

MITCHELL SCHOOL DISTRICT NO. 17-2
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

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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 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, 2020, 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 March 24, 2021.

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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-01 that we consider to be a significant deficiency.

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 financial statements. 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. 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
March 24, 2021



***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, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 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, 2020.

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. 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
March 24, 2021

*MITCHELL SCHOOL DISTRICT NO. 17-2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020*

Prior Audit Finding No. 2019-01 – Preparation of Financial Statements

Summary of Prior Audit Finding: A significant deficiency in internal over financial reported was identified. The School District relies on the auditor to prepare its financial statements in accordance with generally accepted accounting principles. This finding was initially reported in the audit for the year ended June 30, 2018

Status: The School District is willing to accept the risk of this deficiency in internal control. The School District will continue to provide oversight of the process and will review and approve the draft financial statements prior to their release.

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

**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

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

MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

Section II – Financial Statement Findings

Finding Number 2020-01 – Preparation of Financial Statements

Condition: Mitchell School District No. 17-2 (School District) requested the external auditors assist in the preparation of the financial statements, related notes to the financial statements, required supplementary information, and schedule of expenditures of federal awards as of and for the year ended June 30, 2020. A proper system of internal control over financial reporting includes the ability to prepare a complete set of financial statements.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statements is the responsibility of management. The School District should have an internal control system designed for the preparation of the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited resources available to the School District cause the inability to prepare a complete set of financial statements in accordance with generally accepted accounting principles.

Effect: This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response: The District agrees with this finding and is willing to accept the risk. The School District will continue to provide oversight of the process and will review and approve the draft financial statements prior to their release.

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, 2020**

Finding No. 2020-01

Internal Control Over Financial Reporting

School District's Response: We agree with the finding.

Views of Responsible Officials and Corrective Action Plan:

The School District has for many years utilized the School 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. The School District has designated 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 may continue to 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, 2021 and annually thereafter

**Steve 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, 2020, 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

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

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, 2020, 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

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 Pension Contributions – South Dakota Retirement System on pages 54-63 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.

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.

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 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 basic 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 March 24, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

A handwritten signature in black ink that reads "CLO Prof LLC". The letters are cursive and somewhat stylized.

Mitchell, South Dakota
March 24, 2021

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF NET POSITION
JUNE 30, 2020

| | <i>Primary Government</i> | | <i>Total</i> |
|--|------------------------------------|-------------------------------------|----------------------|
| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 15,676,265 | \$ 839,887 | \$ 16,516,152 |
| Receivables: | | | |
| Taxes - current | 5,896,621 | -- | 5,896,621 |
| Taxes - delinquent | 151,432 | -- | 151,432 |
| Trade accounts | 742,087 | -- | 742,087 |
| Student loans - current portion | 82,000 | -- | 82,000 |
| Promises to give | 241,550 | -- | 241,550 |
| Due from other governments | 1,498,289 | 207,855 | 1,706,144 |
| Due from other funds | -- | -- | -- |
| Inventories | 77,674 | 65,627 | 143,301 |
| Student loans - non-current | 332,855 | -- | 332,855 |
| Net pension asset | 83,432 | -- | 83,432 |
| Capital assets: | | | |
| Land and land improvements | 1,432,632 | -- | 1,432,632 |
| Construction work in progress | 178,047 | -- | 178,047 |
| Other capital assets, net of depreciation | 43,784,774 | 397,029 | 44,181,803 |
| Restricted Assets: | | | |
| Cash with fiscal agent | 1,017,090 | -- | 1,017,090 |
| TOTAL ASSETS | 71,194,748 | 1,510,398 | 72,705,146 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related deferred outflows | 4,701,195 | -- | 4,701,195 |
| LIABILITIES: | | | |
| Accounts payable | 416,358 | 166,689 | 583,047 |
| Other current liabilities | 2,519,558 | -- | 2,519,558 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,907,751 | -- | 2,907,751 |
| Due in more than one year | 19,729,709 | -- | 19,729,709 |
| TOTAL LIABILITIES | 25,573,376 | 166,689 | 25,740,065 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes levied for future periods | 5,896,621 | -- | 5,896,621 |
| Pension related deferred inflows | 1,723,028 | -- | 1,723,028 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 7,619,649 | -- | 7,619,649 |
| NET POSITION: | | | |
| Net Investment in capital assets | 24,340,126 | 397,029 | 24,737,155 |
| Restricted for: | | | |
| Special education | 6,469 | -- | 6,469 |
| Capital outlay | 3,867,995 | -- | 3,867,995 |
| Post-Secondary education | 4,535,310 | -- | 4,535,310 |
| Student financial aid | 466,203 | -- | 466,203 |
| Debt service | 1,017,090 | -- | 1,017,090 |
| SDRS pension purposes | 3,061,599 | -- | 3,061,599 |
| Unrestricted | 5,408,126 | 946,680 | 6,354,806 |
| TOTAL NET POSITION | \$ 42,702,918 | \$ 1,343,709 | \$ 44,046,627 |

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF ACTIVITIES
JUNE 30, 2020

| <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 | \$ 27,304,859 | \$ 9,411,631 | \$ 6,121,483 | \$ -- | \$ (11,771,745) | \$ -- | \$ (11,771,745) |
| Support services | 14,260,693 | 546,311 | -- | -- | (13,714,382) | -- | (13,714,382) |
| Community services | 179,874 | -- | -- | -- | (179,874) | -- | (179,874) |
| Nonprogrammed charges | 724,312 | -- | -- | -- | (724,312) | -- | (724,312) |
| Interest on long-term debt | 657,463 | -- | -- | -- | (657,463) | -- | (657,463) |
| Cocurricular activities | 884,137 | 98,350 | -- | -- | (785,787) | -- | (785,787) |
| Total Governmental Activities | 44,011,338 | 10,056,292 | 6,121,483 | -- | (27,833,563) | -- | (27,833,563) |
| <i>Business-type Activities:</i> | | | | | | | |
| Food service | 1,779,364 | 592,549 | 1,496,722 | -- | -- | 309,907 | 309,907 |
| MTI bookstore | 1,258,240 | 1,165,001 | -- | -- | -- | (93,239) | (93,239) |
| Drivers Education | 33,388 | 22,180 | -- | -- | -- | (11,208) | (11,208) |
| Total Business-type Activities | 3,070,992 | 1,779,730 | 1,496,722 | -- | -- | 205,460 | 205,460 |
| Total Primary Government | \$ 47,082,330 | \$ 11,836,022 | \$ 7,618,205 | \$ -- | (27,833,563) | 205,460 | (27,628,103) |
| <i>General Revenues:</i> | | | | | | | |
| <i>Taxes:</i> | | | | | | | |
| Property taxes | | | | | 13,115,393 | -- | 13,115,393 |
| Gross receipts taxes | | | | | 461,155 | -- | 461,155 |
| <i>Revenue from State Sources:</i> | | | | | | | |
| State aid | | | | | 14,568,922 | -- | 14,568,922 |
| Unrestricted investment earnings | | | | | 129,530 | -- | 129,530 |
| Other general revenues | | | | | 325,340 | -- | 325,340 |
| Sales of assets | | | | | 18,459 | -- | 18,459 |
| Total General Revenues | | | | | 28,618,799 | -- | 28,618,799 |
| Change in Net Position | | | | | 785,236 | 205,460 | 990,696 |
| <i>NET POSITION, Beginning of Year</i> | | | | | <u>41,917,682</u> | <u>1,138,249</u> | <u>43,055,931</u> |
| <i>NET POSITION, End of Year</i> | | | | | <u>\$ 42,702,918</u> | <u>\$ 1,343,709</u> | <u>\$ 44,046,627</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, 2020

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Post- High</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---------------------------|------------------------------|---------------------|---|---|
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 7,240,610 | \$ 3,546,779 | \$ 220,432 | \$ 4,621,771 | \$ 46,673 | \$ 15,676,265 |
| Receivables: | | | | | | |
| Taxes - current | 2,876,701 | 1,919,733 | 1,100,187 | -- | -- | 5,896,621 |
| Taxes - delinquent | 75,481 | 49,543 | 26,408 | -- | -- | 151,432 |
| Trade accounts | 462,003 | -- | -- | 280,084 | -- | 742,087 |
| Student loans - current portion | -- | -- | -- | -- | 82,000 | 82,000 |
| Due from other governments | 349,493 | 63,495 | 111,283 | 969,343 | 4,675 | 1,498,289 |
| Inventory of supplies | -- | -- | -- | 77,674 | -- | 77,674 |
| Student loans - non-current | -- | -- | -- | -- | 332,855 | 332,855 |
| Restricted Assets: | | | | | | |
| Cash with fiscal agent | -- | -- | -- | -- | 1,017,090 | 1,017,090 |
| TOTAL ASSETS | <u>\$ 11,004,288</u> | <u>\$ 5,579,550</u> | <u>\$ 1,458,310</u> | <u>\$ 5,948,872</u> | <u>\$ 1,483,293</u> | <u>\$ 25,474,313</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 79,080 | \$ 33,372 | \$ 26,980 | \$ 276,926 | \$ -- | \$ 416,358 |
| Contracts payable | 1,400,069 | -- | 260,022 | 339,291 | -- | 1,999,382 |
| Payroll deductions and withholdings and employer matching payable | <u>359,328</u> | <u>--</u> | <u>64,652</u> | <u>96,196</u> | <u>--</u> | <u>520,176</u> |
| Total Liabilities | <u>1,838,477</u> | <u>33,372</u> | <u>351,654</u> | <u>712,413</u> | <u>--</u> | <u>2,935,916</u> |
| Deferred inflows of resources | | | | | | |
| Property taxes levied for future periods | 2,876,701 | 1,919,733 | 1,100,187 | -- | -- | 5,896,621 |
| Unavailable revenue - property taxes | <u>75,481</u> | <u>49,543</u> | <u>26,408</u> | <u>--</u> | <u>--</u> | <u>151,432</u> |
| | <u>2,952,182</u> | <u>1,969,276</u> | <u>1,126,595</u> | <u>--</u> | <u>--</u> | <u>6,048,053</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, 2020
(CONTINUED)

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Post- High</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---------------------------|------------------------------|---------------------|---|---|
| <i>Fund Balances:</i> | | | | | | |
| <i>Nonspendable:</i> | | | | | | |
| Inventories | -- | -- | -- | 77,674 | -- | 77,674 |
| <i>Restricted for:</i> | | | | | | |
| Student financial aid | -- | -- | -- | -- | 466,203 | 466,203 |
| Debt service | -- | -- | -- | -- | 1,017,090 | 1,017,090 |
| Capital outlay fund | -- | 3,576,902 | -- | -- | -- | 3,576,902 |
| Special education fund | -- | -- | -- | -- | -- | -- |
| Post-high fund | -- | -- | -- | 5,158,785 | -- | 5,158,785 |
| <i>Assigned for:</i> | | | | | | |
| 2021 Budget | 131,125 | -- | -- | -- | -- | 131,125 |
| Unassigned | 6,082,504 | -- | (19,939) | -- | -- | 6,062,565 |
| <i>Total Fund Balances</i> | <u>6,213,629</u> | <u>3,576,902</u> | <u>(19,939)</u> | <u>5,236,459</u> | <u>1,483,293</u> | <u>16,490,344</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 11,004,288</u> | <u>\$ 5,579,550</u> | <u>\$ 1,458,310</u> | <u>\$ 5,948,872</u> | <u>\$ 1,483,293</u> | <u>\$ 25,474,313</u> |

| | |
|--|-----------------------------|
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds | 83,432 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 45,395,453 |
| Long-term liabilities, including bonds payable, net pension liability, and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds. | (22,637,460) |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds | 4,701,195 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds | (1,723,028) |
| Assets such as promises to give are not available to pay for current period expenditures and therefore are deferred in the funds. | 241,550 |
| Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds. | <u>151,432</u> |
| Net Position of Governmental Activities | <u><u>\$ 42,702,918</u></u> |

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, 2020

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</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 | \$ 6,289,129 | \$ 4,125,495 | \$ 2,350,459 | \$ -- | \$ -- | \$ 12,765,083 |
| Prior years' ad valorem taxes | 33,672 | 21,256 | 11,326 | -- | 244 | 66,498 |
| Gross receipts taxes | 461,155 | -- | -- | -- | -- | 461,155 |
| Penalties and interest on taxes | 11,931 | 7,592 | 4,171 | -- | 99 | 23,793 |
| <i>Tuition and Fees:</i> | | | | | | |
| Regular day school tuition | 87,517 | -- | -- | -- | -- | 87,517 |
| <i>Post Secondary Program Tuition and Fees:</i> | | | | | | |
| Post secondary program tuition | -- | -- | -- | 3,412,194 | -- | 3,412,194 |
| Post secondary student fees | -- | -- | -- | 536,261 | -- | 536,261 |
| Earnings on investments and deposits | 60,059 | 30,521 | 1,342 | 37,608 | -- | 129,530 |
| <i>Post Secondary:</i> | | | | | | |
| Resales/services - occupational programs | -- | -- | -- | 546,311 | -- | 546,311 |
| State fees | -- | -- | -- | 187,677 | -- | 187,677 |
| Corporate fees | -- | -- | -- | 93,776 | -- | 93,776 |
| Local fees | -- | -- | -- | 2,116,179 | -- | 2,116,179 |
| <i>Cocurricular Activities:</i> | | | | | | |
| Admissions | 82,208 | -- | -- | -- | -- | 82,208 |
| Other student activity income | 16,142 | -- | -- | -- | -- | 16,142 |
| <i>Other Revenue from Local Sources:</i> | | | | | | |
| Rentals | 17,707 | -- | -- | 77,904 | -- | 95,611 |
| Refund of prior years' expenditures | 11,855 | -- | -- | -- | -- | 11,855 |
| Charges for services | 38,606 | -- | 67,835 | -- | -- | 106,441 |
| Other | 459,251 | 181,350 | -- | 2,219,130 | -- | 2,859,731 |
| <i>Revenue from Intermediate Sources:</i> | | | | | | |
| <i>County Sources:</i> | | | | | | |
| County apportionment | 196,372 | -- | -- | -- | -- | 196,372 |
| Lease of county-owned land | 33,357 | -- | -- | -- | -- | 33,357 |
| <i>Revenue from State Sources:</i> | | | | | | |
| <i>Grants-in-aid:</i> | | | | | | |
| Unrestricted grants-in-aid | 10,298,316 | -- | -- | 4,270,606 | -- | 14,568,922 |
| Restricted grants-in-aid | 40,552 | -- | 1,297,495 | -- | -- | 1,338,047 |
| <i>Tuition:</i> | | | | | | |
| Regular Education | 421,489 | -- | -- | -- | -- | 421,489 |
| Other state revenue | 6,122 | 63,495 | -- | 1,388,331 | -- | 1,457,948 |
| <i>Revenue from Federal Sources:</i> | | | | | | |
| <i>Grants-in-aid:</i> | | | | | | |
| Restricted grants-in-aid received from Federal government through the State | 1,238,226 | -- | 738,600 | 894,129 | -- | 2,870,955 |
| Johnson O'Malley Funds | 34,752 | -- | -- | -- | -- | 34,752 |
| Other Federal Revenue | -- | 10,735 | -- | 61,294 | 26,763 | 98,792 |
| TOTAL REVENUES | 19,838,418 | 4,440,444 | 4,471,228 | 15,841,400 | 27,106 | 44,618,596 |

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, 2020
(CONTINUED)

| <u>EXPENDITURES</u> | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Post- High</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------|---------------------------|------------------------------|-------------------|---|---|
| <i>Instruction:</i> | | | | | | |
| <i>Regular Programs:</i> | | | | | | |
| Elementary | \$ 4,968,367 | \$ 383,884 | \$ -- | \$ -- | \$ -- | \$ 5,352,251 |
| Middle/junior high | 2,472,244 | 226,384 | -- | -- | -- | 2,698,628 |
| High school | 3,389,265 | 546,472 | -- | -- | -- | 3,935,737 |
| <i>Special Programs:</i> | | | | | | |
| Gifted and talented | 5,870 | -- | -- | -- | -- | 5,870 |
| Culturally different | 24,278 | -- | -- | -- | -- | 24,278 |
| Programs for special education | -- | -- | 3,209,655 | -- | -- | 3,209,655 |
| Educationally deprived | 589,752 | -- | -- | -- | -- | 589,752 |
| Other Special Programs | 974,510 | -- | -- | -- | -- | 974,510 |
| <i>Post Secondary Occupational Programs</i> | -- | -- | -- | 6,633,201 | -- | 6,633,201 |
| <i>Support Services:</i> | | | | | | |
| <i>Students:</i> | | | | | | |
| Guidance | 410,579 | -- | 33,443 | 1,980,001 | -- | 2,424,023 |
| Health | 59,743 | -- | 14,396 | -- | -- | 74,139 |
| Psychological | -- | -- | 125,803 | -- | -- | 125,803 |
| Speech pathology | -- | -- | 738,478 | -- | -- | 738,478 |
| Student therapy services | -- | -- | 205,030 | -- | -- | 205,030 |
| <i>Instructional Staff:</i> | | | | | | |
| Improvement of instruction | 237,078 | -- | -- | -- | -- | 237,078 |
| Educational media | 493,244 | -- | -- | -- | -- | 493,244 |
| <i>General Administration:</i> | | | | | | |
| Board of education | 115,863 | 25,000 | -- | 1,938 | -- | 142,801 |
| Executive administration | 158,121 | -- | -- | 38,996 | -- | 197,117 |
| <i>School Administration:</i> | | | | | | |
| Office of the principal | 1,189,705 | 3,713 | -- | -- | -- | 1,193,418 |
| Vocational school - director's office | -- | -- | -- | 346,358 | -- | 346,358 |
| Financial aids administration | -- | -- | -- | 220,075 | -- | 220,075 |
| Title I Program Administration | 9,300 | -- | -- | -- | -- | 9,300 |
| Other | 4,369 | -- | -- | 207,324 | -- | 211,693 |

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, 2020
(CONTINUED)

| | <i>General</i> | <i>Capital Outlay</i> | <i>Special Education</i> | <i>Post- High</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---|-------------------|---------------------------|------------------------------|-------------------|---|---|
| <i>Business:</i> | | | | | | |
| Fiscal services | \$ 231,529 | \$ 4,334 | \$ -- | \$ 483,634 | \$ -- | \$ 719,497 |
| Facilities acquisition and construction | -- | 141,436 | -- | 36,667 | -- | 178,103 |
| Operation and maintenance of plant | 2,439,978 | 3,437 | -- | 1,727,793 | -- | 4,171,208 |
| Student transportation | 197,253 | 34,749 | -- | -- | -- | 232,002 |
| Food Services | 77,947 | -- | -- | -- | -- | 77,947 |
| Internal services | 42,365 | 69,700 | -- | -- | -- | 112,065 |
| <i>Central:</i> | | | | | | |
| Planning | -- | -- | -- | 10,635 | -- | 10,635 |
| Data processing | -- | -- | -- | 552,336 | -- | 552,336 |
| <i>Special Education:</i> | | | | | | |
| Administrative costs | -- | -- | 138,198 | -- | -- | 138,198 |
| Transportation costs | -- | -- | 32,479 | -- | -- | 32,479 |
| Other | -- | -- | 139,963 | -- | -- | 139,963 |
| <i>Resale Services:</i> | | | | | | |
| Post secondary resales/service | -- | -- | -- | 724,208 | -- | 724,208 |
| <i>Other Support Services</i> | -- | -- | -- | -- | 26,763 | 26,763 |
| <i>Community Services:</i> | | | | | | |
| Direction | 14,361 | -- | -- | -- | -- | 14,361 |
| Custody and care of children | 116,567 | -- | -- | -- | -- | 116,567 |
| Nonpublic school | 48,946 | -- | -- | -- | -- | 48,946 |
| <i>Nonprogrammed Charges:</i> | | | | | | |
| Early retirement payments | -- | -- | -- | 346,620 | -- | 346,620 |
| Payments to State - Unemployment | 1,653 | -- | -- | -- | -- | 1,653 |
| Pension payments | -- | -- | -- | -- | 75,106 | 75,106 |
| Other nonprogrammed charges | -- | -- | -- | 933 | -- | 933 |
| <i>Debt Services</i> | -- | 1,644,012 | -- | 124,875 | -- | 1,768,887 |
| <i>Capital Outlay</i> | -- | 424,146 | -- | 2,914,626 | -- | 3,338,772 |
| <i>Cocurricular Activities:</i> | | | | | | |
| Male activities | 175,889 | 7,165 | -- | -- | -- | 183,054 |
| Female activities | 161,830 | -- | -- | -- | -- | 161,830 |
| Transportation | 108,568 | -- | -- | -- | -- | 108,568 |
| Combined activities | 338,370 | -- | -- | 42,717 | -- | 381,087 |
| TOTAL EXPENDITURES | 19,057,544 | 3,514,432 | 4,637,445 | 16,392,937 | 101,869 | 43,704,227 |

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, 2020
(Continued)

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</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> | \$ 780,874 | \$ 926,012 | \$ (166,217) | \$ (551,537) | \$ (74,763) | \$ 914,369 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Interfund transfers in | 1,208,738 | -- | -- | -- | 115,789 | 1,324,527 |
| Interfund transfers (out) | -- | (25,000) | -- | (90,789) | (1,208,738) | (1,324,527) |
| General long-term debt issued | -- | -- | -- | 300,000 | -- | 300,000 |
| Sale of surplus property | -- | 17,574 | -- | 14,112 | -- | 31,686 |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,208,738 | (7,426) | -- | 223,323 | (1,092,949) | 331,686 |
| <i>Excess of Revenues and Other Sources Over (Under)</i> | | | | | | |
| <i>Expenditures and Uses</i> | 1,989,612 | 918,586 | (166,217) | (328,214) | (1,167,712) | 1,246,055 |
| <i>FUND BALANCE, Beginning of Year</i> | 4,224,017 | 2,658,316 | 146,278 | 5,564,673 | 2,651,005 | 15,244,289 |
| <i>FUND BALANCE, End of Year</i> | <u>\$ 6,213,629</u> | <u>\$ 3,576,902</u> | <u>\$ (19,939)</u> | <u>\$ 5,236,459</u> | <u>\$ 1,483,293</u> | <u>\$ 16,490,344</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, 2020

| | |
|---|--------------------------|
| <i>Net Change in Fund Balances - Total Governmental Funds</i> | \$ 1,246,055 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. | 858,866 |
| In the statement of activities gains and losses of \$18,459 on disposal of capital are reported, whereas, in the governmental funds, the proceeds of \$31,686 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. | (13,227) |
| 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. | (300,000) |
| Long-term pledges payable are not considered an expenditure in the fund financial statements. | (300,000) |
| 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. | 1,111,424 |
| 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." | 260,019 |
| 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. | (186,081) |
| 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." | (100,500) |
| 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. | 346,360 |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | (2,137,680) |
| <i>Change in Net Position of Governmental Activities</i> | <u>\$ 785,236</u> |

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

| | <u><i>Other Enterprise Funds</i></u> |
|---|--|
| ASSETS: | |
| <i>Current Assets:</i> | |
| Cash and cash equivalents | \$ 839,887 |
| Due from other governments | 207,855 |
| Inventory of supplies | 4,991 |
| Inventory of stores purchased for resale | 60,636 |
| <i>Total Current Assets</i> | <u>1,113,369</u> |
| <i>Capital Assets:</i> | |
| Machinery and equipment | 846,423 |
| Accumulated depreciation | (449,394) |
| <i>Capital Assets - Net</i> | <u>397,029</u> |
| TOTAL ASSETS | <u><u>1,510,398</u></u> |
| LIABILITIES AND NET POSITION: | |
| <i>Liabilities:</i> | |
| <i>Current Liabilities:</i> | |
| Accounts payable | 166,689 |
| <i>Total Current Liabilities</i> | <u>166,689</u> |
| <i>Net Position:</i> | |
| Invested in capital assets | 397,029 |
| Unrestricted net position | 946,680 |
| <i>Total Net Position</i> | <u>1,343,709</u> |
| TOTAL LIABILITIES & NET POSITION | <u><u>\$ 1,510,398</u></u> |

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, 2020

| | <u>Other Enterprise Funds</u> |
|--|---------------------------------------|
| OPERATING REVENUES: | |
| <i>Charges for Services:</i> | |
| Food service | \$ 592,549 |
| Bookstore | 1,165,001 |
| Drivers Education | 22,180 |
| <i>Total Charges for Services</i> | <u>1,779,730</u> |
| OPERATING EXPENSES: | |
| Cost of sales | 2,111,962 |
| Salaries | 564,127 |
| Employee benefits | 158,775 |
| Purchased services | 95,868 |
| Supplies | 87,768 |
| Depreciation | 44,308 |
| Miscellaneous | 8,184 |
| <i>Total Operating Expenses</i> | <u>3,070,992</u> |
| <i>Operating (Loss)</i> | <u>(1,291,262)</u> |
| NONOPERATING REVENUES: | |
| <i>Local Sources:</i> | |
| Miscellaneous revenue | 1,949 |
| <i>State Sources:</i> | |
| Cash payments | 4,702 |
| <i>Federal Sources:</i> | |
| Cash reimbursements | 1,375,853 |
| Donated food | 114,218 |
| <i>Total Nonoperating Revenues</i> | <u>1,496,722</u> |
| <i>Change in Net Position</i> | 205,460 |
| <i>NET POSITION, Beginning of Year</i> | 1,138,249 |
| <i>NET POSITION, End of Year</i> | <u>\$ 1,343,709</u> |

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, 2020

| | <u>Other Enterprise Funds</u> |
|---|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 1,781,418 |
| Cash paid to suppliers | (2,032,228) |
| Cash paid to employees | (564,127) |
| Other cash payments | (158,775) |
| | <hr/> |
| CASH FLOWS (USED) BY OPERATING ACTIVITIES | (973,712) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| Operating grants received | 1,225,669 |
| Miscellaneous revenue | 1,949 |
| | <hr/> |
| CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 1,227,618 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition of capital assets | (296,045) |
| | <hr/> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (42,139) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 882,026 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 839,887 |
| | <hr/> <hr/> |
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS (USED) BY OPERATING ACTIVITIES: | |
| Operating (Loss) | \$ (1,291,262) |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities: | |
| Depreciation | 44,308 |
| Value of commodities used | 114,218 |
| Decrease in: | |
| Trade accounts receivable | 1,688 |
| Inventory | 132,581 |
| Increase in: | |
| Accounts payable | 24,755 |
| Total Adjustments | 317,550 |
| | <hr/> |
| CASH FLOWS (USED) BY OPERATING ACTIVITIES | \$ (973,712) |
| | <hr/> <hr/> |
| SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES: | |
| Commodities received from Federal Government | \$ 114,218 |
| | <hr/> <hr/> |

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, 2020

| | <u>Private-Purpose Trust Funds</u> | <u>Agency Funds</u> |
|-------------------------------|--|-------------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 409,171 | \$ 721,529 |
| Investments, at fair value | <u>298,778</u> | <u>--</u> |
| TOTAL ASSETS | <u>707,949</u> | <u>721,529</u> |
| LIABILITIES: | | |
| Amounts held for others | <u>--</u> | <u>721,529</u> |
| Total Liabilities | <u>--</u> | <u>721,529</u> |
| NET POSITION | | |
| Held in trust for scholarship | <u>\$ 707,949</u> | <u>\$ --</u> |

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, 2020

| | <i>Private-Purpose Trust Funds</i> |
|--|--|
| ADDITIONS: | |
| Contributions and donations | \$ 389,763 |
| DEDUCTIONS: | |
| Trust deductions for scholarship | 12,626 |
| <i>Change in Net Position</i> | 377,137 |
| NET POSITION, Beginning of Year | 330,812 |
| NET POSITION, End of Year | \$ 707,949 |

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, 2020*

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 Venture" 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, 2020*

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 capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Funds – 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, 2020*

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 not 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 2005 QZAB 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 QZAB 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 QZAB Redemption Fund – A fund established in accordance with the terms of the Series 2012 Qualified Zone Academy Bonds restricted to the use for the payment of the certificates upon maturity. The Series 2012 QZAB Redemption Fund is not a major fund.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

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, 2020*

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, 2020*

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, 2020, 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. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as deferred inflow of resources.

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, 2020*

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, 2020, 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, 2020, balance of capital assets for business-type activities are all valued at original cost. 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, 2020*

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, and capital outlay certificates payable.

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, 2020*

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 scholarship.

j. **Application of Net Position:**

The District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/ contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Department would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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, 2020*

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 nor committed. Fund balance 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.

Amount reported in nonspendable fund balance is comprised of inventory.

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

l. **Emerging Accounting Standards:**

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, **Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**, which expand disclosure requirements for certain types of debt. The School District has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the School District's year ending June 30, 2021.

In June 2017, the GASB issued Statement No. 87, **Leases**, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the School District's year ending June 30, 2022.

In 2019, the GASB issued Statement No. 84, **Fiduciary Activities** accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The School has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the School District's year ending June 30, 2021.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

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.

The School District has the following recurring fair value measurements as of June 30, 2020:

| <i>Investment Description</i> | <i>Amount</i> | <i>Fair Value Hierarchy</i> | <i>Valuation Technique</i> |
|-------------------------------|---------------|-----------------------------|--|
| Mutual funds | \$ 298,778 | Level 1 | Quoted market prices in active markets |

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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, 2020, 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 | \$ 16,236 |
| Federated Institutional High Yield Bond Fund | Not Rated | N/A | 2,839 |
| Mfs Value Fund Class I | Not Rated | N/A | 17,387 |
| Mfs Mid-Cap Value Fund Class R6 | Not Rated | N/A | 11,233 |
| Palmer Square Income Fund | Not Rated | N/A | 1,921 |
| Tributary Short/Intermediate Bond Fund IP #1704 | Not Rated | N/A | 43,807 |
| Tributary Income Fund IP #1707 | Not Rated | N/A | 48,688 |
| Rainier International Discovery Fund | Not Rated | N/A | 9,771 |
| JP Morgan Equity Index Fund | Not Rated | N/A | 25,653 |
| JP Morgan Hedged Equity Fund - R6 | Not Rated | N/A | 18,808 |
| Money Market Funds | Not Rated | N/A | 14,371 |
| Oppenheimer Developing Markets Fund | Not Rated | N/A | 6,310 |
| Mfs Global Real Estate Fund | Not Rated | N/A | 4,636 |
| T Rowe Price Blue Chip Growth Fund | Not Rated | N/A | 34,128 |
| Tributary Growth Opportunities Fund IP #1700 | Not Rated | N/A | 13,094 |
| Tributary Small Company Fund IP #1705 | Not Rated | N/A | 11,091 |
| Vanguard Equity Income Fund | Not Rated | N/A | 18,805 |
| TOTAL INVESTMENTS | | | \$ 298,778 |

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.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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 investments to the fund making the investment.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

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 held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at the 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.

In the governmental fund financial statements, inventories consist of real estate to be used in educational programs and sold. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

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 revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the “availability period.”

6. RESTRICTED CASH AND INVESTMENTS:

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

| <i>Amount</i> | <i>Purpose</i> |
|---------------|---|
| \$ 1,017,090 | 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, 2020

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

| | <u>Balance</u> <u>7/1/2019</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>6/30/2020</u> |
|--|-----------------------------------|---------------------|---------------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,432,632 | \$ -- | \$ -- | \$ 1,432,632 |
| Construction in progress | <u>262,084</u> | <u>178,047</u> | <u>(262,084)</u> | <u>178,047</u> |
| Total, not being depreciated | <u>1,694,716</u> | <u>178,047</u> | <u>(262,084)</u> | <u>1,610,679</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 52,174,824 | 1,450,493 | -- | 53,625,317 |
| Machinery and equipment | <u>16,542,093</u> | <u>1,972,316</u> | <u>(36,413)</u> | <u>18,477,996</u> |
| Total, being depreciated | <u>68,716,917</u> | <u>3,422,809</u> | <u>(36,413)</u> | <u>72,103,313</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 15,846,778 | 1,140,121 | -- | 16,986,899 |
| Machinery and equipment | <u>10,015,041</u> | <u>1,339,785</u> | <u>(23,186)</u> | <u>11,331,640</u> |
| Total accumulated depreciation | <u>25,861,819</u> | <u>2,479,906</u> | <u>(23,186)</u> | <u>28,318,539</u> |
| Total capital assets, being depreciated, net | <u>42,855,098</u> | <u>942,903</u> | <u>(13,227)</u> | <u>43,784,774</u> |
| Total Governmental Activity Capital Assets, Net | <u>\$ 44,549,814</u> | <u>\$ 1,120,950</u> | <u>\$ (275,311)</u> | <u>\$ 45,395,453</u> |

Depreciation expense was charged to functions as follows:

| | |
|--------------------------|---------------------|
| Instruction | \$ 2,331,112 |
| Support Services | 99,196 |
| Co-curricular activities | <u>49,598</u> |
| | <u>\$ 2,479,906</u> |

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

7. CHANGES IN CAPITAL ASSETS:

Construction in Progress at June 30, 2020 is composed of the following:

| <u>Project Name</u> | <u>Project Authorization</u> | <u>Expended Through 06/30/2020</u> | <u>Committed</u> | <u>Required Future Financing</u> |
|--|------------------------------|------------------------------------|------------------|----------------------------------|
| | <i>Balance 7/1/2019</i> | <i>Increases</i> | <i>Decreases</i> | <i>Balance 6/30/2020</i> |
| MTI Campus Center Bathroom | \$ 224,900 | \$ 178,047 | \$ 224,900 | \$ -- |
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 550,378 | \$ 296,045 | \$ -- | \$ 846,423 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | <u>405,086</u> | <u>44,308</u> | <u>--</u> | <u>449,394</u> |
| Total capital assets, being depreciated, net | <u>\$ 145,292</u> | <u>\$ 251,737</u> | <u>\$ --</u> | <u>\$ 397,029</u> |

Depreciation expense was charged to functions as follows:

| | |
|----------------------------------|------------------|
| Business-type activities: | |
| Food service | <u>\$ 44,308</u> |

8. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2020, is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|--------------------------|-------------------|-----------------------|-----------------------|----------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| Qualified Zone Academy Bonds | \$ 1,267,000 | \$ -- | \$ (81,500) | \$ 1,185,500 | \$ 256,500 |
| Capital Outlay Certificates | 19,940,000 | -- | (990,000) | 18,950,000 | 1,260,000 |
| Financing (Capital Acquisition) Leases | -- | -- | -- | -- | -- |
| | <u>21,207,000</u> | <u>--</u> | <u>(1,071,500)</u> | <u>20,135,500</u> | <u>1,516,500</u> |
| Early Retirement Payable - | | | | | |
| Governmental Funds | 166,742 | 222,431 | (69,768) | 319,405 | 210,300 |
| Accrued Compensated Absences - | | | | | |
| Governmental Funds | 577,750 | 33,418 | -- | 611,168 | 244,467 |
| ASBSD Health Benefits Fund Deficit - | | | | | |
| Governmental Funds | 697,920 | -- | (346,360) | 351,560 | 351,560 |
| Pledges Payable - MTI Foundation - | | | | | |
| Governmental Funds | -- | 300,000 | -- | 300,000 | 50,000 |
| Notes Payable - | | | | | |
| Governmental Funds | 525,000 | 300,000 | (30,000) | 795,000 | 525,000 |
| Unamortized Premiums | 150,087 | -- | (11,308) | 138,779 | 11,308 |
| Unamortized Discounts | (15,336) | -- | 1,384 | (13,952) | (1,384) |
| Total Governmental Activities | <u>\$ 23,309,163</u> | <u>\$ 855,849</u> | <u>\$ (1,527,552)</u> | <u>\$ 22,637,460</u> | <u>\$ 2,907,751</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.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2020, are comprised of the following:

Capital Outlay Certificates

| | <i>TERMS</i> | |
|--|--|---------------|
| 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. | \$ 4,090,000 |
| 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. | \$ 830,000 |
| 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. | \$ 11,160,000 |
| 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. | \$ 1,145,000 |

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2020, 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 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. | \$ | 360,000 |
| 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. | \$ | 150,500 |

Notes Payable:

| | <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 |
| MTI Rural Electric Economic Development - Unsecured | 0.00%; due in annual installments on April 25. Final payment due April 25, 2021. Renewable every two years with \$30,000 due annually up to a ten year term. Payable from Post High Fund. | \$ | 270,000 |
| MTI Rural Electric Economic Development - Unsecured | 0.00%; due in annual installments on June 15. Final payment due June 15, 2022. Renewable every two years with \$30,000 due annually up to a ten year term. Payable from Post High Fund. | \$ | 300,000 |

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8. LONG-TERM LIABILITIES: (continued)

Other Long-Term Liabilities:

| | |
|--|-------------------|
| Compensated Absences – | |
| Payable from the fund to which payroll expenditures are charged | \$ 611,168 |
| Early Retirement Benefits – | |
| Payable from the Pension Fund and the Post-High Fund | \$ 319,405 |
| Associated School Boards of South Dakota Health Benefits Fund Deficit | |
| Payable from the General Fund and the Post-High Fund | \$ 351,560 |
| MTI Foundation - Pledge Payable - Payable from the Post High Fund | \$ 300,000 |

The annual debt service requirements to maturity for all debt outstanding except for compensated absences and note payable as of June 30, 2020, 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>Notes Payable</i> | | <i>Pledge Payable</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>Interest</u> | <u>Principal</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | 256,500 | 19,620 | 1,260,000 | 614,546 | 351,560 | -- | 525,000 | -- | 50,000 | -- | 210,300 | 2,653,360 | 634,166 |
| 2022 | 81,500 | 16,350 | 1,290,000 | 585,200 | -- | -- | 270,000 | -- | 50,000 | -- | 66,300 | 1,757,800 | 601,550 |
| 2023 | 81,500 | 13,080 | 1,320,000 | 554,261 | -- | -- | -- | -- | 100,000 | -- | 15,300 | 1,516,800 | 567,341 |
| 2024 | 81,500 | 9,810 | 1,355,000 | 524,795 | -- | -- | -- | -- | 100,000 | -- | 27,505 | 1,564,005 | 534,605 |
| 2025 | 81,500 | 6,540 | 1,285,000 | 492,201 | -- | -- | -- | -- | -- | -- | -- | 1,366,500 | 498,741 |
| 2026-2030 | 103,000 | 3,270 | 7,965,000 | 1,858,525 | -- | -- | -- | -- | -- | -- | -- | 8,068,000 | 1,861,795 |
| 2031-2035 | 500,000 | -- | 4,475,000 | 515,167 | -- | -- | -- | -- | -- | -- | -- | 4,975,000 | 515,167 |
| TOTALS | \$ 1,185,500 | \$ 68,670 | \$ 18,950,000 | \$ 5,144,695 | \$ 351,560 | \$ -- | \$ 795,000 | \$ -- | \$ 300,000 | \$ -- | \$ 319,405 | \$ 21,901,465 | \$ 5,213,365 |

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

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, 2020, was approximately \$31,241. Estimated minimum payments on the elementary school lease for the years ending June 30 are as follows:

| Year | Amount |
|-----------|------------|
| 2021 | \$ 32,024 |
| 2022 | \$ 32,824 |
| 2023 | \$ 33,644 |
| 2024 | \$ 34,485 |
| 2025 | \$ 35,346 |
| 2026-2030 | \$ 190,443 |
| 2031-2035 | \$ 215,469 |
| 2036-2038 | \$ 141,455 |

10. *INTERFUND TRANSFERS:*

Interfund transfers for the year ended June 30, 2020, were as follows:

| Transfers from: | Transfers to: | | Purpose: |
|---------------------|-------------------------------|-------------------------|--|
| | <i>Debt Service Funds</i> | <i>General Fund</i> | |
| Post-High Fund | \$ 90,789 | \$ -- | Deposits for debt retirement/Capital funding |
| Capital Outlay Fund | \$ 25,000 | \$ -- | Deposits for debt retirement/Capital funding |
| Pension Fund | \$ -- | \$ 1,208,738 | Close fund |

11. *RESTRICTED NET POSITION:*

Restricted net position restricted for the year ended June 30, 2020 was as follows:

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|-------------------------------|----------------------|----------------------|
| Special Education | Law | \$ 6,469 |
| Capital Outlay | Law | 3,867,995 |
| Post-Secondary Education | Law | 4,535,310 |
| Student Financial Aid | Federal Regulation | 466,203 |
| Debt Service | Bond Agreement | 1,017,090 |
| SDRS Pension Purposes | Law | 3,061,599 |
| Total Restricted Net Position | | <u>\$ 12,954,666</u> |

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

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 <https://sdrs.sd.gov/publicatins.aspx> 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 general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

12. PENSION PLAN: (continued)

b. Benefits Provided: (continued)

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- **Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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.**

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the years ended June 30, 2020, 2019 and 2018 were \$1,310,788, \$1,012,581, and \$1,002,304, respectively, equal to the required contributions each year.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

12. PENSION PLAN: (continued)

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

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the School District as of June 30, 2020 are as follows:

| | | |
|---|----|------------|
| Proportionate share of pension liability | \$ | 98,114,197 |
| Less proportionate share of net pension restricted for pension benefits | | 98,197,629 |
| Proportionate share of net pension (asset) | \$ | (83,432) |

At June 30, 2020, the District reported an (asset) of (\$83,432) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2019 and the total pension (asset) used to calculate the net pension (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, 2019, the District's proportion was .78729420%, which is a decrease of -0.0288801% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,137,680. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <i>Deferred Outflows of Resources</i> | <i>Deferred Inflows of Resources</i> |
|--|---|--|
| Difference between expected and actual experience | \$ 327,270 | \$ 37,763 |
| Changes in assumption | \$ 2,881,510 | \$ 1,181,279 |
| Net difference between projected and actual earnings on pension plan investments | \$ -- | \$ 480,634 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | \$ 181,627 | \$ 23,352 |
| District contributions subsequent to the measurement date | \$ 1,310,788 | \$ -- |
| | \$ 4,701,195 | \$ 1,723,028 |

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

12. PENSION PLAN: (continued)

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

\$1,310,788 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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: | | |
|---------------------|-----------|-------------------------|
| 2021 | \$ | 1,869,989 |
| 2022 | | (226,898) |
| 2023 | | (150,243) |
| 2024 | | 174,531 |
| TOTAL | \$ | <u>1,667,379</u> |

f. Actuarial Assumptions:

The total pension (asset) in the June 30, 2019 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% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense |
| Future COLAs | 1.88% |

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and 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-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

12. *PENSION PLAN: (continued)*

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018 (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> |
|--------------------|--------------------------|---|
| <hr/> | <hr/> | <hr/> |
| Global equity | 58.0% | 4.7% |
| Fixed income | 30.0% | 1.7% |
| Real estate | 10.0% | 4.3% |
| Cash | 2.0% | 0.9% |
| | <hr/> | |
| | 100.0% | |
| | <hr/> <hr/> | |

g. **Discount Rate:**

The discount rate used to measure the total pension (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 (asset).

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

12. *PENSION PLAN: (continued)*

h. **Sensitivity of (Asset) to Changes in the Discount Rate:**

The following presents the District's proportionate share of net pension (asset) using the discount rate of 6.50% as well as what the 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) | \$ 13,848,017 | \$ (83,432) | \$ (11,435,045) |

i. **Pension Plan Fiduciary Net Position:**

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

j. **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 Department 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 Department 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, 9 retirees are receiving benefits under this provision. An additional 4 employees are expected to be eligible for early retirement benefits by March 15, 2021, 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, 2020, were \$69,768.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020*

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 | 5.0% |
| Parkston School District | 14.2% |
| Mitchell School District | 74.2% |
| Woonsocket School District | 6.6% |

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, 2020, this joint venture had total assets of \$73,130; total liabilities of \$34,872; and net position of \$38,258.

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, 2020, 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, 2020*

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, 2020*

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, 2020, no claims for unemployment benefits were paid. At June 30, 2020, 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 agreement 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.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

17. RISKS AND UNCERTAINTIES:

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the School District. The School is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonable estimated at this time.

***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, 2020

| | <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 | \$ 6,309,109 | \$ 6,309,109 | \$ 6,289,129 | \$ (19,980) |
| Prior years' ad valorem taxes | 45,000 | 45,000 | 33,672 | (11,328) |
| Gross receipts taxes | 480,000 | 480,000 | 461,155 | (18,845) |
| Penalties and interest on taxes | 16,000 | 16,000 | 11,931 | (4,069) |
| <i>Tuition and Fees:</i> | | | | |
| Regular day school tuition | 95,000 | 95,000 | 87,517 | (7,483) |
| <i>Earnings on investments and deposits</i> | 65,000 | 65,000 | 60,059 | (4,941) |
| <i>Cocurricular Activities:</i> | | | | |
| Admissions | 85,000 | 85,000 | 82,208 | (2,792) |
| Other student activity income | 17,500 | 17,500 | 16,142 | (1,358) |
| <i>Other Revenue from Local Sources:</i> | | | | |
| Rentals | 20,000 | 20,000 | 17,707 | (2,293) |
| Refund of prior years' expenditures | 10,741 | 10,741 | 11,855 | 1,114 |
| Charges for services | 40,000 | 40,000 | 38,606 | (1,394) |
| Other | 56,000 | 483,074 | 459,251 | (23,823) |
| <i>Revenue from Intermediate Sources:</i> | | | | |
| <i>County Sources:</i> | | | | |
| County apportionment | 260,000 | 260,000 | 196,372 | (63,628) |
| Lease of county-owned land | 17,500 | 17,500 | 33,357 | 15,857 |
| <i>Revenue from State Sources:</i> | | | | |
| <i>Grants-in-aid:</i> | | | | |
| Unrestricted grants-in-aid | 10,134,816 | 10,134,816 | 10,298,316 | 163,500 |
| Restricted grants-in-aid | 225,000 | 45,000 | 40,552 | (4,448) |
| <i>Tuition:</i> | | | | |
| Regular Education | -- | 225,000 | 421,489 | 196,489 |
| <i>Other state revenue</i> | -- | -- | 6,122 | 6,122 |
| <i>Revenue from Federal Sources:</i> | | | | |
| <i>Grants-in-aid:</i> | | | | |
| Restricted grants-in-aid received from Federal government through the State | 1,115,208 | 1,259,208 | 1,238,226 | (20,982) |
| <i>Other Federal Revenue</i> | 34,623 | 34,623 | 34,752 | 129 |
| TOTAL REVENUES | <u>19,026,497</u> | <u>19,642,571</u> | <u>19,838,418</u> | <u>195,847</u> |

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020
(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>Instruction:</i> | | | | |
| <i>Regular Programs:</i> | | | | |
| Elementary | \$ 5,290,231 | \$ 5,140,229 | \$ 4,968,367 | \$ 171,862 |
| Middle/junior high | 2,571,289 | 2,571,289 | 2,472,244 | 99,045 |
| High school | 3,427,030 | 3,519,015 | 3,389,265 | 129,750 |
| <i>Special Programs:</i> | | | | |
| Gifted and talented | 9,349 | 9,349 | 5,870 | 3,479 |
| Culturally different | - | 25,950 | 24,278 | 1,672 |
| Educationally deprived | 549,795 | 599,795 | 589,752 | 10,043 |
| Other Special Programs | 600,000 | 989,140 | 974,510 | 14,630 |
| <i>Support Services:</i> | | | | |
| <i>Students:</i> | | | | |
| Guidance | 436,255 | 436,256 | 410,579 | 25,677 |
| Health | 79,334 | 79,334 | 59,743 | 19,591 |
| <i>Instructional Staff:</i> | | | | |
| Improvement of instruction | 144,867 | 261,992 | 237,078 | 24,914 |
| Educational media | 491,857 | 516,857 | 493,244 | 23,613 |
| <i>General Administration:</i> | | | | |
| Board of education | 135,710 | 135,710 | 115,863 | 19,847 |
| Executive administration | 168,963 | 168,963 | 158,121 | 10,842 |
| <i>School Administration:</i> | | | | |
| Office of the principal | 1,255,353 | 1,249,853 | 1,189,705 | 60,148 |
| Title I Program Administration | 9,904 | 9,904 | 9,300 | 604 |
| Other | - | 5,500 | 4,369 | 1,131 |
| <i>Business:</i> | | | | |
| Fiscal services | 236,527 | 236,527 | 231,529 | 4,998 |
| Operation and maintenance of plant | 2,583,389 | 2,588,389 | 2,439,978 | 148,411 |
| Student transportation | 248,000 | 248,000 | 197,253 | 50,747 |
| Food Services | 60,000 | 80,000 | 77,947 | 2,053 |
| Internal services | 69,745 | 69,745 | 42,365 | 27,380 |
| <i>Community Services:</i> | | | | |
| Direction | - | 14,000 | 14,361 | (361) |
| Custody and care of children | - | 150,000 | 116,567 | 33,433 |
| Nonpublic school | 64,562 | 73,562 | 48,946 | 24,616 |
| <i>Nonprogrammed Charges:</i> | | | | |
| Payments to State - Unemployment | 4,000 | 4,000 | 1,653 | 2,347 |
| <i>Cocurricular Activities:</i> | | | | |
| Male activities | 186,586 | 188,229 | 175,889 | 12,340 |
| Female activities | 181,827 | 177,792 | 161,830 | 15,962 |
| Transportation | 144,500 | 144,500 | 108,568 | 35,932 |
| Combined activities | 369,422 | 371,814 | 338,370 | 33,444 |
| TOTAL EXPENDITURES | 19,318,495 | 20,065,694 | 19,057,544 | 1,008,150 |
| <i>Excess of Revenues Over Expenditures</i> | (291,998) | (423,123) | 780,874 | 1,203,997 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 1,208,738 | 1,208,738 |
| <i>Total Other Financing Sources (Uses)</i> | - | - | 1,208,738 | 1,208,738 |
| <i>Excess of Revenues and Other Sources Over (Under) Expenditures</i> | (291,998) | (423,123) | 1,989,612 | 2,412,735 |
| FUND BALANCE, Beginning of Year | 4,224,017 | 4,224,017 | 4,224,017 | - |
| FUND BALANCE, End of Year | \$ 3,932,019 | \$ 3,800,894 | \$ 6,213,629 | \$ 2,412,735 |

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <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 | \$ 4,130,000 | \$ 4,130,000 | \$ 4,125,495 | \$ (4,505) |
| Prior years' ad valorem taxes | 25,000 | 25,000 | 21,256 | (3,744) |
| Penalties and interest on taxes | 8,000 | 8,000 | 7,592 | (408) |
| Earnings on investments and deposits | 7,000 | 14,713 | 30,521 | 15,808 |
| <i>Other Revenue from Local Sources:</i> | | | | |
| Other | 38,100 | 38,100 | 181,350 | 143,250 |
| <i>Revenue from State Sources:</i> | | | | |
| Other state revenue | 72,087 | 72,087 | 63,495 | (8,592) |
| <i>Revenue from Federal Sources:</i> | | | | |
| Other Federal Revenue | 22,000 | 22,000 | 10,735 | (11,265) |
| TOTAL REVENUES | <u>4,302,187</u> | <u>4,309,900</u> | <u>4,440,444</u> | <u>130,544</u> |
| EXPENDITURES | | | | |
| <i>Instruction:</i> | | | | |
| <i>Regular Programs:</i> | | | | |
| Elementary | \$ 305,642 | \$ 305,642 | 383,884 | (78,242) |
| Middle/junior high | 227,416 | 227,416 | 226,384 | 1,032 |
| High school | 542,774 | 542,774 | 671,161 | (128,387) |
| <i>Instructional Staff:</i> | | | | |
| Educational media | 496,313 | 496,313 | -- | 496,313 |
| <i>General Administration:</i> | | | | |
| Board of education | 25,000 | 25,000 | 25,000 | -- |
| <i>School Administration:</i> | | | | |
| Office of the principal | -- | 3,713 | 3,713 | -- |
| <i>Business:</i> | | | | |
| Fiscal services | -- | -- | 4,334 | (4,334) |
| Facilities acquisition and construction | 542,890 | 542,890 | 430,078 | 112,812 |
| Operation and maintenance of plant | 55,000 | 55,000 | 3,437 | 51,563 |
| Student transportation | 45,000 | 45,000 | 34,749 | 10,251 |
| Internal services | 76,241 | 76,241 | 69,700 | 6,541 |
| Debt Services | 1,960,911 | 1,960,911 | 1,644,012 | 316,899 |
| <i>Cocurricular Activities:</i> | | | | |
| Male activities | 14,000 | 18,000 | 17,980 | 20 |
| Combined activities | 11,000 | 11,000 | -- | 11,000 |
| TOTAL EXPENDITURES | <u>4,302,187</u> | <u>4,309,900</u> | <u>3,514,432</u> | <u>795,468</u> |
| <i>Excess of Revenues Over Expenditures</i> | -- | -- | 926,012 | 926,012 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (out) | -- | -- | (25,000) | (25,000) |
| Sale of surplus property | -- | -- | 17,574 | 17,574 |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>(7,426)</u> | <u>(7,426)</u> |
| <i>Excess of Revenues and Other Sources Over (Under) Expenditures</i> | -- | -- | 918,586 | 918,586 |
| FUND BALANCE, Beginning of Year | 2,658,316 | 2,658,316 | 2,658,316 | -- |
| FUND BALANCE, End of Year | <u>\$ 2,658,316</u> | <u>\$ 2,658,316</u> | <u>\$ 3,576,902</u> | <u>\$ 918,586</u> |

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <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 | \$ 2,358,151 | \$ 2,358,151 | \$ 2,350,459 | \$ (7,692) |
| Prior years' ad valorem taxes | 8,750 | 8,750 | 11,326 | 2,576 |
| Penalties and interest on taxes | 3,500 | 3,500 | 4,171 | 671 |
| Earnings on investments and deposits | 1,000 | 1,000 | 1,342 | 342 |
| <i>Other Revenue from Local Sources:</i> | | | | |
| Charges for services | 60,000 | 60,000 | 67,835 | 7,835 |
| <i>Revenue from State Sources:</i> | | | | |
| <i>Grants-in-aid:</i> | | | | |
| Restricted grants-in-aid | 1,335,548 | 1,335,548 | 1,297,495 | (38,053) |
| Other state revenue | 252,393 | 252,393 | -- | (252,393) |
| <i>Revenue from Federal Sources:</i> | | | | |
| <i>Grants-in-aid:</i> | | | | |
| Restricted grants-in-aid received from Federal government through the State | 735,671 | 735,671 | 738,600 | 2,929 |
| TOTAL REVENUES | <u>4,755,013</u> | <u>4,755,013</u> | <u>4,471,228</u> | <u>(283,785)</u> |
| EXPENDITURES | | | | |
| <i>Instruction:</i> | | | | |
| <i>Special Programs:</i> | | | | |
| Programs for special education | 3,391,057 | 3,391,057 | 3,209,655 | 181,402 |
| <i>Support Services:</i> | | | | |
| <i>Students:</i> | | | | |
| Guidance | 44,856 | 44,856 | 33,443 | 11,413 |
| Health | 23,959 | 23,959 | 14,396 | 9,563 |
| Psychological | 127,532 | 127,532 | 125,803 | 1,729 |
| Speech pathology | 754,854 | 754,854 | 738,478 | 16,376 |
| Student therapy services | 226,000 | 226,000 | 205,030 | 20,970 |
| <i>Special Education:</i> | | | | |
| Administrative costs | 130,000 | 130,000 | 138,198 | (8,198) |
| Transportation costs | 45,000 | 45,000 | 32,479 | 12,521 |
| Other | 100,000 | 100,000 | 139,963 | (39,963) |
| TOTAL EXPENDITURES | <u>4,843,258</u> | <u>4,843,258</u> | <u>4,637,445</u> | <u>205,813</u> |
| <i>Excess of Revenues Over Expenditures</i> | (88,245) | (88,245) | (166,217) | (77,972) |
| <i>FUND BALANCE, Beginning of Year</i> | 146,278 | 146,278 | 146,278 | -- |
| <i>FUND BALANCE, End of Year</i> | <u>\$ 58,033</u> | <u>\$ 58,033</u> | <u>\$ (19,939)</u> | <u>\$ (77,972)</u> |

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST-HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <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>Post Secondary Program Tuition and Fees:</i> | | | | |
| Post secondary program tuition | \$ 4,013,625 | \$ 4,013,625 | \$ 3,412,194 | \$ (601,431) |
| Post secondary student fees | 142,175 | 142,175 | 536,261 | 394,086 |
| <i>Earnings on investments and deposits</i> | 30,000 | 30,000 | 37,608 | 7,608 |
| <i>Post Secondary:</i> | | | | |
| Resales/services - occupational programs | 590,000 | 590,000 | 546,311 | (43,689) |
| State fees | 207,000 | 207,000 | 187,677 | (19,323) |
| Corporate fees | 175,000 | 175,000 | 93,776 | (81,224) |
| Local fees | 2,333,695 | 2,333,695 | 2,116,179 | (217,516) |
| <i>Other Revenue from Local Sources:</i> | | | | |
| Rentals | 68,904 | 68,904 | 77,904 | 9,000 |
| Other | 926,000 | 1,976,000 | 2,219,130 | 243,130 |
| <i>Revenue from State Sources:</i> | | | | |
| <i>Grants-in-aid:</i> | | | | |
| Unrestricted grants-in-aid | 4,179,016 | 4,179,016 | 4,270,606 | 91,590 |
| <i>Other state revenue</i> | 1,387,202 | 1,387,202 | 1,388,331 | 1,129 |
| <i>Revenue from Federal Sources:</i> | | | | |
| <i>Grants-in-aid:</i> | | | | |
| Restricted grants-in-aid received from Federal government through the State | 363,141 | 838,141 | 894,129 | 55,988 |
| <i>Other Federal Revenue</i> | 92,357 | 92,357 | 61,294 | (31,063) |
| TOTAL REVENUES | <u>14,508,115</u> | <u>16,033,115</u> | <u>15,841,400</u> | <u>(191,715)</u> |

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST-HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <i>Variance with Final Budget Positive (Negative)</i> |
|---|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| EXPENDITURES | | | | |
| <i>Instruction:</i> | | | | |
| <i>Post Secondary Occupational Programs</i> | 7,240,476 | 7,240,476 | 6,897,398 | 343,078 |
| <i>Support Services:</i> | | | | |
| <i>Students:</i> | | | | |
| Guidance | 2,070,831 | 2,070,831 | 1,980,001 | 90,830 |
| <i>General Administration:</i> | | | | |
| Board of education | 2,000 | 2,000 | 1,938 | 62 |
| Executive administration | 41,892 | 41,892 | 38,996 | 2,896 |
| <i>School Administration:</i> | | | | |
| Vocational school - director's office | 407,707 | 407,707 | 346,358 | 61,349 |
| Financial aids administration | 219,596 | 219,596 | 220,075 | (479) |
| Other | 184,143 | 1,234,143 | 1,207,324 | 26,819 |
| <i>Business:</i> | | | | |
| Fiscal services | 674,851 | 674,851 | 483,634 | 191,217 |
| Facilities acquisition and construction | 925,000 | 980,000 | 1,307,403 | (327,403) |
| Operation and maintenance of plant | 1,823,201 | 1,893,201 | 2,048,020 | (154,819) |
| <i>Central:</i> | | | | |
| Planning | 11,939 | 11,939 | 10,635 | 1,304 |
| Data processing | 665,915 | 665,915 | 611,802 | 54,113 |
| <i>Resale Services:</i> | | | | |
| Post secondary resales/service | 625,000 | 625,000 | 724,208 | (99,208) |
| <i>Nonprogrammed Charges:</i> | | | | |
| Early retirement payments | | 350,000 | 346,620 | 3,380 |
| Student financial aid | -- | -- | 933 | (933) |
| <i>Debt Services</i> | 95,775 | 125,775 | 124,875 | 900 |
| <i>Cocurricular Activities:</i> | | | | |
| Combined activities | 59,000 | 59,000 | 42,717 | 16,283 |
| TOTAL EXPENDITURES | 15,047,326 | 16,602,326 | 16,392,937 | 209,389 |
| <i>Excess of Revenues Over Expenditures</i> | (539,211) | (569,211) | (551,537) | 17,674 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (out) | (120,789) | (90,789) | (90,789) | -- |
| General long-term debt issued | 300,000 | 300,000 | 300,000 | -- |
| Sale of surplus property | 10,000 | 10,000 | 14,112 | 4,112 |
| Total Other Financing Sources (Uses) | 189,211 | 219,211 | 223,323 | 4,112 |
| <i>Excess of Revenues and Other Sources Over (Under) Expenditures</i> | (350,000) | (350,000) | (328,214) | 21,786 |
| <i>FUND BALANCE, Beginning of Year</i> | 5,564,673 | 5,564,673 | 5,564,673 | -- |
| <i>FUND BALANCE, End of Year</i> | \$ 5,214,673 | \$ 5,214,673 | \$ 5,236,459 | \$ 21,786 |

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020*

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) AND
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

| Measurement Date | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share 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 (Asset) |
|------------------|--|---|----------------------------|--|--|
| 6/30/2020 | 0.79% | \$ (83,432) | \$ 21,846,416 | -0.38% | 100.09% |
| 6/30/2019 | 0.82% | \$ (19,035) | \$ 16,876,372 | -0.11% | 100.02% |
| 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% |

*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 full 10-year trend is compiled, the School District will present information for those years for which information is available.

| Fiscal Year Ending | Contractually Required Contribution | Contributions in relation to the Contractually Required Contribution | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--------------------|-------------------------------------|--|----------------------------------|----------------------------|--|
| 6/30/2020 | \$ 1,310,788 | \$ 1,310,788 | \$ -- | \$ 21,846,416 | 6.00% |
| 6/30/2019 | \$ 1,012,581 | \$ 1,012,581 | \$ -- | \$ 16,876,372 | 6.00% |
| 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% |

*Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET) AND
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

SUPPLEMENTARY INFORMATION

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

| <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 | -- | \$ 49,500 |
| <i>Pass through the S.D. Department of Education:</i> | | | |
| Fresh Fruit and Vegetable Program | 10.582 | -- | 76,570 |
| <i>Child Nutrition Cluster:</i> | | | |
| <i>Non-Cash Assistance (Commodities):</i> | | | |
| National School Lunch Program | 10.555 | -- | \$ 114,218 |
| <i>Cash Assistance:</i> | | | |
| School Breakfast Program (Note 4) | 10.553 | -- | 177,275 |
| National School Lunch Program (Note 4) | 10.555 | -- | 501,630 |
| Summer Food Service Program for Children | 10.559 | -- | 696,948 |
| Total Child Nutrition Cluster | | | <u>1,490,071</u> |
| <i>Total U.S. Department of Agriculture</i> | | | <u>1,616,141</u> |
| <i>National Science Foundation</i> | | | |
| <i>Direct Federal Funding</i> | | | |
| Education and Human Resources | 47.076 | -- | <u>11,794</u> |
| <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 | -- | \$ 60,421 |
| Direct Loan Program (DLP) (Note 5) | 84.268 | -- | 3,485,505 |
| Federal Work Study (FWS) | 84.033 | -- | 32,574 |
| Federal Pell Grant Program (PELL) | 84.063 | -- | 1,964,004 |
| Total Student Financial Assistance Programs Cluster | | | \$ 5,542,504 |
| Indian Education - Grants to Local Educational Agencies | 84.060 | -- | 34,752 |
| <i>Pass through the S.D. Department of Education:</i> | | | |
| Title I Grants to Local Educational Agencies (LEAs) | 84.010 | -- | 747,893 |
| Vocational Education - Basic Grants to States | 84.048 | -- | 407,803 |
| Twenty-First Century Community Learning Centers | 84.287 | -- | 119,252 |
| English Language Acquisition State Grants | 84.365 | -- | -- |
| Improving Teacher Quality State Grants | 84.367 | -- | 174,252 |
| Student Support and Academic Enrichment Program | 84.424 | -- | 47,886 |
| Higher Education Emergency Relief Fund - Student Aid | 84.425E | -- | 394,380 |
| Higher Education Emergency Relief Fund - Institutional Portion | 84.425F | -- | 138,483 |
| <i>Special Education Cluster:</i> | | | |
| Special Education Grants to States | 84.027 | -- | \$ 722,068 |
| Special Education - Preschool Grants | 84.173 | -- | 16,532 |
| Total Special Education Cluster | | | <u>738,600</u> |
| <i>Total U.S. Department of Education</i> | | | <u>8,345,805</u> |
| <i>U.S. Department of Homeland Security</i> | | | |
| Homeland Security Grant Program | 97.067 | -- | <u>6,122</u> |
| GRAND TOTAL | | | <u><u>\$ 9,979,862</u></u> |

MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020
(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, 2020. 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 | \$ 3,228,588 |
| PLUS Program Loans | \$ 256,917 |

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.)