

MITCHELL SCHOOL DISTRICT NO. 17-2
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009

TABLE OF CONTENTS

	PAGE
<i>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.....</i>	1-2
<i>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</i>	3-4
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	5-6
<i>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS</i>	7-8
<i>MANAGEMENT’S DISCUSSION AND ANALYSIS</i>	9-20
<i>FINANCIAL STATEMENTS:</i>	
<i>Statement of Net Assets</i>	21
<i>Statement of Activities</i>	22
<i>Balance Sheet – Governmental Funds.....</i>	23
<i>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....</i>	24-27
<i>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities</i>	28
<i>Statement of Fund Net Assets - Proprietary Funds</i>	29
<i>Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....</i>	30
<i>Statement of Cash Flows - Proprietary Funds.....</i>	31
<i>Statement of Fiduciary Net Assets - Fiduciary Funds.....</i>	32
<i>Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....</i>	33
<i>NOTES TO FINANCIAL STATEMENTS</i>	34-51
<i>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A.....</i>	52
<i>Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – General Fund.....</i>	53-55
<i>Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – Capital Outlay Fund.....</i>	56
<i>Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – Special Education Fund</i>	57
<i>Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – Pension Fund</i>	58
<i>Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) - Post High Fund.....</i>	59-60
<i>Notes to Required Supplementary Information – Budgetary Comparison Schedules.....</i>	61
<i>SUPPLEMENTARY INFORMATION</i>	62
<i>Schedule of Expenditures of Federal Awards.....</i>	63-65



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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, 2009, which collectively comprise Mitchell School District No. 17-2's basic financial statements and have issued our report thereon dated June 8, 2010. 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* exists 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 the 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.

Handwritten signature in black ink, appearing to read "CLO Prof LHC".

Mitchell, South Dakota
June 8, 2010



Your success is our business!

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the compliance of Mitchell School District No. 17-2, Davison County, South Dakota, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 are applicable to each of its major federal programs for the year ended June 30, 2009.

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 our 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 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
June 8, 2010**

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009
(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>
17.269	Community Based Job Training Grants Student Financial Assistance Program Cluster:
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.032	Federal Family Education Loans (FEEL)
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)
84.394	State Fiscal Stabilization Fund - Education State Grants

Dollar threshold used to distinguish

between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes 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, 2009, 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, 2009, 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 June 8, 2010, 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 53 through 61 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.



Mitchell, South Dakota
June 8, 2010

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009*

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, 2009. 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, 2009, the District's net assets from governmental and business type activities increased by \$1,142,878.

- During the year, the District's total revenues of \$32,168,354 were comprised of general revenues of \$20,768,570 and program revenues totaling \$11,399,784.
- As of the year ended June 30, 2009, the District's governmental funds reported combined ending fund balances of \$7,950,349, an increase of \$44,972 compared with the prior year.
- The General Fund reported an increase in fund balance of \$424,986 leaving an ending fund balance of \$3,723,044 or 26.1% 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.

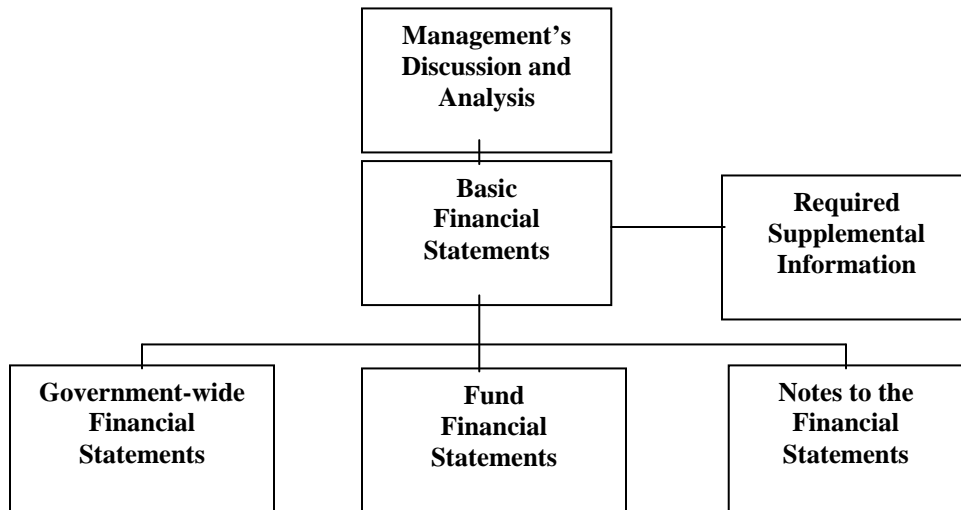
**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

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, 2009
(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, 2009
(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 – is 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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(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, 2009
(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, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The District's combined net assets increased \$1,142,878 (or 5.88%) to \$20,361,490 at June 30, 2009.

The District's combined net assets increased as follows:

	Statement of Net Assets					
	Government Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other Asset	\$ 14,321,866	\$ 14,645,946	\$ 408,260	\$ 488,433	\$ 14,730,126	\$ 15,134,379
Capital Assets	15,996,092	15,639,258	115,255	118,381	16,111,347	15,757,639
Total Assets	\$ 30,317,958	\$ 30,285,204	\$ 523,515	\$ 606,814	\$ 30,841,473	\$ 30,892,018
Long-term Debt	\$ 5,298,716	\$ 3,901,163	\$ --	\$ --	\$ 5,298,716	\$ 3,901,163
Current Liabilities	6,079,515	6,602,826	21,153	26,539	6,100,668	6,629,365
Total Liabilities	11,378,231	10,503,989	21,153	26,539	11,399,384	10,530,528
Invested in Capital Assets						
Net of Related Debt	10,697,376	12,767,740	115,255	118,381	10,812,631	12,886,121
Restricted	4,609,410	4,301,665	202,136	180,944	4,811,546	4,482,609
Unrestricted	3,632,941	2,711,810	184,971	280,950	3,817,912	2,992,760
Total Net Assets	18,939,727	19,781,215	502,362	580,275	19,442,089	20,361,490
Total Liabilities and Net Assets	\$ 30,317,958	\$ 30,285,204	\$ 523,515	\$ 606,814	\$ 30,841,473	\$ 30,892,018

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 \$32,168,354, which represents an increase in revenues from state sources and operating grants of \$450,017 or 1.4%. Approximately 47% of the District's revenue comes from property taxes and tuition and fees from Mitchell Technical Institute and 34% comes from state sources.

The District's expenditures total \$31,025,476, which represents an increase of \$894,206 or 3%. 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, 2009
(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 2009.

Table A-2

	Change in Net Assets					
	Government Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
<i>Revenues</i>						
Program Revenues						
Charge for Services	\$ 3,759,713	\$ 4,177,342	\$ 1,347,485	\$ 1,597,592	\$ 5,107,198	\$ 5,774,934
Operating Grants/ Contributions	9,172,419	5,107,203	546,741	517,647	5,106,132	5,624,850
General Revenues						
Taxes	9,283,944	9,239,875	--	--	9,283,944	9,239,875
Revenue State Sources	6,809,003	11,016,446	--	--	11,422,031	11,016,446
Revenue Federal Sources	104,901	--	--	--	104,901	--
Other						
Other general revenues	371,678	353,942	--	--	371,678	353,942
Unrestricted Investment Earnings	322,453	158,307	--	--	322,453	158,307
	<u>29,824,111</u>	<u>30,053,115</u>	<u>1,894,226</u>	<u>2,115,239</u>	<u>31,718,337</u>	<u>32,168,354</u>
<i>Expenses</i>						
Instruction	16,394,472	15,941,242	--	--	16,394,472	15,941,242
Support Services	9,506,231	10,285,922	--	--	9,506,231	10,285,922
Community Services	7,751	234,696	--	--	7,751	234,696
Non-programmed Charges	1,623,681	1,635,195	--	--	1,623,681	1,635,195
Debt Service	135,726	85,856	--	--	135,726	85,856
Co-curricular Activities	646,121	773,691	--	--	646,121	773,691
Food Service	--	--	1,236,149	1,357,167	1,236,149	1,357,167
Child Development Center	--	--	170,274	177,237	170,274	177,237
MTI Bookstore	--	--	410,865	534,470	410,865	534,470
	<u>28,313,982</u>	<u>28,956,602</u>	<u>1,817,288</u>	<u>2,068,874</u>	<u>30,131,270</u>	<u>31,025,476</u>
Excess (Deficiency) of Revenues Over Expenses						
Before Special Items	1,510,129	1,096,513	76,938	46,365	1,587,067	1,142,878
Transfers	(6,430)	(31,548)	6,430	31,548	--	--
Increase (Decrease) in Net Assets	<u>\$ 1,503,699</u>	<u>\$ 1,064,965</u>	<u>\$ 83,368</u>	<u>\$ 77,913</u>	<u>\$ 1,587,067</u>	<u>\$ 1,142,878</u>
Ending Net Assets	<u>\$ 18,939,726</u>	<u>\$ 19,781,215</u>	<u>\$ 502,363</u>	<u>\$ 580,275</u>	<u>\$ 19,442,089</u>	<u>\$ 20,361,490</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(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 \$7,950,349, an increase of \$44,972 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 \$3,723,044. 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 26.1% of total fund expenditures.

The fund balance of the District's General Fund increased by \$424,986. The key factors in this increase are as follows:

- Expenditures came in under budgeted amounts.
- The fund balance of the District's Capital Outlay Fund decreased by \$507,584 because of the transfer of \$1,100,000 to the Capital Projects Fund for funds to be used for the building of the new Longfellow Elementary School.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities increased by 11.7% to \$2,115,539 and expenses increased 13.8% to \$2,068,874.

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 2008. 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	\$	14,267,425	
Total Revenues Final Budget		14,557,125	
Increase	\$	289,700	2%

General Fund Expenditures:

Total Expenditures Original Budget	\$	14,422,652	
Total Expenditures Final Budget		14,712,352	
Increase in Budgeted Expenses	\$	289,700	2%

The District's actual expenditure of \$14,249,145 was less than the final budget by 3.1%.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

CAPITAL ASSET ADMINISTRATION

The District recognized a depreciation expense of \$1,580,479 for governmental activities and \$19,214 for the food service program.

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2008	2009	2008	2009		
Land	\$ 1,157,757	\$ 1,187,757	\$ --	\$ --	\$ 30,000	2.59
Construction in progress	--	459,589	--	--	459,589	0.00
Buildings	12,855,775	12,001,805	--	--	(853,970)	(6.64)
Machinery & Equipment	1,982,560	1,990,107	115,255	118,381	10,673	0.51
Total Capital Assets	\$ 15,996,092	\$ 15,639,258	\$ 115,255	\$ 118,381	\$ (353,708)	(2.20)

Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2008	2009		
Capital outlay certificates	\$ 3,155,000	\$ 2,215,000	\$ (940,000)	(29.79)
Capital outlay bonds	342,187	551,022	208,835	61.03
Capital leases	655,330	105,496	(549,834)	(83.90)
Early retirement plan payable	664,479	549,138	(115,341)	(17.36)
Compensated absences	481,720	480,507	(1,213)	(0.25)
Total Outstanding Debt	\$ 5,298,716	\$ 3,901,163	\$ (1,397,553)	(26.38)

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, 2009
(Continued)*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School District experienced an increase in total property valuation of approximately \$75,000,000 or 9.6% from the prior year. With the exception of the General Fund, the increase in property valuation allows the District the ability to increase the amount of revenue generated from property taxes; however, the total amount which can be levied is limited by the State of South Dakota.

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 2008-2009 school year ensured that the property taxes plus state aid equals \$4,642 per pupil. The allocation for fiscal year 2009-2010 has been increased to \$4,805 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, 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 sound financial condition the School District is in, the School Board will not ask for any opt-out dollars to fund the 2009-2010 school year. We will see a small increase in the number of students for the 2009-2010 school year but will see a small decrease in the following 2 years. The Mitchell School District is building a new elementary school to be opened in the fall of 2010. The district will look to finance with Capital Outlay certificates rather than bonds and avoid increasing the school tax.

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, 2009*

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
ASSETS:			
Cash and cash equivalents	\$ 8,315,486	\$ 355,986	\$ 8,671,472
Receivables:			
Taxes - current	4,468,130	--	4,468,130
Taxes - delinquent	71,154	--	71,154
Trade accounts	392,766	16,738	409,504
Student loans - current portion	56,000	--	56,000
Due from other governments	1,000,440	28,006	1,028,446
Inventories	--	87,703	87,703
Student loans - non-current	341,970	--	341,970
Capital assets:			
Land and land improvements	1,647,346	--	1,647,346
Other capital assets, net of depreciation	13,991,912	118,381	14,110,293
TOTAL ASSETS	\$ 30,285,204	\$ 606,814	\$ 30,892,018
LIABILITIES :			
Accounts payable	\$ 355,209	\$ 26,539	\$ 381,748
Other current liabilities	6,247,617	--	6,247,617
Noncurrent liabilities:			
Due within one year	1,487,100	--	1,487,100
Due in more than one year	2,414,063	--	2,414,063
TOTAL LIABILITIES	10,503,989	26,539	10,530,528
NET ASSETS:			
Invested in capital assets, net of related debt	12,767,740	118,381	12,886,121
Restricted for:			
Capital outlay	484,563	--	484,563
Special education	1,206,337	--	1,206,337
Post-secondary education	1,397,280	--	1,397,280
Other purposes	1,213,485	180,944	1,394,429
Unrestricted	2,711,810	280,950	2,992,760
TOTAL NET ASSETS	19,781,215	580,275	20,361,490
TOTAL LIABILITIES AND NET ASSETS	\$ 30,285,204	\$ 606,814	\$ 30,892,018

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF ACTIVITIES
JUNE 30, 2009

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	Primary Government Business-Type Activities	Total
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 15,941,242	\$ 3,148,227	\$ 3,786,871	\$ --	\$ (9,006,144)	\$ --	\$ (9,006,144)
Support services	10,285,922	827,500	106,811	--	(9,351,611)	--	(9,351,611)
Community services	234,696	--	--	--	(234,696)	--	(234,696)
Nonprogrammed charges	1,635,195	--	1,213,521	--	(421,674)	--	(421,674)
Interest on long-term debt	85,856	70,735	--	--	(15,121)	--	(15,121)
Cocurricular activities	773,691	130,880	--	--	(642,811)	--	(642,811)
Total Governmental Activities	28,956,602	4,177,342	5,107,203	--	(19,672,057)	--	(19,672,057)
<i>Business-type Activities:</i>							
Food service	1,357,167	868,926	491,586	--	--	3,345	3,345
Child development center	177,237	107,056	26,061	--	--	(44,120)	(44,120)
MTI bookstore	534,470	621,610	--	--	--	87,140	87,140
Total Business-type Activities	2,068,874	1,597,592	517,647	--	--	46,365	46,365
Total Primary Government	\$ 31,025,476	\$ 5,774,934	\$ 5,624,850	\$ --	(19,672,057)	46,365	(19,625,692)
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property taxes					8,867,877	--	8,867,877
Gross receipts taxes					371,998	--	371,998
<i>Revenue from State Sources:</i>							
State aid					11,014,366	--	11,014,366
Other					2,080	--	2,080
Unrestricted investment earnings					158,307	--	158,307
Other general revenues					353,942	--	353,942
<i>Transfers</i>					(31,548)	31,548	--
Total General Revenues and Transfers					20,737,022	31,548	20,768,570
Change in Net Assets					1,064,965	77,913	1,142,878
<i>NET ASSETS, Beginning of Year</i>					18,716,250	502,362	19,218,612
<i>NET ASSETS, End of Year</i>					\$ 19,781,215	\$ 580,275	\$ 20,361,490

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, 2009

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:								
Cash and cash equivalents	\$ 4,446,447	\$ 468,306	\$ 1,361,764	\$ 505,402	\$ 1,236,398	\$ 258,288	\$ 38,881	\$ 8,315,486
Receivables:								
Taxes - current	2,399,639	1,320,651	615,873	131,967	--	--	--	4,468,130
Taxes - delinquent	42,474	18,302	8,569	1,809	--	--	--	71,154
Trade accounts	3,389	--	1,292	--	388,085	--	--	392,766
Student loans - current portion	--	--	--	--	--	--	56,000	56,000
Due from other governments	639,033	--	60,372	--	292,748	--	8,287	1,000,440
Student loans - non-current	--	--	--	--	--	--	341,970	341,970
TOTAL ASSETS	<u>\$ 7,530,982</u>	<u>\$ 1,807,259</u>	<u>\$ 2,047,870</u>	<u>\$ 639,178</u>	<u>\$ 1,917,231</u>	<u>\$ 258,288</u>	<u>\$ 445,138</u>	<u>\$ 14,645,946</u>
LIABILITIES AND FUND BALANCES:								
<i>Liabilities:</i>								
Accounts payable	\$ 68,074	\$ 31,540	\$ 25,080	\$ --	\$ 230,515	\$ --	\$ --	\$ 355,209
Contracts payable	1,017,653	--	168,874	--	110,830	--	--	1,297,357
Payroll deductions and withholdings and employer matching payable	263,821	--	45,043	--	33,606	--	--	342,470
Deferred revenue	2,458,390	1,338,953	624,442	133,776	145,000	--	--	4,700,561
Total Liabilities	<u>3,807,938</u>	<u>1,370,493</u>	<u>863,439</u>	<u>133,776</u>	<u>519,951</u>	<u>--</u>	<u>--</u>	<u>6,695,597</u>
<i>Fund Balances:</i>								
Reserved for student financial aid	--	--	--	--	--	--	445,138	445,138
Unreserved:								
Designated for capital purposes	--	--	--	--	--	258,288	--	258,288
Undesignated	3,723,044	436,766	1,184,431	505,402	1,397,280	--	--	7,246,923
Total Fund Balances	<u>3,723,044</u>	<u>436,766</u>	<u>1,184,431</u>	<u>505,402</u>	<u>1,397,280</u>	<u>258,288</u>	<u>445,138</u>	<u>7,950,349</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,530,982</u>	<u>\$ 1,807,259</u>	<u>\$ 2,047,870</u>	<u>\$ 639,178</u>	<u>\$ 1,917,231</u>	<u>\$ 258,288</u>	<u>\$ 445,138</u>	

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

15,639,258

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.

(3,901,163)

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

92,771

Net Assets of Governmental Activities

\$ 19,781,215

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, 2009

<u>REVENUES</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenue from Local Sources:</i>								
<i>Taxes:</i>								
Ad valorem taxes	\$ 4,893,268	\$ 2,634,522	\$ 1,230,364	\$ 263,446	\$ --	\$ --	\$ --	\$ 9,021,600
Prior years' ad valorem taxes	39,106	19,506	8,175	1,951	--	--	--	68,738
Gross receipts taxes	371,998	--	--	--	--	--	--	371,998
Penalties and interest on taxes	12,804	5,705	2,662	571	--	--	--	21,742
<i>Tuition and Fees:</i>								
Regular day school tuition	13,276	--	350	--	--	--	--	13,626
Adult continuing education tuition	--	--	--	--	64,725	--	--	64,725
Summer school fees	22,016	--	--	--	--	--	--	22,016
<i>Post Secondary Program Tuition and Fees:</i>								
Post secondary program tuition	--	--	--	--	1,775,108	--	--	1,775,108
Post secondary student fees	--	--	--	--	1,272,752	--	--	1,272,752
<i>Earnings on investments and deposits</i>	76,516	13,192	23,847	8,882	28,588	--	7,282	158,307
<i>Post Secondary:</i>								
Resales/services - occupational programs	--	--	--	--	735,957	--	--	735,957
<i>Cocurricular Activities:</i>								
Admissions	109,135	--	--	--	--	--	--	109,135
Other pupil activity income	745	--	--	--	--	--	--	745
<i>Other Revenue from Local Sources:</i>								
Rentals	26,145	--	--	--	--	--	--	26,145
Refund of prior years' expenditures	160	175	--	--	--	--	--	335
Judgments	--	--	--	--	7,898	--	--	7,898
Charges for services	121,991	--	65,112	--	--	--	--	187,103
Other	194,905	6,280	3,000	--	152,272	--	16,898	373,355
<i>Revenue from Intermediate Sources:</i>								
<i>County Sources:</i>								
County apportionment	261,510	--	--	--	--	--	--	261,510
Lease of county-owned land	11,163	--	--	--	--	--	--	11,163
Revenue in lieu of taxes	--	70,735	--	--	--	--	--	70,735

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, 2009
(Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Capital Projects Fund</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	6,604,438	--	--	--	3,259,276	--	--	9,863,714
Restricted grants-in-aid	124,815	--	775,220	--	44,598	--	--	944,633
Other state revenue	78,426	95,891	--	--	471,990	--	--	646,307
<i>Revenue from Federal Sources:</i>								
<i>Grants-in-aid:</i>								
Restricted grants-in-aid received directly from Federal government	--	--	--	--	--	--	1,213,521	1,213,521
Restricted grants-in-aid received from Federal government through the State	1,296,254	--	614,860	--	396,877	--	--	2,307,991
Johnson O'Malley Funds	37,995	--	--	--	--	--	--	37,995
Other Federal Revenue	329,618	--	--	--	373,271	--	--	702,889
TOTAL REVENUES	14,626,284	2,846,006	2,723,590	274,850	8,583,312	--	1,237,701	30,291,743
 <u>EXPENDITURES</u>								
<i>Instruction:</i>								
<i>Regular Programs:</i>								
Elementary	\$ 3,349,469	\$ 42,391	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,391,860
Middle/junior high	1,830,855	52,715	--	--	--	--	--	1,883,570
High school	2,629,184	56,076	--	--	--	--	--	2,685,260
Other regular programs	157,313	--	--	--	--	--	--	157,313
<i>Special Programs:</i>								
Gifted and talented	56,796	--	--	--	--	--	--	56,796
Programs for special education	--	--	1,857,342	--	--	--	--	1,857,342
Culturally different	--	--	--	--	--	--	--	--
Educationally deprived	582,567	--	--	--	--	--	--	582,567
Post Secondary Occupational Programs	--	--	--	--	3,838,819	--	--	3,838,819
<i>Support Services:</i>								
<i>Pupils:</i>								
Guidance	356,190	--	42,036	--	922,443	--	--	1,320,669
Health	47,474	--	12,822	--	--	--	--	60,296
Psychological	--	--	42,480	--	--	--	--	42,480
Speech pathology	--	--	439,295	--	--	--	--	439,295
Student therapy services	--	--	155,344	--	--	--	--	155,344

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, 2009
(Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Instructional Staff:</i>								
Improvement of instruction	406,428	19,630	--	--	--	--	--	426,058
Educational media	443,089	--	--	--	9,335	--	--	452,424
<i>General Administration:</i>								
Board of education	101,947	100,529	2,269	--	3,358	--	--	208,103
Executive administration	170,179	--	--	--	29,669	--	--	199,848
<i>School Administration:</i>								
Office of the principal	897,209	--	--	--	--	--	--	897,209
Vocational school - director's office	--	--	--	--	229,258	--	--	229,258
Financial aids administration	--	--	--	--	147,768	--	--	147,768
Other	6,856	--	--	--	--	--	--	6,856
<i>Business:</i>								
Fiscal services	157,248	--	--	--	268,442	--	--	425,690
Facilities acquisition and construction	--	--	--	--	--	382,123	--	382,123
Operation and maintenance of plant	1,778,502	85,839	--	--	555,228	--	--	2,419,569
Student transportation	202,878	33,000	--	--	--	--	--	235,878
Internal services	105,054	398,476	--	--	--	--	--	503,530
<i>Central:</i>								
Planning	--	--	--	--	22,264	--	--	22,264
Data processing	--	--	--	--	243,721	--	--	243,721
<i>Special Education:</i>								
Administrative costs	--	--	88,500	--	--	--	--	88,500
Transportation costs	--	--	41,218	--	--	--	--	41,218
<i>Resale Services:</i>								
Post secondary resales/service	--	--	--	--	631,854	--	--	631,854
<i>Other Support Services</i>	--	--	--	--	122,809	--	--	122,809
<i>Community Services:</i>								
Direction	364	--	--	--	--	--	--	364
Custody and care of children	150,000	--	--	--	--	--	--	150,000
Nonpublic school	84,332	--	--	--	--	--	--	84,332
<i>Nonprogrammed Charges:</i>								
Payments to State - Unemployment	184	--	--	--	--	--	--	184
Pension payments	--	--	--	252,148	--	--	--	252,148
Student financial aid	--	--	--	--	--	--	1,230,419	1,230,419
Other nonprogrammed charges	--	--	--	--	267,785	--	--	267,785
<i>Debt Services</i>	--	1,254,039	--	--	295,334	--	--	1,549,373
<i>Capital Outlay</i>	50,564	427,441	--	--	870,263	459,589	--	1,807,857

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, 2009
(Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Cocurricular Activities:</i>								
Male activities	181,848	9,454	--	--	--	--	--	191,302
Female activities	162,139	--	--	--	--	--	--	162,139
Combined activities	340,476	--	--	--	42,151	--	--	382,627
TOTAL EXPENDITURES	<u>14,249,145</u>	<u>2,479,590</u>	<u>2,681,306</u>	<u>252,148</u>	<u>8,500,501</u>	<u>841,712</u>	<u>1,230,419</u>	<u>30,234,821</u>
<i>Excess of Revenues Over (Under)</i>								
<i>Expenditures</i>	<u>\$ 377,139</u>	<u>\$ 366,416</u>	<u>\$ 42,284</u>	<u>\$ 22,702</u>	<u>\$ 82,811</u>	<u>\$ (841,712)</u>	<u>\$ 7,282</u>	<u>\$ 56,922</u>
<i>OTHER FINANCING SOURCES (USES):</i>								
Interfund transfers in	45,921	--	--	--	12,572	1,100,000	--	1,158,493
Interfund transfers (out)	--	(1,113,192)	(23,847)	(8,882)	(44,120)	--	--	(1,190,041)
General long-term debt issued	--	237,500	--	--	--	--	--	237,500
Sale of surplus property	1,926	1,692	--	--	1,957	--	--	5,575
TOTAL OTHER FINANCING SOURCES (USES)	<u>47,847</u>	<u>(874,000)</u>	<u>(23,847)</u>	<u>(8,882)</u>	<u>(29,591)</u>	<u>1,100,000</u>	<u>--</u>	<u>211,527</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>								
<i>Expenditures and Uses</i>	424,986	(507,584)	18,437	13,820	53,220	258,288	7,282	268,449
FUND BALANCE, Beginning of Year	<u>3,298,058</u>	<u>944,350</u>	<u>1,165,994</u>	<u>491,582</u>	<u>1,344,060</u>	<u>--</u>	<u>437,856</u>	<u>7,681,900</u>
FUND BALANCE, End of Year	<u>\$ 3,723,044</u>	<u>\$ 436,766</u>	<u>\$ 1,184,431</u>	<u>\$ 505,402</u>	<u>\$ 1,397,280</u>	<u>\$ 258,288</u>	<u>\$ 445,138</u>	<u>\$ 7,950,349</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, 2009

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 268,449
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays expense in the current period.	(356,834)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,518,499
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.	(237,500)
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."	(244,203)
Governmental funds do not reflect the change in accrued leave and early retirement payments, but the statement of activities reflects the change in accrued leave and early retirement payments through expenditures.	<u>116,554</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 1,064,965</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, 2009

	<u><i>Other Enterprise Funds</i></u>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 355,986
<i>Receivables:</i>	
Trade accounts	16,738
Due from other governments	28,006
Inventory of supplies	6,554
Inventory of stores purchased for resale	75,379
Inventory of donated food	5,770
<i>Total Current Assets</i>	<u>488,433</u>
 <i>Capital Assets:</i>	
Machinery and equipment	497,451
Accumulated depreciation	(379,070)
<i>Capital Assets - Net</i>	<u>118,381</u>
 TOTAL ASSETS	 <u>\$ 606,814</u>
 LIABILITIES AND NET ASSETS:	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts payable	<u>\$ 26,539</u>
 <i>Net Assets:</i>	
Invested in capital assets	118,381
Unrestricted net assets	461,894
<i>Total Net Assets</i>	<u>580,275</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 606,814</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, 2009

	<i>Other Enterprise Funds</i>
OPERATING REVENUES:	
<i>Charges for Services:</i>	
Food service	\$ 868,926
Child care	107,056
Bookstore	621,610
<i>Total Charges for Services</i>	1,597,592
 OPERATING EXPENSES:	
Salaries	566,576
Employee benefits	143,109
Purchased services	46,010
Supplies	43,313
Cost of sales	1,249,773
Miscellaneous	879
Depreciation	19,214
<i>Total Operating Expenses</i>	2,068,874
<i>Operating Income (Loss)</i>	(471,282)
 NONOPERATING REVENUES:	
<i>Local Sources:</i>	
Investment earnings	--
Miscellaneous revenue	15,000
<i>State Sources:</i>	
Cash payments	5,412
<i>Federal Sources:</i>	
Cash reimbursements	432,785
Donated food	64,450
<i>Total Nonoperating Revenues</i>	517,647
<i>Income (Loss) Before Transfers</i>	46,365
 <i>Operating Transfers In (Out):</i>	
Interfund transfers in	44,120
Interfund transfers (out)	(12,572)
<i>Change in Net Assets</i>	77,913
<i>NET ASSETS, Beginning of Year</i>	502,362
<i>NET ASSETS, End of Year</i>	\$ 580,275

*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, 2009

	<u>Other Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,597,566
Cash received from miscellaneous revenues	15,000
Cash paid to suppliers	(1,255,249)
Cash paid to employees	(566,576)
Other cash payments	<u>(143,109)</u>
CASH FLOWS (USED) BY OPERATING ACTIVITIES	<u><u>(352,368)</u></u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	433,667
Transfers from other funds	<u>31,548</u>
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u><u>465,215</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	<u>(22,340)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>90,507</u>
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>265,479</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 355,986</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	<u>\$ (471,282)</u>
<i>Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:</i>	
Depreciation	19,214
Value of commodities used	72,853
Miscellaneous nonoperating revenue	15,000
(Increase) Decrease in:	
Trade accounts receivable	(26)
Inventory	6,487
Increase in:	
Accounts payable	<u>5,386</u>
Total Adjustments	<u><u>118,914</u></u>
CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (352,368)</u></u>
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:	
Commodities received from Federal Government	<u><u>\$ 64,450</u></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, 2009

	<i>Private-Purpose Trust Funds</i>	<i>Agency Funds</i>
ASSETS:		
Cash and Cash Equivalents	\$ 69,625	\$ 954,086
Miscellaneous receivables	--	528,122
Investments, at Fair Value	184,393	--
 TOTAL ASSETS	\$ 254,018	\$ 1,482,208
 LIABILITIES:		
Amounts Held for Others	\$ --	\$ 835,364
Accounts payable	--	646,844
Total Liabilities	--	1,482,208
 NET ASSETS		
Held in Trust for Scholarship	254,018	--
 TOTAL LIABILITIES AND NET ASSETS	\$ 254,018	\$ 1,482,208

*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, 2009

	<i>Private-Purpose Trust Funds</i>
ADDITIONS:	
Contributions and Donations	\$ 7,355
Other Additions	19,206
<i>Total Additions</i>	26,561
 DEDUCTIONS:	
Trust Deductions for Scholarship	22,825
<i>Change in Net Assets</i>	3,736
NET ASSETS, Beginning of Year	250,282
NET ASSETS, End of Year	\$ 254,018

*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, 2009

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, 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 nonexchange 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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

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

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

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

- 1) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 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 – A fund established by SDCL 13-39-39.1 to account for funds incidental to the operation of the post-secondary vocational-technical program. This is a major fund.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

b. Basis of Presentation: (continued)

Governmental Funds: (continued)

Special Revenue Fund Types (continued)

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

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

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

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 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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

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

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.

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, 2009, are grant reimbursements and tuition and fees.

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

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

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

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, 2009*

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, 2009, balance of capital assets for governmental activities includes approximately 39 percent for which costs were determined by estimates of the original costs. The total June 30, 2009, 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, 2009*

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, 2009*

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 may distinguish between “Reserved” and “Unreserved” 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.

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.

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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.

As of June 30, 2009, the School District had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Mutual Funds:</u>			
Dodge & Cox Income Fund	Not Rated	N/A	\$ 57,904
Dodge & Cox Stock Fund	Not Rated	N/A	8,383
Fidelity Advisor Small Cap Fund	Not Rated	N/A	5,447
First Focus Core Equity Fund	Not Rated	N/A	17,951
First Focus Large Cap Growth Fund	Not Rated	N/A	8,239
First Focus Small Companies Fund	Not Rated	N/A	5,478
T Rowe Price Blue Chip Growth Fund	Not Rated	N/A	8,137
T Rowe Price Mid Cap Value Fund	Not Rated	N/A	4,231
Columbia Marsico International Opportunities Fund	Not Rated	N/A	8,325
Dodge & Cox International Stock Fund	Not Rated	N/A	11,472
Federated Mortgage Fund	Not Rated	N/A	12,411
Federated Total Return Bond Fund	Not Rated	N/A	5,147
Fidelity Advisor Short Fixed-Income Fund	Not Rated	N/A	15,154
Goldman Sachs High Yield Fund	Not Rated	N/A	10,088
Franklin Income Fund	Not Rated	N/A	6,026
TOTAL INVESTMENTS			\$ 184,393

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

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

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, interfund 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 interfund transfers are not violations of the statutory restrictions on interfund transfers.

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 uncollectibles has been established.

4. INVENTORY:

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

In the Government-wide financial statements and in the 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, 2009

6. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2009, is as follows:

	Balance 7/1/2008	Increases	Decreases	Balance 6/30/2009
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,157,757	\$ 30,000	\$ --	\$ 1,187,757
Construction in progress	--	459,589	--	459,589
Total, not being depreciated	1,157,757	489,589	--	1,647,346
Capital assets, being depreciated:				
Buildings	\$ 21,691,214	\$ --	\$ --	\$ 21,691,214
Machinery and equipment	5,161,984	734,056	(68,095)	5,827,945
Total, being depreciated	26,853,198	734,056	(68,095)	27,519,159
Less accumulated depreciation for:				
Buildings	8,835,439	853,970	\$ --	9,689,409
Machinery and equipment	3,179,424	726,509	(68,095)	3,837,838
Total accumulated depreciation	12,014,863	1,580,479	(68,095)	13,527,247
Total capital assets, being depreciated, net	\$ 14,838,335	\$ (846,423)	\$ --	\$ 13,991,912

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,488,928
Support Services	53,928
Co-curricular activities	37,623
Total	\$ 1,580,479

	Balance 7/1/2008	Increases	Decreases	Balance 6/30/2009
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 476,243	\$ 22,340	\$ --	\$ 498,583
Less accumulated depreciation for:				
Machinery and equipment	360,988	19,214	--	380,202
Total capital assets, being depreciated, net	\$ 115,255	\$ 3,126	\$ --	\$ 118,381

Depreciation expense was charged to functions as follow:

Business-type activities:	
Food service	\$ 19,214

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

6. CHANGES IN CAPITAL ASSETS: (Continued)

Construction Work in Progress at June 30, 2009 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/09</u>	<u>Committed</u>	<u>Required Future Financing</u>
Longfellow Elementary School	\$ 8,200,000	\$ 459,589	\$ 8,153,393	\$ 7,693,804

7. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bonds	\$ 342,187	\$ 237,500	\$ (28,665)	\$ 551,022	\$ 60,900
Capital Outlay Certificates	3,155,000	--	(940,000)	2,215,000	940,000
Financing (Capital Acquisition) Leases	655,330	--	(549,834)	105,496	57,200
Total Debt	<u>4,152,517</u>	<u>237,500</u>	<u>(1,518,499)</u>	<u>2,871,518</u>	<u>1,058,100</u>
Early Retirement Payable -					
Governmental Funds	664,479	145,764	(261,105)	549,138	254,000
Accrued Compensated Absences -					
Governmental Funds	481,720	253,886	(255,099)	480,507	175,000
Total Governmental Activities	<u>\$ 5,298,716</u>	<u>\$ 637,150</u>	<u>\$ (2,034,703)</u>	<u>\$ 3,901,163</u>	<u>\$ 1,487,100</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.

Liabilities payable at June 30, 2009, are comprised of the following:

Capital Outlay Bonds:

Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2001	0%; due in annual installments of \$25,000. Final payment due December 31, 2015. Payable from Capital Outlay Fund.	\$ 181,008
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2005	0%; due in annual installments of \$10,938. Final payment due June 29, 2021. Payable from Capital Outlay Fund.	\$ 132,514
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.	\$ 237,500

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. LONG-TERM LIABILITIES: (Continued)

Liabilities payable at June 30, 2008, are comprised of the following: (continued)

Capital Outlay Certificates:

	TERMS	
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.	\$ 505,000
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.	\$ 1,125,000
Mitchell School District No. 17-2 Capital Outlay Certificates, Series 2004B – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 2.5-3.0% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2010. Payable from Post-Secondary Vocational-Technical Fund.	\$ 585,000

Financing (Capital Acquisition) Leases:

	TERMS	
Wells Fargo Financial Services, Inc. – Secured by equipment	7.71%; due in monthly installments, including interest. Final payment due June 30, 2011. Payable from Capital Outlay Fund.	\$ 105,496

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

	PRINCIPAL	INTEREST	TOTAL
Wells Fargo Financial Services, Inc. – copiers	<u>\$ 285,900</u>	<u>\$ 59,550</u>	<u>\$ 345,450</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. LONG-TERM LIABILITIES: (Continued)

Other Long-Term Liabilities:

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 480,507
Early Retirement Benefits –	
Payable from Pension Fund and the Post-High Fund	\$ 549,138

The annual debt service requirements to maturity for all debt outstanding except for compensated absences as of June 30, 2009, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2009

Year Ending June 30,	Qualified Zone Academy	Capital Outlay Certificates		Capital Lease Obligations		Early Retirement Benefits	Totals	
	Bonds	Principal	Interest	Principal	Interest	Principal	Principal	Interest
	Principal							
2010	\$ 60,938	\$ 975,000	\$ 58,389	\$ 57,209	\$ 7,311	\$ 191,477	\$ 1,284,624	\$ 65,700
2011	60,938	730,000	33,910	48,287	2,375	129,535	968,760	36,285
2012	60,938	300,000	16,605	--	--	95,661	456,599	16,605
2013	60,938	105,000	6,773	--	--	67,411	233,349	6,773
2014	60,938	105,000	3,465	--	--	44,902	210,840	3,465
2015-2019	229,690	--	--	--	--	20,152	249,842	--
2020-2024	16,642	--	--	--	--	--	16,642	--
TOTALS	\$ 551,022	\$ 2,215,000	\$ 119,142	\$ 105,496	\$ 9,686	\$ 549,138	\$ 3,420,656	\$ 128,828

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

8. OPERATING LEASES:

The School District leases the facilities for a portion of the Mitchell Technical Institute’s programs from the South Dakota Board of Education. The addition to the School was constructed with proceeds from bonds issued by the South Dakota Health and Educational Facilities Authority. The South Dakota Board of Education leases the facility from the Authority and then subleases it to the School District. The lease agreement calls for rental payments coinciding with the bond retirement schedule. Currently, those rentals are being paid from the facility fee fund account maintained by the trustee. It is anticipated that these fees will be sufficient to make the lease payments throughout the term of the lease. The facility fee is a \$60 fee per quarter collected from each student attending the four vocational-technical schools in the State. These fees are remitted to the trustee for the purpose of retiring the indebtedness against facilities constructed at the various vocational-technical schools. The lease term is for twenty-five years, although there is a cancellation clause for non-appropriation of funds. At the conclusion of the lease the School District has the option of renewing the lease on an annual basis for \$100, subject to the restriction on use of the project for post-secondary vocational education.

The School District leases the facilities for its child care program under the same terms as above.

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, 2018. Lease payments are being made from the Capital Outlay Fund. Lease expense for the year ended June 30, 2009, was approximately \$400,600. Estimated minimum payments on the elementary school lease for the years ending June 30 are as follows:

2010	\$	401,100
2011	\$	399,900
2012	\$	400,500
2013	\$	400,100
2014	\$	400,300
2015-2019	\$	1,467,300

9. INDIVIDUAL FUND INTERFUND TRANSACTIONS:

Interfund transfers for the year ended June 30, 2009, were as follows:

Transfers from:	Transfers To:				Purpose:
	<i>Child</i>				
	<i>General Fund</i>	<i>Development Center Fund</i>	<i>Capital Projects Fund</i>	<i>Post-High Fund</i>	
Post-High Fund	--	\$ 44,120	--	--	Subsidize operations
Capital Outlay Fund	\$ 13,192	--	\$ 1,100,000	--	Interest earnings/capital project
Special Education Fund	\$ 23,847	--	--	--	Interest earnings
MTI Bookstore Fund	--	--	--	\$ 12,572	Subsidize operations
Pension Fund	\$ 8,882	--	--	--	Interest earnings

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

10. RESTRICTED NET ASSETS:

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Special Education	Law	\$ 1,206,337
Capital Outlay	Law	484,563
Pension	Law	510,059
Post-Secondary Education	Law	1,397,280
Capital Projects Fund	Law	258,288
Student Financial Aid	Federal Regulation	445,138
Child Nutrition	Federal Regulation	180,944
Total Restricted Net Assets		<u>\$ 4,482,609</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 the fiscal years ended June 30, 2009, 2008 and 2007 were \$683,729, \$673,452, and \$663,330, 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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

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, 31 retirees are receiving benefits under this provision. An additional 35 employees are expected to be eligible for early retirement benefits by March 15, 2010, 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, 2009, were \$261,105.

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, 2009, this joint venture had total assets of \$27,482 total liabilities of \$27,673 and net assets of \$(191).

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, 2009, the School District managed its risk as follows:

Employee Health Insurance: The School District joined the South Dakota School District Health Benefits Fund.

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009*

14. **RISK MANAGEMENT:** *(continued)*

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

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

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

14. *RISK MANAGEMENT: (continued)*

Workers' Compensation: (continued)

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, 2009, no claims for unemployment benefits were paid. At June 30, 2009, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

***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, 2009

	<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	\$ 4,907,140	\$ 4,907,140	\$ 4,893,268	\$ (13,872)
Prior years' ad valorem taxes	55,000	55,000	39,106	(15,894)
Gross receipts taxes	230,000	322,700	371,998	49,298
Penalties and interest on taxes	14,000	14,000	12,804	(1,196)
<i>Tuition and Fees:</i>				
Regular day school tuition	15,000	15,000	13,276	(1,724)
Summer school fees	25,000	25,000	22,016	(2,984)
<i>Earnings on investments and deposits</i>	215,000	215,000	76,516	(138,484)
<i>Cocurricular Activities:</i>				
Admissions	90,000	90,000	109,135	19,135
Other pupil activity income	3,000	3,000	745	(2,255)
<i>Other Revenue from Local Sources:</i>				
Rentals	20,000	20,000	26,145	6,145
Refund of prior years' expenditures	--	--	160	160
Charges for services	--	--	121,991	121,991
Other	148,487	148,487	194,905	46,418
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	300,000	300,000	261,510	(38,490)
Lease of county-owned land	25,000	25,000	11,163	(13,837)
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	6,979,203	6,997,803	6,604,438	(393,365)
Restricted grants-in-aid	--	100,000	124,815	24,815
<i>Other state revenue</i>	64,000	64,000	78,426	14,426
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from				
Federal government through the State	838,383	893,083	1,296,254	403,171
<i>Johnson O'Malley Funds</i>	25,571	25,571	37,995	12,424
<i>Other Federal Revenue</i>	312,641	336,341	329,618	(6,723)
TOTAL REVENUES	<u>14,267,425</u>	<u>14,557,125</u>	<u>14,626,284</u>	<u>69,159</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(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	\$ 3,549,687	\$ 3,549,687	\$ 3,349,469	\$ 200,218
Middle/junior high	1,863,648	1,879,648	1,830,855	48,793
High school	2,646,243	2,698,543	2,629,184	69,359
Other regular programs	162,677	162,677	157,313	5,364
<i>Special Programs:</i>				
Gifted and talented	58,476	58,476	56,796	1,680
Educationally deprived	508,362	532,062	582,567	(50,505)
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	378,823	378,823	356,190	22,633
Health	56,190	56,190	47,474	8,716
<i>Instructional Staff:</i>				
Improvement of instruction	239,609	394,309	406,428	(12,119)
Educational media	536,910	536,910	493,479	43,431
<i>General Administration:</i>				
Board of education	105,209	108,209	101,947	6,262
Executive administration	170,662	170,662	170,179	483
<i>School Administration:</i>				
Office of the principal	856,884	881,884	897,383	(15,499)
Other	--	7,500	6,856	644
<i>Business:</i>				
Fiscal services	163,629	163,629	157,248	6,381
Operation and maintenance of plant	1,911,085	1,918,585	1,778,502	140,083
Pupil transportation	212,088	212,088	202,878	9,210
Internal services	122,101	122,101	105,054	17,047
<i>Community Services:</i>				
Direction	11,000	11,000	364	10,636
Custody and care of children	150,000	150,000	150,000	--
Nonpublic school	--	--	84,332	(84,332)
<i>Nonprogrammed Charges:</i>				
Payments to State - Unemployment	1,500	1,500	184	1,316
<i>Cocurricular Activities:</i>				
Male activities	192,263	192,263	181,848	10,415
Female activities	164,954	164,954	162,139	2,815
Combined activities	360,652	360,652	340,476	20,176
TOTAL EXPENDITURES	14,422,652	14,712,352	14,249,145	463,207

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

	<u>Budgeted Amounts</u>		<i>Actual Amounts</i>	<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<i>Excess of Revenues Over Expenditures</i>	<u>\$ (155,227)</u>	<u>\$ (155,227)</u>	<u>\$ 377,139</u>	<u>\$ 532,366</u>
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	--	--	45,921	45,921
Sale of surplus property	--	--	1,926	1,926
<i>Total Other Financing Sources (Uses)</i>	<u>--</u>	<u>--</u>	<u>47,847</u>	<u>47,847</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	(155,227)	(155,227)	424,986	580,213
<i>FUND BALANCE, Beginning of Year</i>	3,298,058	3,298,058	3,298,058	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 3,142,831</u>	<u>\$ 3,142,831</u>	<u>\$ 3,723,044</u>	<u>\$ 580,213</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 2,632,715	\$ 2,632,715	\$ 2,634,522	\$ 1,807
Prior years' ad valorem taxes	15,000	15,000	19,506	4,506
Penalties and interest on taxes	4,500	4,500	5,705	1,205
<i>Earnings on investments and deposits</i>	--	--	13,192	13,192
<i>Other Revenue from Local Sources:</i>				
Refund of prior years' expenditures	--	--	175	175
Other	--	--	6,280	6,280
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	70,735	70,735	70,735	--
<i>Revenue from State Sources:</i>				
Other state revenue	95,891	95,891	95,891	--
TOTAL REVENUES	2,818,841	2,818,841	2,846,006	27,165
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	56,715	56,715	42,391	14,324
Middle/junior high	73,068	73,068	52,715	20,353
High school	58,267	58,267	56,076	2,191
<i>Support Services:</i>				
<i>Instructional Staff:</i>				
Improvement of instruction	100,000	100,000	19,630	80,370
<i>General Administration:</i>				
Board of education	255,500	255,500	140,529	114,971
<i>Business:</i>				
Facilities acquisition and construction	334,500	334,500	306,582	27,918
Operation and maintenance of plant	105,000	105,000	85,839	19,161
Pupil transportation	33,000	33,000	33,000	--
Internal services	475,000	475,000	467,566	7,434
<i>Debt Services</i>	1,282,791	1,282,791	1,254,039	28,752
<i>Cocurricular Activities:</i>				
Male activities	10,000	10,000	9,454	546
Combined activities	35,000	35,000	11,769	23,231
TOTAL EXPENDITURES	2,818,841	2,818,841	2,479,590	339,251
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	--	--	366,416	366,416
OTHER FINANCING SOURCES (USES):				
General long-term debt issued	--	--	237,500	237,500
Interfund transfers (out)	--	--	(1,113,192)	(1,113,192)
Sale of surplus property	--	--	1,692	1,692
TOTAL OTHER FINANCING SOURCES (USES)	--	--	(874,000)	(874,000)
<i>Excess of Revenues and Other Sources Over (Under)</i>				
<i>Expenditures</i>	--	--	(507,584)	(507,584)
FUND BALANCE, Beginning of Year	944,350	944,350	944,350	--
FUND BALANCE, End of Year	\$ 944,350	\$ 944,350	\$ 436,766	\$ (507,584)

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<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	\$ 1,235,440	\$ 1,235,440	\$ 1,230,364	\$ (5,076)
Prior years' ad valorem taxes	6,000	6,000	8,175	2,175
Penalties and interest on taxes	2,000	2,000	2,662	662
<i>Tuition and fees:</i>				
Regular day school tuition	--	--	350	350
Earnings on investments and deposits	--	--	23,847	23,847
<i>Other Revenue From Local Sources:</i>				
Charges for services	--	26,300	65,112	65,112
Other	--	--	3,000	3,000
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid	917,635	917,635	775,220	(142,415)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	603,585	603,585	614,860	11,275
TOTAL REVENUES	<u>2,764,660</u>	<u>2,790,960</u>	<u>2,723,590</u>	<u>(41,070)</u>
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	1,906,525	1,909,025	1,857,342	51,683
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	42,403	42,403	42,036	367
Health	38,313	38,313	12,822	25,491
Psychological	5,200	52,000	42,480	9,520
Speech pathology	464,219	464,219	439,295	24,924
Student therapy services	127,700	149,200	155,344	(6,144)
<i>General Administration</i>				
Board of Education	--	2,300	2,269	31
<i>Special Education:</i>				
Administrative costs	91,000	91,000	88,500	2,500
Transportation costs	42,500	42,500	41,218	1,282
TOTAL EXPENDITURES	<u>2,717,860</u>	<u>2,790,960</u>	<u>2,681,306</u>	<u>109,654</u>
<i>Excess of Revenues Over (Under) Expenditures</i>				
	--	--	42,284	42,284
OTHER FINANCING (USES):				
Interfund transfers (out)	--	--	(23,847)	(23,847)
<i>Excess of Revenues Over (Under) Expenditures and Uses</i>				
	--	--	18,437	18,437
FUND BALANCE, Beginning of Year	<u>1,165,994</u>	<u>1,165,994</u>	<u>1,165,994</u>	<u>--</u>
FUND BALANCE, End of Year	<u>\$ 1,165,994</u>	<u>\$ 1,165,994</u>	<u>\$ 1,184,431</u>	<u>\$ 18,437</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<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	\$ 255,000	\$ 255,000	\$ 263,446	\$ 8,446
Prior years' ad valorem taxes	--	--	1,951	1,951
Penalties and interest on taxes	--	--	571	571
<i>Earnings on investments and deposits</i>	--	--	8,882	8,882
TOTAL REVENUES	<u>255,000</u>	<u>255,000</u>	<u>274,850</u>	<u>19,850</u>
<u>EXPENDITURES</u>				
<i>Nonprogrammed Charges:</i>				
Pension payments	<u>255,000</u>	<u>255,000</u>	<u>252,148</u>	<u>2,852</u>
<i>Excess of Revenues Over Expenditures</i>	<u>--</u>	<u>--</u>	<u>22,702</u>	<u>22,702</u>
<i>OTHER FINANCING (USES):</i>				
Interfund transfers (out)	<u>--</u>	<u>--</u>	<u>(8,882)</u>	<u>(8,882)</u>
<i>Excess of Revenues Over Expenditures and Uses</i>	<u>--</u>	<u>--</u>	<u>13,820</u>	<u>13,820</u>
<i>FUND BALANCE, Beginning of Year</i>	<u>491,582</u>	<u>491,582</u>	<u>491,582</u>	<u>--</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 491,582</u>	<u>\$ 491,582</u>	<u>\$ 505,402</u>	<u>\$ 13,820</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<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>Post Secondary Program Tuition and Student Fees:</i>				
Adult continuing education tuition	\$ 61,000	\$ 61,000	\$ 64,725	3,725
Post secondary program tuition	1,857,000	1,857,000	1,775,108	(81,892)
Post secondary student fees	1,429,000	1,429,000	1,272,752	(156,248)
<i>Earnings on investments and deposits</i>	100,000	100,000	28,588	(71,412)
<i>Post Secondary:</i>				
Resales/services - occupational programs	728,052	728,052	735,957	7,905
<i>Other Revenue from Local Sources:</i>				
Refund of prior years' expenditures	35,000	35,000	--	(35,000)
Judgments	--	--	7,898	7,898
Other	75,000	75,000	152,272	77,272
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	3,355,494	3,355,494	3,259,276	(96,218)
Restricted grants-in-aid	--	43,950	44,598	648
<i>Other State Revenue</i>	489,475	521,475	471,990	(49,485)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	379,000	401,255	396,877	(4,378)
<i>Other</i>	--	1,999,723	373,271	--
TOTAL REVENUES	8,509,021	10,606,949	8,583,312	(397,185)
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Post Secondary Occupational Programs</i>	4,137,521	5,816,049	4,376,306	1,439,743
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	938,059	938,059	917,983	20,076
<i>Instructional Staff:</i>				
Educational media	20,633	20,633	12,521	8,112
<i>General Administration:</i>				
Board of education	9,497	9,497	3,358	6,139
Executive administration	33,812	33,812	29,669	4,143

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

<i>School Administration:</i>				
Vocational school - director's office	\$ 231,036	\$ 231,036	\$ 229,561	\$ 1,475
Financial aids administration	164,581	164,581	147,768	16,813
<i>Business:</i>				
Fiscal services	362,204	362,204	331,095	31,109
Operation and maintenance of plant	951,187	951,187	710,206	240,981
<i>Central:</i>				
Planning	--	419,400	22,264	397,136
Data processing	302,141	302,141	347,838	(45,697)
<i>Resale Services:</i>				
Post secondary resales/service	583,662	583,662	643,853	(60,191)
<i>Other Support Services</i>				
	144,390	144,390	122,809	21,581
<i>Nonprogrammed Charges:</i>				
Other nonprogrammed costs	275,000	275,000	267,785	7,215
<i>Debt Services</i>				
	295,334	295,334	295,334	--
<i>Cocurricular Activities:</i>				
Combined activities	41,841	41,841	42,151	(310)
<i>Contingencies</i>				
	11,958	11,958	--	11,958
TOTAL EXPENDITURES	<u>8,502,856</u>	<u>10,600,784</u>	<u>8,500,501</u>	<u>2,100,283</u>
 <i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	<u>6,165</u>	<u>6,165</u>	<u>82,811</u>	<u>76,646</u>
 OTHER FINANCING SOURCES :				
Interfund transfers in	80,000	80,000	12,572	(67,428)
Interfund transfers out	(86,165)	(86,165)	(44,120)	42,045
Sale of surplus property	--	--	1,957	1,957
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,165)</u>	<u>(6,165)</u>	<u>(29,591)</u>	<u>(23,426)</u>
 <i>Excess of Revenues and Other Sources Over</i>				
<i>Expenditures</i>	--	--	53,220	53,220
 <i>FUND BALANCE, Beginning of Year</i>				
	<u>1,344,060</u>	<u>1,344,060</u>	<u>1,344,060</u>	<u>--</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 1,344,060</u>	<u>\$ 1,344,060</u>	<u>\$ 1,397,280</u>	<u>\$ 53,220</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2009*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. 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 number 8.
7. 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.
8. 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.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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.

SUPPLEMENTARY INFORMATION

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER		FEDERAL EXPENDITURES
U.S. Department of Agriculture:			
Pass through the S.D. Department of Education:			
Food Distribution (Commodities Used) (Note 6)	10.550		\$ 72,853
Child and Adult Care Food Program	10.558		11,062
Child Nutrition Cluster:			
School Breakfast Program (Note 2)	10.553	\$ 88,464	
National School Lunch Program (Note 2)	10.555	293,162	
Summer Food Service Program for Children	10.559	40,098	
Total Child Nutrition Cluster			<u>421,724</u>
Total U.S. Department of Agriculture			<u>505,639</u>
U.S. Department of Labor			
Direct Federal Funding			
Community Based Job Training Grants	17.269		<u>373,271</u>
General Services Administration:			
Pass-through the S.D. Federal Property Agency:			
Donation of Federal Surplus Property (Note 5)	39.003		<u>8,486</u>
U.S. Department of Education:			
Direct Federal Funding:			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity			
Grant Program (FSEOG)	84.007	47,921	
Federal Family Education Loan			
Program (FFEL) (Note 3)	84.032	3,418,407	
Federal Work Study (FWS)	84.033	70,947	
Federal Perkins Loan Program (FPL) -			
Federal Capital Contributions (Note 4)	84.038	401,966	
Federal Pell Grant Program (PELL)	84.063	1,064,542	
Academic Competitiveness Grant	84.375	28,045	
Total Student Financial Assistance Programs Cluster			5,031,828
Indian Education - Grants to Local			
Educational Agencies	84.060		<u>37,995</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)*

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER		FEDERAL EXPENDITURES
Pass-through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies (LEAs)	84.010		\$ 520,600
Vocational Education - Basic Grants to States	84.048		309,337
Safe and Drug Free Schools and Communities - State Grants	84.186		18,326
Tech-Prep Education	84.243		76,985
21st Century Community Learning Center	84.287		152,000
State Grants for Innovative Programs	84.298		2,276
Education Technology State Grants	84.318		63,457
Advance Placement Program	84.330		1,940
Reading First State Grants	84.357		151,253
Improving Teacher Quality State Grants	84.367		246,636
State Fiscal Stabilization Fund			
Education State Grants	84.394		444,959
Special Education Cluster:			
Special Education Grants to States (Note 2)	84.027	\$ 585,088	
Special Education - Preschool Grants	84.173	<u>19,497</u>	
Total Special Education Cluster			<u>604,585</u>
Total U.S. Department of Education			<u>7,663,049</u>
U.S. Department of Health and Human Services:			
Pass-through the S.D. Department of Education:			
HIV and Other Important Health Problems	93.938		<u>500</u>
GRAND TOTAL			<u><u>\$ 8,550,945</u></u>

MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009
(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	\$ 1,466,871
Stafford Loans - Unsubsidized	\$ 1,678,537
PLUS Program Loans	\$ 272,999

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>\$ 74,900</u>	<u>\$ 401,966</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: CFDA 10.550 pertains to food commodities distributed by USDA under the following categorical programs: the National School Lunch Program (CFDA 10.555), the Child and Adult Food Program (CFDA 10.558), and the Summer Food Service Program (CFDA 10.559).