

**WESTERN DAKOTA TECHNICAL INSTITUTE**

**(A SPECIAL REVENUE FUND  
OF RAPID CITY AREA  
SCHOOL DISTRICT NO. 51- 4)**

INDEPENDENT AUDITORS' REPORTS,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2011



CASEY PETERSON & ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

RAPID CITY, SOUTH DAKOTA

**Western Dakota Technical Institute**  
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**June 30, 2011**

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Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the Post Secondary Fund of Rapid City Area School District No. 51- 4 (the District), Pennington County, South Dakota (Western Dakota Technical Institute), and its related governmental activities, as of and for the year ended June 30, 2011, which collectively comprise the Western Dakota Technical Institute's (WDTI) basic financial statements and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We 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 WDTI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Casey Peterson & Associates, Ltd.

Rapid City, South Dakota

March 14, 2012



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the Post Secondary Fund of Rapid City Area School District No. 51- 4, Pennington County, South Dakota, (Western Dakota Technical Institute, WDTI) and its related governmental activities, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Rapid City Area School District No. 51- 4's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Post Secondary Fund and its related governmental activities and do not purport to, and do not, present fairly the financial position of Rapid City Area School District No. 51- 4, as of June 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WDTI, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012 on our consideration of WDTI's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for retiree health insurance coverage 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. WDTI has not presented the management's discussion and analysis and the budgetary comparison information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. However, the schedule of funding progress for retiree health insurance coverage is presented on page 29. We have applied certain limited procedures to the schedule of funding progress for retiree health insurance coverage in accordance with auditing standards generally accepted in the United State 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 inquires, 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.

The supplementary information presented on Pages 33 to 38 is for purposes of additional analysis and is not a required part of the financial statements. The supplementary information presented on pages 33 to 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. In our opinion, the Schedule of Expenditures of Federal Awards included in the supplementary information and presented on page 38 is fairly stated in all material respects in relation to the financial statements.

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

Casey Peterson & Associates, Ltd.

Rapid City, South Dakota

March 14, 2012

## BASIC FINANCIAL STATEMENTS

**Western Dakota Technical Institute**  
**Governmental Fund Balance Sheet/Statement of Net Assets**  
**June 30, 2011**

	Post Secondary Fund	Modified Accrual to Full Accrual Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,361,119	\$ -	3,361,119
Accounts Receivable, Net	127,899	-	127,899
Due From Other Governments	111,933	-	111,933
Inventory of Stores Purchased for Resale	346,888	-	346,888
Prepaid Expenses	58,259	-	58,259
Interest in Master Insurance Fund	-	87,347	87,347
	<u>4,006,098</u>	<u>87,347</u>	<u>4,093,445</u>
Capital Assets:			
Machinery and Equipment	-	3,904,984	3,904,984
Less Accumulated Depreciation	-	<u>(1,788,340)</u>	<u>(1,788,340)</u>
Total Capital Assets, Net of Depreciation	<u>-</u>	<u>2,116,644</u>	<u>2,116,644</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,006,098</u>	<u>2,203,991</u>	<u>6,210,089</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	349,763	-	349,763
Contracts Payable	12,300	-	12,300
Payroll Deductions and Employer Matching Payable	56,913	-	56,913
Deferred Revenue	74,269	(74,269)	-
Long-term Liabilities:			
Due Within One Year	-	151,017	151,017
Due In More than One Year	<u>-</u>	<u>747,628</u>	<u>747,628</u>
<b>TOTAL LIABILITIES</b>	<u>493,245</u>	<u>824,376</u>	<u>1,317,621</u>

The accompanying notes are an integral part of this statement.



	Post Secondary Fund	Modified Accrual to Full Accrual Adjustments	Statement of Net Assets
<b>FUND BALANCE/NET ASSETS</b>			
<b>FUND BALANCE</b>			
Nonspendable			
Inventory	346,888	(346,888)	-
Prepaid Expenses	58,259	(58,259)	-
Restricted			
For Post Secondary Education	<u>3,107,706</u>	<u>(3,107,706)</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>3,512,853</u>	<u>(3,512,853)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,006,098</u>		
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt		2,116,644	2,116,644
Restricted:			
Post Secondary Education		<u>2,775,824</u>	<u>2,775,824</u>
<b>TOTAL NET ASSETS</b>		<u>\$ 4,892,468</u>	<u>\$ 4,892,468</u>

The accompanying notes are an integral part of this statement.

**Western Dakota Technical Institute  
Reconciliation of the Governmental Fund Balance  
Sheet to the Statement of Net Assets  
June 30, 2011**

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Total Governmental Fund Balances	\$	3,512,853
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		2,116,644
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 consisted of:		
Compensated Absences		(493,345)
Early Retirement Benefits		(41,288)
Accrued Leave Payable		(47,561)
OPEB Liability		(104,526)
Training Financing		(211,925)
The internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		87,347
Assets, including grants receivable and other receivables that are not available to pay for current period expenditures are deferred in the governmental funds.		<u>74,269</u>
Net Assets of Governmental Activities	\$	<u><u>4,892,468</u></u>

The accompanying notes are an integral part of this statement.

**Western Dakota Technical Institute**  
**Statement of Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balance/Statement of Activities**  
**For the Year Ended June 30, 2011**

	Post Secondary Fund	Modified Accrual to Full Accrual Adjustments	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Instruction	\$ 4,760,531	\$ 65,577	\$ 4,826,108
Support Services	5,969,870	929,597	6,899,467
Community Services	268,483	3,416	271,899
Nonprogrammed Charges	197,437	-	197,437
Capital Outlay	550,283	(550,283)	-
Total Expenditures/Expenses	<u>11,746,604</u>	<u>448,307</u>	<u>12,194,911</u>
<b>PROGRAM REVENUES</b>			
Charges for Services	7,459,311	49,113	7,508,424
Operating Grants and Contributions	842,479	(181,532)	660,947
Total Program Revenues	<u>8,301,790</u>	<u>(132,419)</u>	<u>8,169,371</u>
Net Program Expense	<u>(3,444,814)</u>	<u>(580,726)</u>	<u>(4,025,540)</u>
<b>GENERAL REVENUES</b>			
Revenue from State Sources	3,813,092	-	3,813,092
Revenue from Federal Sources	7,052	-	7,052
Earnings on Deposits	6,827	-	6,827
Other General Revenues	136,079	-	136,079
Debt Proceeds	211,925	(211,925)	-
Sale of Surplus Property/Loss on Disposal of Capital Assets	13,365	(29,553)	(16,188)
Transfers Out	(129,900)	-	(129,900)
Total General Revenue and Other	<u>4,058,440</u>	<u>(241,478)</u>	<u>3,816,962</u>
<b>CHANGE IN FUND BALANCE</b>	613,626	(613,626)	-
<b>CHANGE IN NET ASSETS</b>		(208,578)	(208,578)
<b>FUND BALANCE/NET ASSETS</b>			
<b>BEGINNING OF YEAR</b>	<u>2,899,227</u>	<u>2,201,819</u>	<u>5,101,046</u>
<b>FUND BALANCE/NET ASSETS</b>			
<b>END OF YEAR</b>	<u>\$ 3,512,853</u>	<u>\$ 1,379,615</u>	<u>\$ 4,892,468</u>

The accompanying notes are an integral part of this statement.

**Western Dakota Technical Institute**  
**Reconciliation of Governmental Fund Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2011**

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Net Change in Governmental Fund Balances	\$	613,626
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 is 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.		(362,349)
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.		(29,553)
Proceeds from the training financing liability is recorded as other financing sources in the governmental funds, but proceeds from debt increases long-term liabilities in the Statement of Activities.		(211,925)
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".		(132,419)
The internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities.		(38,597)
Governmental funds do not reflect the change in accrued leave, compensated absences, early retirement, and other post-employment benefits, but the Statement of Activities reflects the change in these accruals through expenses.		<u>(47,361)</u>
Change in Net Assets of Governmental Activities	\$	<u>(208,578)</u>

The accompanying notes are an integral part of this statement.

# Western Dakota Technical Institute

## Notes to the Financial Statements

### June 30, 2011

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

The accounting policies of Western Dakota Technical Institute conform to generally accepted accounting principles applicable to government entities in the United States of America.

##### **A. REPORTING ENTITY**

The financial statements and schedules presented are for the Post Secondary Fund of the Rapid City Area School District No. 51- 4 (the District) and its related governmental activities only. The Post Secondary Fund and its related governmental activities comprise the financial position and operations of Western Dakota Technical Institute (WDTI). WDTI consists of the District's operations of a vocational education institute. 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.

As previously mentioned, these financial statements present only the Post Secondary Fund of Rapid City Area School District No. 51- 4 and its related governmental activities and do not purport to, and do not, present fairly the financial position of Rapid City Area School District No. 51- 4, as of June 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Related organization are excluded from these financial statements due to these financial statements only including the activities of the Post Secondary Fund of Rapid City Area School District No. 51- 4, as discussed in Note 1 A.

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

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

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

The Statement of Net Assets is presented in combination with the Governmental Fund Balance Sheet. In addition, the Government-wide Statement of Activities is presented in combination with the Statement of Revenue, Expenditures and Changes in Fund Balance.

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

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These financial statements would typically include the activities of the entire District. However, as discussed in Note 1 A., these financial statements only include the activities of WDTI, and, accordingly, the government-wide financial statements include only the activities and net assets of WDTI. As described below, WDTI accounts for all of its activities in a single governmental fund and does not present proprietary or fiduciary fund categories. Accordingly, the government-wide financial statements include only governmental activities.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues of WDTI. Direct expenses are those that are specifically associated with a program or function, and, therefore, are clearly identifiable to a particular function. Expenses are presented in the normal functional categories as defined by the adopted budget. 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 are presented as general revenues.

*Fund Financial Statements:*

WDTI is comprised of only one fund, the Post Secondary Fund, which is classified as a governmental fund. Therefore, WDTI does not present proprietary or fiduciary fund categories. The Post Secondary Fund is described below:

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

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

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

*Government-wide Financial Statements:*

The government-wide financial statements are reported using the “economic resources” measurement focus, applied on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

*Fund Financial Statements:*

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, WDTI considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

**F. CASH AND CASH EQUIVALENTS**

WDTI considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**G. INVENTORY**

Inventory is valued at the lower of cost or market. The cost valuation method is average cost.

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

**H. CAPITAL ASSETS**

Capital assets include equipment 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 reported in the government-wide or fund financial statements.

*Government-wide Financial Statements:*

All capital assets are valued at historical cost or estimated historical cost if 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 are as follows:

	<u>Threshold</u>	<u>Useful Life</u>
Machinery and Equipment	\$ 5,000	5-15 years

Depreciation expense is calculated using the straight-line method. Depreciation is recorded as an allocated expense in the Statement of Activities.

*Fund Financial Statements:*

In the governmental fund financial statements, capital assets are accounted for as capital expenditures of the governmental fund upon acquisition.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**I. LONG-TERM LIABILITIES**

The accounting treatment of long-term liabilities depends on whether they are reported in the government-wide or fund financial statements.

*Government-wide Financial Statements:*

All long-term liabilities 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, and other post-employment benefits (OPEB). 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 WDTI to withhold payroll taxes.

*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.

See Note 5 for a discussion of other long-term liabilities not discussed above.

*Fund Financial Statements:*

In the Fund financial statements, debt proceeds are reported as revenues, while payments of principal and interest are reported as expenditures when they are paid.

**J. DEFERRED REVENUE**

Reported deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. In the government-wide financial statements, which are presented on the accrual basis of accounting, deferred revenue is reported when assets are received for which the revenue recognition criteria have not been met. For example, grant funds received in advance for which eligible expenses have not been incurred. In the governmental fund statements, revenue recognition is further limited to only those amounts for which the availability criteria has been met. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accordingly, those amounts are reported as deferred revenue under the modified accrual basis of accounting.



**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**K. ACCOUNTS RECEIVABLE**

Accounts receivable consist of student tuition balances and are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is recorded based on an analysis of collection histories and on reviews of the credit worthiness of the student. The allowance for doubtful accounts was \$5,200 at June 30, 2011.

**L. NET ASSETS AND FUND BALANCE**

*Government-wide Financial Statements:*

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

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

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

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

*Fund Financial Statements:*

WDTI follows Government Accounting Standards Board (GASB) No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to provide clarity to classifications of fund balances and the definition of governmental fund type definitions.

In accordance with GASB No. 54, the WDTI has classified governmental fund balances 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.

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

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

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

WDTI uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. WDTI does not have a formal minimum fund balance policy.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**M. PROGRAM REVENUES**

In the Statement of Activities, reported program revenues are derived directly from the program itself or from grants and contributions. Program revenues are classified into three categories, as follows:

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

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

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

**N. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS**

In the process of aggregating data for the government-wide financial statements, WDTI has allocated certain costs of the District's "centralized expenses" (internal service fund), as direct expenses to programs in order to show all expenses that are associated with a service, program, or department.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

*Deposits* - WDTI'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.

Deposits are reported at cost plus interest and all income from investments is credited to the fund making the investment, with the exception of the payroll clearing account whose interest income is credited to the District's General Fund.

*Investments* - In general, SDCL 4-5-6 permits WDTI'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. WDTI did not have investments as of June 30, 2011.

*Custodial Credit Risk - Deposits* - The risk that, in the event of a depository failure, WDTI's deposits may not be returned to it. WDTI does not have a deposit policy for custodial credit risk. As of June 30, 2011 WDTI's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

Interest Rate Risk - WDTI 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 WDTI, as discussed above. WDTI has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - WDTI 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, 2011:

Department of Veteran Affairs - Vocational Rehabilitation	\$	20,690
SD Dept Educ Cultural Affairs - Perkins		31,459
Miscellaneous		<u>59,783</u>
	\$	<u>111,933</u>

**NOTE 4 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2011 is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Machinery and Equipment	<u>\$ 3,529,828</u>	<u>\$ 550,283</u>	<u>\$ (175,127)</u>	<u>\$ 3,904,984</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>\$ 1,021,282</u>	<u>\$ 912,632</u>	<u>\$ (145,574)</u>	<u>\$ 1,788,340</u>
Net Capital Assets	<u>\$ 2,508,546</u>	<u>\$ (362,349)</u>	<u>\$ (29,553)</u>	<u>\$ 2,116,644</u>

Depreciation expense in the amount of \$912,632 was charged to the Support Services function in the Statement of Activities.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 5 - LONG-TERM LIABILITIES**

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

	Balance			Balance	
	June 30, 2010	Increase	Decrease	June 30, 2011	Amounts Due Within 1 Year
Accrued Leave Payable	\$ 49,549	\$ 70,947	\$ (72,935)	\$ 47,561	\$ 47,560
Compensated Absences	548,587	-	(55,242)	493,345	27,621
Early Retirement Benefits	63,308	-	(22,020)	41,288	22,854
OPEB Liability	72,637	31,889	-	104,526	-
Training Financing	-	211,925	-	211,925	52,982
<b>Total Long-term Liabilities</b>	<b>\$ 734,081</b>	<b>\$ 314,761</b>	<b>\$ (150,197)</b>	<b>\$ 898,645</b>	<b>\$ 151,017</b>

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2011, excluding compensated absences, OPEB, and accrued leave are as follows:

Year Ending June 30,	Training Financing		Early Retirement	Totals
	Principal	Interest	Benefits	
2012	\$ 52,982	\$ -	\$ 22,854	\$ 75,836
2013	52,982	-	18,434	71,416
2014	52,982	-	-	52,982
2015	52,979	-	-	52,979
<b>Total Payments</b>	<b>\$ 211,925</b>	<b>\$ -</b>	<b>41,288</b>	<b>\$ 253,213</b>
Less Interest			<u>917</u>	
<b>Present Value of Early Retirement Benefits</b>			<b>\$ 40,371</b>	

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

Early retirement benefits are available to teachers and administrators that meet certain criteria. Upon retirement, as provided by the early retirement criteria, 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, 2011, there were 3 employees entitled to receive early retirement payments. Early retirement benefits are paid in two to six equal installments on the first payroll date after July 1 with subsequent payments every six months thereafter, until paid in full. Final payment is currently scheduled for January 2015. Early retirement benefit liabilities are stated in the Statement of Net Assets at the present value of future payments and have been discounted at a rate of 1.58%, 1.79% and 4.52% per year, for liabilities incurred during the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively.

For the year ended June 30, 2011, payments of early retirement benefits were made from the Post Secondary Fund in the amount of \$18,680.

**Western Dakota Technical Institute  
Notes to the Financial Statements  
June 30, 2011**

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**NOTE 6 - RESTRICTED NET ASSETS**

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

Fund	Restricted By	Amount
Post Secondary Education	State Law	\$ 2,775,824

**NOTE 7 - RETIREMENT PLAN**

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

Covered employees are Class A Members, as defined by the plan, and are required by state statute to contribute 6.0%. State statute also requires the employer to contribute an amount equal to the employee's contribution. The statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. WDTI's shares of contributions to the SDRS for the years ended June 30, 2011, 2010 and 2009 were \$266,147, \$270,110, and \$286,786, respectively, and were equal to the employee required contributions each year.

**NOTE 8 - JOINT VENTURE**

WDTI 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 campus. WDTI has agreed to construct a \$13,347,737 facility that includes a library to be jointly used by the Rapid City Public Library. Pennington County has contributed \$1 million to construct the facility. WDTI also received bond proceeds from the South Dakota Health and Educational Facilities Authority to cover substantially all remaining costs (see Note 9). This project is being accounted for in the District's Capital Projects Fund. WDTI has agreed to pay all utilities, custodial, and maintenance expenditures, while the Rapid City Public Library and Pennington County will assist WDTI in staffing the new library facility and in collection acquisition.

**NOTE 9 - WESTERN DAKOTA TECHNICAL INSTITUTE FACILITY LEASE**

WDTI operates 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. As of June 30, 2011 this rate was \$14 per credit hour. Total expenditures related to this monthly facility fee for the year ended June 30, 2011 were \$529,900.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 9 - WESTERN DAKOTA TECHNICAL INSTITUTE FACILITY LEASE (CONTINUED)**

A supplement to the sublease agreement discussed above was signed on October 21, 2010 for the Authority to provide approximately \$11,500,000 through additional bond issues to finance a portion of the costs related to the construction project discussed in Note 8 and other facility expansions. The construction costs related to the expansion were \$1,534,636 as of June 30, 2011. Upon completion of construction, title of the assets will be transferred to the Authority.

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 asset by the District. The estimated book value of these assets is \$11,272,880 as of June 30, 2011. The facilities are owned by the State of South Dakota, and, accordingly, are not recorded in these financial statements. The bonds used to construct these facilities are not obligations of the District and are being repaid by fees assessed by the South Dakota Board of Education. Therefore, the bonds are not included in these financial statements.

**NOTE 10 - OPERATING LEASES**

On June 1, 2009 WDTI entered into a two year lease agreement with Black Hills State University (BHSU) for the lease of office and classroom space. Minimum monthly lease payments are based on \$12 per credit hour per student as determined on the BHSU census date. WDTI recognized \$35,838 in revenue under this lease agreement for the year ended June 30, 2011.

On December 1, 2010, WDTI entered into a 10 year contract with Pepsi-Cola to provide beverages to specific school buildings. The contract provides for WDTI to receive commissions on products sold by Pepsi-Cola in the school buildings. WDTI recognized \$18,500 in revenue under this contract for the year ended June 30, 2011.

**NOTE 11 - RISK MANAGEMENT**

WDTI 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, 2011, WDTI managed its risks as follows:

Employee Health Insurance

During the year ended June 30, 2011, employees of WDTI were covered by a self-insured health and dental insurance plan of the District. 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. WDTI pays 75% of the family premium and 100% of the single premium. The coverage provides various deductibles per calendar year. After the deductibles of \$1,000 per individual or \$1,800 per family for the health insurance plan and \$50 per individual and \$150 per family for the dental insurance plan are met, the plan has an 80% coinsurance of the first \$10,000, then 100% thereafter with a lifetime maximum of \$2,000,000. Included in the group insurance premium is also a \$10,000 life insurance and accidental death insurance policy. Claims are paid by a third party administrator (First Administrators) acting on behalf of the District. The administrative contract between the District and First Administrators is renewable annually and administrative fees and stop-loss premiums are included in the contractual provision. The District is covered by stop loss coverage for individual claims exceeding \$135,000.

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 11 - RISK MANAGEMENT (CONTINUED)**

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 District employees must pay 100% of the premiums for his or her coverage. The amount of benefit expenditures/expenses, net of participant contributions, recognized during the year ended June 30, 2011 for retired employees of the District was \$156,959. As of June 30, 2011, there were approximately 145 District 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, 2011 and 2010 were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2009 - 2010	\$ 1,090,905	\$ 11,755,442	\$ 11,497,003	\$ 1,349,344
2010 - 2011	1,349,344	14,844,643	14,901,987	1,292,000

As of June 30, 2011, the District had accumulated \$1,332,897 in the Master Insurance Fund, which is available to fund claims incurred in future years. WDTI's interest in the Master Insurance Fund was \$87,347 as of June 30, 2011.

Liability Insurance

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

The policy provides that the above coverage will be provided with a \$2,000,000 limit on liability coverage and \$254,101,040 limit on property. As of June 30, 2011 WDTI 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 WDTI's liability coverage.

Workmen's Compensation

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

Unemployment Benefits

WDTI has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits and is covered by the District's Unemployment Fund.

**Western Dakota Technical Institute  
Notes to the Financial Statements  
June 30, 2011**

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**NOTE 11 - RISK MANAGEMENT (CONTINUED)**

The District has accumulated \$52,991 in its 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, 2011 total claims were \$35,852. 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 2012 and current cash reserves in the Unemployment Fund will be sufficient to cover claims incurred during fiscal year 2012.

**NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

The Rapid City Area School District offers a self-insured health insurance plan which also covers employees at WDTI (Note 11). Claims are paid by a third party administrator (First Administrators) acting on behalf of the District. Retired employees of the District may elect to continue their participation in the plan. The self-insured health insurance plan is a single employer plan, established under SDCL 13-10-3. Coverage ceases when the retiree attains the age of 65. Retired employees must pay 100% of the premiums for his or her coverage. The contribution rates of the covered retirees are established by, and may be amended by, the District's School Board. The self-insured health plan does not have separately stated stand-alone financial statements.

Funding Policy

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

Annual OPEB Cost

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

ARC		\$	682,000
Interest on Net OPEB			22,000
Adjustment to ARC			<u>(29,000)</u>
Annual OPEB Cost			675,000
Contribution Made			<u>(326,597)</u>
Change in Net OPEB Obligation			348,403
Net OPEB Obligation-June 30, 2010			<u>1,094,432</u>
Net OPEB Obligation-June 30, 2011		\$	<u><u>1,442,835</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 548,497	0.00%	\$ 548,497
6/30/2010	545,935	0.00%	1,094,432
6/30/2011	675,000	0.00%	1,442,835

The amount of the net OPEB obligation allocated to WDTI was \$104,526 at June 30, 2011.



**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

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

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

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

**Western Dakota Technical Institute  
Notes to the Financial Statements  
June 30, 2011**

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**NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

The actuarial assumptions included:

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

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

- Retirement rates vary by age, as follows:

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

**Western Dakota Technical Institute**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 13 - INTERFUND BALANCES AND TRANSFERS**

During the year ended June 30, 2011, WDTI transferred the following amounts to the District:

- \$79,900 to the Capital Outlay Fund of the District for property purchased by the Capital Outlay Fund for the Post Secondary Fund. Title to the land transferred to the State of South Dakota (Note 9), and accordingly, is not recorded in these financial statements.
- \$50,000 to the Internal Service Fund of the District to help fund health insurance claims in excess of premiums paid.

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REQUIRED SUPPLEMENTARY INFORMATION

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**Western Dakota Technical Institute**  
**Schedule of Funding Progress for Retiree Health Insurance Coverage**  
**June 30, 2011**

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

NOTE 1: The information presented on this Schedule of Funding Progress for Retiree Health Insurance Coverage is excerpted from Rapid City School District No. 51-4's audited financial statements.

The accompanying notes are an integral part of this statements.

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SUPPLEMENTARY INFORMATION

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**Western Dakota Technical Institute  
Schedule of Findings and Questioned Costs  
June 30, 2011**

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**SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS**

The information presented on this Schedule of Findings and Questioned Costs is excerpted from Rapid City School District No. 51-4's audited financial statements, which include the Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

- a. The independent auditors' report expressed an unqualified opinion on the financial statements of WDTI.
- b. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* did not disclose any deficiencies in internal controls.
- c. No instances of noncompliance material to the financial statements of WDTI, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. The auditor's report on compliance for the major federal award programs expressed an unqualified opinion on all WDTI major federal programs.
- e. A material weakness and a significant deficiency in internal control related to major federal programs were reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. Those findings are reported as findings 2011-1 and 2012-2, respectively, within this schedule.
- f. Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in this schedule.
- g. The federal awards of Western Dakota Technical Institute tested as major programs were:

CFDA Numbers	Name of Federal Program
	<u>Student Financial Aid Cluster:</u>
1. 84.063	Federal Pell Grant Program
2. 84.069	Leveraging Educational Assistance Partnership
3. 84.007	Federal Supplemental Education Opportunity Grant
4. 84.033	Federal Work Study Program
5. 84.268	Federal Direct Student Loans

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$928,754.
- i. Rapid City Area School District No. 51- 4 did not qualify as a low-risk entity.

**Western Dakota Technical Institute**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2011**

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

U.S. DEPARTMENT OF EDUCATION

Student Financial Aid Cluster: Federal Pell Grant Program CFDA# 84.063, Leveraging Educational Assistance Partnership CFDA# 84.069, Federal Supplemental Educational Opportunity Grants CFDA# 84.007, Federal Work Study Programs CFDA# 84.033 and Federal Direct Student Loans CFDA# 84.268.

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

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

*Effect:* Expenditures of the Student Financial Aid (SFA) Cluster was not properly stated on the schedule of expenditures of federal awards resulting in material audit adjustments.

*Cause:* Deferred revenue related to the prior year was included in revenues for the year ended June 30, 2011, resulting in an overstatement of the schedule of expenditures of federal awards for the SFA Cluster.

*Auditors' Recommendation:* We recommend the schedule of expenditures of federal awards is based on expenditures of the programs rather than revenues. Expenditures should be reviewed at year end to ensure all amounts are properly included on the schedule of expenditures of federal awards.

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

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

*Effect:* WDTI is not in compliance with the Special Tests and Provisions requirement of the SFA Cluster. The noncompliance identified was not considered material to the major program.

*Cause:* Internal controls are not properly designed to allow for crosschecks of information remitted to NSLDS regarding student status changes. Student files selected for verification are not reviewed for completeness prior to disbursing the federal assistance to the students.

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

# Western Dakota Technical Institute

## Corrective Action Plan

### June 30, 2011

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Western Dakota Technical Institute respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

Casey Peterson & Associates, Ltd.  
909 St. Patrick Street, Suite 101  
Rapid City SD 57702

The findings from the June 30, 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Dave Janak, Business Manager, is responsible for corrective action of the findings disclosed within this document.

#### US DEPARTMENT OF EDUCATION

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

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

*Effect:* Expenditures of the Student Financial Aid (SFA) Cluster was not properly stated on the schedule of expenditures of federal awards resulting in material audit adjustments.

*Auditors' Recommendation:* We recommend the schedule of expenditures of federal awards is based on expenditures of the programs rather than revenues. Expenditures should be reviewed at year end to ensure all amounts are properly included on the schedule of expenditures of federal awards.

*Action Taken:* Procedures will be put in place to review expenditures to ensure all amounts are included on the schedule of expenditures of federal awards.

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

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

*Effect:* WDTI is not in compliance with the Special Tests and Provisions requirement of the SFA Cluster. The noncompliance identified was not considered material to the major program.

*Cause:* Internal controls are not properly designed to allow for crosschecks of information remitted to NSLDS regarding student status changes. Student files selected for verification are not reviewed for completeness prior to disbursing the federal assistance to the students.

**Western Dakota Technical Institute**  
**Corrective Action Plan**  
**June 30, 2011**

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

*Action Taken:* Prior to the submittal of student enrollment information to NSLDS, Registrar staff will coordinate with the Information Services and Technology staff to compare student status changes (i.e., withdraw and non-entry reports) to identify and resolve potential inaccuracies. During the verification process, the Student Aid Office will validate the receipt and review of the student's signed certification page and maintain the certification page within the student's file.

**Western Dakota Technical Institute**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2010**

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**PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

2010-1 *Condition:* WDTI does not have adequate internal controls to ensure the schedule of expenditures of federal awards includes all federal expenditures resulting in noncompliance with OMB Circular A-133 Section 310(b), which requires the schedule of expenditures of federal awards include all expenditures incurred for the reporting period. This finding was related to the Student Financial Aid Cluster: Federal Pell Grant Program CFDA# 84.063, Leveraging Educational Assistance Partnership CFDA# 84.069, Federal Supplemental Educational Opportunity Grants CFDA# 84.007, Federal Work Study Programs CFDA# 84.033, and Federal Direct Student Loans CFDA# 84.268.

*Auditors' Recommendation:* We recommend the financial aid office reconcile the federal awards included in the SFA cluster on a monthly basis. The reconciliation process would ensure that federal expenditures are reimbursed on a timely basis and information is communicated WDTI's business office regularly. Monthly reconciliations would help eliminate the cumbersome processes associated with only preparing reconciliations on a semi-annual basis.

*Current Status:* This finding was reported as finding 2011-1 in the current year audit.

**Western Dakota Technical Institute  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

	CFDA Numbers	Amount
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Pass-Through the S.D. Department of Education: Child and Adult Food Program	10.558	\$ <u>17,445</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Direct Federal Funding:		
Student Financial Assistance Programs Cluster:		
Federal Pell Grant Program	84.063	2,978,922
Leveraging Educational Assistance Partnership	84.069	9,211
Federal Supplemental Educational Opportunity Grants	84.007	32,615
Federal Work Study Programs	84.033	36,052
Federal Direct Student Loans (Note 2)	84.268	5,629,079
Pass-Through the S.D. Department of Education:		
Career and Technical Education - Basic Grants to States	84.048	438,541
Tech Prep Education	84.243	86,435
College Access Challenge Grant	84.378	<u>63,278</u>
Total U.S. Department of Education		9,274,133
<b>U.S. DEPARTMENT OF HEALTH</b>		
Pass-Through the S.D. Department of Social Services Child Care and Development Block Grant, Recovery Act	93.713	<u>270</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u>\$ 9,291,848</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Western Dakota Technical Institute and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

NOTE 2: 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	\$ 324,576
Stafford Loans	2,704,452
Unsubsidized Stafford Loans	<u>2,600,051</u>
	<u>\$ 5,629,079</u>

See independent auditors' report.