

MITCHELL SCHOOL DISTRICT NO. 17-2
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

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

To the School Board
Mitchell School District No. 17-2
Mitchell, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mitchell School District No. 17-2, South Dakota (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-01 and 2018-02 that we consider to be significant deficiencies.

Mitchell ■ 605.996.7717
Sioux Falls ■ 605.271.1302
Chamberlain ■ 605.234.6055
Huron ■ 605.352.8573
Miller ■ 605.853.2130

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.

Handwritten signature in cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota
January 9, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Mitchell School District No. 17-2
Mitchell, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Mitchell School District No. 17-2, South Dakota's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mitchell School District No. 17-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

- Mitchell ■ 605.996.7717
- Sioux Falls ■ 605.271.1302
- Chamberlain ■ 605.234.6055
- Huron ■ 605.352.8573
- Miller ■ 605.853.2130

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Mitchell, South Dakota
January 9, 2019

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report contained no written audit comments.

**SCHEDULE OF CURRENT AUDIT FINDINGS
Section I – Summary of Auditor's Results**

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified: yes X none reported

Significant deficiencies identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? yes X none reported

Significant deficiencies identified? yes X none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

Section I – Summary of Auditor's Results (continued)

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish
between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

Finding Number 2018-01 – Internal control over financial reporting:

CONDITION – A significant deficiency in the internal controls over financial reporting was noted in regard to financial reporting. The District relies on the auditor to prepare GASB 34 financial statements and does not provide complete and accurate closing entries.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statements is the responsibility of management. The District should have an internal control system designed for the drafting of the financial statements being audited. In addition, OMB Uniform Guidance requires the auditee to prepare appropriate financial statements.

Cause of Condition: Client does not prioritize the preparation of government wide financial statements and associated subsidiary ledgers.

Effect: The District engages the auditor to draft the financial statements and notes to the financial statements. The possibility of error occurring and not being detected or corrected is present.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the risk associated with the District’s auditor drafting the financial statements. If the District chooses not to accept the risk, training should be provided to those employees responsible for drafting the financial statements.

Management’s Response: The District agrees with this finding and is willing to accept the risk. The District is aware that current practices will result in an ongoing audit finding in this internal control matter. The District has determined that it will continue to regularly provide compensating controls whenever and wherever possible and practical.

*MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)*

Finding Number 2018-02 – Internal control over financial reporting:

CONDITION – A significant deficiency in the internal controls over financial reporting was noted in regard to financial reporting. The year-end financial statements that management prepared and presented to us to audit contained errors regarding the capitalization of assets that are required to be capitalized for government-wide financial statements.

Criteria: The client failed to recognize all assets that are required to be capitalized for government-wide financial statements. The client also failed to recognize the appropriate value of donated assets.

Cause of Condition: Client does not thoroughly review proper accounts to identify and record all capital assets that are defined by their capitalization policy, including donation accounts.

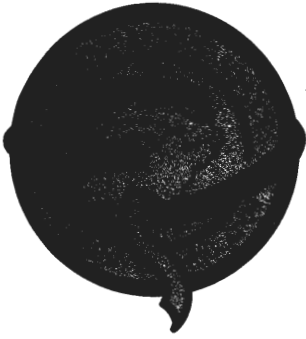
Effect: The potential effect on the financial statements would be that assets are understated along with depreciation expense. Assets, revenue, and depreciation would all be understated by the client not recording donated assets at their fair market value.

Recommendation: We recommend that the client reviews all accounts and transactions where assets that are required to be capitalized are recorded. We recommend that the client updates their capital asset spreadsheet as soon as a capital asset transaction is recorded.

Management's Response: School District management will review transactions where capital assets should be recorded update their capital asset schedule immediately when a fixed asset transaction occurs. Also, management will record donated assets at their fair market value. Management will review their capital asset schedule regularly to ensure that it is up to date and accurate.

Section III – Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).



MITCHELL SCHOOL DISTRICT NO. 17-2

821 North Capital — Mitchell, SD 57301 — Phone (605) 995-7608

Steven P. Culhane, Business Manager

Office of Business Affairs

*MITCHELL SCHOOL DISTRICT NO. 17-2
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018*

Finding No. 2018-01

Internal Control over Financial Reporting

School District's Response: We concur.

Views of Responsible Officials and Corrective Action:

The School District has for many years utilized the District's audit firm for the preparation of the financial statements in coordination with the annual School District audit. School District management personnel have been responsible for oversight of those services provided. In the future the School District will designate an individual to work directly with the District's auditing firm in the preparation of the year-end closing and conversion entries and the preparation of the financial statements and related notes. The School District also understands that this will continue to be a control deficiency in future audits.

Name of Responsible Person: Steve Culhane, Business Manager

Name of Department Contact: Steve Culhane, Business Manager

Projected Implementation Date: June 30, 2019 and annually thereafter

Finding No. 2018-02

Internal Control over Financial Reporting – Capital Assets

School District's Response: We concur.

Views of Responsible Officials and Corrective Action:

The School District will review their transactions on a monthly basis to identify capital asset additions and disposals on a timely basis. The School District's capital asset records will be updated accordingly. The School District will also record the transactions in their general ledger accounting system and reconcile the subsidiary record to the control account on at least an annual basis. The School District will also review the minutes of meeting and coordinate with development office personnel to properly recognize capital assets donated to the School District.

Name of Responsible Person: Steve Culhane, Business Manager

Name of Department Contact: Steve Culhane, Business Manager

Projected Implementation Date: June 30, 2019

A handwritten signature in black ink that reads "Steven P. Culhane". The signature is written in a cursive style with a large, stylized initial 'S'.

Steven P. Culhane
Business Manager



INDEPENDENT AUDITOR'S REPORT

To the School Board
Mitchell School District No. 17-2
Mitchell, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mitchell School District No. 17-2, South Dakota (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

- Mitchell ■ 605.996.7717
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- Chamberlain ■ 605.234.6055
- Huron ■ 605.352.8573
- Miller ■ 605.853.2130

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mitchell School District No. 17-2 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and the Schedules of the Proportionate Share of the Net Pension Liability (Asset) and School District Contributions listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Mitchell, South Dakota
January 9, 2019

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF NET POSITION
JUNE 30, 2018

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
ASSETS:			
Cash and cash equivalents	\$ 14,771,994	\$ 611,657	\$ 15,383,651
Receivables:			
Taxes - current	5,653,905	--	5,653,905
Taxes - delinquent	90,479	--	90,479
Trade accounts	1,067,421	--	1,067,421
Student loans - current portion	82,000	--	82,000
Promises to give	41,250	--	41,250
Due from other governments	1,264,612	47,917	1,312,529
Inventories	--	179,996	179,996
Student loans - non-current	324,818	--	324,818
Net pension asset	75,759	--	75,759
Capital assets:			
Land and land improvements	1,432,632	--	1,432,632
Construction work in progress	414,409	--	414,409
Other capital assets, net of depreciation	42,856,486	161,666	43,018,152
Restricted Assets:			
Cash with fiscal agent	830,921	--	830,921
TOTAL ASSETS	68,836,056	1,001,236	69,837,292
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	8,098,354	--	8,098,354
LIABILITIES:			
Accounts payable	607,154	60,547	667,701
Other current liabilities	2,489,922	--	2,489,922
Noncurrent liabilities:			
Due within one year	1,922,341	--	1,922,341
Due in more than one year	22,780,570	--	22,780,570
TOTAL LIABILITIES	27,799,987	60,547	27,860,534
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for future periods	5,887,329	--	5,887,329
Pension related deferred inflows	1,521,307	--	1,521,307
TOTAL DEFERRED INFLOWS OF RESOURCES	7,408,636	--	7,408,636
NET POSITION:			
Net Investment in capital assets	21,896,931	161,666	22,058,597
Restricted for:			
Special education	230,889	--	230,889
Capital outlay	2,544,453	--	2,544,453
Special termination benefits	1,434,591	--	1,434,591
Post-Secondary education	4,895,004	--	4,895,004
Construction of capital assets	4,734	--	4,734
Student financial aid	465,395	--	465,395
Debt service	830,921	--	830,921
SDRS pension purposes	6,652,806	--	6,652,806
Unrestricted	2,770,063	779,023	3,549,086
TOTAL NET POSITION	\$ 41,725,787	\$ 940,689	\$ 42,666,476

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF ACTIVITIES
JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
<i>Governmental Activities:</i>							
Instruction	\$ 20,430,675	\$ 6,740,796	\$ 8,966,751	\$ --	\$ (4,723,128)	\$ --	\$ (4,723,128)
Support services	12,119,772	771,325	629,133	77,750	(10,641,564)	--	(10,641,564)
Community services	189,459	--	--	--	(189,459)	--	(189,459)
Nonprogrammed charges	5,735,120	--	2,321,011	--	(3,414,109)	--	(3,414,109)
Interest on long-term debt	843,227	--	179,127	--	(664,100)	--	(664,100)
Cocurricular activities	794,003	97,005	--	--	(696,998)	--	(696,998)
Total Governmental Activities	40,112,256	7,609,126	12,096,022	77,750	(20,329,358)	--	(20,329,358)
<i>Business-type Activities:</i>							
Food service	1,433,320	773,059	846,336	--	--	186,075	186,075
MTI bookstore	1,256,155	1,316,482	76	--	--	60,403	60,403
Drivers Education	27,963	28,325	--	--	--	362	362
Total Business-type Activities	2,717,438	2,117,866	846,412	--	--	246,840	246,840
Total Primary Government	\$ 42,829,694	\$ 9,726,992	\$ 12,942,434	\$ 77,750	(20,329,358)	246,840	(20,082,518)
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property taxes					12,164,812	--	12,164,812
Gross receipts taxes					492,280	--	492,280
<i>Revenue from State Sources:</i>							
State aid					11,024,051	--	11,024,051
Unrestricted investment earnings					88,417	--	88,417
Other general revenues					727,844	--	727,844
Total General Revenues					24,497,404	--	24,497,404
Change in Net Position					4,168,046	246,840	4,414,886
<i>NET POSITION, Beginning of Year</i>					<u>37,557,741</u>	<u>693,849</u>	<u>38,251,590</u>
<i>NET POSITION, End of Year</i>					<u>\$ 41,725,787</u>	<u>\$ 940,689</u>	<u>\$ 42,666,476</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:							
Cash and cash equivalents	\$ 5,075,443	\$ 2,942,503	\$ 403,219	\$ 1,431,799	\$ 4,856,531	\$ 62,499	\$ 14,771,994
Receivables:							
Taxes - current	2,919,539	1,792,824	941,542	--	--	--	5,653,905
Taxes - delinquent	45,863	28,206	13,618	2,792	--	--	90,479
Trade accounts	517,903	--	--	--	548,599	919	1,067,421
Student loans - current portion	--	--	--	--	--	82,000	82,000
Due from other governments	380,196	--	272,431	--	536,621	4,734	1,193,982
Student loans - non-current	--	--	--	--	--	324,818	324,818
Restricted Assets:							
Cash with fiscal agent	--	--	--	--	--	830,921	830,921
TOTAL ASSETS	<u>\$ 8,938,944</u>	<u>\$ 4,763,533</u>	<u>\$ 1,630,810</u>	<u>\$ 1,434,591</u>	<u>\$ 5,941,751</u>	<u>\$ 1,305,891</u>	<u>\$ 24,015,520</u>
LIABILITIES AND FUND BALANCES:							
<i>Liabilities:</i>							
Accounts payable	123,945	246,165	74,073	--	153,396	9,575	\$ 607,154
Contracts payable	1,383,848	--	254,561	--	349,036	--	1,987,445
Payroll deductions and withholdings and employer matching payable	337,426	--	64,544	--	100,507	--	502,477
Total Liabilities	<u>1,845,219</u>	<u>246,165</u>	<u>393,178</u>	<u>--</u>	<u>602,939</u>	<u>9,575</u>	<u>3,097,076</u>
<i>Deferred inflows of resources</i>							
Property taxes levied for future periods	2,919,539	1,792,824	941,542	--	--	--	5,653,905
Unavailable revenue - property taxes	45,863	28,206	13,618	2,792	--	--	90,479
	<u>2,965,402</u>	<u>1,821,030</u>	<u>955,160</u>	<u>2,792</u>	<u>--</u>	<u>--</u>	<u>5,744,384</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(CONTINUED)

	<i>General</i>	<i>Capital Outlay</i>	<i>Special Education</i>	<i>Pension</i>	<i>Post- High</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Fund Balances:</i>							
<i>Assigned for:</i>							
2019 Budget deficit	346,337	--	--	--	--	--	346,337
<i>Restricted for:</i>							
Student financial aid	--	--	--	--	--	465,395	465,395
Debt service	--	--	--	--	--	830,921	830,921
Capital outlay fund	--	2,696,338	--	--	--	--	2,696,338
Special education fund	--	--	282,472	--	--	--	282,472
Pension fund	--	--	--	1,431,799	--	--	1,431,799
Post-high fund	--	--	--	--	5,338,812	--	5,338,812
<i>Unassigned</i>	3,781,986	--	--	--	--	--	3,781,986
<i>Total Fund Balances</i>	4,128,323	2,696,338	282,472	1,431,799	5,338,812	1,296,316	15,174,060
 <i>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</i>	\$ 8,938,944	\$ 4,763,533	\$ 1,630,810	\$ 1,434,591	\$ 5,941,751	\$ 1,305,891	\$ 24,015,520
							75,759
							44,703,527
							(24,702,911)
							8,098,354
							(1,521,307)
							41,250
							(142,945)
							\$ 41,725,787

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>							
<i>Revenue from Local Sources:</i>							
<i>Taxes:</i>							
Ad valorem taxes	\$ 5,977,666	\$ 3,902,689	\$ 2,019,864	\$ --	\$ --	\$ --	\$ 11,900,219
Prior years' ad valorem taxes	47,745	29,522	15,734	1,619	--	--	94,620
Gross receipts taxes	492,280	--	--	--	--	--	492,280
Penalties and interest on taxes	14,841	7,886	4,023	278	--	--	27,028
<i>Tuition and Fees:</i>							
Regular day school tuition	73,498	--	--	--	--	--	73,498
<i>Post Secondary Program Tuition and Fees:</i>							
Post secondary program tuition	--	--	--	--	3,257,240	--	3,257,240
Post secondary student fees	--	--	--	--	562,310	--	562,310
Earnings on investments and deposits	30,300	28,707	1,060	3,742	24,608	--	88,417
<i>Post Secondary:</i>							
Resales/services - occupational programs	--	--	--	--	657,052	--	657,052
State fees	--	--	--	--	193,307	--	193,307
Corporate fees	--	--	--	--	139,231	--	139,231
Local fees	--	--	--	--	2,017,018	--	2,017,018
<i>Cocurricular Activities:</i>							
Admissions	79,534	--	--	--	--	--	79,534
Other pupil activity income	17,471	--	--	--	--	--	17,471
<i>Other Revenue from Local Sources:</i>							
Rentals	22,043	--	--	--	64,344	--	86,387
Charges for services	51,951	--	64,163	--	--	--	116,114
Other	544,496	124,106	371	--	936,674	1,925	1,607,572
<i>Revenue from Intermediate Sources:</i>							
<i>County Sources:</i>							
County apportionment	254,811	--	--	--	--	--	254,811
Lease of county-owned land	18,720	--	--	--	--	--	18,720
<i>Revenue from State Sources:</i>							
<i>Grants-in-aid:</i>							
Unrestricted grants-in-aid	9,861,556	--	--	--	4,195,209	--	14,056,765
Restricted grants-in-aid	17,527	--	1,876,591	--	--	--	1,894,118
<i>Tuition:</i>							
Regular Education	453,848	--	--	--	--	--	453,848
Other state revenue	11,512	--	--	--	1,636,445	--	1,647,957
<i>Revenue from Federal Sources:</i>							
<i>Grants-in-aid:</i>							
Restricted grants-in-aid received directly from							
Federal government	--	--	--	--	--	6,408,368	6,408,368
Restricted grants-in-aid received from							
Federal government through the State	1,008,025	--	716,361	--	255,609	--	1,979,995
Johnson O'Malley Funds	19,025	--	--	--	--	--	19,025
Other Federal Revenue	--	117,887	--	--	735,486	44,551	897,924
TOTAL REVENUES	18,996,849	4,210,797	4,698,167	5,639	14,674,533	6,454,844	49,040,829

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

<u>EXPENDITURES</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Instruction:</i>							
<i>Regular Programs:</i>							
Elementary	\$ 4,900,388	\$ 225,190	\$ --	\$ --	\$ --	\$ --	\$ 5,125,578
Middle/junior high	2,399,933	144,575	--	--	--	--	2,544,508
High school	3,476,706	357,964	--	--	--	--	3,834,670
<i>Special Programs:</i>							
Gifted and talented	8,322	--	--	--	--	--	8,322
Culturally different	4,632	--	--	--	--	--	4,632
Programs for special education	--	--	3,246,963	--	--	--	3,246,963
Educationally deprived	502,708	--	--	--	--	--	502,708
Other Special Programs	1,007,472	--	--	--	--	--	1,007,472
<i>Post Secondary Occupational Programs</i>	--	--	--	--	6,787,547	--	6,787,547
<i>Support Services:</i>							
<i>Pupils:</i>							
Guidance	438,080	--	48,349	--	1,562,580	--	2,049,009
Health	65,648	--	16,046	--	--	--	81,694
Psychological	--	--	127,879	--	--	--	127,879
Speech pathology	--	--	725,439	--	--	--	725,439
Student therapy services	--	--	219,777	--	--	--	219,777
<i>Instructional Staff:</i>							
Improvement of instruction	119,519	--	--	--	--	--	119,519
Educational media	625,419	--	--	--	5	--	625,424
<i>General Administration:</i>							
Board of education	112,813	25,000	--	--	1,292	--	139,105
Executive administration	193,519	--	--	--	37,095	--	230,614
<i>School Administration:</i>							
Office of the principal	1,159,784	--	--	--	--	--	1,159,784
Vocational school - director's office	--	--	--	--	311,958	--	311,958
Financial aids administration	--	--	--	--	219,275	--	219,275
Title I Program Administration	6,942	--	--	--	--	--	6,942
Other	4,066	--	--	--	117,525	--	121,591

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Business:</i>							
Fiscal services	\$ 203,286	\$ 21,016	\$ --	\$ --	\$ 669,595	\$ --	\$ 893,897
Facilities acquisition and construction	--	49,721	--	--	286	--	50,007
Operation and maintenance of plant	2,464,336	2,300	--	--	1,413,058	--	3,879,694
Student transportation	238,402	42,066	--	--	--	--	280,468
Food Services	66,436	--	--	--	--	--	66,436
Internal services	47,047	289,527	--	--	--	--	336,574
<i>Central:</i>							
Planning	--	--	--	--	594,183	--	594,183
Data processing	--	--	--	--	520,023	--	520,023
<i>Special Education:</i>							
Administrative costs	--	--	123,585	--	--	--	123,585
Transportation costs	--	--	42,270	--	--	--	42,270
Other	--	--	115,308	--	--	--	115,308
<i>Resale Services:</i>							
Post secondary resales/service	--	--	--	--	680,709	--	680,709
<i>Other Support Services</i>	--	--	--	--	--	33,842	33,842
<i>Community Services:</i>							
Direction	100	--	--	--	--	--	100
Custody and care of children	151,792	--	--	--	--	--	151,792
Nonpublic school	63,129	--	--	--	--	--	63,129
<i>Nonprogrammed Charges:</i>							
Payments to State - Unemployment	764	--	--	--	--	--	764
Pension payments	--	--	--	97,602	--	--	97,602
Student financial aid	--	--	--	--	--	6,410,293	6,410,293
Other nonprogrammed charges	--	--	--	--	--	--	--
<i>Debt Services</i>	--	2,040,581	--	--	95,775	--	2,136,356
<i>Capital Outlay</i>	--	485,762	--	--	1,301,429	--	1,787,191
<i>Cocurricular Activities:</i>							
Male activities	196,356	20,864	--	--	--	--	217,220
Female activities	180,440	--	--	--	--	--	180,440
Transportation	124,514	--	--	--	--	--	124,514
Combined activities	318,565	8,753	--	--	51,640	--	378,958
TOTAL EXPENDITURES	19,081,118	3,713,319	4,665,616	97,602	14,363,975	6,444,135	48,365,765

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Excess of Revenues Over (Under)</i>							
<i>Expenditures</i>	\$ (84,269)	\$ 497,478	\$ 32,551	\$ (91,963)	\$ 310,558	\$ 10,709	\$ 675,064
<i>OTHER FINANCING SOURCES (USES):</i>							
Interfund transfers in	--	--	--	--	--	115,789	115,789
Interfund transfers (out)	--	(25,000)	--	--	(90,789)	--	(115,789)
General long-term debt issued	--	1,218,369	--	--	--	--	1,218,369
Sale of surplus property	--	25,000	--	--	50,882	--	75,882
<i>TOTAL OTHER FINANCING SOURCES (USES)</i>	<u>--</u>	<u>1,218,369</u>	<u>--</u>	<u>--</u>	<u>(39,907)</u>	<u>115,789</u>	<u>1,294,251</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>							
<i>Expenditures and Uses</i>	(84,269)	1,715,847	32,551	(91,963)	270,651	126,498	1,969,315
<i>FUND BALANCE, Beginning of Year</i>	<u>4,212,592</u>	<u>980,491</u>	<u>249,921</u>	<u>1,523,762</u>	<u>5,068,161</u>	<u>1,169,818</u>	<u>13,204,745</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 4,128,323</u>	<u>\$ 2,696,338</u>	<u>\$ 282,472</u>	<u>\$ 1,431,799</u>	<u>\$ 5,338,812</u>	<u>\$ 1,296,316</u>	<u>\$ 15,174,060</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MITCHELL SCHOOL DISTRICT NO. 17-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 1,969,315
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 depreciation expense exceeded capital outlays expense in the current period.	(531,423)
The issuance of long-term debt is an other financing source in the fund financial statements, but an increase in long-term liabilities on the government wide statements.	(1,241,631)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,291,986
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available."	(142,945)
Governmental funds do not reflect the change in accrued leave and early retirement payments, but the statement of activities reflects the change in accrued leave and early retirement payments through expenditures.	(138,946)
The fund financial statement governmental fund promises to give accruals differ from the government wide statement promises to give accruals in that the fund financial statements require the amounts to be "available."	(61,100)
Governmental funds do not reflect the assessment for the District's share of the deficit in the South Dakota School District Benefit Fund, but the statement of activities reflects the assessment.	308,852
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>2,713,938</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 4,168,046</u></u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<i>Other Enterprise Funds</i>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 611,657
<i>Receivables:</i>	
Trade accounts	--
Due from other governments	47,917
Inventory of supplies	7,441
Inventory of stores purchased for resale	172,555
Inventory of donated food	--
<i>Total Current Assets</i>	839,570
 <i>Capital Assets:</i>	
Machinery and equipment	544,440
Accumulated depreciation	(382,774)
<i>Capital Assets - Net</i>	161,666
TOTAL ASSETS	1,001,236
 LIABILITIES AND NET POSITION:	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts payable	60,547
Other current liabilities	--
<i>Total Current Liabilities</i>	60,547
 <i>Net Position:</i>	
Invested in capital assets	161,666
Unrestricted net position	779,023
<i>Total Net Position</i>	\$ 940,689

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Other Enterprise Funds</i>
OPERATING REVENUES:	
<i>Charges for Services:</i>	
Food service	\$ 773,059
Bookstore	1,316,482
Drivers Education	28,325
<i>Total Charges for Services</i>	2,117,866
 OPERATING EXPENSES:	
Salaries	524,689
Employee benefits	140,940
Purchased services	47,707
Supplies	61,122
Cost of sales	1,900,087
Miscellaneous	3,839
Depreciation	39,054
<i>Total Operating Expenses</i>	2,717,438
<i>Operating (Loss)</i>	(599,572)
 NONOPERATING REVENUES:	
<i>Local Sources:</i>	
Miscellaneous revenue	156
<i>State Sources:</i>	
Cash payments	4,721
<i>Federal Sources:</i>	
Cash reimbursements	718,495
Donated food	123,040
<i>Total Nonoperating Revenues</i>	846,412
<i>Change in Net Position</i>	246,840
NET POSITION, Beginning of Year	693,849
NET POSITION, End of Year	\$ 940,689

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Other Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,125,034
Cash paid to suppliers	(1,847,202)
Cash paid to employees	(524,689)
Other cash payments	<u>(140,940)</u>
CASH FLOWS (USED) BY OPERATING ACTIVITIES	<u>(387,797)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings received	<u>—</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	710,841
Transfers to other funds	—
Miscellaneous revenue	<u>156</u>
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>710,997</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	<u>(94,701)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	228,499
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>383,158</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 611,657</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS (USED) BY OPERATING ACTIVITIES:	
<i>Operating (Loss)</i>	<u>\$ (599,572)</u>
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>	
Depreciation	39,054
Value of commodities used	123,040
(Increase) Decrease in:	
Trade accounts receivable	7,168
Inventory	51,103
Increase (Decrease) in:	
Accounts payable	(8,559)
Other current liabilities	<u>(31)</u>
<i>Total Adjustments</i>	<u>211,775</u>
CASH FLOWS (USED) BY OPERATING ACTIVITIES	<u>\$ (387,797)</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:	
Commodities received from Federal Government	<u>\$ 123,040</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<i>Private-Purpose Trust Funds</i>	<i>Agency Funds</i>
ASSETS:		
Cash and cash equivalents	\$ 30,355	\$ 519,405
Investments, at fair value	306,671	--
TOTAL ASSETS	337,026	519,405
LIABILITIES:		
Amounts held for others	--	512,843
Accounts payable	--	6,562
Total Liabilities	--	519,405
NET POSITION		
Held in trust for scholarship	\$ 337,026	\$ --

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Private-Purpose Trust Funds</i>
ADDITIONS:	
Contributions and donations	\$ 9,653
Earnings from deposits and investments	5,773
<i>Total Additions</i>	15,426
 DEDUCTIONS:	
Trust deductions for scholarship	5,529
<i>Change in Net Position</i>	9,897
NET POSITION, Beginning of Year	327,129
NET POSITION, End of Year	\$ 337,026

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

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

a. **Financial Reporting Entity:**

The reporting entity of Mitchell School District No. 17-2 (School District), 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).

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. **Basis of Presentation: (continued)**

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District 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% 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% 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 funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding the 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 property taxes. This is a major fund.

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Post-Secondary Vocational-Technical Fund (also referred to as Post-High Fund) – A fund established by SDCL 13-39-39.1 to account for funds incidental to the operation of the post-secondary vocational-technical program. This is a major fund.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District’s share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Perkins Loan Fund, Pell Grant Fund, SEOG Fund, CWSP Fund – These funds were established to account for the activity of Student Financial Aid Programs. These funds are not major funds.

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

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Series 2001 Certificate Redemption Fund – A fund established in accordance with the terms of the Series 2001 Qualified Zone Academy Bonds restricted to the use for the payment of the certificates upon maturity. The Series 2001 Certificate Redemption Fund is not a major fund.

Series 2005 Certificate Redemption Fund – A fund established in accordance with the terms of the Series 2005 Qualified Zone Academy Bonds restricted to the use for the payment of the certificates upon maturity. The Series 2005 Certificate Redemption Fund is not a major fund.

Series 2010A Certificate Redemption Fund – A fund established in accordance with the terms of the Series 2010A Capital Outlay Certificate Bonds restricted to the use for the payment of the certificates upon maturity. The Series 2010A Certificate Redemption Fund is not a major fund.

Series 2012 Certificate Redemption Fund – A fund established in accordance with the terms of the Series 2012 Capital Outlay Certificate Bonds restricted to the use for the payment of the certificates upon maturity. The Series 2012 Certificate Redemption Fund is not a major fund.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met:

- **The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)**
- **Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.**
- **The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).**

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is not a major fund.

MTI Bookstore Fund – A fund used to record financial transactions related to the operation of the MTI Bookstore. This is not a major fund.

Drivers Education Fund – A fund used to record financial transactions related to the operation of the Drivers Education Program. This is not a major fund.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

b. **Basis of Presentation:** *(continued)*

Fund Financial Statements: (continued)

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

Private-Purpose Trust Funds – 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 School District’s private-purpose trust funds are established to provide scholarships to students.

Agency Funds – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs and so on.

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.

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

c. **Measurement Focus and Basis of Accounting: (continued)**

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2018, are grant reimbursements and tuition and fees.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

d. **Capital Assets:**

Capital assets include land, 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.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations; construction-period interest is capitalized in accordance with USGAAP.

The total June 30, 2018, balance of capital assets for governmental activities includes approximately 25% for which costs were determined by estimates of the original costs. The total June 30, 2018, balance of capital assets for business-type activities are all valued at original costs. These estimated original costs were established by review of prior-year minutes and original contracts.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Government-Wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$5,000	--	--
Land improvements	\$5,000	Straight-line	20 yrs
Buildings	\$50,000	Straight-line	50 yrs
Machinery and equipment	\$5,000	Straight-line	5-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

e. **Long-term Liabilities:**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, and capital lease obligations.

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

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 School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

g. **Proprietary Funds Revenue and Expense Classifications:**

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

h. **Cash and Cash Equivalents:**

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise deposit balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

i. **Equity Classifications:**

Government-Wide Statements:

Equity is classified as net position and is displayed in three components:

1. Net investment in Capital Assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

j. **Application of Net Position:**

It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

k. **Fund Balance Classification Policies and Procedures:**

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

k. **Fund Balance Classification Policies and Procedures: (continued)**

- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the School Board.
- **Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The nonspendable fund balance is comprised of the amount not in cash form such as the long-term portion of student loans receivable.

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

2. *DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK:*

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to or at least 100% 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.

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to 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.

Fair Value Measurement – The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK: (continued)

The School District has the following recurring fair value measurements as of June 30, 2018:

<u>Investment Description</u>	<u>Amount</u>	<u>Fair Value Hierarchy</u>	<u>Valuation Technique</u>
Mutual funds	\$ 306,672	Level 1	Quoted market prices in active markets

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

As of June 30, 2018, the School District had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Mutual Funds:</u>			
Lazard International Equity	Not Rated	N/A	\$ 22,678
Federated Institutional High Yield Bond Fund	Not Rated	N/A	3,743
Mfs Value Fund Class I	Not Rated	N/A	27,148
Palmer Square Income Fund	Not Rated	N/A	4,865
Tributary Short/Intermediate Bond Fund IP #1704	Not Rated	N/A	34,671
Tributary Income Fund IP #1707	Not Rated	N/A	47,098
Principal Global Multi-Strategy	Not Rated	N/A	21,265
Rainier International Discovery Fund	Not Rated	N/A	5,869
Lord Abbett Investment Trust Floating Rate Fund	Not Rated	N/A	4,747
JP Morgan Disciplined Equity Fund	Not Rated	N/A	10,690
Money Market Funds	Not Rated	N/A	10,910
Oppenheimer Developing Markets Fund	Not Rated	N/A	5,630
Prudential Global Real Estate Fund	Not Rated	N/A	5,577
T Rowe Price Blue Chip Growth Fund	Not Rated	N/A	31,753
T Rowe Price Mid Cap Value Fund	Not Rated	N/A	15,727
Tributary Growth Opportunities Fund IP #1700	Not Rated	N/A	13,088
Tributary Small Company Fund IP #1705	Not Rated	N/A	15,067
Vanguard Equity Income Fund	Not Rated	N/A	26,146
TOTAL INVESTMENTS			<u>\$ 306,672</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK: (continued)

The investments listed above are a scholarship fund to benefit graduates of the School District. The fund is reported as a private-purpose trust fund in these financial statements. The donors have established the investment vehicles to be used with the fund.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the fund in which the deposits are held.

3. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. All receivables are considered to be collectible, therefore, no allowance for uncollectible accounts has been established.

4. INVENTORY:

Inventory is valued at the lower of cost or market on the government-wide financial statements and in the proprietary funds. The cost valuation method is average cost. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5. *PROPERTY TAXES:*

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflow of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. *RESTRICTED CASH AND INVESTMENTS:*

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount</u>	<u>Purpose</u>
\$ 830,921	For debt service, by debt covenants (sinking funds required to be in a separate account)

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

	<u>Balance</u> <u>7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2018</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,432,632	\$ --	\$ --	\$ 1,432,632
Construction in progress	93,578	414,409	(93,578)	414,409
Total, not being depreciated	<u>1,526,210</u>	<u>414,409</u>	<u>(93,578)</u>	<u>1,847,041</u>
Capital assets, being depreciated:				
Buildings	50,386,404	154,941	(200,000)	50,341,345
Machinery and equipment	19,091,866	1,311,420	(4,461,418)	15,941,868
Total, being depreciated	<u>69,478,270</u>	<u>1,466,361</u>	<u>(4,661,418)</u>	<u>66,283,213</u>
Less accumulated depreciation for:				
Buildings	13,829,552	1,016,836	(90,000)	14,756,388
Machinery and equipment	11,494,281	1,626,017	(4,449,959)	8,670,339
Total accumulated depreciation	<u>25,323,833</u>	<u>2,642,853</u>	<u>(4,539,959)</u>	<u>23,426,727</u>
Total capital assets, being depreciated, net	<u>44,154,437</u>	<u>(1,176,492)</u>	<u>(121,459)</u>	<u>42,856,486</u>
Total Governmental Activity Capital Assets, Net	<u>\$ 45,680,647</u>	<u>\$ (762,083)</u>	<u>\$ (215,037)</u>	<u>\$ 44,703,527</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 2,484,282
Support Services	105,714
Co-curricular activities	52,857
	<u>\$ 2,642,853</u>

	<u>Balance</u> <u>7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2018</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 647,073	\$ 94,701	\$ (197,334)	\$ 544,440
Less accumulated depreciation for:				
Machinery and equipment	<u>545,058</u>	<u>39,054</u>	<u>(201,338)</u>	<u>382,774</u>
Total capital assets, being depreciated, net	<u>\$ 102,015</u>	<u>\$ 55,647</u>	<u>\$ 4,004</u>	<u>\$ 161,666</u>

Depreciation expense was charged to functions as follow:

Business-type activities:	
Food service	<u>\$ 39,054</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2018, is as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bonds	\$ 1,480,000	\$ --	\$ (106,500)	\$ 1,373,500	\$ 106,500
Capital Outlay Certificates	20,845,000	1,230,000	(1,055,000)	21,020,000	1,080,000
Financing (Capital Acquisition) Leases	162,558	--	(121,056)	41,502	41,502
	<u>22,487,558</u>	<u>1,230,000</u>	<u>(1,282,556)</u>	<u>22,435,002</u>	<u>1,228,002</u>
Early Retirement Payable -					
Governmental Funds	175,180	208,863	(90,410)	293,633	143,400
Accrued Compensated Absences -					
Governmental Funds	515,681	340,463	(319,970)	536,174	214,000
ASBSD Health Benefits Fund Deficit -					
Governmental Funds	1,375,360	--	(308,852)	1,066,508	327,508
Note Payable -					
Governmental Funds	225,000	--	--	225,000	--
Net Pension Liability	2,758,402	--	(2,758,402)	--	--
Unamortized Premiums	170,582	4,974	(10,894)	164,662	10,894
Unamortized Discounts	(2,927)	(16,605)	1,464	(18,068)	(1,463)
Total Governmental Activities	<u>\$ 27,704,836</u>	<u>\$ 1,767,695</u>	<u>\$ (4,769,620)</u>	<u>\$ 24,702,911</u>	<u>\$ 1,922,341</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Post-High Fund. Early retirement benefits for governmental activities typically have been liquidated from the Pension Fund and Post-High Fund.

On March 1, 2017, the District issued \$4,240,000 in Limited Tax General Obligation Refunding Certificates with an average interest rate of 2.305% to advance refund \$4,165,000 of outstanding 2009B Series bonds with an average rate of 5.9075%. The net proceeds of \$4,233,563 (after payment of \$67,921 in issuance costs and including a bond premium of \$61,484) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2009B Series bonds. As a result, the refunded portion of the 2009B Series bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term debt total.

The District advance refunded the 2009B Series bonds to reduce its total debt service payments over the life of the bonds by \$594,801 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$186,521.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2018, are comprised of the following:

Capital Outlay Certificates

	<i>TERMS</i>	
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2009B – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 4%-6.125% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2029. Payable from Capital Outlay Fund. In 2017, Series 2009B bonds of \$4,165,000 were refunded by Series 2017 bonds of \$4,240,000 to change the final payment of \$170,000 plus interest to June 2019.	\$ 340,000
Mitchell School District No. 17-2 Limited Tax General Obligation Refunding Certificates – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 1.4%-3.0% that vary depending on the term of maturity; due in semi-annual installments of February 1 and August 1, beginning fiscal year 2020. Final payment due August 1, 2029. Payable from Capital Outlay Fund.	\$ 4,240,000
Mitchell School District No. 17-2 Capital Outlay Certificates (QSCB), Series 2010 – Secured by pledge of capital outlay tax levy	1.95%; due in semi-annual installments on June 16 and December 16. Final payment due December 16, 2024. Payable from Capital Outlay Fund.	\$ 1,170,000
Mitchell School District No. 17-2 Capital Outlay Certificates, Series 2010A – Secured by pledge of capital outlay tax levy	5.50%; Certificate matures and final principal payment due December 1, 2029. Payable from Series 2010 Certificate Redemption Fund. Semi-annual deposits of \$45,395 are required to be made to the fund on June 1 and December 1, with final deposit to be made on December 1, 2029.	\$ 1,725,000
Mitchell School District No. 17-2 Capital Outlay Certificates, Series 2015 – Secured by pledge of capital outlay tax levy	3.90%; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2035. Payable from Capital Outlay Fund.	\$ 12,315,000
Mitchell School District No. 17-2 Limited Tax General Obligation Certificates – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 2.0%-3.0% that vary depending on the term of maturity; due in semi-annual installments on February 1 and August 1, beginning fiscal year 2019. Final payment due August 1, 2030. Payable from Capital Outlay Fund.	\$ 1,230,000

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2018, are comprised of the following: (continued)

Qualified Zone Academy Bonds

	<i>TERMS</i>	
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2005	0%; bond matures and final principal payment due June 29, 2021. Payable from Series 2005 Certificate Redemption Fund. Annual deposits of \$9,673 are required to be made to the fund on June 29, with final deposit to be made on June 29, 2021.	\$ 175,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2008	1.5%; due in annual installments of \$25,000. Interest due semi annually. Final payment due August 14, 2018. Payable from Capital Outlay Fund.	\$ 25,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2011	5.45%; due in annual installments of \$60,000. Interest due semi annually. Final payment due March 1, 2026. Payable from Capital Outlay Fund.	\$ 480,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2012	4.25%; bond matures and final principal payment due December 31, 2031. Annual deposits of \$25,000. Final deposit due December 15, 2031. Payable from Capital Outlay Fund.	\$ 500,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2015	0%; bond matures and final principal payment due December 10, 2026. Payable from Capital Outlay Fund. Annual deposits of \$21,500 are required to be made to the fund on December 10, with final deposit to be made on December 10, 2026.	\$ 193,500

Other long-term liabilities were:

	<i>TERMS</i>	
SD Development Corporation – Secured by equipment	5.50%; no payment due as long as School District retains ownership of wind turbine for ten years. If turbine is sold or transferred payment is due immediately. Payable from Post High Fund.	\$ 225,000
Hewlett-Packard Financial Services Company	2.40%; due in annual installments on September 29. Final payment due September 30, 2018. Payable from Capital Outlay Fund.	\$ 41,502

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. LONG-TERM LIABILITIES: (continued)

The annual debt service requirements to maturity for all debt outstanding except for compensated absences and note payable as of June 30, 2018, are as follows:

<i>Year Ending June 30,</i>	<i>Qualified Zone Academy Bonds</i>		<i>Capital Outlay Certificates</i>		<i>ASBSD Health Benefits Fund Deficit</i>		<i>Capital Lease</i>		<i>Early Retirement Benefits</i>	<i>Totals</i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 106,500	\$ 26,348	\$ 1,080,000	\$ 900,266	\$ 327,508	\$ --	\$ 41,502	\$ 997	\$ 143,356	\$ 1,698,866	\$ 927,611
2020	81,500	22,890	990,000	634,823	351,948	--	--	--	59,699	1,483,147	657,713
2021	256,500	19,620	1,260,000	614,546	387,052	--	--	--	38,364	1,941,916	634,166
2022	81,500	16,350	1,290,000	585,200	--	--	--	--	21,311	1,392,811	601,550
2023-2027	81,500	13,080	1,320,000	554,261	--	--	--	--	30,903	1,432,403	567,341
2028-2032	266,000	19,620	6,410,000	2,284,033	--	--	--	--	--	6,676,000	2,303,653
2033-2037	500,000	--	6,835,000	998,850	--	--	--	--	--	7,335,000	998,850
2033-2037	--	--	1,835,000	107,805	--	--	--	--	--	1,835,000	107,805
TOTALS	<u>\$ 1,373,500</u>	<u>\$ 117,908</u>	<u>\$ 21,020,000</u>	<u>\$ 6,679,784</u>	<u>\$ 1,066,508</u>	<u>\$ --</u>	<u>\$ 41,502</u>	<u>\$ 997</u>	<u>\$ 293,633</u>	<u>\$ 23,795,143</u>	<u>\$ 6,798,689</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

9. OPERATING LEASES:

The School District entered into a lease agreement with Dakota Wesleyan University, Mitchell, South Dakota, to lease one of its elementary schools. The lease term is for a period of twenty years extending to February 2, 2018. The lease was amended to extend the lease term to February 1, 2038. Lease payments are being made from the Capital Outlay Fund. Lease expense for the year ended June 30, 2018, was approximately \$400,980. Estimated minimum payments on the elementary school lease for the years ending June 30 are as follows:

2019	\$ 29,737
2020	\$ 30,480
2021	\$ 31,242
2022	\$ 32,024
2023	\$ 32,824
2024-2028	\$ 176,848
2029-2033	\$ 200,088
2034-2038	\$ 225,219

10. INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2018, were as follows:

Transfers from:	Transfers to:	Purpose:
	<i>Debt Service Funds</i>	
Post-High Fund	\$ 90,789	Deposits for debt retirement/Capital funding
Capital Outlay Fund	\$ 25,000	Deposits for debt retirement/Capital funding

11. RESTRICTED NET POSITION:

Restricted net position restricted for the year ended June 30, 2018 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Special Education	Law	\$ 230,889
Capital Outlay	Law	2,544,453
Special Termination Benefits	Law	1,434,591
Post-Secondary Education	Law	4,895,004
Construction of Capital Assets	Bond Agreement	4,734
Student Financial Aid	Federal Regulation	465,395
Debt Service	Bond Agreement	830,921
SDRS Pension Purposes	Law	6,652,806
Total Restricted Net Position		<u>\$ 17,058,793</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

12. PENSION PLAN:

a. Plan Information:

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

b. Benefits Provided:

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

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

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

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

12. *PENSION PLAN: (continued)*

c. **Benefits Provided: (continued)**

All benefits except those depending on the Member’s Accumulated Contributions are annually increased by the Cost of Living Adjustment.

d. **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan:

- Class A Members – 6% of salary
- Class B Judicial Members – 9% of salary
- Class B Public Safety Members – 8% 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. Mitchell School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$1,002,304, \$1,016,582, and \$931,118, respectively, equal to the required contributions for each year.

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

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System for the School District as of June 30, 2018 are as follows:

Proportionate share of pension liability	\$	97,128,280
Less proportionate share of net pension restricted for pension benefits		97,204,039
Proportionate share of net pension liability (asset)	\$	(75,759)

At June 30, 2018, the Mitchell School District reported an asset of \$(75,759) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the School District’s proportion was .83479660%, which is an increase of 0.0181944% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,017,578. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

12. PENSION PLAN: (continued)

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 1,213,862	\$ --
Changes in assumption	\$ 5,882,188	\$ --
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 1,456,535
Changes in proportion and difference between District contributions and proportionate share of contributions	\$ --	\$ 64,772
District contributions subsequent to the measurement date	\$ 1,002,304	\$ --

\$1,002,304 reported as deferred outflow of resources related to pensions resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:		
2018	\$	1,508,589
2019		2,547,423
2020		1,871,367
2021		(352,636)
TOTAL	\$	5,574,743

e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.5% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

12. *PENSION PLAN: (continued)*

e. **Actuarial Assumptions: (continued)**

Mortality rates were based 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-20147 Disabled Retiree Mortality Table, projected generationally with Scale MO-2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Global equity	58.0%	4.8%
Fixed income	30.0%	1.8%
Real estate	10.0%	4.6%
Cash	2.0%	0.7%
	100.0%	

f. **Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

12. PENSION PLAN: (continued)

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

The following presents Mitchell School District’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what Mitchell School District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District’s proportionate share of the net pension liability (asset)	\$ 13,875,184	\$ (75,759)	\$ (11,436,363)

h. Pension Plan Fiduciary Net Position:

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

i. Classified Employee’s Retirement Annuity Plan:

All full-time classified employees who have completed at least one year of employment with the School District may elect to participate in the plan. An eligible employee electing to participate in the plan shall designate an amount determined by him/her to be deducted from his/her monthly salary by the School District, which amount, together with the amount hereinafter specified to be contributed by the School District, shall be used to pay the premiums on a tax-sheltered annuity (designated and owned by the employee). The School District makes a matching contribution on behalf of each participant in the plan up to a maximum contribution of 6% of the employee’s salary.

13. EARLY RETIREMENT PLAN:

The School District has an agreement which provides for an early retirement cash benefit in an amount not to exceed the retiree’s highest salary while employed by the School District to certificated teachers and administrative personnel hired before September 1, 2001, who retire after having met certain age and length-of-service requirements. To collect these benefits, notification must be given no later than March 15 of the year in which such retirement will occur. Currently, 14 retirees are receiving benefits under this provision. An additional 12 employees are expected to be eligible for early retirement benefits by March 15, 2019, not all of whom are expected to elect early retirement. The benefit is paid in monthly installments. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elect’s early retirement. Benefits paid for the year ended June 30, 2018, were \$90,410.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

14. JOINT VENTURE:

The School District participates in the joint venture known as James Valley Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member School Districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Sanborn Central School District	6.5%
Parkston School District	17.4%
Mitchell School District	71.1%
Woonsocket School District	5%

The co-op's governing board is composed of two representatives from each member School District, who are a school board member and the superintendent. Each school is entitled to one vote. The school board member is the voting member for each School District. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the James Valley Education Cooperative.

At June 30, 2018, this joint venture had total assets of \$66,479; total liabilities of \$35,135; and net position of \$31,344.

15. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2018, the School District managed its risk as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

15. RISK MANAGEMENT: (continued)

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for:

- Property loss - Replacement cost for any single occurrence; excess aggregate property coverage of \$250,000,000
- Boiler and machinery coverage - \$50,000,000
- Automobile and school bus coverage - \$2,000,000 per vehicle per accident
- Bodily injury and property damage - \$2,000,000 per occurrence and no annual aggregate
- Blanket surety bond and crime loss - \$200,000
- School leaders' errors and omissions - \$2,000,000 each occurrence and no annual aggregate
- Umbrella - \$1,000,000

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$1,000 deductible for the coverage.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

15. *RISK MANAGEMENT: (continued)*

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

During the year ended June 30, 2018, no claims for unemployment benefits were paid. At June 30, 2018, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

16. *VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:*

The agreements related to the Series 2001 and Series 2005 Qualified Zone Academy Bonds require the School District to deposit funds to, and maintain debt service accounts, in the Capital Outlay Fund. USGAAP requires a sinking fund to be classified as a debt service fund. The deposits to the sinking funds are recorded as transfers in these financial statements. State law prohibits transfers from the Capital Outlay Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<i>Year Ended June 30, 2018</i>
Pension Fund	\$ 5,616

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A***

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 6,308,672	\$ 6,308,672	\$ 5,977,666	\$ (331,006)
Prior years' ad valorem taxes	55,000	55,000	47,745	(7,255)
Gross receipts taxes	575,000	575,000	492,280	(82,720)
Penalties and interest on taxes	17,000	17,000	14,841	(2,159)
<i>Tuition and Fees:</i>				
Regular day school tuition	200,000	200,000	73,498	(126,502)
Earnings on investments and deposits	22,500	22,500	30,300	7,800
<i>Cocurricular Activities:</i>				
Admissions	90,000	90,000	79,534	(10,466)
Other pupil activity income	20,000	20,000	17,471	(2,529)
<i>Other Revenue from Local Sources:</i>				
Rentals	30,000	30,000	22,043	(7,957)
Charges for services	40,000	40,000	51,951	11,951
Other	96,690	96,690	544,496	447,806
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	265,000	265,000	254,811	(10,189)
Lease of county-owned land	17,500	17,500	18,720	1,220
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	9,409,957	9,409,957	9,861,556	451,599
Restricted grants-in-aid	--	--	17,527	17,527
<i>Tuition:</i>				
Regular Education	390,000	390,000	453,848	63,848
Other state revenue	--	--	11,512	11,512
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	1,013,791	1,013,791	1,008,025	(5,766)
Other Federal Revenue	23,461	23,461	19,025	(4,436)
TOTAL REVENUES	18,574,571	18,574,571	18,996,849	422,278

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
EXPENDITURES				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 4,992,405	\$ 4,992,405	\$ 4,900,388	\$ 92,017
Middle/junior high	2,499,682	2,499,682	2,399,933	99,749
High school	3,077,743	3,077,743	3,476,706	(398,963)
<i>Special Programs:</i>				
Gifted and talented	8,330	8,330	8,322	8
Culturally different	4,650	4,650	4,632	18
Educationally deprived	546,755	546,755	502,708	44,047
Other Special Programs	989,297	989,297	1,007,472	(18,175)
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	433,293	433,293	438,080	(4,787)
Health	72,247	72,247	65,648	6,599
<i>Instructional Staff:</i>				
Improvement of instruction	139,332	139,332	119,519	19,813
Educational media	686,096	686,096	625,419	60,677
<i>General Administration:</i>				
Board of education	132,710	132,710	112,813	19,897
Executive administration	196,637	196,637	193,519	3,118
<i>School Administration:</i>				
Office of the principal	1,187,276	1,187,276	1,159,784	27,492
Title I Program Administration	6,388	6,388	6,942	(554)
Other	5,500	5,500	4,066	1,434
<i>Business:</i>				
Fiscal services	239,254	239,254	203,286	35,968
Operation and maintenance of plant	2,495,666	2,495,666	2,464,336	31,330
Student transportation	238,500	238,500	238,402	98
Food Services	75,000	75,000	66,436	8,564
Internal services	82,760	82,760	47,047	35,713
<i>Community Services:</i>				
Direction	--	--	100	(100)
Custody and care of children	161,000	161,000	151,792	9,208
Nonpublic school	64,963	64,963	63,129	1,834
<i>Nonprogrammed Charges:</i>				
Payments to State - Unemployment	4,000	4,000	764	3,236
<i>Cocurricular Activities:</i>				
Male activities	182,968	182,968	196,356	(13,388)
Female activities	170,709	170,709	180,440	(9,731)
Transportation	160,000	160,000	124,514	35,486
Combined activities	343,184	343,184	318,565	24,619
TOTAL EXPENDITURES	<u>19,196,345</u>	<u>19,196,345</u>	<u>19,081,118</u>	<u>115,227</u>
<i>Excess of Revenues Over Expenditures</i>	(621,774)	(621,774)	(84,269)	537,505
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	621,774	621,774	--	(621,774)
<i>Total Other Financing Sources (Uses)</i>	<u>621,774</u>	<u>621,774</u>	<u>--</u>	<u>(621,774)</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	--	--	(84,269)	(84,269)
FUND BALANCE, Beginning of Year	4,212,592	4,212,592	4,212,592	--
FUND BALANCE, End of Year	<u>\$ 4,212,592</u>	<u>\$ 4,212,592</u>	<u>\$ 4,128,323</u>	<u>\$ (84,269)</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 3,880,000	\$ 3,880,000	\$ 3,902,689	\$ 22,689
Prior years' ad valorem taxes	25,000	25,000	29,522	4,522
Penalties and interest on taxes	5,000	5,000	7,886	2,886
Earnings on investments and deposits	2,000	2,000	28,707	26,707
<i>Other Revenue from Local Sources:</i>				
Other	8,100	8,100	124,106	116,006
Other Federal Revenue	117,500	117,500	\$ 117,887	387
TOTAL REVENUES	<u>4,037,600</u>	<u>4,037,600</u>	<u>4,210,797</u>	<u>173,197</u>
<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 451,017	\$ 451,017	225,190	225,827
Middle/junior high	155,877	155,877	144,575	11,302
High school	862,640	862,640	357,964	504,676
<i>General Administration:</i>				
Board of education	25,000	25,000	25,000	--
<i>Business:</i>				
Fiscal services	20,000	20,000	21,016	(1,016)
Facilities acquisition and construction	1,008,477	1,008,477	49,721	958,756
Operation and maintenance of plant	17,400	17,400	2,300	15,100
Student transportation	45,000	45,000	42,066	2,934
Internal services	313,000	313,000	289,527	23,473
<i>Debt Services</i>	2,357,596	2,357,596	2,040,581	317,015
<i>Capital Outlay</i>	--	--	485,762	(485,762)
<i>Cocurricular Activities:</i>				
Male activities	20,000	20,000	20,864	(864)
Combined activities	10,000	10,000	8,753	1,247
TOTAL EXPENDITURES	<u>5,286,007</u>	<u>5,286,007</u>	<u>3,713,319</u>	<u>1,572,688</u>
<i>Excess of Revenues Over Expenditures</i>	(1,248,407)	(1,248,407)	497,478	1,745,885
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	47,500	47,500	--	(47,500)
Interfund transfers (out)	--	--	(25,000)	(25,000)
General long-term debt issued	1,200,907	1,200,907	1,218,369	17,462
Sale of surplus property	--	--	25,000	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>1,248,407</u>	<u>1,248,407</u>	<u>1,218,369</u>	<u>(30,038)</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	--	--	1,715,847	1,715,847
<i>FUND BALANCE, Beginning of Year</i>	980,491	980,491	980,491	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 980,491</u>	<u>\$ 980,491</u>	<u>\$ 2,696,338</u>	<u>\$ 1,715,847</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,800,000	\$ 1,800,000	\$ 2,019,864	\$ 219,864
Prior years' ad valorem taxes	10,000	10,000	15,734	5,734
Penalties and interest on taxes	3,500	3,500	4,023	523
Earnings on investments and deposits	2,500	2,500	1,060	(1,440)
<i>Other Revenue from Local Sources:</i>				
Charges for services	60,000	60,000	64,163	4,163
Other	--	--	371	371
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid	2,000,126	2,000,126	1,876,591	(123,535)
<i>Revenue from Federal Sources:</i>				
Restricted grants-in-aid received from Federal government through the State	701,707	701,707	716,361	14,654
TOTAL REVENUES	4,577,833	4,577,833	4,698,167	120,334
Budgeted Amounts				
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
<i>Special Programs:</i>				
Programs for special education	3,302,041	3,302,041	3,246,963	55,078
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	48,351	48,351	48,349	2
Health	23,838	23,838	16,046	7,792
Psychological	124,985	124,985	127,879	(2,894)
Speech pathology	729,665	729,665	725,439	4,226
Student therapy services	226,500	226,500	219,777	6,723
<i>Special Education:</i>				
Administrative costs	123,600	123,600	123,585	15
Transportation costs	54,500	54,500	42,270	12,230
Other	90,000	90,000	115,308	(25,308)
TOTAL EXPENDITURES	4,723,480	4,723,480	4,665,616	57,864
 <i>Excess of Revenues Over Expenditures</i>	 (145,647)	 (145,647)	 32,551	 178,198
 <i>OTHER FINANCING SOURCES (USES):</i>				
Interfund transfers in	145,647	145,647	--	(145,647)
Total Other Financing Sources (Uses)	145,647	145,647	--	(145,647)
 <i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	 --	 --	 32,551	 32,551
 <i>FUND BALANCE, Beginning of Year</i>	 249,921	 249,921	 249,921	 --
FUND BALANCE, End of Year	\$ 249,921	\$ 249,921	\$ 282,472	\$ 32,551

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Prior years' ad valorem taxes	\$ 2,500	\$ 2,500	\$ 1,619	\$ (881)
Penalties and interest on taxes	--	--	278	278
Earnings on investments and deposits	--	--	3,742	3,742
TOTAL REVENUES	<u>2,500</u>	<u>2,500</u>	<u>5,639</u>	<u>3,139</u>
EXPENDITURES				
<i>Nonprogrammed Charges:</i>				
Pension payments	<u>91,986</u>	<u>91,986</u>	<u>97,602</u>	<u>(5,616)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(89,486)	(89,486)	(91,963)	(2,477)
<i>OTHER FINANCING (USES):</i>				
Interfund transfers (in)	<u>89,486</u>	<u>89,486</u>	<u>--</u>	<u>(89,486)</u>
<i>Excess of Revenues Over Expenditures and Uses</i>	--	--	(91,963)	(91,963)
<i>FUND BALANCE, Beginning of Year</i>	1,523,762	1,523,762	1,523,762	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 1,523,762</u>	<u>\$ 1,523,762</u>	<u>\$ 1,431,799</u>	<u>\$ (91,963)</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST-HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
<i>Post Secondary Program Tuition and Fees:</i>				
Post secondary program tuition	\$ 3,308,850	\$ 3,308,850	\$ 3,257,240	\$ (51,610)
Post secondary student fees	702,013	702,013	562,310	(139,703)
Earnings on investments and deposits	15,000	15,000	24,608	9,608
<i>Post Secondary:</i>				
Resales/services - occupational programs	585,000	585,000	657,052	72,052
State fees	208,800	208,800	193,307	(15,493)
Corporate fees	267,500	267,500	139,231	(128,269)
Local fees	2,115,823	2,115,823	2,017,018	(98,805)
<i>Other Revenue from Local Sources:</i>				
Rentals	63,144	63,144	64,344	1,200
Other	593,552	593,552	936,674	343,122
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	4,195,209	4,195,209	4,195,209	--
Other state revenue	1,650,425	1,650,425	1,636,445	(13,980)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	283,616	283,616	255,609	(28,007)
Other Federal Revenue	731,458	731,458	735,486	4,028
TOTAL REVENUES	<u>14,720,390</u>	<u>14,720,390</u>	<u>14,674,533</u>	<u>(45,857)</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST-HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
<i>Post Secondary Occupational Programs</i>	7,304,703	7,304,703	6,787,547	517,156
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	1,717,060	1,717,060	1,562,580	154,480
Educational media	--	--	5	(5)
<i>General Administration:</i>				
Board of education	2,002	2,002	1,292	710
Executive administration	33,333	33,333	37,095	(3,762)
<i>School Administration:</i>				
Vocational school - director's office	315,456	315,456	311,958	3,498
Financial aids administration	208,642	208,642	219,275	(10,633)
Other	117,430	117,430	117,525	(95)
<i>Business:</i>				
Fiscal services	634,130	634,130	669,595	(35,465)
Facilities acquisition and construction	359,957	359,957	286	359,671
Operation and maintenance of plant	1,697,267	1,697,267	1,413,058	284,209
<i>Central:</i>				
Planning	516,195	516,195	594,183	(77,988)
Data processing	580,429	580,429	520,023	60,406
<i>Resale Services:</i>				
Post secondary resales/service	837,004	837,004	680,709	156,295
<i>Debt Services</i>	95,775	95,775	95,775	--
<i>Capital Outlay</i>	--	--	1,301,429	(1,301,429)
<i>Cocurricular Activities:</i>				
Combined activities	297,220	297,220	51,640	245,580
TOTAL EXPENDITURES	<u>14,716,603</u>	<u>14,716,603</u>	<u>14,363,975</u>	<u>352,628</u>
<i>Excess of Revenues Over Expenditures</i>	3,787	3,787	310,558	306,771
OTHER FINANCING SOURCES (USES):				
Interfund transfers (out)	(90,789)	(90,789)	(90,789)	--
Sale of surplus property	100,000	100,000	50,882	(49,118)
Total Other Financing Sources (Uses)	<u>9,211</u>	<u>9,211</u>	<u>(39,907)</u>	<u>(49,118)</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	12,998	12,998	270,651	257,653
FUND BALANCE, Beginning of Year	<u>5,068,161</u>	<u>5,068,161</u>	<u>5,068,161</u>	<u>--</u>
FUND BALANCE, End of Year	<u>\$ 5,081,159</u>	<u>\$ 5,081,159</u>	<u>\$ 5,338,812</u>	<u>\$ 257,653</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018*

1. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

- a) Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b) The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c) The proposed budget is published for public review no later than July 15 each year.
- d) Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e) Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f) After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in item h.
- g) A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h) If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when monies are available to increase legal spending authority.
- i) Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j) Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.

2. US GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances; however, in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures. Also, under the budgetary basis of accounting deposits to debt service funds to accumulate resources for the retirement of Qualified Zone Academy Bonds are recorded as debt service expenditures. The financial statements prepared in conformity with USGAAP report these transactions as operating transfers.

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF THE PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

Measurement Date	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2018	0.83%	\$ (75,759)	\$ 16,704,961	0.45%	100.10%
6/30/2017	0.82%	\$ 2,758,402	\$ 16,943,033	-16.28%	96.89%
6/30/2016	0.81%	\$ (3,448,841)	\$ 15,518,631	22.22%	107.29%
6/30/2015	0.81%	\$ (5,851,816)	\$ 14,203,750	41.20%	104.10%

**SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2018	\$ 1,002,304	\$ 1,002,304	\$ --	\$ 16,704,961	6.00%
6/30/2017	\$ 1,016,582	\$ 1,016,582	\$ --	\$ 16,943,033	6.00%
6/30/2016	\$ 931,118	\$ 931,118	\$ --	\$ 15,518,631	6.00%
6/30/2015	\$ 852,225	\$ 852,225	\$ --	\$ 14,203,750	6.00%
6/30/2014	\$ 1,081,982	\$ 1,081,982	\$ --	\$ 18,033,033	6.00%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a 10-year trend is compiled, the School District will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS-THROUGH ENTITY IDENTIFYING NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of Agriculture:</i>			
<i>Pass through the Board of Regents of the University of Nebraska:</i>			
Farm Business Management and Benchmarking Competitive Grants Program	10.319		81,477
<i>Pass through the S.D. Department of Education:</i>			
Fresh Fruit and Vegetable Program	10.582	--	61,049
<i>Child Nutrition Cluster:</i>			
<i>Non-Cash Assistance (Commodities):</i>			
National School Lunch Program	10.555	--	\$ 123,040
<i>Cash Assistance:</i>			
School Breakfast Program (Note 4)	10.553	--	142,292
National School Lunch Program (Note 4)	10.555	--	496,566
Summer Food Service Program for Children	10.559	--	79,638
Total Child Nutrition Cluster			841,536
<i>Total U.S. Department of Agriculture</i>			984,062
<i>U.S. Department of Labor:</i>			
<i>Direct Federal Funding</i>			
Trade Adjustment Assistance Community College and Career Training Grant	17.282	--	626,895
<i>National Science Foundation</i>			
<i>Direct Federal Funding</i>			
Education and Human Resources	47.076	--	27,114
<i>Total National Science Foundation</i>			27,114
<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS-THROUGH ENTITY IDENTIFYING NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of Education:</i>			
<i>Direct Federal Funding:</i>			
<i>Student Financial Assistance Programs Cluster:</i>			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	--	\$ 47,921
Direct Loan Program (DLP) (Note 5)	84.268	--	4,530,110
Federal Work Study (FWS)	84.033	--	33,842
Federal Pell Grant Program (PELL)	84.063	--	1,830,337
Total Student Financial Assistance Programs Cluster			\$ 6,442,210
Indian Education - Grants to Local Educational Agencies	84.060	--	19,025
<i>Pass through the S.D. Department of Education:</i>			
Title I Grants to Local Educational Agencies (LEAs)	84.010	--	571,950
Vocational Education - Basic Grants to States	84.048	--	291,776
Twenty-First Century Community Learning Centers	84.287	--	152,758
English Language Acquisition State Grants	84.365	--	4,633
Improving Teacher Quality State Grants	84.367	--	168,963
Student Support and Academic Enrichment Program	84.424	--	10,267
<i>Special Education Cluster:</i>			
Special Education Grants to States	84.027	--	\$ 700,374
Special Education - Preschool Grants	84.173	--	15,305
Total Special Education Cluster			715,679
<i>Total U.S. Department of Education</i>			8,377,261
GRAND TOTAL			\$ 10,015,332

*MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)*

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mitchell School District No. 17-2 under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mitchell School District No. 17-2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mitchell School District No. 17-2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

Mitchell School District does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. FEDERAL REIMBURSEMENTS:

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

5. FEDERAL LOAN GUARANTEE PROGRAM:

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:

Direct Loans – Subsidized/Unsubsidized	\$3,673,816
PLUS Program Loans	\$ 626,259

6. FEDERAL SURPLUS PROPERTY:

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