

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL**

**AUDIT REPORT**

**Liquidation Basis Period From July 1, 2010 to September 21, 2011**

EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

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

School Board  
East Central Multi-District Vocational School  
Brookings, South Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Multi-District Vocational School (Vocational School), prepared on a liquidation basis as of September 21, 2011 and for the liquidation period from July 1, 2010 to September 21, 2011, which collectively comprise the Vocational School's basic financial statements and have issued our report thereon dated September 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Vocational School's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

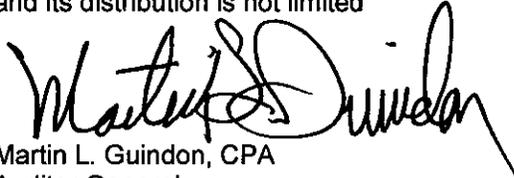
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vocational School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Vocational School in a separate letter dated September 21, 2011.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the East Central Multi-District Vocational School, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 this report is matter of public record and its distribution is not limited

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Martin L. Guindon, CPA  
Auditor General

September 21, 2011

EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

Finding No. 2010-01:

There existed a lack of proper segregation of duties in the revenue function. This finding has been resolved.

Finding No. 2010-02:

Internal accounting controls over financial reporting were inadequate resulting in inaccurate information being presented to users of the annual financial reports. This finding has been resolved.

Finding No. 2010-03:

Noncompliance with state statute was noted in the school's budgeting procedures. This finding has been resolved.

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Current Audit Findings:**

There are no written current audit findings to report.



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AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

School Board  
East Central Multi-District Vocational School  
Brookings, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Multi-District Vocational School (Vocational School), prepared on a liquidation basis as of September 21, 2011 and for the liquidation period from July 1, 2010 to September 21, 2011, which collectively comprise the Vocational School's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Vocational School's management. Our responsibility is to express opinions on these financial statements based on our audit.

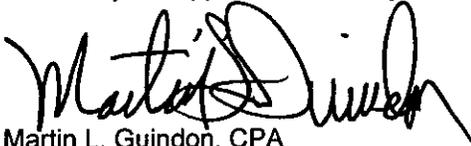
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Vocational School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the East Central Multi-District Vocational School and its member School Districts approved a resolution to dissolve the East Central Multi-District Vocational School, effective July 1, 2011. As a result, the East Central Multi-District Vocational School has changed its basis of accounting for the period of July 1, 2010 through September 21, 2011 from the going concern basis to a liquidation basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Multi-District Vocational School prepared on a liquidation basis as of September 21, 2011, and the respective changes in financial position for the liquidation period from July 1, 2010 to September 21, 2011 in conformity with accounting principles generally accepted in the United States of America applied on the basis described in the preceding paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011 on our consideration of the Vocational School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Vocational School has not presented the Management's Discussion and Analysis and Budgetary Comparison Schedules that the Governmental Accounting Standards Board has determined are necessary to supplement, although not required to be part of, the basic financial statements.

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Martin L. Guindon, CPA  
Auditor General

September 21, 2011

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
STATEMENT OF NET ASSETS - LIQUIDATION BASIS  
September 21, 2011**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 0.00
<b>TOTAL ASSETS</b>	<b>\$ 0.00</b>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>
<b>NET ASSETS:</b>	
Unrestricted	0.00
<b>TOTAL NET ASSETS</b>	<b>0.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 0.00</b>

The notes to the financial statements are an integral part of this statement.

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
STATEMENT OF ACTIVITIES - LIQUIDATION BASIS  
For the Liquidation Period Ended September 21, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:				
Governmental Activities:				
Instruction	\$ 419,301.01	\$ 105,887.55	\$ 32,280.00	\$ (281,133.46)
Support Services	276,355.82			(276,355.82)
Non-Programed Charges	849.45			(849.45)
*Depreciation-Unallocated	8,696.61			(8,696.61)
<b>Total Primary Government</b>	<b>\$ 705,202.89</b>	<b>\$ 105,887.55</b>	<b>\$ 32,280.00</b>	<b>(567,035.34)</b>

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\* This amount excludes the depreciation that is included in the direct expenses of the various functions. (See Note 3)

**General Revenues:**

Revenue from Member School Districts:	
Assessments	532,988.74
Unrestricted Investment Earnings	717.76
Other General Revenues	7,569.27
Special Items - Distribution to Member School Districts	(254,523.01)
<b>Total General Revenues and Special Items</b>	<b>286,752.76</b>
<b>Change in Net Assets</b>	<b>(280,282.58)</b>
<b>Net Assets - Beginning</b>	<b>280,282.58</b>
<b>Net Assets - Ending</b>	<b>\$ 0.00</b>

The notes to the financial statements are an integral part of this statement.

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
 BALANCE SHEET - LIQUIDATION BASIS  
 GOVERNMENTAL FUNDS  
 September 21, 2011**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Select High Operating Fund</u>	<u>Select High Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>TOTAL ASSETS</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>Total Liabilities</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Fund Balances:					
Unreserved Fund Balances:					
Unassigned	0.00	0.00	0.00	0.00	0.00
<b>Total Fund Balances</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

The notes to the financial statements are an integral part of this statement.

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - LIQUIDATION BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Liquidation Period Ended September 21, 2011**

	General Fund	Capital Outlay Fund	Select High Operating Fund	Select High Capital Outlay Fund	Total Governmental Funds
<b>Revenues:</b>					
Revenue from Local Sources:					
Tuition and Fees:					
Regular Day School Tuition	\$ 366,983.74	\$ 36,000.00	\$ 115,255.00	\$ 14,750.00	\$ 532,988.74
Adult Continuing Education Tuition	28,019.10				28,019.10
Summer School Fees/House	79,868.45				79,868.45
Earnings on Investments and Deposits	715.00		2.76		717.76
Other Revenue from Local Sources:					
Other	7,569.27				7,569.27
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received from Federal Government Through the State	5,612.00	26,668.00			32,280.00
<b>Total Revenue</b>	<b>486,767.56</b>	<b>62,668.00</b>	<b>115,257.76</b>	<b>14,750.00</b>	<b>679,443.32</b>
<b>Expenditures:</b>					
Instruction:					
Regular Programs:					
High School	204,817.77	24,665.56	81,579.74	11,627.60	322,690.67
Other Regular Programs/ House	65,664.76				65,664.76
Adult Continuing Education Programs:					
Adult Basic Education	26,749.72				26,749.72
Support Services:					
Support Services - Instructional Staff:					
Improvement of Instruction			3,170.00		3,170.00
Support Services - General Administration:					
Board of Education	30,265.60				30,265.60
Executive Administration	83,599.57				83,599.57
Support Services - School Administration:					
Office of the Principal			8,107.40		8,107.40
Support Services - Business:					
Fiscal Services	58,985.07				58,985.07
Operation and Maintenance of Plant	31,541.17	24,475.84	878.98	1,850.00	58,745.99
Monitoring Service/Career Cluster	3,502.40				3,502.40
Nonprogramed Charges:					
Payments to State - Unemployment	849.45				849.45
Early Retirement Payments			11,521.43		11,521.43
Capital Outlay Expenditures		10,357.27			10,357.27
<b>Total Expenditures</b>	<b>505,975.51</b>	<b>59,498.67</b>	<b>105,257.55</b>	<b>13,477.60</b>	<b>684,209.33</b>
Excess of Revenue Over (Under) Expenditures	(19,207.95)	3,169.33	10,000.21	1,272.40	(4,766.01)
Special Items - Distribution to Member School Districts	(62,823.21)	(53,295.35)	(9,601.19)	(11,388.97)	(137,108.72)
Net Change in Fund Balances	(82,031.16)	(50,126.02)	399.02	(10,116.57)	(141,874.73)
Fund Balance - Beginning	82,031.16	50,126.02	(399.02)	10,116.57	141,874.73
<b>FUND BALANCE - ENDING</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

The notes to the financial statements are an integral part of this statement.

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 For the Liquidation Period Ended September 21, 2011**

Net Change in Fund Balances - Total Governmental Funds (141,874.73)

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 10,357.27

This amount represents the depreciation expense reported for the period in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (12,892.47)

Payment of early retirement benefits is an expenditure in the fund financial statements but the payment reduces long-term liabilities on the government wide statements. 11,521.43

Governmental funds recognize expenditures for amounts of early retirement benefits actually paid to employees with current financial resources during the fiscal year. In the statement of activities, expenses for these benefits are recognized when the employees elect to retire early. (29,979.79)

East Central Multi-District Vocational School dissolved as of June 30, 2011. This amount represents the distribution of the capital assets to the member school districts. (158,915.49)

East Central Multi-District Vocational School dissolved as of June 30, 2011. This amount represents the distribution of the early retirement liability to the member school districts 41,501.20

Change in Net Assets of Governmental Activities \$(280,282.58)

The notes to the financial statements are an integral part of this statement.

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
 STATEMENT OF FIDUCIARY NET ASSETS - LIQUIDATION BASIS  
 FIDUCIARY FUNDS  
 September 21, 2011**

	<b>Private-Purpose Trust Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 0.00
<b>TOTAL ASSETS</b>	<b>\$ 0.00</b>
<b>NET ASSETS</b>	
Held in Trust for Scholarships	\$ 0.00
<b>TOTAL NET ASSETS</b>	<b>\$ 0.00</b>

The notes to the financial statements are an integral part of this statement.

**EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - LIQUIDATION BASIS  
 FIDUCIARY FUNDS  
 For the Liquidation Period Ended September 21, 2011**

	<b>Private-Purpose Trust Funds</b>
<b>ADDITIONS:</b>	
Other Additions	\$ 16,923.85
<b>DEDUCTIONS:</b>	
Trust Deductions for Scholarships	4,700.00
Other Deductions - Distribution to Member School Districts	19,356.13
Total Deductions	24,056.13
Change in Net Assets	(7,132.28)
Net Assets - Beginning	7,132.28
<b>NET ASSETS - ENDING</b>	<b>\$ 0.00</b>

The notes to the financial statements are an integral part of this statement.

EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

1. DISSOLVING OF EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL

The independent school districts of Brookings School District, Deubrook School District, Elkton School District, Estelline School District, Flandreau School District, Lake Preston School District, Oldham School District, and Sioux Valley School District entered into a Resolution of Agreement on July 8, 1974 to participate in a multi-district secondary occupational/vocational education center. South Dakota Codified Law (SDCL) authorized the Member Districts to create a Board to manage the East Central Multi-District Vocational School (Vocational School).

Because of changing economic conditions and various needs of the remaining school districts it is necessary to dissolve the Vocational School. The Brookings School District, Deubrook School District and Estelline School District are the only remaining school districts involved in the Vocational School and the school boards of each of the school districts have approved this resolution. On March 16, 2011, the Vocational School Board approved that effective June 30, 2011 at 11:59pm the East Central Multi-District Vocational School is dissolved. All remaining assets and funds of the Vocational School shall be divided using the following percentages:

Brookings School District No. 5-1	77%
Deubrook School District No. 5-6	13%
Estelline School District No. 28-2	10%

The disbursements of the above funds shall only be made after all liabilities have been paid including early retirements, etc. If there is a shortage of funds to cover the remaining expenses, the three member districts will use the same formula listed above to pay expenses.

The financial statements included in this report were prepared on a liquidation basis of accounting to comply with the above order of dissolution. All transactions through the date of the opinion letter have been accounted for as revenues and expenditures for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The funds included in this report are controlled by or dependent upon the Vocational School's board of directors.

The reporting entity of the Vocational School consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through assessments, intergovernmental revenues, and other non-exchange revenues.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Vocational School'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 assessments, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Vocational School or it meets the following criteria:

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

The Vocational School has elected to classify all governmental funds as major funds. The funds of the Vocational School financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

*General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the Vocational School, 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.*

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

Select High Operating Fund – A fund established to pay the costs for the alternative education of all students in need of alternative education to prevent school drop outs. This is a major fund.

Select High Capital Outlay Fund – A fund established to meet Select High expenditures which results in the acquisition of or additions to real property, plant or equipment. The Vocational School has elected to report as a major fund.

### **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 benefit individuals, private organizations, or other governments. The Vocational School maintains only one private-purpose trust fund for the purpose of providing scholarships to students.*

### c. 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. The member school districts of the Vocational School approved dissolution of the entity. As such, the Vocational School’s financial statements contained in this report are prepared on the liquidation basis of accounting. Liquidation basis financial statements reflect relevant information about the value of an entity’s resources and obligations in liquidation.

### **Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

### **Basis of Accounting:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including assessments, generally are recognized when they become measurable and available. Based on the dissolution of the Vocational School no revenues or expenditures were accrued.

d. Capital Assets:

Capital assets include buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. All capital assets were distributed to the member school districts in accordance with resolution approving the dissolution of the Vocational School.

e. Long-Term Liabilities:

The long-term liabilities to be repaid from governmental resources are not reported as liabilities in the government-wide statements. The long-term liabilities consist of early retirement benefits payable. The responsibility for the early retirement benefits payable was assigned to the Brookings School District in accordance with resolution approving the dissolution of the Vocational School.

f. Program Revenues:

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

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

### 3. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 21, 2011 is as follows:

#### Primary Government

	Balance 7/1/2010	Increases	Decreases	Balance 9/21/2011
<b>Governmental Activities:</b>				
<b>Capital Assets, being Depreciated:</b>				
Buildings	\$ 434,830.72	\$	\$ (434,830.72)	\$ 0.00
Machinery and Equipment	57,620.44	10,357.27	( 67,977.71)	0.00
<b>Totals</b>	<b>492,451.16</b>	<b>10,357.27</b>	<b>(502,808.43)</b>	<b>0.00</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(300,033.17)	( 8,696.61)	308,729.78	0.00
Machinery and Equipment	( 30,967.30)	( 4,195.86)	35,163.16	0.00
<b>Total Accumulated Depreciation</b>	<b>(331,000.47)</b>	<b>(12,892.47)</b>	<b>343,892.94</b>	<b>0.00</b>
<b>Total Capital Assets, being</b>				
Depreciated, Net	161,450.69	( 2,535.20)	(158,915.49)	0.00
<b>Governmental Activity Capital Assets, Net</b>	<b>\$ 161,450.69</b>	<b>\$ ( 2,535.20)</b>	<b>\$ (158,915.49)</b>	<b>\$ 0.00</b>

Depreciation expense was charged to functions as follows:

Instruction	\$ 4,195.86
Depreciation-Unallocated	8,696.61
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$ 12,892.47</b>

### 4. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the liquidation period ended September 21, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Early Retirement Payable	\$ 23,042.84	\$ 29,979.79	\$ (53,022.63)	\$ 0.00	\$ 0.00

Responsibility for the payment of the Early Retirement Benefits payable was assumed by the Brookings School District as of the effective date of the dissolution of the Vocational School.

### 5. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its

political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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 Vocational School's share of contributions to the SDRS for the liquidation period ended September 21, 2011 and for the fiscal years ended June 30, 2010 and 2009 were \$20,891.17, \$23,430.76, and \$23,460.81, respectively, equal to the required contributions each year.

#### 6. SIGNIFICANT CONTINGENCIES – LITIGATION

At September 21, 2011, the Vocational School was not involved in any litigation.