

MITCHELL SCHOOL DISTRICT NO. 17-2
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

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

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

We have audited 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, Davison County, South Dakota, as of and for the year ended June 30, 2011, which collectively comprise Mitchell School District No. 17-2's basic financial statements and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mitchell School District No. 17-2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mitchell School District No. 17-2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mitchell School District No. 17-2's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mitchell School District No. 17-2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

CLO Prof LLC

**Mitchell, South Dakota
January 17, 2012**



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Mitchell School District No. 17-2's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect each of its major federal programs for the year ended June 30, 2011. Mitchell School District No. 17-2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mitchell School District No. 17-2's management. Our responsibility is to express an opinion on Mitchell School District No. 17-2's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Mitchell School District No. 17-2'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. Our audit does not provide a legal determination of Mitchell School District No. 17-2's compliance with those requirements.

In our opinion, Mitchell School District No. 17-2 complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Mitchell School District No. 17-2 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mitchell School District No. 17-2's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, 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 Mitchell School District No. 17-2'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Handwritten signature in cursive script that reads "CIO Prof LHC".

Mitchell, South Dakota
January 17, 2012

*MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011*

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified: yes X no

**Significant deficiencies identified
that are not considered to be
material weakness(es)?** yes X none reported

**Noncompliance material to financial
statements noted?** yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? yes X no

**Significant deficiencies identified
that are not considered to be
material weakness(es)?** yes X none reported

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

**Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of Circular A-133?** yes X no

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

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

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
11.307	Economic Adjustment Assistance
	Student Financial Assistance Program Cluster:
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.032	Direct Loan Program
84.033	Federal Work-Study Program (FWS)
84.038	Federal Perkins Loan-Federal Capital Contributions (FPL)
84.063	Federal Pell Grant Program (PELL)
84.375	Academic Competitiveness Grant (ACG)
	Special Education Cluster
84.027	Special Education, Grants to States
84.173	Special Education, Preschool Grants
84.391	Special Education, Grants to States, Recovery Act
84.392	Special Education, Preschool Grants, Recovery Act
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act Funds
84.410	Education Jobs Fund

Dollar threshold used to distinguish

between type A and type B programs: \$434,294

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

There are no findings which are required to be reported in accordance with Government Auditing Standards.

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 Sections 510(a) of OMB Circular A-133.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mitchell School District No. 17-2, Davison County, South Dakota, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mitchell School District No. 17-2's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of Mitchell School District No. 17-2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 20 and 55 through 62 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mitchell School District No. 17-2's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedules of expenditures of federal awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "CIO Prof LLC".

Mitchell, South Dakota
January 17, 2012

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011*

It is again a privilege to present the financial picture of the Mitchell School District No. 17-2 (the District). This discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; please review the notes to the financial statements to enhance your understanding of the District's financial performance.

The Management's Discussion and Analysis (MD & A) is an element of the new reporting model adopted by GASB in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2011, the District's net assets from governmental and business type activities increased by \$3,064,482.

- During the year, the District's total revenues of \$39,146,680 were comprised of general revenues of \$17,562,753 and program revenues totaling \$21,583,927.
- As of the year ended June 30, 2011, the District's governmental funds reported combined ending fund balances of \$9,755,798, a decrease of \$1,755,685 compared with the prior year.
- The General Fund reported a decrease in fund balance of \$44,050 leaving an ending fund balance of \$3,685,469 or 25.09% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Statement of Net Assets and Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - Governmental funds statements tell how general governmental services are financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the District operates like businesses.
 - Fiduciary fund statements provide information about the financial relationships - like student organization club accounts – in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

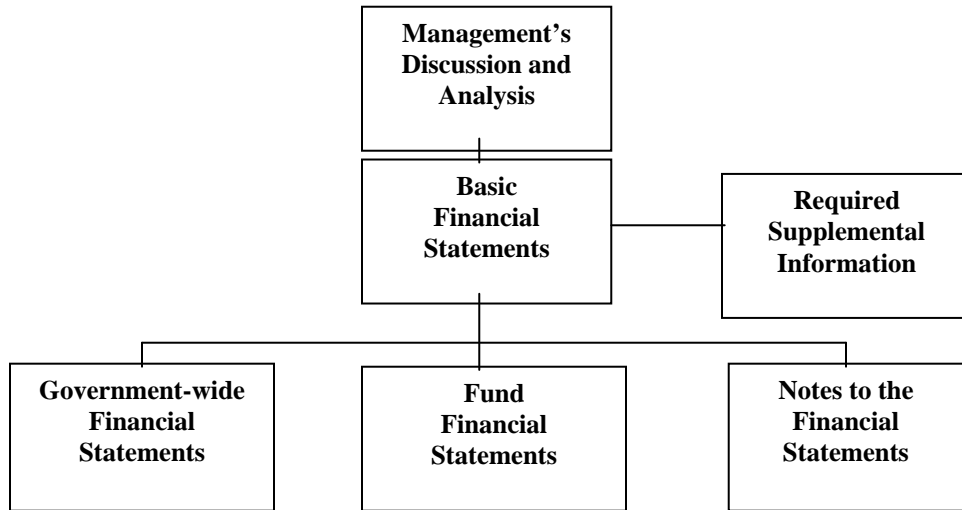
**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

Required Components of Mitchell School District 17-2 Financial Report



*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the activities reported and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements		
	Government-wide Statements	Governmental	Proprietary-Enterprise	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the District operates similar to private businesses.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required Financial Statements	Statement of Net Assets, and Statement of Activities.	Balance Sheet, and Statement of Revenues, Expenditures and Changes in Fund Balance.	Statement of Net Assets, and Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows.	Statement of Fiduciary Net Assets, and Statement of Changes in Fiduciary Net Assets.
Basis of Accounting and Measurement Focus	Accrual accounting. Economic focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of Inflow and Outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The view of the District as a whole looks at all financial transactions and asks the questions, “Are we in a better financial position this year than last?” and “Why?” or “Why not?” The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. These statements report information about the District as a whole using full accrual accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s overall financial health or position.

- Over time, increases or decreases in the District’s net assets are useful indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, additional non-financial factors such as changes in the District’s property tax base, the condition of school buildings and changes in the state school aid funding formula from the State of South Dakota need to be considered.

The Statement of Activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District’s activities are reported in two categories:

- **Governmental Activities** – This category includes the District’s basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, pupil transportation, etc.), debt service payments, special education, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state aid formula, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The District charges fees and receives federal and state reimbursements to cover the costs of providing lunch services to all students. The District also charges fees to cover the costs of providing books and equipment to students attending Mitchell Technical Institute and to cover the costs of providing on-site child care services for students attending Mitchell Technical Institute.

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The Fund financial statements provide more detailed information about the District's individual funds – not the District as a whole. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Funds are accounting devices that the District uses to ensure and demonstrate compliance with finance-related legal requirements.

- State law requires some of the funds (like Capital Outlay, Special Education, Post Secondary and Pension).
- The School Board establishes other funds to control and manage money for particular purposes.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at the year-end that are available for funding future basic services (an accounting method called modified accrual accounting). The governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, an explanation of additional information is included at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** –
 - **Enterprise Funds** – Services for which the District charges customers a fee and for which revenues are expected to cover all expenses are generally reported in proprietary funds-enterprise funds. Enterprise funds, like the government-wide statements, provide both short and long-term financial information. They have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the District as a whole.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- **Fiduciary Funds – The District is the trustee, or fiduciary, for external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes and only by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the account groups General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The District's combined net assets increased \$2,939,287 (or 9.4%) to \$31,401,689 at June 30, 2011.

The District's combined net assets increased as follows:

	Statement of Net Assets					
	Government Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other Asset	\$ 18,191,534	\$ 16,519,461	\$ 500,534	\$ 399,556	\$ 18,692,068	\$ 16,919,017
Capital Assets	29,358,292	35,519,152	107,470	125,629	29,465,762	35,644,781
Total Assets	\$ 47,549,826	\$ 52,038,613	\$ 608,004	\$ 525,185	\$ 48,157,830	\$ 52,563,798
Long-term Debt	\$ 13,277,505	\$ 14,628,821	\$ --	\$ --	\$ 13,277,505	\$ 14,628,821
Current Liabilities	6,394,305	6,512,467	23,613	20,821	6,417,918	6,533,288
Total Liabilities	19,671,810	21,141,288	23,613	20,821	19,695,423	21,162,109
Invested in Capital Assets						
Net of Related Debt	16,983,531	21,918,319	107,470	125,629	17,091,001	22,043,948
Restricted	7,869,253	5,932,937	301,065	258,104	8,170,318	6,191,041
Unrestricted	3,025,232	3,046,069	175,856	120,631	3,201,088	3,166,700
Total Net Assets	27,878,016	30,897,325	584,391	504,364	28,462,407	31,401,689
Total Liabilities and Net Assets	\$ 47,549,826	\$ 52,038,613	\$ 608,004	\$ 525,185	\$ 48,157,830	\$ 52,563,798

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable, early retirement benefits payable, Qualified Zone Academy Bonds (QZABs), financing (capital acquisition) leases, note payable and capital outlay certificates payable, have been reported in this manner on the Statement of Net Assets. The difference between the District's assets and liabilities is its net assets.

Changes in Net Assets

The District's revenues totaled \$39,146,680, which represents an increase in revenues from state sources and operating grants of \$2,282,824. Approximately 35% of the District's revenue comes from property taxes and tuition and fees from Mitchell Technical Institute and 30% comes from state sources.

The District's expenditures total \$36,082,193, which represents an increase of \$2,502,554 or 7.4%. The primary reasons for this increase are attributed to an increase in salary and benefits for the employees of the District. The District's expenses cover a range of services, encompassing instruction, support services, transportation and co-curricular services.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (continued)

Net Assets (continued)

Table A-2 and the narrative that follows show the changes in net assets for fiscal year 2011.

	Change in Net Assets					
	Government Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
<i>Revenues</i>						
Program Revenues						
Charge for Services	\$ 6,123,082	\$ 6,162,359	\$ 1,967,876	\$ 2,014,430	\$ 8,090,958	\$ 8,176,789
Operating Grants/ Contributions	10,077,405	12,599,333	556,473	576,805	10,633,878	13,176,138
Capital Grants/ Contributions	6,000,000	231,000	--	--	6,000,000	231,000
General Revenues						
Taxes	9,520,096	9,882,053	--	--	9,520,096	9,882,053
Revenue State Sources	6,593,423	6,916,046	--	--	6,593,423	6,916,046
Other						
Other general revenues	485,965	676,696	--	--	485,965	676,696
Unrestricted Investment Earnings	146,197	87,958	--	--	146,197	87,958
	<u>38,946,168</u>	<u>36,555,445</u>	<u>2,524,349</u>	<u>2,591,235</u>	<u>41,470,517</u>	<u>39,146,680</u>
<i>Expenses</i>						
Instruction	16,889,466	18,243,250	--	--	16,889,466	18,243,250
Support Services	9,549,169	10,185,018	--	--	9,549,169	10,185,018
Community Services	227,828	226,312	--	--	227,828	226,312
Non-programmed Charges	3,008,551	2,978,239	--	--	3,008,551	2,978,239
Debt Service	596,246	927,301	--	--	596,246	927,301
Co-curricular Activities	770,748	831,972	--	--	770,748	831,972
Food Service	--	--	1,433,533	1,544,693	1,433,533	1,544,693
Child Development Center	--	--	168,912	178,868	168,912	178,868
MTI Bookstore	--	--	935,186	966,545	935,186	966,545
	<u>31,042,008</u>	<u>33,392,092</u>	<u>2,537,631</u>	<u>2,690,106</u>	<u>33,579,639</u>	<u>36,082,198</u>
Excess (Deficiency) of Revenues Over Expenses						
Before Transfers	7,904,160	3,163,353	(13,282)	(98,871)	7,890,878	3,064,482
Transfers	(17,398)	(18,844)	17,398	18,844	--	--
Increase (Decrease) in Net Assets	<u>\$ 7,886,762</u>	<u>\$ 3,144,509</u>	<u>\$ 4,116</u>	<u>\$ (80,027)</u>	<u>\$ 7,890,878</u>	<u>\$ 3,064,482</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial analysis of the District's funds mirror those highlighted in the analysis of governmental and business-type activities. The District maintains three business-type funds: Food Service Fund, MTI Bookstore, and Child Development Center.

GOVERNMENTAL ACTIVITIES

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$9,755,798, a decrease of \$1,755,685 compared to the prior year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,685,469. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balances to total fund expenditures. Unreserved fund balance represents 25.09% of total fund expenditures.

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities increased by 2.6% to \$66,886 and expenses increased 6.0% to \$152,475.

Factors contributing to these results include:

- The major factor for increased revenue is the increase in student enrollment at Mitchell Technical Institute and we increased prices for the bookstore.
- The primary reason for increased expenditures is an increase in cost of sales.

General Fund Budgetary Highlights

Original vs. Final Budget

The Board of Education approved the original budget for the upcoming fiscal year in July 2010. As a matter of practice, over the course of the year, it was revised. These amendments fall into two categories:

- Supplemental appropriations approved for unanticipated, yet necessary expenditures to provide for items necessary for the education programs.
- Increases and decreases in federal funds to reflect changes made in grant programs.

Changes from Original to Final Budget:

General Fund Revenues:

Total Revenues Original Budget	\$ 14,197,456	
Total Revenues Final Budget	<u>14,274,847</u>	
Increase	<u>\$ 77,391</u>	0.54%

General Fund Expenditures:

Total Expenditures Original Budget	\$ 14,826,130	
Total Expenditures Final Budget	<u>14,903,521</u>	
Increase in Budgeted Expenses	<u>\$ 77,391</u>	0.52%

The District's actual expenditure of \$14,690,757 was less than the final budget by 1.43%.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

CAPITAL ASSET ADMINISTRATION

The District recognized a depreciation expense of \$1,791,904 for governmental activities and \$19,971 for the business-type activities.

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2010	2011	2010	2011		
Land	\$ 1,432,632	\$ 1,432,632	\$ --	\$ --	\$ --	0.00 %
Construction in progress	6,758,980	--	--	--	(6,758,980)	(100.00) %
Buildings	17,619,313	27,571,562	--	--	9,952,249	36.10 %
Machinery & Equipment	3,547,367	6,514,958	107,470	125,629	2,985,750	44.96 %
Total Capital Assets	\$ 29,358,292	\$ 35,519,152	\$ 107,470	\$ 125,629	\$ 6,179,019	17.33 %

Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2010	2011		
Capital outlay certificates	\$ 10,550,000	\$ 11,120,000	\$ 570,000	5.13 %
Capital outlay bonds	725,000	1,600,000	875,000	54.69 %
Capital leases	774,740	375,613	(399,127)	(106.26) %
Capital improvement fee	224,000	179,200	(44,800)	(25.00) %
Note Payable	--	225,000	225,000	100.00 %
Contract for Deed	101,021	101,021	--	0.00 %
Early retirement plan payable	370,410	469,543	99,133	21.11 %
Compensated absences	532,334	558,444	26,110	4.68 %
Total Outstanding Debt	\$ 13,277,505	\$ 14,628,821	\$ 1,351,316	9.24 %

The District retired its obligations in accordance with the terms of the various agreements. The District incurred additional costs by being included in the State of South Dakota's Laptop Program for schools. The Mitchell School District provides every student in grades 7 through 12 a laptop for school use. The District will pay this capital lease over a 3-year period. More detailed information about the District's debt is presented in the notes to the financial statements.

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the General Fund, one of the primary sources of revenue to the School District is based on a per-student allocation from the State of South Dakota. This per-student allocation is based on a student average daily membership (ADM) and increases each year by the lesser of the rate of inflation or three percent (3%). The state aid formula for the 2010-2011 school year ensured that the property taxes plus state aid equals \$4,805 per pupil. The School Districts in the State of South Dakota saw the funding formula changed during this school year because of the struggling economy. The State legislature reduced the funding to education by 6.6% for the 2011-2012 school year. The allocation has been decreased to \$4,487 per pupil. Since the funding formula was implemented in the 1997-1998 school year, the annual increase in the allocation has not kept up with the increases in education costs, primarily salary and benefit increases. During the 2001-2002 school year, the School Board passed a resolution to opt out of the state funding limitation in the amount of \$700,000 per year. This opt-out resolution was passed in a public election and allows the School Board to ask for an additional \$700,000 each year above what is generated by the levies. Because of the decrease in state funding, the Mitchell School board asked for an additional \$200,000 in opt-out taxes to fund the current budget. The School Board will look at doubling this amount to \$400,000 for the upcoming school year. We will see a increase in the number of students for the 2011-2012 school year. This will provide us additional funds to ease the reduction in State Aid. As we proceed down the road in funding of education, the school board and administration will do what is necessary to provide a quality education to the students of our school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Mitchell School District's Business Office, 800 West 10th Avenue, Mitchell, SD 57301.

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
ASSETS:			
Cash and cash equivalents	\$ 10,625,920	\$ 289,081	\$ 10,915,001
Cash with fiscal agent	298,901	--	298,901
Receivables:			
Taxes - current	4,735,435	--	4,735,435
Taxes - delinquent	86,119	--	86,119
Trade accounts	111,161	--	111,161
Student loans - current portion	56,000	--	56,000
Due from other governments	291,544	58,542	350,086
Inventories	--	51,933	51,933
Student loans - non-current	314,381	--	314,381
Capital assets:			
Land and land improvements	1,432,632	--	1,432,632
Other capital assets, net of depreciation	34,086,520	125,629	34,212,149
TOTAL ASSETS	\$ 52,038,613	\$ 525,185	\$ 52,563,798
LIABILITIES :			
Accounts payable	\$ 148,035	\$ 20,821	\$ 168,856
Other current liabilities	6,364,432	--	6,364,432
Noncurrent liabilities:			
Due within one year	1,622,134	--	1,622,134
Due in more than one year	13,006,687	--	13,006,687
TOTAL LIABILITIES	21,141,288	20,821	21,162,109
NET ASSETS:			
Invested in capital assets, net of related debt	21,918,319	125,629	22,043,948
Restricted for:			
Special education	936,777	--	936,777
Capital outlay	672,757	--	672,757
Special termination benefits	605,603	--	605,603
Post-Secondary education	2,632,988	--	2,632,988
Construction of capital assets	107,796	--	107,796
Student financial aid	410,669	--	410,669
Debt service	298,901	--	298,901
Child nutrition	--	258,104	258,104
Unrestricted	3,313,515	120,631	3,434,146
TOTAL NET ASSETS	30,897,325	504,364	31,401,689
TOTAL LIABILITIES AND NET ASSETS	\$ 52,038,613	\$ 525,185	\$ 52,563,798

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF ACTIVITIES
JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 18,243,250	\$ 5,516,979	\$ 9,879,106	\$ 231,000	\$ (2,616,165)	\$ --	\$ (2,616,165)
Support services	10,185,018	455,994	--	--	(9,729,024)	--	(9,729,024)
Community services	226,312	--	--	--	(226,312)	--	(226,312)
Nonprogrammed charges	2,978,239	--	2,569,796	--	(408,443)	--	(408,443)
Interest on long-term debt	927,301	83,379	150,431	--	(693,491)	--	(693,491)
Cocurricular activities	831,972	106,007	--	--	(725,965)	--	(725,965)
Total Governmental Activities	33,392,092	6,162,359	12,599,333	231,000	(14,399,400)	--	(14,399,400)
<i>Business-type Activities:</i>							
Food service	1,544,693	951,564	550,169	--	--	(42,960)	(42,960)
Child development center	178,868	108,616	26,636	--	--	(43,616)	(43,616)
MTI bookstore	966,545	954,250	--	--	--	(12,295)	(12,295)
Total Business-type Activities	2,690,106	2,014,430	576,805	--	--	(98,871)	(98,871)
Total Primary Government	\$ 36,082,198	\$ 8,176,789	\$ 13,176,138	\$ 231,000	(14,399,400)	(98,871)	(14,498,271)
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property taxes					9,543,471	--	9,543,471
Gross receipts taxes					338,582	--	338,582
<i>Revenue from State Sources:</i>							
State aid					6,909,357	--	6,909,357
Other					6,689	--	6,689
Unrestricted investment earnings					87,958	--	87,958
Other general revenues					676,696	--	676,696
<i>Transfers</i>					(18,844)	18,844	--
Total General Revenues and Transfers					17,543,909	18,844	17,562,753
Change in Net Assets					3,144,509	(80,027)	3,064,482
<i>NET ASSETS, Beginning of Year</i>					<u>27,752,816</u>	<u>584,391</u>	<u>28,337,207</u>
<i>NET ASSETS, End of Year</i>					<u>\$ 30,897,325</u>	<u>\$ 504,364</u>	<u>\$ 31,401,689</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, 2011

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:							
Cash and cash equivalents	\$ 4,815,149	\$ 761,910	\$ 1,235,580	\$ 614,294	\$ 3,050,903	\$ 148,084	\$ 10,625,920
Cash with fiscal agent	--	--	--	--	--	298,901	298,901
Receivables:							
Taxes - current	2,556,709	1,390,367	649,313	139,046	--	--	4,735,435
Taxes - delinquent	50,020	23,396	10,484	2,219	--	--	86,119
Trade accounts	--	--	--	--	111,161	--	111,161
Student loans - current portion	--	--	--	--	--	56,000	56,000
Due from other governments	247,361	--	9,702	--	34,481	--	291,544
Student loans - non-current	--	--	--	--	--	314,381	314,381
TOTAL ASSETS	<u>\$ 7,669,239</u>	<u>\$ 2,175,673</u>	<u>\$ 1,905,079</u>	<u>\$ 755,559</u>	<u>\$ 3,196,545</u>	<u>\$ 817,366</u>	<u>\$ 16,519,461</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 44,974	\$ 1,129	\$ 12,174	\$ --	\$ 89,758	\$ --	\$ 148,035
Contracts payable	1,063,766	--	204,776	--	160,070	--	1,428,612
Payroll deductions and withholdings and employer matching payable	254,585	--	50,878	--	46,283	--	351,746
Deferred revenue	2,620,445	1,413,763	659,797	141,265	--	--	4,835,270
Total Liabilities	<u>3,983,770</u>	<u>1,414,892</u>	<u>927,625</u>	<u>141,265</u>	<u>296,111</u>	<u>--</u>	<u>6,763,663</u>
Fund Balances:							
Restricted for:							
Student financial aid	--	--	--	--	--	410,669	410,669
Debt service	--	--	--	--	--	298,901	298,901
Capital purposes	--	--	--	--	--	107,796	107,796
Capital outlay fund	--	760,781	--	--	--	--	760,781
Special education fund	--	--	977,454	--	--	--	977,454
Pension fund	--	--	--	614,294	--	--	614,294
Post-high fund	--	--	--	--	2,900,434	--	2,900,434
Unassigned	<u>3,685,469</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,685,469</u>
Total Fund Balances	<u>3,685,469</u>	<u>760,781</u>	<u>977,454</u>	<u>614,294</u>	<u>2,900,434</u>	<u>817,366</u>	<u>9,755,798</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,669,239</u>	<u>\$ 2,175,673</u>	<u>\$ 1,905,079</u>	<u>\$ 755,559</u>	<u>\$ 3,196,545</u>	<u>\$ 817,366</u>	

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 35,519,152

Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds. (14,628,821)

Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds. 251,196

Net Assets of Governmental Activities \$ 30,897,325

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, 2011

<u>REVENUES</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenue from Local Sources:</i>							
<i>Taxes:</i>							
Ad valorem taxes	\$ 5,080,276	\$ 2,793,073	\$ 1,305,027	\$ 279,311	\$ --	\$ --	\$ 9,457,687
Prior years' ad valorem taxes	51,699	25,316	11,175	2,531	--	--	90,721
Gross receipts taxes	338,582	--	--	--	--	--	338,582
Penalties and interest on taxes	17,176	7,950	3,712	795	--	--	29,633
<i>Tuition and Fees:</i>							
Regular day school tuition	17,534	--	--	--	--	--	17,534
Adult continuing education tuition	--	--	--	--	122,515	--	122,515
Summer school fees	25,409	--	--	--	--	--	25,409
<i>Post Secondary Program Tuition and Fees:</i>							
Post secondary program tuition	--	--	--	--	3,158,195	--	3,158,195
Post secondary student fees	--	--	--	--	2,193,326	--	2,193,326
<i>Earnings on investments and deposits</i>	37,557	3,290	6,952	4,437	24,016	11,706	87,958
<i>Post Secondary:</i>							
Resales/services - occupational programs	--	--	--	--	455,994	--	455,994
<i>Cocurricular Activities:</i>							
Admissions	104,768	--	--	--	--	--	104,768
Other pupil activity income	1,239	--	--	--	--	--	1,239
<i>Other Revenue from Local Sources:</i>							
Rentals	12,572	--	--	--	--	--	12,572
Charges for services	91,952	--	65,947	--	--	--	157,899
Other	88,224	17,927	--	--	177,594	18,302	302,047
<i>Revenue from Intermediate Sources:</i>							
<i>County Sources:</i>							
County apportionment	259,278	--	--	--	--	--	259,278
Lease of county-owned land	14,394	--	--	--	--	--	14,394
Other	18,237	--	--	--	--	--	18,237
<i>Revenue in lieu of taxes</i>	--	68,985	--	--	--	--	68,985

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, 2011
(continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenue from State Sources:</i>							
<i>Grants-in-aid:</i>							
Unrestricted grants-in-aid	6,237,018	--	--	--	3,751,912	--	9,988,930
Restricted grants-in-aid	--	--	1,129,187	--	74,581	--	1,203,768
Other state revenue	13,289	117,647	--	--	181,540	--	312,476
<i>Revenue from Federal Sources:</i>							
<i>Grants-in-aid:</i>							
Restricted grants-in-aid received directly from							
Federal government	--	81,100	--	--	--	2,569,796	2,650,896
Restricted grants-in-aid received from							
Federal government through the State	2,017,628	--	878,407	--	483,714	--	3,379,749
Johnson O'Malley Funds	28,566	--	--	--	--	--	28,566
Other Federal Revenue	176,630	--	--	--	1,539,315	--	1,715,945
TOTAL REVENUES	<u>14,632,028</u>	<u>3,115,288</u>	<u>3,400,407</u>	<u>287,074</u>	<u>12,162,702</u>	<u>2,599,804</u>	<u>36,197,303</u>
<u>EXPENDITURES</u>							
<i>Instruction:</i>							
<i>Regular Programs:</i>							
Elementary	\$ 3,720,372	\$ 81,850	\$ --	\$ --	\$ --	\$ --	\$ 3,802,222
Middle/junior high	1,927,177	55,516	--	--	--	--	1,982,693
High school	2,735,719	54,643	--	--	--	--	2,790,362
Other regular programs	126,662	--	--	--	--	--	126,662
<i>Special Programs:</i>							
Gifted and talented	60,200	--	--	--	--	--	60,200
Programs for special education	--	--	2,289,468	--	--	--	2,289,468
Culturally different	--	--	--	--	--	--	--
Educationally deprived	609,797	--	--	--	--	--	609,797
Post Secondary Occupational Programs	--	--	--	--	7,982,883	--	7,982,883
<i>Support Services:</i>							
<i>Pupils:</i>							
Attendance and social work	--	--	--	--	--	--	--
Guidance	396,013	--	44,562	--	1,149,702	--	1,590,277
Health	53,285	--	19,262	--	--	--	72,547
Psychological	--	--	95,257	--	--	--	95,257
Speech pathology	--	--	515,740	--	--	--	515,740
Student therapy services	--	--	131,404	--	--	--	131,404

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, 2011
(continued)

	<i>General</i>	<i>Capital Outlay</i>	<i>Special Education</i>	<i>Pension</i>	<i>Post- High</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Instructional Staff:</i>							
Improvement of instruction	51,876	--	99	--	--	--	51,975
Educational media	475,232	--	--	--	10,054	--	485,286
<i>General Administration:</i>							
Board of education	105,142	101,472	--	--	5,900	--	212,514
Executive administration	148,219	--	--	--	30,936	--	179,155
<i>School Administration:</i>							
Office of the principal	974,555	--	--	--	--	--	974,555
Vocational school - director's office	--	--	--	--	250,551	--	250,551
Financial aids administration	--	--	--	--	160,270	--	160,270
Other	5,881	--	--	--	112,837	--	118,718
<i>Business:</i>							
Fiscal services	170,444	--	--	--	319,109	--	489,553
Facilities acquisition and construction	--	443,073	--	--	--	76,439	519,512
Operation and maintenance of plant	1,886,941	17,212	--	--	969,479	--	2,873,632
Student transportation	218,088	35,000	--	--	--	--	253,088
Internal services	71,044	408,861	--	--	25,000	--	504,905
<i>Central:</i>							
Planning	--	--	--	--	350,199	--	350,199
Data processing	--	--	--	--	508,611	--	508,611
<i>Special Education:</i>							
Administrative costs	--	--	82,306	--	--	--	82,306
Transportation costs	--	--	43,068	--	--	--	43,068
<i>Resale Services:</i>							
Post secondary resales/service	--	--	--	--	339,794	--	339,794
<i>Other Support Services</i>	--	--	--	--	64,891	--	64,891
<i>Community Services:</i>							
Direction	1,864	--	--	--	--	--	1,864
Custody and care of children	134,776	--	--	--	--	--	134,776
Nonpublic school	89,672	--	--	--	--	--	89,672
<i>Nonprogrammed Charges:</i>							
Payments to State - Unemployment	328	--	--	--	--	--	328
Pension payments	--	--	--	174,203	--	--	174,203
Student financial aid	--	--	--	--	--	2,619,441	2,619,441
Other nonprogrammed charges	--	--	--	--	185,229	--	185,229
<i>Debt Services</i>	--	1,706,153	--	--	702,398	--	2,408,551
<i>Capital Outlay</i>	--	--	--	--	--	3,866,001	3,866,001

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, 2011
(continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Cocurricular Activities:</i>							
Male activities	197,203	9,944	--	--	--	--	207,147
Female activities	184,246	--	--	--	--	--	184,246
Combined activities	346,021	17,800	--	--	40,921	--	404,742
TOTAL EXPENDITURES	<u>14,690,757</u>	<u>2,931,524</u>	<u>3,221,166</u>	<u>174,203</u>	<u>13,208,764</u>	<u>6,561,881</u>	<u>40,788,295</u>
<i>Excess of Revenues Over (Under)</i>							
<i>Expenditures</i>	<u>\$ (58,729)</u>	<u>\$ 183,764</u>	<u>\$ 179,241</u>	<u>\$ 112,871</u>	<u>\$ (1,046,062)</u>	<u>\$ (3,962,077)</u>	<u>\$ (4,590,992)</u>
<i>OTHER FINANCING SOURCES (USES):</i>							
Interfund transfers in	14,679	--	--	--	343,701	443,839	802,219
Interfund transfers (out)	--	(651,734)	(6,952)	(4,437)	(144,281)	(12,694)	(820,098)
General long-term debt issued	--	900,000	--	--	1,950,000	--	2,850,000
Sale of surplus property	--	3,186	--	--	--	--	3,186
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,679</u>	<u>251,452</u>	<u>(6,952)</u>	<u>(4,437)</u>	<u>2,149,420</u>	<u>431,145</u>	<u>2,835,307</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>							
<i>Expenditures and Uses</i>	<u>(44,050)</u>	<u>435,216</u>	<u>172,289</u>	<u>108,434</u>	<u>1,103,358</u>	<u>(3,530,932)</u>	<u>(1,755,685)</u>
<i>FUND BALANCE, Beginning of Year</i>	<u>3,729,519</u>	<u>325,565</u>	<u>805,165</u>	<u>505,860</u>	<u>1,797,076</u>	<u>4,348,298</u>	<u>11,511,483</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 3,685,469</u>	<u>\$ 760,781</u>	<u>\$ 977,454</u>	<u>\$ 614,294</u>	<u>\$ 2,900,434</u>	<u>\$ 817,366</u>	<u>\$ 9,755,798</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, 2011

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ (1,755,685)
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 expense exceeds depreciation expense in the current period.	6,160,860
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.	2,165,666
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	(3,391,762)
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."	<u>(34,570)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 3,144,509</u></u>

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Other Enterprise Funds</u>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 289,081
<i>Receivables:</i>	
Trade accounts	27,049
Due from other governments	31,493
Inventory of supplies	4,713
Inventory of stores purchased for resale	35,158
Inventory of donated food	12,062
<i>Total Current Assets</i>	<u>399,556</u>
 <i>Capital Assets:</i>	
Machinery and equipment	545,379
Accumulated depreciation	(419,750)
<i>Capital Assets - Net</i>	<u>125,629</u>
 TOTAL ASSETS	 <u><u>\$ 525,185</u></u>
 LIABILITIES AND NET ASSETS:	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts payable	<u>\$ 20,821</u>
 <i>Net Assets:</i>	
Invested in capital assets	125,629
Unrestricted net assets	378,735
<i>Total Net Assets</i>	<u>504,364</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 525,185</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Other Enterprise Funds</u>
OPERATING REVENUES:	
<i>Charges for Services:</i>	
Food service	\$ 952,167
Child care	108,616
Bookstore	954,250
<i>Total Charges for Services</i>	<u>2,015,033</u>
 OPERATING EXPENSES:	
Salaries	660,620
Employee benefits	146,235
Purchased services	33,382
Supplies	106,103
Cost of sales	1,722,523
Miscellaneous	1,875
Depreciation	19,971
<i>Total Operating Expenses</i>	<u>2,690,709</u>
<i>Operating Income (Loss)</i>	<u>(675,676)</u>
 NONOPERATING REVENUES:	
<i>Local Sources:</i>	
Miscellaneous revenue	15,000
<i>State Sources:</i>	
Cash payments	6,049
<i>Federal Sources:</i>	
Cash reimbursements	483,580
Donated food	72,176
<i>Total Nonoperating Revenues</i>	<u>576,805</u>
<i>Income (Loss) Before Transfers</i>	(98,871)
 <i>Operating Transfers In (Out):</i>	
Interfund transfers in	43,616
Interfund transfers (out)	<u>(24,772)</u>
<i>Change in Net Assets</i>	(80,027)
NET ASSETS, Beginning of Year	<u>584,391</u>
NET ASSETS, End of Year	<u><u>\$ 504,364</u></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, 2011**

	<u>Other Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,004,532
Cash received from miscellaneous revenues	15,000
Cash paid to suppliers	(1,740,916)
Cash paid to employees	(660,620)
Other cash payments	(146,235)
CASH FLOWS (USED) BY OPERATING ACTIVITIES	<u>(528,239)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	484,084
Transfers from other funds	18,844
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>502,928</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(38,130)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(63,441)
CASH AND CASH EQUIVALENTS, Beginning of Year	352,522
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 289,081</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
<i>Operating Income (Loss)</i>	\$ (675,676)
<i>Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:</i>	
Depreciation	19,971
Value of commodities used	70,285
Miscellaneous nonoperating revenue	15,000
(Increase) Decrease in:	
Trade accounts receivable	(10,501)
Inventory	55,474
(Decrease) in:	
Accounts payable	(2,792)
<i>Total Adjustments</i>	<u>147,437</u>
CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (528,239)</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:	
Commodities received from Federal Government	<u>\$ 72,176</u>

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<i>Private-Purpose Trust Funds</i>	<i>Agency Funds</i>
ASSETS:		
Cash and Cash Equivalents	\$ 34,611	\$ 591,034
Miscellaneous receivables	--	926,125
Land and land improvements	--	467,520
Investments, at Fair Value	260,518	--
 <i>TOTAL ASSETS</i>	 \$ 295,129	 \$ 1,984,679
 LIABILITIES:		
Amounts Held for Others	\$ --	\$ 1,157,837
Accounts payable	--	826,842
<i>Total Liabilities</i>	--	1,984,679
 NET ASSETS		
Held in Trust for Scholarship	295,129	--
 <i>TOTAL LIABILITIES AND NET ASSETS</i>	 \$ 295,129	 \$ 1,984,679

*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 ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Private-Purpose Trust Funds</i>
ADDITIONS:	
Contributions and Donations	\$ 5,206
Other Additions	37,552
<i>Total Additions</i>	42,758
 DEDUCTIONS:	
Trust Deductions for Scholarship	5,861
<i>Change in Net Assets</i>	36,897
NET ASSETS, Beginning of Year	258,232
NET ASSETS, End of Year	\$ 295,129

*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, 2011*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

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

a. **Financial Reporting Entity:**

The reporting entity of Mitchell School District No. 17-2 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity).

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

b. **Basis of Presentation:**

Government-wide Financial Statements: The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. 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 Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each 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.

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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

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

Fund Financial Statements: (continued)

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

The 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 Laws (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 Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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

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

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Special Revenue Fund Types (continued)

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).

Capital Projects Fund – Longfellow Elementary School - is maintained by the School District for the construction of Longfellow Elementary School. This is a not major fund.

Capital Projects Fund – Joe Quintal Field – is maintained by the School District for the construction of a field house and stadium located near the High School. This is a major not fund.

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

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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

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

Fund Financial Statements: (continued)

Proprietary Funds:

Enterprise Fund Types – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

The Child Development Center Fund and MTI Bookstore Fund are enterprise funds maintained by the School District. These are not major funds.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District’s private-purpose trust funds are established to provide scholarships to students.

Agency Fund Types– agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of 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 Assets 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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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

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

Measurement Focus: (continued)

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.

Basis of Accounting:

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

Fund Financial Statements: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or 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, 2011, are grant reimbursements and tuition and fees.

Fund Financial Statements: (continued)

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

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

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

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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 Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2011, balance of capital assets for governmental activities includes approximately 33 percent for which costs were determined by estimates of the original costs. The total June 30, 2011, balance of capital assets for business-type activities are all valued at original costs. These estimated original costs were established by review of prior year minutes and original contracts.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Government-Wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. 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, 2011*

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

e. **Long-term Liabilities:**

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

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

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

f. **Program Revenues:**

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

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

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

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

h. **Cash and Cash Equivalents:**

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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

i. **Equity Classifications:**

Government-wide Statements:

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

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

Fund Financial Statements:

Government 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 assets held in trust for other purposes.

j. **Application of Net Assets:**

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

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, 2011*

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

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

- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- **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.

2. *DEPOSITS AND INVESTMENTS, 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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.

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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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

As of June 30, 2011, the School District had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Mutual Funds:			
American Centery Equity Inc. Fd. Inv.	Not Rated	N/A	\$ 12,669
Dodge & Cox Income Fund	Not Rated	N/A	47,930
Dodge & Cox International Stock Fund	Not Rated	N/A	23,837
Dodge & Cox Stock Fund	Not Rated	N/A	11,420
Federated Institutional High Yield Bond	Not Rated	N/A	5,192
Fidelity Advisor Small Cap Fd	Not Rated	N/A	5,543
First Focus Core Equity Fund	Not Rated	N/A	33,476
First Focus Growth Opportunities	Not Rated	N/A	6,124
First Focus International Fund	Not Rated	N/A	12,008
First Focus Large Cap Growth Fund	Not Rated	N/A	21,105
First Focus Small Companies Fund	Not Rated	N/A	8,171
Invesco Real Estate	Not Rated	N/A	6,738
T Rowe Price Blue Chip Growth Fund	Not Rated	N/A	13,679
T Rowe Price Emerging Markets Stock Fund #111	Not Rated	N/A	9,242
T Rowe Price Mid Cap Value Fund	Not Rated	N/A	8,019
Templeton Global Bond Fund	Not Rated	N/A	13,496
Vanguard Short Term Bond Index #1349	Not Rated	N/A	21,869
TOTAL INVESTMENTS			<u>\$ 260,518</u>

The investments listed above are a scholarship fund to benefit graduates of the School District. The fund is reported as a private-purpose 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. More than 5% of the School District’s investments are invested at:

- First National Bank – Money Market and Mutual Funds – 91%
- CorTrust Bank – Certificates of Deposit – 6%

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust funds which retain its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, inter-fund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental and business-type activities. These inter-fund transfers are not violations of the statutory restrictions on inter-fund transfers.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

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 account has been established.

4. INVENTORY:

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

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

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."

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

6. CHANGES IN CAPITAL ASSETS:

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,432,632	\$ --	\$ --	\$ 1,432,632
Construction in progress	6,758,982	--	(6,758,982)	--
Total, not being depreciated	<u>8,191,614</u>	<u>--</u>	<u>(6,758,982)</u>	<u>1,432,632</u>
Capital assets, being depreciated:				
Buildings	28,182,813	11,281,980	(1,841,423)	37,623,370
Machinery and equipment	7,755,539	3,535,578	--	11,291,117
Total, being depreciated	<u>35,938,352</u>	<u>14,817,558</u>	<u>(1,841,423)</u>	<u>48,914,487</u>
Less accumulated depreciation for:				
Buildings	10,563,502	756,397	(1,735,611)	9,584,288
Machinery and equipment	4,208,172	1,035,507	--	5,243,679
Total accumulated depreciation	<u>14,771,674</u>	<u>1,791,904</u>	<u>(1,735,611)</u>	<u>14,827,967</u>
Total capital assets, being depreciated, net	<u>\$ 21,166,678</u>	<u>\$ 13,025,654</u>	<u>\$ (105,812)</u>	<u>\$ 34,086,520</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,684,388
Support Services	71,679
Co-curricular activities	35,837
	<u>\$ 1,791,904</u>

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 507,249	\$ 38,130	\$ --	\$ 545,379
Less accumulated depreciation for:				
Machinery and equipment	399,779	19,971	--	419,750
Total capital assets, being depreciated, net	<u>\$ 107,470</u>	<u>\$ 18,159</u>	<u>\$ --</u>	<u>\$ 125,629</u>

Depreciation expense was charged to functions as follow:

Business-type activities:	
Food service	<u>\$ 19,971</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bonds	\$ 725,000	\$ 900,000	\$ (25,000)	\$ 1,600,000	\$ 85,000
Capital Outlay Certificates	10,550,000	1,725,000	(1,155,000)	11,120,000	730,000
Financing (Capital Acquisition) Leases	774,740	--	(399,127)	375,613	375,613
Total Debt	<u>12,049,740</u>	<u>2,625,000</u>	<u>(1,579,127)</u>	<u>13,095,613</u>	<u>1,190,613</u>
Early Retirement Payable -					
Governmental Funds	370,410	249,722	(150,589)	469,543	196,221
Accrued Compensated Absences -					
Governmental Funds	532,334	292,040	(265,930)	558,444	175,000
Note Payable -					
Governmental Funds	--	225,000	--	225,000	--
Contract for Deed					
Governmental Funds	101,021	--	--	101,021	15,500
Capital Improvement Fee-					
Governmental Funds	224,000	--	(44,800)	179,200	44,800
Total Governmental Activities	<u>\$ 13,277,505</u>	<u>\$ 3,391,762</u>	<u>\$ (2,040,446)</u>	<u>\$ 14,628,821</u>	<u>\$ 1,622,134</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. Note payable, contract for deed, and capital improvement fee for governmental activities will all be paid out of the Post-High Fund.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2011, are comprised of the following:

Qualified Zone Academy Bonds:

	<i>TERMS</i>	
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2001	0%; bond matures and final principal payment due December 31, 2015. Payable from Series 2001 Certificate Redemption Fund. Annual deposits of \$18,992 are required to be made to the fund on December 31, with final deposit to be made on December 31, 2015.	\$ 325,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2005	0%; bond matures and final principal payment due June 29, 2021. Payable from Series 2005 Certificate Redemption Fund. Annual deposits of \$9,673 are required to be made to the fund on June 29, with final deposit to be made on June 29, 2021.	\$ 175,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2008	1.5%; due in annual installments of \$25,000. Interest due semi annually. Final payment due August 14, 2018. Payable from Capital Outlay Fund.	\$ 200,000
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.	\$ 900,000

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2011, are comprised of the following: (continued)

Capital Outlay Certificates:

	<i>TERMS</i>	
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2003 – Secured by pledge of capital outlay tax levy	3.3%; due in semi-annual installments on July 15 and January 15. Final payment due January 15, 2014. Payable from Capital Outlay Fund.	\$ 315,000
Mitchell School District No. 17-2 Capital Outlay Certificates, Series 2004 – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 1.75-3.40% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2012. Payable from Capital Outlay Fund.	\$ 195,000
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2009A – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 1%-2.125% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2013. Payable from Capital Outlay Fund.	\$ 510,000
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2009B – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 4%-6.125% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2029. Payable from Capital Outlay Fund.	\$ 6,100,000
Mitchell School District No. 17-2 Capital Outlay Certificates (QSCB), Series 2009A – 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.	\$ 2,275,000
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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

7. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2011, are comprised of the following: (continued)

Notes Payable:

	<i>TERMS</i>	
Darwin Nuss – Secured by building	5.0%; due in semi-annual installments, including interest. Final payment due January 25, 2015. Payable from Post Secondary Fund.	\$ 101,021
City of Mitchell – Secured by equipment	10.0%; due in annual installments, including interest. Final payment due September 15, 2011. Payable from Post Secondary Fund.	\$ 179,200
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 Secondary Fund.	\$ 225,000

Financing (Capital Acquisition) Leases:

	<i>TERMS</i>	
Dell Financial Services, Inc. – Secured by equipment	3.391%; due in annual installments, including interest. Final Payment due September 1, 2011. Payable from Capital Outlay Fund.	\$ 31,867
Dell Financial Services, Inc. – Secured by equipment	3.391%; due in annual installments, including interest. Final Payment due September 15, 2011. Payable from Capital Outlay Fund.	\$ 343,746

The purchase prices of the commencement of the financing (capital acquisition) leases were:

	<i>PRINCIPAL</i>	<i>INTEREST</i>	<i>TOTAL</i>
Dell Financial Services, Inc – laptop computers	<u>\$ 95,658</u>	<u>\$ 3,786</u>	<u>\$ 99,444</u>
Dell Financial Services, Inc – laptop computers	<u>\$ 1,032,345</u>	<u>\$ 59,152</u>	<u>\$ 1,091,497</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2011, are comprised of the following: (continued)

Other long-term liabilities were:

Compensated Absences –

Payable from the fund to which payroll expenditures are charged \$ 469,543

Early Retirement Benefits –

Payable from the Pension Fund and the Post-High Fund \$ 558,444

The annual debt service requirements to maturity for all debt outstanding except for compensated absences as of June 30, 2011, are as follows:

Annual Requirements to Maturity for Long-Term Debt June 30, 2011

Year Ending June 30,	Qualified Zone Academy Bonds		Capital Outlay Certificates		Capital Lease Obligations		Capital Improvement Fee		Contract for Deed		Early Retirement Benefits	Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2012	\$ 85,000	\$ 51,863	\$ 730,000	\$ 500,620	\$ 375,613	\$ 21,368	\$ 44,800	\$ 4,480	\$ 15,500	\$ 2,700	\$ 196,221	\$ 1,447,134	\$ 581,031
2013	85,000	48,218	540,000	482,088	--	--	44,800	4,480	32,000	4,300	104,280	806,080	539,086
2014	85,000	44,573	550,000	467,155	--	--	44,800	4,480	33,700	2,600	75,627	789,127	518,808
2015	85,000	40,928	460,000	448,731	--	--	44,800	4,480	19,821	980	42,136	651,757	495,119
2016	410,000	37,283	470,000	432,561	--	--	--	--	--	--	24,941	904,941	469,844
2017-2021	550,000	132,485	2,540,000	1,879,283	--	--	--	--	--	--	26,337	3,116,337	2,011,768
2022-2026	300,000	49,050	2,680,000	1,280,955	--	--	--	--	--	--	--	2,980,000	1,330,005
2027-2031	--	--	3,150,000	487,486	--	--	--	--	--	--	--	3,150,000	487,486
TOTALS	\$ 1,600,000	\$ 404,400	\$ 11,120,000	\$ 5,978,879	\$ 375,613	\$ 21,368	\$ 179,200	\$ 17,920	\$ 101,021	\$ 10,580	\$ 469,542	\$ 13,845,376	\$ 6,433,147

8. 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, 2013. 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, 2011, was approximately \$377,400. Estimated minimum payments on the elementary school lease for the years ending June 30 are as follows:

2012	\$	400,600
2013	\$	400,100
2014	\$	400,300
2015	\$	401,000
2016	\$	400,000
2017-2021	\$	757,800
2022-2026	\$	133,000
2027-2031	\$	190,500
2032-2036	\$	215,500
2037-2038	\$	92,800

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

9. INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2011, were as follows:

Transfers from:	Transfers To:					Purpose:
	General Fund	Child Development Center Fund	Capital Outlay Fund	Post-High Fund	Debt Service Funds	
Post-High Fund	\$ --	\$ 43,616	\$ 250,000	\$ --	\$ 45,395	Subsidize operations/ deposits for debt retirement
Capital Outlay Fund	\$ 3,290	\$ --	\$ --	\$ --	\$ 28,665	Interest earnings/deposits for debt retirement
Special Education Fund	\$ 6,952	\$ --	\$ --	\$ --	\$ --	Interest earnings
MTI Bookstore Fund	\$ --	\$ --	\$ --	\$ 24,772	\$ --	Subsidize operations
Pension Fund	\$ 4,437	\$ --	\$ --	\$ --	\$ --	Interest earnings
Capital Projects Fund	\$ --	\$ --	\$ 369,779	\$ --	\$ --	Capital project

10. RESTRICTED NET ASSETS:

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

Purpose	Restricted By	Amount
Special Education	Law	\$ 936,777
Capital Outlay	Law	672,757
Special Termination Benefits	Law	605,603
Post-Secondary Education	Law	2,632,988
Construction of Capital Assets	Law	107,796
Student Financial Aid	Federal Regulation	410,669
Debt Service	Bond Agreement	298,901
Child Nutrition	Federal Regulation	258,104
Total Restricted Net Assets		<u>\$ 5,923,595</u>

11. RETIREMENT PLANS:

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

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

11. RETIREMENT PLANS: *(continued)*

the fiscal years ended June 30, 2011, 2010, and 2009 were \$776,554, \$683,729, and \$673,452, respectively, equal to the required contributions each year.

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.

12. EARLY RETIREMENT PLAN:

The District has an agreement which provides for an early retirement cash benefit in an amount not to exceed the retiree's highest salary while employed by the District to certificated teachers and administrative personnel hired before September 1, 2001, who retire after having met certain age and length-of-service requirements. To collect these benefits, notification must be given no later than March 15 of the year in which such retirement will occur. Currently, 32 retirees are receiving benefits under this provision. An additional 30 employees are expected to be eligible for early retirement benefits by March 15, 2012, 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 elects early retirement. Benefits paid for the year ended June 30, 2011, were \$190,699.

13. JOINT VENTURE:

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

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

The co-op's governing board is composed of two representatives from each member School District, who are a school board member and 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 assets 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, 2011, this joint venture had total assets of \$37,656 total liabilities of \$27,695 and net assets of \$9,961.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011*

14. 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, 2011, 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.

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-mode 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, 2011*

14. 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 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, 2011, no claims for unemployment benefits were paid. June 30, 2011, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

15. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

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

***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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 5,000,000	\$ 5,000,000	\$ 5,080,276	\$ 80,276
Prior years' ad valorem taxes	45,000	45,000	51,699	6,699
Gross receipts taxes	250,000	305,791	338,582	32,791
Penalties and interest on taxes	14,000	14,000	17,176	3,176
<i>Tuition and Fees:</i>				
Regular day school tuition	15,000	36,600	17,534	(19,066)
Summer school fees	25,000	25,000	25,409	409
<i>Earnings on investments and deposits</i>	55,000	55,000	37,557	(17,443)
<i>Cocurricular Activities:</i>				
Admissions	90,000	90,000	104,768	14,768
Other pupil activity income	3,000	3,000	1,239	(1,761)
<i>Other Revenue from Local Sources:</i>				
Rentals	10,000	10,000	12,572	2,572
Contributions and donations	--	--	--	--
Refund of prior years' expenditures	--	--	--	--
Charges for services	90,000	90,000	91,952	1,952
Other	25,000	25,000	88,224	63,224
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	275,000	275,000	259,278	(15,722)
Lease of county-owned land	15,000	15,000	14,394	(606)
Other	--	--	18,237	18,237
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	7,068,792	7,068,792	6,237,018	(831,774)
Restricted grants-in-aid	--	--	--	--
<i>Other state revenue</i>	--	--	13,289	13,289
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	1,191,093	1,191,093	2,017,628	826,535
<i>Johnson O'Malley Funds</i>	25,571	25,571	28,566	2,995
<i>Other Federal Revenue</i>	--	--	176,630	176,630
TOTAL REVENUES	14,197,456	14,274,847	14,632,028	357,181

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 3,731,234	\$ 3,731,234	\$ 3,720,372	\$ 10,862
Middle/junior high	1,967,346	1,967,346	1,927,177	40,169
High school	2,766,765	2,788,365	2,735,719	52,646
Other regular programs	123,626	126,676	126,662	14
<i>Special Programs:</i>				
Gifted and talented	59,671	60,201	60,200	1
Educationally deprived	685,266	685,266	609,797	75,469
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	406,695	406,695	396,013	10,682
Health	55,696	55,696	53,285	2,411
<i>Instructional Staff:</i>				
Improvement of instruction	41,994	50,024	51,876	(1,852)
Educational media	510,553	510,553	475,232	35,321
<i>General Administration:</i>				
Board of education	112,059	112,539	105,142	7,397
Executive administration	159,306	159,306	148,219	11,087
<i>School Administration:</i>				
Office of the principal	964,641	974,591	974,555	36
Other	--	5,881	5,881	--
<i>Business:</i>				
Fiscal services	173,002	173,002	170,444	2,558
Operation and maintenance of plant	1,860,083	1,887,103	1,886,941	162
Pupil transportation	217,622	218,472	218,088	384
Internal services	105,947	105,947	71,044	34,903
<i>Community Services:</i>				
Direction	11,000	11,000	1,864	9,136
Custody and care of children	150,000	150,000	134,776	15,224
Nonpublic school	--	--	89,672	(89,672)
<i>Nonprogrammed Charges:</i>				
Payments to State - Unemployment	1,500	1,500	328	1,172
<i>Cocurricular Activities:</i>				
Male activities	194,312	194,312	197,203	(2,891)
Female activities	167,064	167,064	184,246	(17,182)
Combined activities	360,748	360,748	346,021	14,727
TOTAL EXPENDITURES	14,826,130	14,903,521	14,690,757	212,764

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Excess of Revenues Over Expenditures</i>	\$ (628,674)	\$ (628,674)	\$ (58,729)	\$ 569,945
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	<u>145,000</u>	<u>145,000</u>	<u>14,679</u>	<u>(130,321)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>145,000</u>	<u>145,000</u>	<u>14,679</u>	<u>(130,321)</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	(483,674)	(483,674)	(44,050)	439,624
<i>FUND BALANCE, Beginning of Year</i>	<u>3,729,519</u>	<u>3,729,519</u>	<u>3,729,519</u>	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 3,245,845</u>	<u>\$ 3,245,845</u>	<u>\$ 3,685,469</u>	<u>\$ 439,624</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,793,073	\$ (6,927)
Prior years' ad valorem taxes	15,000	15,000	25,316	10,316
Penalties and interest on taxes	5,500	5,500	7,950	2,450
Earnings on investments and deposits	--	--	3,290	3,290
<i>Other Revenue from Local Sources:</i>				
Refund of prior years' expenditures	--	--	--	--
Other	--	--	17,927	17,927
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	68,985	68,985	68,985	--
<i>Revenue from State Sources:</i>				
Other state revenue	117,648	117,648	117,647	(1)
<i>Revenue from Federal Sources:</i>				
Restricted grants-in-aid	81,100	98,800	81,100	(17,700)
TOTAL REVENUES	<u>3,088,233</u>	<u>3,105,933</u>	<u>3,115,288</u>	<u>9,355</u>
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	65,000	82,700	81,850	850
Middle/junior high	56,000	56,000	55,516	484
High school	56,000	56,000	54,643	1,357
<i>Support Services:</i>				
<i>Instructional Staff:</i>				
Improvement of instruction	150,000	150,000	--	150,000
<i>General Administration:</i>				
Board of education	140,000	159,300	101,472	57,828
<i>Business:</i>				
Fiscal services	--	45,000	--	45,000
Facilities acquisition and construction	403,342	403,342	443,073	(39,731)
Operation and maintenance of plant	20,000	20,000	17,212	2,788
Pupil transportation	35,000	35,000	35,000	--
Internal services	454,600	454,600	408,861	45,739
Debt Services	1,735,386	1,735,386	1,706,153	29,233
<i>Cocurricular Activities:</i>				
Male activities	10,000	10,000	9,944	56
Combined activities	30,000	30,000	17,800	12,200
TOTAL EXPENDITURES	<u>3,155,328</u>	<u>3,237,328</u>	<u>2,931,524</u>	<u>305,804</u>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	<u>(67,095)</u>	<u>(131,395)</u>	<u>183,764</u>	<u>315,159</u>
OTHER FINANCING SOURCES (USES):				
General long-term debt issued	--	--	900,000	900,000
Interfund transfers (out)	--	(369,779)	(651,734)	(281,955)
Sale of surplus property	--	--	3,186	3,186
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>(369,779)</u>	<u>251,452</u>	<u>621,231</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>				
<i>Expenditures</i>	<u>(67,095)</u>	<u>(501,174)</u>	<u>435,216</u>	<u>936,390</u>
FUND BALANCE, Beginning of Year	<u>325,565</u>	<u>325,565</u>	<u>325,565</u>	<u>--</u>
FUND BALANCE, End of Year	<u>\$ 258,470</u>	<u>\$ (175,609)</u>	<u>\$ 760,781</u>	<u>\$ 936,390</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,325,000	\$ 1,325,000	\$ 1,305,027	\$ (19,973)
Prior years' ad valorem taxes	7,000	7,000	11,175	4,175
Penalties and interest on taxes	2,200	2,200	3,712	1,512
Earnings on investments and deposits	--	--	6,952	6,952
<i>Other Revenue From Local Sources:</i>				
Charges for services	40,000	44,475	65,947	65,947
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid	908,682	908,682	1,129,187	220,505
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	951,894	951,894	878,407	(73,487)
TOTAL REVENUES	<u>3,234,776</u>	<u>3,239,251</u>	<u>3,400,407</u>	<u>205,631</u>
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	2,455,668	2,455,668	2,289,468	166,200
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	44,940	44,940	44,562	378
Health	15,837	19,487	19,262	225
Psychological	107,532	107,532	95,257	12,275
Speech pathology	515,008	515,833	515,740	93
Student therapy services	137,030	137,030	131,404	5,626
<i>Instructional Staff</i>				
Improvements of instruction	--	--	99	(99)
<i>Special Education:</i>				
Administrative costs	95,850	95,850	82,306	13,544
Transportation costs	49,000	49,000	43,068	5,932
TOTAL EXPENDITURES	<u>3,420,865</u>	<u>3,425,340</u>	<u>3,221,166</u>	<u>204,174</u>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	(186,089)	(186,089)	179,241	365,330
OTHER FINANCING SOURCES (USES):				
Interfund transfers (out)	--	--	(6,952)	(6,952)
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>--</u>	<u>(6,952)</u>	<u>(6,952)</u>
<i>Excess of Revenues Over (Under) Expenditures and Uses</i>				
	(186,089)	(186,089)	172,289	358,378
FUND BALANCE, Beginning of Year				
	805,165	805,165	805,165	--
FUND BALANCE, End of Year				
	<u>\$ 619,076</u>	<u>\$ 619,076</u>	<u>\$ 977,454</u>	<u>\$ 358,378</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 280,000	\$ 280,000	\$ 279,311	\$ (689)
Prior years' ad valorem taxes	--	--	2,531	2,531
Penalties and interest on taxes	--	--	795	795
Earnings on investments and deposits	--	--	4,437	4,437
TOTAL REVENUES	280,000	280,000	287,074	7,074
<u>EXPENDITURES</u>				
<i>Nonprogrammed Charges:</i>				
Pension payments	280,000	280,000	174,203	105,797
<i>Excess of Revenues Over Expenditures</i>	--	--	112,871	112,871
<u>OTHER FINANCING (USES):</u>				
Interfund transfers (out)	--	--	(4,437)	(4,437)
<i>Excess of Revenues Over Expenditures and Uses</i>	--	--	108,434	108,434
<i>FUND BALANCE, Beginning of Year</i>	505,860	505,860	505,860	--
<i>FUND BALANCE, End of Year</i>	\$ 505,860	\$ 505,860	\$ 614,294	\$ 108,434

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Post Secondary Program Tuition and Student Fees:</i>				
Adult continuing education tuition	\$ --	\$ --	\$ 122,515	122,515
Post secondary program tuition	2,839,000	3,119,000	3,158,195	39,195
Post secondary student fees	--	2,703,374	2,193,326	(510,048)
<i>Earnings on investments and deposits</i>	50,000	50,000	24,016	(25,984)
<i>Post Secondary:</i>				
Resales/services - occupational programs	538,247	538,247	455,994	(82,253)
<i>Other Revenue from Local Sources:</i>				
Refund of prior years' expenditures	35,000	35,000	--	(35,000)
Judgments	--	--	--	--
Other	143,000	143,000	177,594	34,594
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	3,370,441	3,751,912	3,751,912	--
Restricted grants-in-aid	8,000	69,887	74,581	4,694
<i>Other State Revenue</i>	45,500	557,794	181,540	(376,254)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	398,601	473,714	483,714	10,000
<i>Other</i>	816,614	2,068,614	1,539,315	--
TOTAL REVENUES	8,244,403	13,510,542	12,162,702	(818,541)
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Post Secondary Occupational Programs</i>	5,462,253	9,125,766	7,982,883	1,142,883
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	1,138,711	1,178,463	1,149,702	28,761
<i>Instructional Staff:</i>				
Educational media	21,278	21,278	10,054	11,224
<i>General Administration:</i>				
Board of education	9,497	9,497	5,900	3,597
Executive administration	36,704	36,704	30,936	5,768

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

<i>School Administration:</i>				
Vocational school - director's office	\$ 241,123	\$ 241,123	\$ 250,551	\$ (9,428)
Financial aids administration	172,907	172,907	160,270	12,637
Other	77,216	112,216	112,837	(621)
<i>Business:</i>				
Fiscal services	309,210	334,210	319,109	15,101
Operation and maintenance of plant	845,921	995,921	969,479	26,442
Internal service	25,000	25,000	25,000	--
<i>Central:</i>				
Planning	507,211	507,211	350,199	157,012
Data processing	679,661	729,661	508,611	221,050
<i>Resale Services:</i>				
Post secondary resales/service	451,545	451,545	339,794	111,751
Other Support Services	82,594	82,594	64,891	17,703
<i>Nonprogrammed Charges:</i>				
Other nonprogrammed costs	647,000	647,000	185,229	461,771
Debt Services	401,500	496,825	702,398	(205,573)
<i>Cocurricular Activities:</i>				
Combined activities	58,341	58,341	40,921	17,420
Contingencies	132,014	132,014	--	132,014
TOTAL EXPENDITURES	<u>11,299,686</u>	<u>15,358,276</u>	<u>13,208,764</u>	<u>2,149,512</u>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	<u>(3,055,283)</u>	<u>(1,847,734)</u>	<u>(1,046,062)</u>	<u>801,672</u>
OTHER FINANCING SOURCES :				
Interfund transfers in	--	--	343,701	343,701
Interfund transfers out	(90,273)	(90,273)	(144,281)	(54,008)
General long-term debt issued	--	1,725,000	1,950,000	225,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(90,273)</u>	<u>1,634,727</u>	<u>2,149,420</u>	<u>514,693</u>
<i>Excess of Revenues and Other Sources Over</i>				
<i>Expenditures</i>	(3,145,556)	(213,007)	1,103,358	1,316,365
FUND BALANCE, Beginning of Year	<u>1,797,076</u>	<u>1,797,076</u>	<u>1,797,076</u>	<u>--</u>
FUND BALANCE, End of Year	<u>\$ (1,348,480)</u>	<u>\$ 1,584,069</u>	<u>\$ 2,900,434</u>	<u>\$ 1,316,365</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2011*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

- 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 percent 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 moneys 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.
- k) Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2011*

2. 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.

SUPPLEMENTARY INFORMATION

MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER		FEDERAL EXPENDITURES
U.S. Department of Agriculture:			
Direct Federal Funding			
Beginning Farmer and Rancher Development Program	10.311		11,500
Pass through the Regents of the University of Minnesota:			
Farm Business Management and Benchmarking Competitive Grants Program	10.319		36,701
Pass through the S.D. Department of Education:			
Child and Adult Care Food Program	10.558		11,636
Fresh Fruit and Vegetable Program	10.579		7,285
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 6)	10.555	\$ 70,285	
Cash Assistance:			
School Breakfast Program (Note 2)	10.553	94,438	
National School Lunch Program (Note 2)	10.555	372,280	
Summer Food Service Program for Children	10.559	43,865	
Total Child Nutrition Cluster			<u>580,868</u>
Total U.S. Department of Agriculture			<u>647,990</u>
U.S. Department of Commerce:			
Direct Federal Funding			
Economic Adjustment Assistance, Recovery Act	11.307		<u>1,167,499</u>
U.S. Department of Labor:			
Direct Federal Funding			
Community Based Job Training Grants	17.269		<u>429,130</u>
Pass-Through the SD Department of Labor			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors , Recovery Act	17.275		<u>100,000</u>
General Services Administration:			
Pass-through the S.D. Federal Property Agency:			
Donation of Federal Surplus Property (Note 5)	39.003		<u>2,141</u>
National Science Foundation			
Pass-through the S.D. Department of Education			
Office of Experimental Program to Stimulated Competitive Research	47.081		<u>16,057</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Education:		
Direct Federal Funding:		
Student Financial Assistance Programs Cluster:		
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	47,921
Direct Loan Program (DLP) (Note 3)	84.032	5,610,004
Federal Work Study (FWS)	84.033	72,962
Federal Perkins Loan Program (FPL) - Federal Capital Contributions (Note 4)	84.038	375,987
Federal Pell Grant Program (PELL)	84.063	2,378,146
Academic Competitiveness Grant (ACG)	84.375	<u>57,725</u>
Total Student Financial Assistance Programs Cluster		<u>8,542,745</u>
Indian Education - Grants to Local Educational Agencies		
	84.060	<u>28,566</u>
Pass-through the S.D. Department of Education:		
Title I Grants to Local Educational Agencies (LEAs)	84.010	\$ 433,165
Vocational Education - Basic Grants to States	84.048	426,182
Tech-Prep Education	84.243	87,837
21st Century Community Learning Center	84.287	136,690
Education Technology State Grants	84.318	4,917
English Language Acquisition Grants	84.365	700
Improving Teacher Quality State Grants	84.367	241,818
Title I Grants to Local Educational Agencies, Recovery Act	84.389	269,189
State Fiscal Stabilization Fund		
Education State Grants, Recovery Act	84.394	431,628
Special Education Cluster:		
Special Education Grants to States (Note 2)	84.027	\$ 627,403
Special Education - Preschool Grants	84.173	17,907
Special Education Grants to States, Recovery Act (Note 2)	84.391	308,887
Special Education - Preschool Grants, Recovery Act	84.392	<u>12,703</u>
Total Special Education Cluster		<u>966,900</u>
Education Jobs Fund	84.410	<u>540,215</u>
Total U.S. Department of Education		<u>12,110,552</u>
U.S. Department of Health and Human Services:		
Pass-through the S.D. Department of Health		
Public Health Emergency Preparedness	93.069	<u>3,089</u>
GRAND TOTAL		<u><u>\$ 14,476,458</u></u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)*

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

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

Note 3: 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:

Stafford Loans - Subsidized	\$ 2,271,415
Stafford Loans - Unsubsidized	\$ 2,373,971
PLUS Program Loans	\$ 964,618

A private nonprofit corporation acts as the guarantee agency in the State of South Dakota.

Note 4: Federally funded loan programs had the following current fiscal year disbursement and outstanding loan balances at year end:

<u>Federal CFDA Number</u>	<u>Grant Program</u>	<u>Administrative Expense</u>	<u>Loan Disbursement</u>	<u>Loan Balance</u>
84.038	Perkins Loans	<u>\$ --</u>	<u>\$ 56,250</u>	<u>\$ 375,987</u>

Note 5: 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.)

Note 6: The School District received \$117,647 as an interest subsidy for the Build America Bonds issued. Per guidance issued by the OMB these funds are not considered federal assistance.