669,769)	5,188,612
(310,000)	-
10,721,284	(90,516)
<u>37,301</u>	<u>27,301</u>
<u>10,448,585</u>	<u>(63,215)</u>
(1,221,184)	5,125,397
<u>5,401,166</u>	<u>-</u>
<u>\$ 4,179,982</u>	<u>\$ 5,125,397</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, 2016**

	<u>Budgeted Original</u>	<u>Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 895,021	\$ 895,021
Prior Years' Ad Valorem	879,511	879,511
Gross Receipts Taxes	-	-
Penalties and Interest on Taxes	3,250	3,250
Earnings on Deposits	<u>250</u>	<u>250</u>
Total Revenue From Local Sources	<u>1,778,032</u>	<u>1,778,032</u>
 Revenue From Intermediate Sources:		
Revenue in Lieu of Taxes	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,778,032</u>	<u>1,778,032</u>
EXPENDITURES		
Other Nonprogrammed Costs	<u>3,778,032</u>	<u>3,778,032</u>
TOTAL EXPENDITURES	<u>3,778,032</u>	<u>3,778,032</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(2,000,000)	(2,000,000)
OTHER FINANCING SOURCES		
Net Transfers In	<u>2,000,000</u>	<u>2,000,000</u>
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCE - BEGINNING	<u>706,365</u>	<u>706,365</u>
FUND BALANCE - ENDING	<u>\$ 706,365</u>	<u>\$ 706,365</u>

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

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 979,333	\$ 84,312
926,402	46,891
913	913
2,619	(631)
<u>3,043</u>	<u>2,793</u>
<u>1,912,310</u>	<u>134,278</u>
<u>16,234</u>	<u>16,234</u>
<u>1,928,544</u>	<u>150,512</u>
<u>2,634,560</u>	<u>1,143,472</u>
<u>2,634,560</u>	<u>1,143,472</u>
(706,016)	1,293,984
<u>2,000,000</u>	<u>-</u>
1,293,984	1,293,984
<u>706,365</u>	<u>-</u>
<u>\$ 2,000,349</u>	<u>\$ 1,293,984</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, 2016

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.

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 are presented for the General Fund and major special revenue funds of the District.

Rapid City Area School District No. 51-4
Schedule of Funding Progress for Retiree Health Insurance Coverage
June 30, 2016

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)
6/30/2011	\$ -	\$ 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%
6/30/2015	-	3,683,000	3,683,000	0.00%	70,622,542	5.22%

See independent auditor's report.

Rapid City Area School District No. 51-4
Schedule of the Net Pension Asset
For the Years Ended June 30, 2016 and 2015

	2016	2015
District's Proportion of the Net Pension Asset	3.8704467%	4.0386593%
District's Proportionate Share of the Net Pension Asset	\$ 16,415,670	\$ 29,096,889
District's Covered-employee Payroll	\$ 70,329,411	\$ 70,622,542
District's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-employee Payroll	23.34%	41.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	104.10%	107.00%

See independent auditor's report.

Rapid City Area School District No. 51-4
Schedule of Pension Contributions
For the Years Ended June 30, 2016 and 2015

	2016	2015
Contractually Required Contribution	\$ 4,219,783	\$ 4,243,941
Contributions in Relation to the Contractually-required Contribution	4,219,783	4,243,941
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered-employee Payroll	\$ 70,329,411	\$ 70,622,542
Contributions as a Percentage of Covered-Employee Payroll	6.0%	6.0%

See independent auditor's report.

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SUPPLEMENTARY INFORMATION

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**Rapid City Area School District No. 51-4
School District Officials
June 30, 2016**

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, 2016**

CFDA Numbers	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<i>Child Nutrition Cluster:</i>				
<u>U.S. Department of Agriculture</u>				
Non-Cash Assistance (Commodities):				
10 . 555	National School Lunch Program (Notes 2 and 3)	South Dakota Department of Education	NA	\$ 356,527
Cash Assistance:				
10 . 553	School Breakfast Program (Notes 2 and 3)	South Dakota Department of Education	NA	967,109
10 . 555	National School Lunch Program (Notes 2 and 3)	South Dakota Department of Education	NA	2,967,287
10 . 559	Summer Food Service Program for Children (Notes 2 and 3)	South Dakota Department of Education	NA	109,682
Total Child Nutrition Cluster				<u>4,400,605</u>
<i>Student Financial Assistance Programs Cluster:</i>				
<u>U.S. Department of Education</u>				
84 . 007	Federal Supplemental Educational Opportunity Grants (Note 3)		NA	42,275
84 . 033	Federal Work Study Programs (Note 3)		NA	15,744
84 . 063	Federal PELL Grant Program (Note 3)		NA	2,126,780
84 . 268	Federal Direct Student Loans (Notes 3 and 4)		NA	3,502,580
Total Student Financial Assistance Program Cluster				<u>5,687,379</u>
<i>Special Education Cluster:</i>				
<u>U.S. Department of Education</u>				
84 . 027	Special Education - Grants to States	South Dakota Department of Education	H027A150091	3,170,438
84 . 027	Special Education - Grants to States	South Dakota Department of Education	2015G-456 SSIP	107,688
84 . 027	Special Education - Grants to States	South Dakota Department of Education	2016G-493 East MS	1,476
84 . 173	Special Education - Preschool Grants	South Dakota Department of Education	H173A150091	72,694
84 . 173	Special Education - Preschool Grants	South Dakota Department of Education	2015G-456 SSIP	4,960
Total Special Education Cluster				<u>3,357,256</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, 2016

CFDA Numbers	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<i>Indian Education Cluster:</i>				
<u>U.S. Department of Education</u>				
84 . 060	Indian Education - Grants to Local Education Agencies (Note 3)	South Dakota Department of Education	S060A150898	543,549
84 . 299	Indian Education - Special programs for Indian Children (Note3)	South Dakota Department of Education	S060A150898	<u>2,415</u>
	Total Indian Education Cluster			<u>545,964</u>
<i>Other Programs:</i>				
<u>U.S. Department of Agriculture</u>				
10 . 665	Schools and Roads - Grants to States (Note 2)	Pennington County	NA	43,397
10 . 582	Fresh Fruit and Vegetable Program	South Dakota Department of Education	NA	<u>324,808</u>
	Total Department of Agriculture			<u>368,205</u>
<u>U.S. Department of Defense</u>				
12 . 000	Reserve Officer Training Corp			<u>78,843</u>
	Total Department of Defense			<u>78,843</u>
<u>U.S. Department of Labor</u>				
17 . 282	Trade Adjustment Assistance Community College and Career Training Grants			<u>287,721</u>
	Total Department of Labor			<u>287,721</u>
<u>U.S. Department of Interior</u>				
15 . 227	Distribution of Receipts to State and Local Governments (Note 2)			<u>1,325</u>
	Total Department of Interior			<u>1,325</u>
<u>U.S. Department of Energy</u>				
81 . 128	Energy Efficiency Conservation Block Grant Program, Recovery Act (Note 5)	South Dakota Energy Management Office	NA	<u>165,314</u>
	Total Department of Energy			<u>165,314</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, 2016

CFDA Numbers	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<u>U.S. Department of Education</u>				
84 . 010	Title I Grants to Local Educational Agencies (Note3)	South Dakota Department of Education	S010A150041	5,503,817
84 . 048	Career and Technical Education - Basic Grants to States	South Dakota Department of Education	V048A140041	200,968
84 . 048	Career and Technical Education - Basic Grants to States	South Dakota Department of Education	2016C-167	11,884
84 . 048	Career and Technical Education - Basic Grants to States	South Dakota Department of Education	V048A150041	362,310
84 . 196	Education for Homeless Children and Youth	South Dakota Department of Education	S196A150043	71,050
84 . 287	Twenty-First Century Community Learning Centers	South Dakota Department of Education		153,939
84 . 367	Improving Teacher Quality State Grants	South Dakota Department of Education	S367A150039	717,971
84 . 378	College Access Challenge Grant Program	South Dakota Department of Education	P378A140014	14,468
84 . 411	Investing in Innovation Fund	South Dakota Department of Education	U411A110004	3,257
	Total Department of Education			<u>7,039,664</u>
<u>U.S. Department of Health and Human Services</u>				
93 . 913	Grants to States for Operation of Offices or Rural Health			5,909
	Total Department of Homeland Security			<u>5,909</u>
<u>U.S. Department of Homeland Security</u>				
97 . 067	Homeland Security Grant Program	Pennington County	215-SS-00103-S01	27,174
	Total Department of Homeland Security			<u>27,174</u>
	Total Federal Financial Assistance			<u>\$ 21,965,359</u>

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

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

See independent auditor's report.

Rapid City Area School District No. 51-4
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

NOTE 3: This represents a major federal financial assistance program.

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	\$ 338,292
Stafford Loans	1,506,112
Unsubsidized Stafford Loans	1,658,176
Total	<u>\$ 3,502,580</u>

NOTE 5: This amount represents the loan balance outstanding at June 30, 2015. The proceeds from this federal award program were fully expended during the year ended June 30, 2012 and amounted to a total of \$415,313, which also represented the original outstanding loan balance.

NOTE 6: The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**Western Dakota Technical Institute
(Rapid City Area School District No. 51-4)
Balance Sheet
June 30, 2016**

	<u>Post Secondary (WDT) Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,613,750
Accounts Receivable, Net	152,464
Due From Other Governments	2,085,837
Inventory of Stores Purchased for Resale	201,459
Prepaid Expenses	<u>302,792</u>
TOTAL ASSETS	<u><u>\$ 6,356,302</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 1,856,580
Contracts Payable	21,412
Payroll Deductions and Employer Matching Payable	35,518
Unearned Revenue	<u>3,796</u>
Total Liabilities	<u>1,917,306</u>
Deferred Inflows of Resources:	
Grants Received Outside the Period of Availability	<u>259,014</u>
Total Deferred Inflows of Resources	<u>259,014</u>
Fund Balances:	
Nonspendable:	
Inventory	200,593
Prepaid Expenses	302,792
Restricted:	
For Post Secondary Education	<u>3,676,597</u>
Total Fund Balances	<u>4,179,982</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 6,356,302</u></u>

See independent auditor's report.

**Western Dakota Technical Institute
(Rapid City Area School District No. 51-4)
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016**

	<u>Post Secondary (WDT) Fund</u>
REVENUES	
Revenue From Local Sources:	
Tuition and Fees	
Local Sources	\$ 4,985,651
Support Services	583,957
Post Secondary	398,596
Earnings on Deposits	564
Other Local Revenue	<u>404,705</u>
Total Revenue From Local Sources	<u>6,373,473</u>
Revenue From State Sources:	
Unrestricted Grants-in-aid	128,874
Restricted Grants-in-aid	3,527,754
Other State Revenue	<u>483,593</u>
Total Revenue From State Sources	<u>4,140,221</u>
Revenue From Federal Sources:	
Restricted Grants-in-aid	599,664
Other Federal Revenue	<u>7,721</u>
Total Revenue From Federal Sources	<u>607,385</u>
TOTAL REVENUES	<u>11,121,079</u>

See independent auditor's report.

	Post Secondary <u>(WDT) Fund</u>
EXPENDITURES	
Instructional Services:	
Post Secondary Occupational Programs	<u>4,297,167</u>
Total Instructional Services	<u>4,297,167</u>
Support Services:	
Pupils	337,018
Instructional Staff	327,045
General Administration	397,868
School Administration	900,753
Business	3,530,278
Central	671,044
Other Support Services	1,999
Total Support Services	<u>6,166,005</u>
Other Nonprogrammed Costs	<u>127,217</u>
Debt Services	<u>50,000</u>
Capital Outlay	<u>12,150,459</u>
TOTAL EXPENDITURES	<u>22,790,848</u>
EXCESS OF REVENUE UNDER EXPENDITURES	(11,669,769)
OTHER FINANCING SOURCES	
Net Transfers Out	(310,000)
Debt Proceeds	10,721,284
Sale of Surplus Property	<u>37,301</u>
TOTAL OTHER FINANCING SOURCES	<u>10,448,585</u>
NET CHANGE IN FUND BALANCES	(1,221,184)
FUND BALANCE - BEGINNING	<u>5,401,166</u>
FUND BALANCE - ENDING	<u>\$ 4,179,982</u>

See independent auditor's report.

**Western Dakota Technical Institute
(Rapid City Area School District No. 51-4)
Schedule of Long-term Liabilities
June 30, 2016**

	<u>Balance</u> <u>June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>
Accrued Leave Payable	\$ 33,085	\$ 47,000	\$ (52,837)	\$ 27,248
Due to Other Governments	-	11,956,087	-	11,956,087
Compensated Absences	455,208	39,731	(43,682)	451,257
Early Retirement Benefits	97,626	43,745	(56,339)	85,032
Other Post-employment Benefits	138,397	5,503	-	143,900
Energy Upgrade Loan	<u>215,314</u>	<u>-</u>	<u>(50,000)</u>	<u>165,314</u>
Total Long-term Liabilities	<u>\$ 939,630</u>	<u>\$ 12,092,066</u>	<u>\$ (202,858)</u>	<u>\$ 12,828,838</u>

See independent auditor's report.

**Western Dakota Technical Institute
(Rapid City Area School District No. 51-4)
Schedule of Capital Assets
June 30, 2016**

	<u>Balance</u> <u>June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities:				
Equipment	\$ 8,075,591	\$ 889,168	\$ (286,344)	\$ 8,678,415
Construction in Progress	<u>1,303,105</u>	<u>11,277,134</u>	<u>-</u>	<u>12,580,239</u>
Subtotal	<u>9,378,696</u>	<u>12,166,302</u>	<u>(286,344)</u>	<u>21,258,654</u>
Less: Accumulated Depreciation for Equipment	<u>2,970,592</u>	<u>796,536</u>	<u>(265,156)</u>	<u>3,501,972</u>
Net Capital Assets	<u>\$ 6,408,104</u>	<u>\$ 11,369,766</u>	<u>\$ (21,188)</u>	<u>\$ 17,756,682</u>

See independent auditor's report.