

MITCHELL SCHOOL DISTRICT NO. 17-2
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012

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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, 2012, which collectively comprise Mitchell School District No. 17-2's basic financial statements and have issued our report thereon dated February 9, 2013. 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

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

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

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

Compliance and Other Matters

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

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

CLO Prof LLC

**Mitchell, South Dakota
February 9, 2013**



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

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

Compliance

We have audited Mitchell School District No. 17-2's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect each of its major federal programs for the year ended June 30, 2012. Mitchell School District No. 17-2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mitchell School District No. 17-2's management. Our responsibility is to express an opinion on Mitchell School District No. 17-2's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mitchell School District No. 17-2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mitchell School District No. 17-2's compliance with those requirements.

In our opinion, Mitchell School District No. 17-2 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Mitchell School District No. 17-2 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mitchell School District No. 17-2's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mitchell School District No. 17-2's internal control over compliance.

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

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

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

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

Mitchell, South Dakota
February 9, 2013

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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



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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2013, on our consideration of Mitchell School District No. 17-2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 20 and 55 through 65 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 basic financial statements. 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

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

Mitchell, South Dakota
February 9, 2013

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012*

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, 2012. 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, 2012, the District's net assets from governmental and business type activities increased by \$2,144,815.

- During the year, the District's total revenues of \$37,947,009 were comprised of general revenues of \$18,790,699 and program revenues totaling \$19,170,258.
- As of the year ended June 30, 2012, the District's governmental funds reported combined ending fund balances of \$10,549,418, an increase of \$793,620 compared with the prior year.
- The General Fund reported an increase in fund balance of \$388,134 leaving an ending fund balance of \$4,073,603 or 28.8% 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.

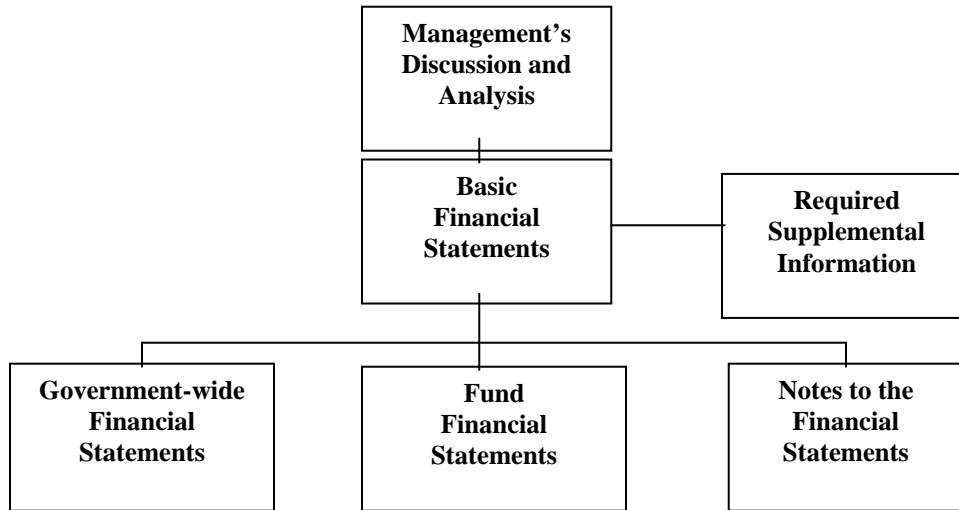
**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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, 2012
(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, 2012
(CONTINUED)*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

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

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

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

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(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, 2012
(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, 2012
(CONTINUED)**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The District's combined net assets increased \$2,144,8815 (or 8.4%) to \$27,786,504 at June 30, 2012.

The District's combined net assets increased as follows:

	Statement of Net Assets					
	Government Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other Asset	\$ 16,519,461	\$ 18,066,840	\$ 399,556	\$ 490,623	\$ 16,919,017	\$ 18,557,463
Capital Assets	35,519,152	30,054,526	125,629	112,484	35,644,781	30,167,010
Total Assets	\$ 52,038,613	\$ 48,121,366	\$ 525,185	\$ 603,107	\$ 52,563,798	\$ 48,724,473
Long-term Debt	\$ 14,628,821	\$ 12,287,675	\$ --	\$ --	\$ 14,628,821	\$ 12,287,675
Current Liabilities	6,512,467	8,624,407	20,821	25,887	6,533,288	8,650,294
Total Liabilities	21,141,288	20,912,082	20,821	25,887	21,162,109	20,937,969
Invested in Capital Assets						
Net of Related Debt	21,918,319	16,802,253	125,629	112,484	22,043,948	16,914,737
Restricted	5,932,937	6,475,815	258,104	243,358	6,191,041	6,719,173
Unrestricted	3,046,069	3,931,216	120,631	221,378	3,166,700	4,152,594
Total Net Assets	30,897,325	27,209,284	504,364	577,220	31,401,689	27,786,504
Total Liabilities and Net Assets	\$ 52,038,613	\$ 48,121,366	\$ 525,185	\$ 603,107	\$ 52,563,798	\$ 48,724,473

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 \$37,960,957, which represents an decrease in revenues from state sources and operating grants of \$1,185,723. Approximately 35% of the District's revenue comes from property taxes and tuition and fees from Mitchell Technical Institute and 30% comes from state sources.

The District's expenditures total \$35,816,142, which represents an decrease of \$266,056 or .7%. The primary reasons for this decrease are attributed to an decrease in operating expenses 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, 2012
(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 2012.

	Change in Net Assets					
	Government Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
<i>Revenues</i>						
Program Revenues						
Charge for Services	\$ 6,162,359	\$ 5,722,452	\$ 2,014,430	\$ 2,130,735	\$ 8,176,789	\$ 7,853,187
Operating Grants/ Contributions	12,599,333	10,681,397	576,805	621,726	13,176,138	11,303,123
Capital Grants/ Contributions	231,000	13,948	--	--	231,000	13,948
General Revenues						
Taxes	9,882,053	10,307,059	--	--	9,882,053	10,307,059
Revenue State Sources	6,916,046	7,034,102	--	--	6,916,046	7,034,102
Other						
Other general revenues	676,696	1,394,231	--	--	676,696	1,394,231
Unrestricted Investment Earnings	87,958	55,307	--	--	87,958	55,307
	<u>36,555,445</u>	<u>35,208,496</u>	<u>2,591,235</u>	<u>2,752,461</u>	<u>39,146,680</u>	<u>37,960,957</u>
<i>Expenses</i>						
Instruction	18,243,250	18,443,826	--	--	18,243,250	18,443,826
Support Services	10,185,018	10,445,890	--	--	10,185,018	10,445,890
Community Services	226,312	225,825	--	--	226,312	225,825
Non-programmed Charges	2,978,239	2,434,649	--	--	2,978,239	2,434,649
Debt Service	927,301	768,708	--	--	927,301	768,708
Co-curricular Activities	831,972	813,667	--	--	831,972	813,667
Food Service	--	--	1,544,693	1,589,526	1,544,693	1,589,526
Child Development Center	--	--	178,868	144,205	178,868	144,205
MTI Bookstore	--	--	966,545	949,846	966,545	949,846
	<u>33,392,092</u>	<u>33,132,565</u>	<u>2,690,106</u>	<u>2,683,577</u>	<u>36,082,198</u>	<u>35,816,142</u>
Excess (Deficiency) of Revenues Over Expenses						
Before Transfers	3,163,353	2,075,931	(98,871)	68,884	3,064,482	2,144,815
Transfers	(18,844)	(3,972)	18,844	3,972	--	--
Increase (Decrease) in Net Assets	<u>\$ 3,144,509</u>	<u>\$ 2,071,959</u>	<u>\$ (80,027)</u>	<u>\$ 72,856</u>	<u>\$ 3,064,482</u>	<u>\$ 2,144,815</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(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 \$10,549,439, an increase of \$793,641 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 \$4,073,603. 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 28.8% of total fund expenditures.

*MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)*

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities increased by 6.22% or \$161,226 and expenses decreased by \$6,529.

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 the decrease in expenditures is a decrease 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 2011. 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	\$ 13,803,306	
Total Revenues Final Budget	<u>14,106,356</u>	
Increase	<u>\$ 303,050</u>	2.15%

General Fund Expenditures:

Total Expenditures Original Budget	\$ 14,054,756	
Total Expenditures Final Budget	<u>14,357,806</u>	
Increase in Budgeted Expenses	<u>\$ 303,050</u>	2.11%

The District's actual expenditure of \$14,113,462 was less than the final budget by 1.70%.

**MITCHELL SCHOOL DISTRICT NO. 17-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)**

CAPITAL ASSET ADMINISTRATION

The District recognized a depreciation expense of \$1,817,053 for governmental activities and \$28,453 for the business-type activities.

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2011	2012	2011	2012		
Land	\$ 1,432,632	\$ 1,432,632	\$ --	\$ --	\$ --	0.00 %
Construction in progress	--	379,131	--	--	379,131	100.00 %
Buildings	22,279,082	21,714,250	--	--	(564,832)	(2.60) %
Machinery & Equipment	6,047,438	6,528,511	125,629	112,484	467,928	7.05 %
Total Capital Assets	\$ 29,759,152	\$ 30,054,524	\$ 125,629	\$ 112,484	\$ 282,227	0.94 %

Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2011	2012		
Capital outlay certificates	11,120,000	10,390,000	(730,000)	(7.03) %
Capital outlay bonds	1,600,000	1,515,000	(85,000)	(5.61) %
Capital leases	375,613	--	(375,613)	(100.00) %
Capital improvement fee	179,200	134,400	(44,800)	(33.33) %
Note Payable	225,000	225,000	--	0.00 %
Contract for Deed	101,021	85,574	(15,447)	(18.05) %
Early retirement plan payable	469,543	328,788	(140,755)	(42.81) %
Compensated absences	558,444	573,331	14,887	2.60 %
Total Outstanding Debt	\$ 14,628,821	\$ 13,252,093	\$ (1,376,728)	(10.39) %

The District retired its obligations in accordance with the terms of the various agreements. 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, 2012
(CONTINUED)*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the General Fund, one of the primary sources of revenue to the School District is based on a per-student allocation from the State of South Dakota. This per-student allocation is based on a student average daily membership (ADM) and increases each year by the lesser of the rate of inflation or three percent (3%). The state aid formula for the 2011-2012 school year ensured that the property taxes plus state aid equals \$4,805 per pupil. The School Districts in the State of South Dakota saw the funding formula changed during this school year because of the struggling economy. The State legislature reduced the funding to education by 6.6% for the 2011-2012 school year. The allocation has been decreased to \$4,487 per pupil. For the 2012-2013 school year the funding was increased to \$4,491 per pupil. Since the funding formula was implemented in the 1997-1998 school year, the annual increase in the allocation has not kept up with the increases in education costs, primarily salary and benefit increases. During the 2001-2002 school year, the School Board passed a resolution to opt out of the state funding limitation in the amount of \$700,000 per year. This opt-out resolution was passed in a public election and allows the School Board to ask for an additional \$700,000 each year above what is generated by the levies. Because of the decrease in state funding, the Mitchell School board asked for an additional \$400,000 in opt-out taxes to fund the current budget. The School Board will look at maintaining this amount at \$400,000 for the upcoming school year. We will see an increase in the number of students for the 2012-2013 school year. This will provide us additional funds to ease the reduction in State Aid. As we proceed down the road in funding of education, the school board and administration will do what is necessary to provide a quality education to the students of our school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF NET ASSETS
JUNE 30, 2012*

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
ASSETS:			
Cash and cash equivalents	\$ 11,151,617	\$ 313,408	\$ 11,465,025
Cash with fiscal agent	425,167	--	425,167
Receivables:			
Taxes - current	5,002,339	--	5,002,339
Taxes - delinquent	84,315	--	84,315
Trade accounts	201,188	21,583	222,771
Student loans - current portion	56,000	--	56,000
Due from other governments	819,609	75,687	895,296
Inventories	--	79,945	79,945
Student loans - non-current	326,605	--	326,605
Capital assets:			
Land and land improvements	1,432,632	--	1,432,632
Construction work in progress	379,131	--	379,131
Other capital assets, net of depreciation	28,242,763	112,484	28,355,247
TOTAL ASSETS	\$ 48,121,366	\$ 603,107	\$ 48,724,473
LIABILITIES :			
Accounts payable	\$ 644,798	\$ 25,887	\$ 670,685
Other current liabilities	7,015,011	--	7,015,011
Noncurrent liabilities:			
Due within one year	1,004,000	--	1,004,000
Due in more than one year	12,248,273	--	12,248,273
TOTAL LIABILITIES	20,912,082	25,887	20,937,969
NET ASSETS:			
Invested in capital assets, net of related debt	16,802,253	112,484	16,914,737
Restricted for:			
Special education	772,569	--	772,569
Capital outlay	628,340	--	628,340
Special termination benefits	725,779	--	725,779
Post-Secondary education	3,501,241	--	3,501,241
Student financial aid	422,719	--	422,719
Debt service	425,167	--	425,167
Unrestricted	3,931,216	464,736	4,395,952
TOTAL NET ASSETS	27,209,284	577,220	27,786,504
TOTAL LIABILITIES AND NET ASSETS	\$ 48,121,366	\$ 603,107	\$ 48,724,473

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

MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF ACTIVITIES
JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 18,443,826	\$ 5,065,221	\$ 8,211,697	\$ 13,948	\$ (5,152,960)	\$ --	\$ (5,152,960)
Support services	10,445,890	449,614	--	--	(9,996,276)	--	(9,996,276)
Community services	225,825	--	--	--	(225,825)	--	(225,825)
Nonprogrammed charges	2,434,649	--	2,237,436	--	(197,213)	--	(197,213)
Interest on long-term debt	768,708	82,426	232,264	--	(454,018)	--	(454,018)
Cocurricular activities	813,667	125,191	--	--	(688,476)	--	(688,476)
Total Governmental Activities	33,132,565	5,722,452	10,681,397	13,948	(16,714,768)	--	(16,714,768)
<i>Business-type Activities:</i>							
Food service	1,589,526	981,265	593,515	--	--	(14,746)	(14,746)
Child development center	144,205	98,334	28,211	--	--	(17,660)	(17,660)
MTI bookstore	949,846	1,051,136	--	--	--	101,290	101,290
Total Business-type Activities	2,683,577	2,130,735	621,726	--	--	68,884	68,884
Total Primary Government	\$ 35,816,142	\$ 7,853,187	\$ 11,303,123	\$ 13,948	(16,714,768)	68,884	(16,645,884)
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property taxes					9,837,572	--	9,837,572
Gross receipts taxes					469,487	--	469,487
<i>Revenue from State Sources:</i>							
State aid					7,034,102	--	7,034,102
Unrestricted investment earnings					55,307	--	55,307
Other general revenues					1,394,231	--	1,394,231
<i>Transfers</i>					(3,972)	3,972	--
Total General Revenues and Transfers					18,786,727	3,972	18,790,699
Change in Net Assets					2,071,959	72,856	2,144,815
<i>NET ASSETS, Beginning of Year</i>					30,897,325	504,364	31,401,689
<i>PRIOR PERIOD ADJUSTMENT</i>					(5,760,000)	--	(5,760,000)
NET ASSETS, End of Year					\$ 27,209,284	\$ 577,220	\$ 27,786,504

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, 2012

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:							
Cash and cash equivalents	\$ 5,003,486	\$ 661,358	\$ 1,023,230	\$ 725,779	\$ 3,697,650	\$ 40,114	\$ 11,151,617
Cash with fiscal agent	--	--	--	--	--	425,167	425,167
Receivables:							
Taxes - current	2,755,199	1,434,060	669,674	143,406	--	--	5,002,339
Taxes - delinquent	47,948	23,207	10,856	2,304	--	--	84,315
Trade accounts	8,776	1,520	--	--	190,892	--	201,188
Student loans - current portion	--	--	--	--	--	56,000	56,000
Due from other governments	444,163	--	11,452	--	363,997	--	819,612
Student loans - non-current	--	--	--	--	--	326,605	326,605
TOTAL ASSETS	<u>\$ 8,259,572</u>	<u>\$ 2,120,145</u>	<u>\$ 1,715,212</u>	<u>\$ 871,489</u>	<u>\$ 4,252,539</u>	<u>\$ 847,886</u>	<u>\$ 18,066,843</u>
LIABILITIES AND FUND BALANCES:							
<i>Liabilities:</i>							
Accounts payable	\$ 84,619	\$ 34,537	\$ 13,428	\$ --	\$ 512,214	\$ --	\$ 644,798
Contracts payable	1,050,082	--	199,830	--	183,501	--	1,433,413
Payroll deductions and withholdings and employer matching payable	248,120	--	48,854	--	55,583	--	352,557
Deferred revenue	2,803,148	1,457,268	680,531	145,710	--	--	5,086,657
Total Liabilities	<u>4,185,969</u>	<u>1,491,805</u>	<u>942,643</u>	<u>145,710</u>	<u>751,298</u>	<u>--</u>	<u>7,517,425</u>
<i>Fund Balances:</i>							
<i>Nonspendable:</i>							
Student loans - non-current	--	--	--	--	--	326,605	326,605
<i>Restricted for:</i>							
Student financial aid	--	--	--	--	--	96,114	96,114
Debt service	--	--	--	--	--	425,167	425,167
Capital purposes	--	--	--	--	--	--	--
Capital outlay fund	--	628,340	--	--	--	--	628,340
Special education fund	--	--	772,569	--	--	--	772,569
Pension fund	--	--	--	725,779	--	--	725,779
Post-high fund	--	--	--	--	3,501,241	--	3,501,241
<i>Unassigned</i>	4,073,603	--	--	--	--	--	4,073,603
Total Fund Balances	<u>4,073,603</u>	<u>628,340</u>	<u>772,569</u>	<u>725,779</u>	<u>3,501,241</u>	<u>847,886</u>	<u>10,549,418</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,259,572</u>	<u>\$ 2,120,145</u>	<u>\$ 1,715,212</u>	<u>\$ 871,489</u>	<u>\$ 4,252,539</u>	<u>\$ 847,886</u>	

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 30,054,526

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. (13,252,273)

Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds. (142,387)

Net Assets of Governmental Activities \$ 27,209,284

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, 2012

<u>REVENUES</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenue from Local Sources:</i>							
<i>Taxes:</i>							
Ad valorem taxes	\$ 5,517,617	\$ 2,950,998	\$ 1,377,052	\$ 295,109	\$ --	\$ --	\$ 10,140,776
Prior years' ad valorem taxes	37,555	19,324	10,097	1,928	--	--	68,904
Gross receipts taxes	469,487	--	--	--	--	--	469,487
Penalties and interest on taxes	12,246	6,005	2,820	591	--	--	21,662
<i>Tuition and Fees:</i>							
Regular day school tuition	13,554	--	--	--	--	--	13,554
Adult continuing education tuition	--	--	--	--	127,246	--	127,246
Summer school fees	19,491	--	--	--	--	--	19,491
<i>Post Secondary Program Tuition and Fees:</i>							
Post secondary program tuition	--	--	--	--	3,046,889	--	3,046,889
Post secondary student fees	--	--	--	--	1,858,030	--	1,858,030
<i>Earnings on investments and deposits</i>	22,781	1,864	5,516	3,012	14,959	7,175	55,307
<i>Post Secondary:</i>							
Resales/services - occupational programs	--	--	--	--	449,614	--	449,614
<i>Cocurricular Activities:</i>							
Admissions	119,619	--	--	--	--	--	119,619
Other pupil activity income	5,572	--	--	--	--	--	5,572
<i>Other Revenue from Local Sources:</i>							
Rentals	8,250	--	--	--	--	--	8,250
Charges for services	96,968	--	75,368	--	--	--	172,336
Other	42,423	--	--	--	254,419	22,064	318,906
<i>Revenue from Intermediate Sources:</i>							
<i>County Sources:</i>							
County apportionment	270,163	--	--	--	--	--	270,163
Lease of county-owned land	15,711	--	--	--	--	--	15,711
Other	--	--	--	--	--	--	--
<i>Revenue in lieu of taxes</i>	--	66,715	--	--	--	--	66,715

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, 2012
(CONTINUED)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenue from State Sources:</i>							
<i>Grants-in-aid:</i>							
Unrestricted grants-in-aid	6,600,686	--	--	--	--	--	6,600,686
Restricted grants-in-aid	27,125	--	965,083	--	4,266,354	--	5,258,562
Other state revenue	8,000	166,697	--	--	72,319	--	247,016
<i>Revenue from Federal Sources:</i>							
<i>Grants-in-aid:</i>							
Restricted grants-in-aid received directly from							
Federal government	--	51,125	--	--	--	2,237,436	2,288,561
Restricted grants-in-aid received from							
Federal government through the State	1,191,944	--	546,943	--	365,683	--	2,104,570
Restricted grants-in-aid received from							
Federal government through other sources	--	--	--	--	882,682	--	882,682
Johnson O'Malley Funds	23,044	--	--	--	--	--	23,044
Other Federal Revenue	--	--	--	--	465,379	--	465,379
TOTAL REVENUES	14,502,236	3,262,728	2,982,879	300,640	11,803,574	2,266,675	35,118,732

EXPENDITURES

Instruction:

Regular Programs:

Elementary	\$ 3,513,910	\$ 157,100	\$ --	\$ --	\$ --	\$ --	\$ 3,671,010
Middle/junior high	1,887,237	11,121	--	--	--	--	1,898,358
High school	2,685,262	277,209	--	--	--	--	2,962,471
Other regular programs	114,242	--	--	--	--	--	114,242

Special Programs:

Gifted and talented	59,708	--	--	--	--	--	59,708
Programs for special education	--	--	2,280,153	--	--	--	2,280,153
Culturally different	--	--	--	--	--	--	--
Educationally deprived	544,853	--	--	--	--	--	544,853
Post Secondary Occupational Programs	--	--	--	--	6,141,635	--	6,141,635

Support Services:

Pupils:

Attendance and social work	--	--	--	--	--	--	--
Guidance	295,378	--	44,121	--	1,253,702	--	1,593,201
Health	52,220	--	19,019	--	--	--	71,239
Psychological	--	--	87,291	--	--	--	87,291
Speech pathology	--	--	476,066	--	--	--	476,066
Student therapy services	--	--	141,620	--	--	--	141,620

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, 2012
(CONTINUED)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Pension</u>	<u>Post- High</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Instructional Staff:</i>							
Improvement of instruction	82,471	--	--	--	--	--	82,471
Educational media	424,938	--	--	--	8,487	--	433,425
<i>General Administration:</i>							
Board of education	114,602	152,442	--	--	1,615	--	268,659
Executive administration	152,991	--	--	--	30,266	--	183,257
<i>School Administration:</i>							
Office of the principal	962,932	--	--	--	--	--	962,932
Vocational school - director's office	--	--	--	--	264,223	--	264,223
Financial aids administration	--	--	--	--	205,141	12,376	217,517
Other	5,446	--	--	--	162,565	--	168,011
<i>Business:</i>							
Fiscal services	172,265	--	--	--	300,145	--	472,410
Facilities acquisition and construction	--	664,314	--	--	--	1,860	666,174
Operation and maintenance of plant	1,797,757	32,411	--	--	1,023,915	--	2,854,083
Student transportation	217,405	38,366	--	--	--	--	255,771
Internal services	80,913	418,480	--	--	20,833	--	520,226
<i>Central:</i>							
Planning	--	--	--	--	258,677	--	258,677
Data processing	--	--	--	--	673,489	--	673,489
<i>Special Education:</i>							
Administrative costs	--	--	95,630	--	--	--	95,630
Transportation costs	--	--	43,864	--	--	--	43,864
<i>Resale Services:</i>							
Post secondary resales/service	--	--	--	--	412,161	--	412,161
<i>Other Support Services</i>							
	--	--	--	--	45,353	--	45,353
<i>Community Services:</i>							
Direction	1,789	--	--	--	--	--	1,789
Custody and care of children	143,704	--	--	--	--	--	143,704
Nonpublic school	80,332	--	--	--	--	--	80,332
<i>Nonprogrammed Charges:</i>							
Payments to State - Unemployment	3,497	--	--	--	--	--	3,497
Pension payments	--	--	--	189,155	--	--	189,155
Student financial aid	--	--	--	--	--	2,235,076	2,235,076
Other nonprogrammed charges	--	--	--	--	6,921	--	6,921
<i>Debt Services</i>							
	--	1,669,588	--	--	263,278	--	1,932,866
<i>Capital Outlay</i>							
	--	--	--	--	--	42,137	42,137

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, 2012
(CONTINUED)

	<i>General</i>	<i>Capital Outlay</i>	<i>Special Education</i>	<i>Pension</i>	<i>Post- High</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Cocurricular Activities:</i>							
Male activities	198,398	11,043	--	--	--	--	209,441
Female activities	166,405	--	--	--	--	--	166,405
Combined activities	355,447	--	--	--	46,033	--	401,480
TOTAL EXPENDITURES	14,114,102	3,432,074	3,187,764	189,155	11,118,439	2,291,449	34,332,983
<i>Excess of Revenues Over (Under)</i>							
<i>Expenditures</i>	\$ 388,134	\$ (169,346)	\$ (204,885)	\$ 111,485	\$ 685,135	\$ (24,774)	\$ 785,749
<i>OTHER FINANCING SOURCES (USES):</i>							
Interfund transfers in	--	64,160	--	--	13,691	119,454	197,305
Interfund transfers (out)	--	(28,665)	--	--	(108,449)	(64,160)	(201,274)
Sale of surplus property	--	1,410	--	--	10,430	--	11,840
TOTAL OTHER FINANCING SOURCES (USES)	--	36,905	--	--	(84,328)	55,294	7,871
<i>Excess of Revenues and Other Sources Over (Under)</i>							
<i>Expenditures and Uses</i>	388,134	(132,441)	(204,885)	111,485	600,807	30,520	793,620
<i>FUND BALANCE, Beginning of Year</i>	3,685,469	760,781	977,454	614,294	2,900,434	817,366	9,755,798
<i>FUND BALANCE, End of Year</i>	\$ 4,073,603	\$ 628,340	\$ 772,569	\$ 725,779	\$ 3,501,241	\$ 847,886	\$ 10,549,418

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, 2012

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 793,620
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays expense exceeded depreciation expense in the current period.	(295,549)
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.	1,303,871
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available."	<u>270,017</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 2,071,959</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, 2012

	<u>Other Enterprise Funds</u>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 313,408
<i>Receivables:</i>	
Trade accounts	21,583
Due from other governments	75,687
Inventory of supplies	4,893
Inventory of stores purchased for resale	68,506
Inventory of donated food	6,546
<i>Total Current Assets</i>	<u>490,623</u>
 <i>Capital Assets:</i>	
Machinery and equipment	560,687
Accumulated depreciation	(448,203)
<i>Capital Assets - Net</i>	<u>112,484</u>
 TOTAL ASSETS	 \$ 603,107
 LIABILITIES AND NET ASSETS:	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts payable	\$ 25,887
 <i>Net Assets:</i>	
Invested in capital assets	112,484
Unrestricted net assets	464,736
<i>Total Net Assets</i>	<u>577,220</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ 603,107

*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, 2012

	<u>Other Enterprise Funds</u>
OPERATING REVENUES:	
<i>Charges for Services:</i>	
Food service	\$ 981,265
Child care	98,334
Bookstore	<u>1,051,136</u>
<i>Total Charges for Services</i>	<u>2,130,735</u>
 OPERATING EXPENSES:	
Salaries	636,948
Employee benefits	145,208
Purchased services	30,138
Supplies	59,779
Cost of sales	1,776,367
Miscellaneous	6,684
Depreciation	<u>28,453</u>
<i>Total Operating Expenses</i>	<u>2,683,577</u>
<i>Operating Income (Loss)</i>	<u>(552,842)</u>
 NONOPERATING REVENUES:	
<i>Local Sources:</i>	
Miscellaneous revenue	17,340
<i>State Sources:</i>	
Cash payments	8,154
<i>Federal Sources:</i>	
Cash reimbursements	532,400
Donated food	<u>63,832</u>
<i>Total Nonoperating Revenues</i>	<u>621,726</u>
<i>Income (Loss) Before Transfers</i>	68,884
 <i>Operating Transfers In (Out):</i>	
Interfund transfers in	17,663
Interfund transfers (out)	<u>(13,691)</u>
<i>Change in Net Assets</i>	72,856
NET ASSETS, Beginning of Year	<u>504,364</u>
NET ASSETS, End of Year	<u><u>\$ 577,220</u></u>

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

**MITCHELL SCHOOL DISTRICT NO. 17-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Other Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,145,564
Cash received from miscellaneous revenues	17,340
Cash paid to suppliers	(1,841,643)
Cash paid to employees	(636,949)
Other cash payments	(145,008)
CASH FLOWS (USED) BY OPERATING ACTIVITIES	<u>(460,696)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	496,359
Transfers from other funds	3,972
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>500,331</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(15,308)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,327
CASH AND CASH EQUIVALENTS, Beginning of Year	289,081
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 313,408</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (552,842)
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities:	
Depreciation	28,453
Value of commodities used	69,348
Miscellaneous nonoperating revenue	17,340
(Increase) Decrease in:	
Trade accounts receivable	5,466
Inventory	(33,528)
Increase in:	
Accounts payable	5,067
Total Adjustments	<u>92,146</u>
CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (460,696)</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:	
Commodities received from Federal Government	<u>\$ 63,832</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, 2012

	<i>Private-Purpose Trust Funds</i>	<i>Agency Funds</i>
ASSETS:		
Cash and Cash Equivalents	\$ 21,110	\$ 862,587
Miscellaneous receivables	--	524,817
Investments, at Fair Value	253,085	--
 <i>TOTAL ASSETS</i>	\$ 274,195	\$ 1,387,404
 LIABILITIES:		
Amounts Held for Others	\$ --	\$ 859,860
Accounts payable	--	527,544
<i>Total Liabilities</i>	--	1,387,404
 NET ASSETS		
Held in Trust for Scholarship	274,195	--
 TOTAL LIABILITIES AND NET ASSETS	\$ 274,195	\$ 1,387,404

*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, 2012

	<i>Private-Purpose Trust Funds</i>
ADDITIONS:	
Contributions and Donations	\$ 5,813
Other Additions	729
<i>Total Additions</i>	6,542
 DEDUCTIONS:	
Trust Deductions for Scholarship	27,476
<i>Change in Net Assets</i>	(20,934)
NET ASSETS, Beginning of Year	295,129
NET ASSETS, End of Year	\$ 274,195

*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, 2012

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

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

a. **Financial Reporting Entity:**

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

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

b. **Basis of Presentation:**

Government-wide Financial Statements: The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

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

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

Fund Financial Statements: (continued)

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

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

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

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Special Revenue Fund Types (continued)

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

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

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

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

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

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

Fund Financial Statements: (continued)

Proprietary Funds:

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

Food Service Fund – enterprise 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 - enterprise fund used to record financial transactions related to the day care operations. This fund is financed by user charges. This is not a major fund.

MTI Bookstore Fund - enterprise fund maintained used to record financial transactions related to the operation of the MTI Bookstore. This is not a major fund.

Fiduciary Funds:

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

2. *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, 2012, 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, 2012*

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, 2012, balance of capital assets for governmental activities includes approximately 33 percent for which costs were determined by estimates of the original costs. The total June 30, 2012, 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, 2012

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, 2012*

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

i. **Equity Classifications:**

Government-wide Statements:

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

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

Fund Financial Statements:

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

j. **Application of Net Assets:**

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

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

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

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

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

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

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

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

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to or at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

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

As of June 30, 2012, 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>			
American Centery Equity Inc. Fd. Inv.	Not Rated	N/A	\$ 14,560
Dodge & Cox Income Fund	Not Rated	N/A	46,904
Dodge & Cox International Stock Fund	Not Rated	N/A	16,511
Dodge & Cox Stock Fund	Not Rated	N/A	10,927
Federated Institutional High Yield Bond	Not Rated	N/A	5,227
Federated International Leaders Fund	Not Rated	N/A	11,089
Fidelity Advisor Small Cap Fd	Not Rated	N/A	4,790
GS Fin Squares Prime Obligation	Not Rated	N/A	4,221
Goldman Sach Structured International Small Cap Fund	Not Rated	N/A	4,696
Oppenheimer Developing Markets Fund	Not Rated	N/A	5,045
Pimco Commodity Realreturn Strategy Fund	Not Rated	N/A	2,646
Prudential Global Real Estate Fund	Not Rated	N/A	9,378
T Rowe Price Blue Chip Growth Fund	Not Rated	N/A	14,386
T Rowe Price Mid Cap Value Fund	Not Rated	N/A	6,734
Templeton Global Bond Fund	Not Rated	N/A	12,059
Tributary Core Equity Fund	Not Rated	N/A	29,642
Tributary Growth Opportunities Fund	Not Rated	N/A	5,561
Tributary Large Cap Growth Fund	Not Rated	N/A	20,194
Tributary Small Company Fund	Not Rated	N/A	7,501
Vanguard Short Term Bond Index #1349	Not Rated	N/A	21,014
TOTAL INVESTMENTS			<u>\$ 253,085</u>

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust funds which retain its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, inter-fund transfers of investment earnings are reported, while in the government-wide

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

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

financial statements, they have been eliminated, except for the net amounts transferred between governmental and business-type activities. These inter-fund transfers are not violations of the statutory restrictions on inter-fund transfers.

3. RECEIVABLES AND PAYABLES:

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

4. INVENTORY:

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

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

5. PROPERTY TAXES:

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

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

6. RESTRICTED CASH AND INVESTMENTS:

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

Amount	Purpose
\$ 425,167	For debt service, by debt covenants (sinking funds required to be in a separate account)

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2012, is as follows:

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,432,632	\$ --	\$ --	\$ 1,432,632
Construction in progress	--	379,131	--	379,131
Total, not being depreciated	<u>1,432,632</u>	<u>379,131</u>	<u>--</u>	<u>1,811,763</u>
Capital assets, being depreciated:				
Buildings	31,623,370	40,390	--	31,663,760
Machinery and equipment	11,291,117	1,692,907	--	12,984,024
Total, being depreciated	<u>42,914,487</u>	<u>1,733,297</u>	<u>--</u>	<u>44,647,784</u>
Less accumulated depreciation for:				
Buildings	9,344,288	605,222	--	9,949,510
Machinery and equipment	5,243,679	1,211,832	--	6,455,511
Total accumulated depreciation	<u>14,587,967</u>	<u>1,817,054</u>	<u>--</u>	<u>16,405,021</u>
Total capital assets, being depreciated, net	<u>\$ 34,086,520</u>	<u>\$ (83,757)</u>	<u>\$ --</u>	<u>\$ 28,242,763</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,708,030
Support Services	72,682
Co-curricular activities	36,341
	<u>\$ 1,817,053</u>

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 545,379	\$ 15,308	\$ --	\$ 560,687
Less accumulated depreciation for:				
Machinery and equipment	419,750	28,453	--	448,203
Total capital assets, being depreciated, net	<u>\$ 125,629</u>	<u>\$ (13,145)</u>	<u>\$ --</u>	<u>\$ 112,484</u>

Depreciation expense was charged to functions as follow:

Business-type activities:	
Food service	<u>\$ 28,453</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. CHANGES IN CAPITAL ASSETS: (continued)

Commitments and Construction in Progress:

The District has committed to two projects as of June 30, 2012. These projects are and upgrade to the Second Chance High School, an upgrade to the Middle School Chiller and the replacement of gym bleachers and flooring. Total costs of the projected are expected to be \$1,013,500 and will be paid out of the Capital Outlay Fund. As of June 30, 2012, the district had expended \$379,131 and expects to spend the balance in the 2012-2013 school year.

8. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bonds	\$ 1,600,000	\$ --	\$ (85,000)	\$ 1,515,000	\$ 85,000
Capital Outlay Certificates	11,120,000	--	(730,000)	10,390,000	540,000
Financing (Capital Acquisition) Leases	375,613	--	(375,613)	--	--
Total Debt	<u>13,095,613</u>	<u>--</u>	<u>(1,190,613)</u>	<u>11,905,000</u>	<u>625,000</u>
Early Retirement Payable -					
Governmental Funds	469,543	50,465	(191,220)	328,788	127,200
Accrued Compensated Absences -					
Governmental Funds	558,444	358,782	(344,075)	573,151	175,000
Note Payable -					
Governmental Funds	225,000	--	--	225,000	--
Contract for Deed					
Governmental Funds	101,021	--	(15,447)	85,574	32,000
Capital Improvement Fee-					
Governmental Funds	179,200	--	(44,800)	134,400	44,800
Total Governmental Activities	<u>\$ 14,628,821</u>	<u>\$ 409,247</u>	<u>\$ (1,786,155)</u>	<u>\$ 13,251,913</u>	<u>\$ 1,004,000</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.

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

8. *LONG-TERM LIABILITIES: (continued)*

Liabilities payable at June 30, 2012, are comprised of the following:

Qualified Zone Academy Bonds:

	<i>TERMS</i>	
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2001	0%; bond matures and final principal payment due December 31, 2015. Payable from Series 2001 Certificate Redemption Fund. Annual deposits of \$18,992 are required to be made to the fund on December 31, with final deposit to be made on December 31, 2015.	\$ 325,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2005	0%; bond matures and final principal payment due June 29, 2021. Payable from Series 2005 Certificate Redemption Fund. Annual deposits of \$9,673 are required to be made to the fund on June 29, with final deposit to be made on June 29, 2021.	\$ 175,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2008	1.5%; due in annual installments of \$25,000. Interest due semi annually. Final payment due August 14, 2018. Payable from Capital Outlay Fund.	\$ 175,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2011	5.45%; due in annual installments of \$60,000. Interest due semi annually. Final payment due March 1, 2026. Payable from Capital Outlay Fund.	\$ 840,000

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
June 30, 2012*

8. *LONG-TERM LIABILITIES: (continued)*

Liabilities payable at June 30, 2012, are comprised of the following: (continued)

Capital Outlay Certificates:

	<i>TERMS</i>	
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2003 – Secured by pledge of capital outlay tax levy	3.3%; due in semi-annual installments on July 15 and January 15. Final payment due January 15, 2014. Payable from Capital Outlay Fund.	\$ 210,000
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2009A – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 1%-2.125% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2013. Payable from Capital Outlay Fund.	\$ 230,000
Mitchell School District No. 17-2 Limited Tax General Obligation Capital Outlay Certificates, Series 2009B – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 4%-6.125% that vary depending on the term of maturity; due in semi-annual installments on June 15 and December 15. Final payment due June 15, 2029. Payable from Capital Outlay Fund.	\$ 6,100,000
Mitchell School District No. 17-2 Capital Outlay Certificates (QSCB), Series 2009A – Secured by pledge of capital outlay tax levy	1.95%; due in semi-annual installments on June 16 and December 16. Final payment due December 16, 2024. Payable from Capital Outlay Fund.	\$ 2,125,000
Mitchell School District No. 17-2 Capital Outlay Certificates, Series 2010A – Secured by pledge of capital outlay tax levy	5.50%; Certificate matures and final principal payment due December 1, 2029. Payable from Series 2010 Certificate Redemption Fund. Semi-annual deposits of \$45,395 are required to be made to the fund on June 1 and December 1, with final deposit to be made on December 1, 2029.	\$ 1,725,000

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2012, are comprised of the following: (continued)

Notes Payable:

	<i>TERMS</i>	
Darwin Nuss – Secured by building	5.0%; due in semi-annual installments, including interest. Final payment due January 25, 2015. Payable from Post High Fund.	\$ 85,574
City of Mitchell – Secured by equipment	10.0%; due in annual installments, including interest. Final payment due September 15, 2011. Payable from Post High Fund.	\$ 134,400
SD Development Corporation – Secured by equipment	5.50%; no payment due as long as School District retains ownership of wind turbine for ten years. If turbine is sold or transferred payment is due immediately. Payable from Post High Fund.	\$ 225,000

Liabilities payable at June 30, 2012, are comprised of the following: (continued)

Other long-term liabilities were:

Compensated Absences –	Payable from the fund to which payroll expenditures are charged	\$ 573,332
Early Retirement Benefits –	Payable from the Pension Fund and the Post-High Fund	\$ 328,788

MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. LONG-TERM LIABILITIES: (continued)

The annual debt service requirements to maturity for all debt outstanding except for compensated absences and note payable as of June 30, 2012, are as follows:

Annual Requirements to Maturity for Long-Term Debt June 30, 2012

Year Ending June 30,	Qualified Zone Academy Bonds		Capital Outlay Certificates		Capital Improvement Fee		Contract for Deed		Early Retirement Benefits	Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2013	85,000	48,218	540,000	482,088	44,800	4,480	32,000	4,300	127,333	829,133	539,086
2014	85,000	44,573	550,000	467,155	44,800	4,480	33,700	2,600	83,714	797,214	518,808
2015	85,000	40,928	460,000	448,731	44,800	4,480	19,874	980	49,606	659,280	495,119
2016	410,000	37,283	470,000	432,561	--	--	--	--	30,928	910,928	469,844
2017	85,000	33,638	475,000	415,298	--	--	--	--	25,795	585,795	448,936
2018-2022	525,000	115,200	2,620,000	1,774,189	--	--	--	--	11,410	3,156,410	1,889,389
2023-2027	240,000	32,700	2,580,000	1,146,017	--	--	--	--	--	2,820,000	1,178,717
2028-2032	--	--	2,695,000	312,220	--	--	--	--	--	2,695,000	312,220
TOTALS	\$ 1,515,000	\$ 352,540	\$ 10,390,000	\$ 5,478,259	\$ 134,400	\$ 13,440	\$ 85,574	\$ 7,880	\$ 328,786	\$ 12,453,760	\$ 5,852,119

9. OPERATING LEASES:

The School District entered into a lease agreement with Dakota Wesleyan University, Mitchell, South Dakota, to lease one of its elementary schools. The lease term is for a period of twenty years extending to February 2, 2013. The lease was amended to extend the lease term to February 1, 2038. Lease payments are being made from the Capital Outlay Fund. Lease expense for the year ended June 30, 2012, was approximately \$377,400. Estimated minimum payments on the elementary school lease for the years ending June 30 are as follows:

2013	\$ 400,100
2014	\$ 400,300
2015	\$ 401,000
2016	\$ 400,000
2017	\$ 399,900
2018-2022	\$ 757,800
2023-2027	\$ 133,000
2028-2032	\$ 190,500
2033-2037	\$ 215,500
2038	\$ 92,800

10. INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2012, were as follows:

Transfers from:	Transfers to:				Purpose:
	Child Development Center Fund	Capital Outlay Fund	Post-High Fund	Debt Service Funds	
Post-High Fund	\$ 17,660	\$ --	\$ --	\$ 90,789	Subsidize operations/ deposits for debt retirement
Capital Outlay Fund	\$ --	\$ --	\$ --	\$ 28,665	Deposits for debt retirement
MTI Bookstore Fund	\$ --	\$ --	\$ 13,691	\$ --	Subsidize operations
Capital Projects Fund	\$ --	\$ 64,160	\$ --	\$ --	Close out capital projects fund

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

11. 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	\$ 772,569
Capital Outlay	Law	628,340
Special Termination Benefits	Law	725,779
Post-Secondary Education	Law	3,501,241
Student Financial Aid	Federal Regulation	422,719
Debt Service	Bond Agreement	425,167
Total Restricted Net Assets		<u>\$ 6,475,815</u>

12. 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 survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, 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, 2012, 2011, and 2010 were \$776,733, \$776,554, and \$683,729, 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, 2012*

13. 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, 20 retirees are receiving benefits under this provision. An additional 20 employees are expected to be eligible for early retirement benefits by March 15, 2013, 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, 2012, were \$191,220.

14. 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, 2012, this joint venture had total assets of \$24,808 total liabilities of \$28,730 and net assets of \$(3,992).

15. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2012, 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, 2012*

16. RISK MANAGEMENT: (continued)

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

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

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

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*

17. RISK MANAGEMENT: *(continued)*

Workers' Compensation: *(continued)*

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, 2012, no claims for unemployment benefits were paid. At June 30, 2012, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

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

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

19. PRIOR PERIOD ADJUSTMENT:

The financial statements for the year ended June 30, 2011, have been restated to report a change to the Governmental Activities, for the reporting of buildings, which were built by the state for Mitchell Technical Institute. The change resulted in a decrease in Other capital assets-net of depreciation and Net assets-invested in capital assets-net of related debt at June 30, 2011 of \$5,760,000.

***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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 5,381,433	\$ 5,516,433	\$ 5,517,617	\$ 1,184
Prior years' ad valorem taxes	45,942	45,942	37,555	(8,387)
Gross receipts taxes	325,000	469,000	469,487	487
Penalties and interest on taxes	14,000	14,000	12,246	(1,754)
<i>Tuition and Fees:</i>				
Regular day school tuition	15,000	15,000	13,554	(1,446)
Summer school fees	25,000	25,000	19,491	(5,509)
<i>Earnings on investments and deposits</i>	45,000	45,000	22,781	(22,219)
<i>Cocurricular Activities:</i>				
Admissions	100,000	100,000	119,619	19,619
Other pupil activity income	3,000	3,000	5,572	2,572
<i>Other Revenue from Local Sources:</i>				
Rentals	10,000	10,000	8,250	(1,750)
Charges for services	105,000	105,000	96,968	(8,032)
Other	23,000	23,000	42,423	19,423
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	275,000	275,000	270,163	(4,837)
Lease of county-owned land	15,000	15,000	15,711	711
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	6,370,361	6,394,411	6,600,686	206,275
Restricted grants-in-aid	--	--	27,125	27,125
<i>Other state revenue</i>	--	--	8,000	8,000
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	1,024,999	1,024,999	1,191,944	166,945
<i>Johnson O'Malley Funds</i>	25,571	25,571	23,044	(2,527)
<i>Other Federal Revenue</i>	--	--	--	--
TOTAL REVENUES	13,803,306	14,106,356	14,502,236	395,880

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Instruction:				
Regular Programs:				
Elementary	\$ 3,619,165	\$ 3,619,165	\$ 3,513,910	\$ 105,255
Middle/junior high	1,896,959	1,896,959	1,887,237	9,722
High school	2,623,716	2,706,916	2,685,262	21,654
Other regular programs	130,771	130,771	114,242	16,529
Special Programs:				
Gifted and talented	61,195	62,195	59,708	2,487
Educationally deprived	555,235	640,235	544,853	95,382
Support Services:				
Pupils:				
Guidance	289,643	290,643	295,378	(4,735)
Health	55,418	55,418	52,220	3,198
Instructional Staff:				
Improvement of instruction	34,444	55,544	82,471	(26,927)
Educational media	436,073	437,673	424,938	12,735
General Administration:				
Board of education	106,030	117,030	114,602	2,428
Executive administration	144,605	155,805	152,991	2,814
School Administration:				
Office of the principal	925,462	962,962	962,932	30
Other	--	--	5,446	(5,446)
Business:				
Fiscal services	171,494	172,294	172,265	29
Operation and maintenance of plant	1,834,389	1,842,289	1,797,757	44,532
Pupil transportation	216,000	217,750	217,405	345
Internal services	105,811	105,811	80,913	24,898
Community Services:				
Direction	11,000	11,000	1,789	9,211
Custody and care of children	150,000	150,000	143,704	6,296
Nonpublic school	--	--	80,332	(80,332)
Nonprogrammed Charges:				
Payments to State - Unemployment	1,500	3,500	3,497	3
Cocurricular Activities:				
Male activities	160,712	198,712	198,398	314
Female activities	164,595	164,595	166,405	(1,810)
Combined activities	360,539	360,539	355,447	5,092
TOTAL EXPENDITURES	14,054,756	14,357,806	14,114,102	243,704

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Excess of Revenues Over Expenditures</i>	<u>\$ (251,450)</u>	<u>\$ (251,450)</u>	<u>\$ 388,134</u>	<u>\$ 639,584</u>
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	<u>185,000</u>	<u>185,000</u>	<u>--</u>	<u>(185,000)</u>
Total Other Financing Sources (Uses)	<u>185,000</u>	<u>185,000</u>	<u>--</u>	<u>(185,000)</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures</i>	(66,450)	(66,450)	388,134	454,584
<i>FUND BALANCE, Beginning of Year</i>	<u>3,685,469</u>	<u>3,685,469</u>	<u>3,685,469</u>	<u>--</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 3,619,019</u>	<u>\$ 3,619,019</u>	<u>\$ 4,073,603</u>	<u>\$ 454,584</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 2,919,019	\$ 2,919,019	\$ 2,950,998	\$ 31,979
Prior years' ad valorem taxes	15,000	15,000	19,324	4,324
Penalties and interest on taxes	5,500	5,500	6,005	505
Earnings on investments and deposits	--	--	1,864	1,864
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	66,715	66,715	66,715	--
<i>Revenue from State Sources:</i>				
Other state revenue	166,698	166,698	166,697	(1)
<i>Revenue from Federal Sources:</i>				
Restricted grants-in-aid	27,100	27,100	51,125	24,025
TOTAL REVENUES	3,200,032	3,200,032	3,262,728	62,696
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	158,100	158,100	157,100	1,000
Middle/junior high	11,000	11,000	11,121	(121)
High school	341,000	341,000	277,209	63,791
<i>Support Services:</i>				
<i>General Administration:</i>				
Board of education	369,000	369,000	152,442	216,558
<i>Business:</i>				
Facilities acquisition and construction	101,609	667,709	664,314	3,395
Operation and maintenance of plant	24,779	32,479	32,411	68
Pupil transportation	37,500	38,400	38,366	34
Internal services	448,600	448,600	418,480	30,120
Debt Services	1,698,444	1,698,444	1,669,588	28,856
<i>Cocurricular Activities:</i>				
Male activities	10,000	11,050	11,043	7
TOTAL EXPENDITURES	3,200,032	3,775,782	3,432,074	343,708
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	--	(575,750)	(169,346)	406,404
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	--	--	64,160	64,160
Interfund transfers (out)	--	--	(28,665)	(28,665)
Sale of surplus property	--	--	1,410	1,410
TOTAL OTHER FINANCING SOURCES (USES)	--	--	36,905	36,905
<i>Excess of Revenues and Other Sources Over (Under)</i>				
<i>Expenditures</i>	--	(575,750)	(132,441)	443,309
FUND BALANCE, Beginning of Year				
	760,781	760,781	760,781	--
FUND BALANCE, End of Year				
	\$ 760,781	\$ 185,031	\$ 628,340	\$ 443,309

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 1,362,209	\$ 1,362,209	\$ 1,377,052	\$ 14,843
Prior years' ad valorem taxes	8,000	8,000	10,097	2,097
Penalties and interest on taxes	3,000	3,000	2,820	(180)
Earnings on investments and deposits	--	--	5,516	5,516
<i>Other Revenue From Local Sources:</i>				
Charges for services	50,000	50,000	75,368	25,368
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid	1,073,474	1,073,474	965,083	(108,391)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	637,779	637,779	546,943	(90,836)
TOTAL REVENUES	<u>3,134,462</u>	<u>3,134,462</u>	<u>2,982,879</u>	<u>(151,583)</u>
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	2,160,805	2,405,805	2,280,153	125,652
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	44,940	44,940	44,121	819
Health	15,837	19,037	19,019	18
Psychological	107,532	107,532	87,291	20,241
Speech pathology	515,008	515,008	476,066	38,942
Student therapy services	144,490	144,490	141,620	2,870
<i>Special Education:</i>				
Administrative costs	95,850	95,850	95,630	220
Transportation costs	50,000	50,000	43,864	6,136
TOTAL EXPENDITURES	<u>3,134,462</u>	<u>3,382,662</u>	<u>3,187,764</u>	<u>194,898</u>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	--	(248,200)	(204,885)	43,315
<i>FUND BALANCE, Beginning of Year</i>	977,454	977,454	977,454	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 977,454</u>	<u>\$ 729,254</u>	<u>\$ 772,569</u>	<u>\$ 43,315</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 291,902	\$ 291,902	\$ 295,109	\$ 3,207
Prior years' ad valorem taxes	--	--	1,928	1,928
Penalties and interest on taxes	--	--	591	591
Earnings on investments and deposits	--	--	3,012	3,012
TOTAL REVENUES	<u>291,902</u>	<u>291,902</u>	<u>300,640</u>	<u>8,738</u>
<u>EXPENDITURES</u>				
<i>Nonprogrammed Charges:</i>				
Pension payments	<u>291,902</u>	<u>291,902</u>	<u>189,155</u>	<u>102,747</u>
<i>Excess of Revenues Over Expenditures</i>	<u>--</u>	<u>--</u>	<u>111,485</u>	<u>111,485</u>
<i>Excess of Revenues Over Expenditures and Uses</i>	--	--	111,485	111,485
<i>FUND BALANCE, Beginning of Year</i>	<u>614,294</u>	<u>614,294</u>	<u>614,294</u>	<u>--</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 614,294</u>	<u>\$ 614,294</u>	<u>\$ 725,779</u>	<u>\$ 111,485</u>

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Post Secondary Program Tuition and Student Fees:</i>				
Adult continuing education tuition	\$ 91,000	\$ 91,000	\$ 127,246	36,246
Post secondary program tuition	3,365,000	3,365,000	3,046,889	(318,111)
Post secondary student fees	3,039,965	3,039,965	1,858,030	(1,181,935)
<i>Earnings on investments and deposits</i>	50,000	50,000	14,959	(35,041)
<i>Post Secondary:</i>				
Resales/services - occupational programs	475,174	475,174	449,614	(25,560)
<i>Other Revenue from Local Sources:</i>				
Other	201,042	201,042	254,419	53,377
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid	3,351,411	4,246,321	4,266,354	20,033
<i>Other State Revenue</i>	74,500	74,500	72,319	(2,181)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from				
Federal government through the State	339,496	339,496	365,683	26,187
Restricted grants-in-aid received from				
Federal government through other sources	--	825,000	882,682	57,682
<i>Other</i>	539,980	539,980	465,379	(74,601)
TOTAL REVENUES	11,527,568	13,247,478	11,803,574	(1,443,904)
<u>EXPENDITURES</u>				
<i>Instruction:</i>				
<i>Post Secondary Occupational Programs</i>	5,523,897	6,516,627	6,141,635	374,992
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	1,301,886	1,301,886	1,253,702	48,184
<i>Instructional Staff:</i>				
Educational media	15,181	15,181	8,487	6,694
<i>General Administration:</i>				
Board of education	9,497	9,497	1,615	7,882
Executive administration	36,872	36,872	30,266	6,606

MITCHELL SCHOOL DISTRICT NO. 17-2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

	<u>Budgeted Amounts</u>			<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<i>School Administration:</i>				
Vocational school - director's office	\$ 238,648	\$ 253,648	\$ 264,223	\$ (10,575)
Financial aids administration	172,697	197,697	205,141	(7,444)
Other	158,521	188,521	162,565	25,956
<i>Business:</i>				
Fiscal services	317,454	899,634	300,145	599,489
Operation and maintenance of plant	980,330	980,330	1,023,915	(43,585)
Internal service	25,000	25,000	20,833	4,167
<i>Central:</i>				
Planning	382,879	382,879	258,677	124,202
Data processing	719,845	719,845	673,489	46,356
<i>Resale Services:</i>				
Post secondary resales/service	377,941	407,941	412,161	(4,220)
<i>Other Support Services</i>				
	77,233	77,233	45,353	31,880
<i>Nonprogrammed Charges:</i>				
Other nonprogrammed costs	847,000	847,000	6,921	840,079
<i>Debt Services</i>				
	215,998	260,998	263,278	(2,280)
<i>Cocurricular Activities:</i>				
Combined activities	194,855	194,855	46,033	148,822
TOTAL EXPENDITURES	<u>11,595,734</u>	<u>13,315,644</u>	<u>11,118,439</u>	<u>2,197,205</u>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	<u>(68,166)</u>	<u>(68,166)</u>	<u>685,135</u>	<u>753,301</u>
OTHER FINANCING SOURCES :				
Interfund transfers in	--	--	78,949	78,949
Interfund transfers out	68,166	68,166	(173,707)	(241,873)
Sale of surplus property	--	--	10,430	10,430
TOTAL OTHER FINANCING SOURCES (USES)	<u>68,166</u>	<u>68,166</u>	<u>(84,328)</u>	<u>(152,494)</u>
<i>Excess of Revenues and Other Sources Over</i>				
<i>Expenditures</i>	--	--	600,807	600,807
FUND BALANCE, Beginning of Year				
	<u>2,900,434</u>	<u>2,900,434</u>	<u>2,900,434</u>	<u>--</u>
FUND BALANCE, End of Year	<u>\$ 2,900,434</u>	<u>\$ 2,900,434</u>	<u>\$ 3,501,241</u>	<u>\$ 600,807</u>

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2012*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

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

*MITCHELL SCHOOL DISTRICT NO. 17-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2012*

2. GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

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

SUPPLEMENTARY INFORMATION

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of Agriculture:</i>		
<i>Direct Federal Funding</i>		
Beginning Farmer and Rancher Development Program	10.311	\$ 62,728
<i>Pass through the Regents of the University of Minnesota:</i>		
Farm Business Management and Benchmarking Competitive Grants Program	10.319	48,299
<i>Pass through the S.D. Department of Education:</i>		
Child and Adult Care Food Program	10.558	10,871
Fresh Fruit and Vegetable Program	10.579	17,404
<i>Child Nutrition Cluster:</i>		
<i>Non-Cash Assistance (Commodities):</i>		
National School Lunch Program	10.555	\$ 69,348
<i>Cash Assistance:</i>		
School Breakfast Program (Note 2)	10.553	97,803
National School Lunch Program (Note 2)	10.555	400,309
Summer Food Service Program for Children	10.559	54,838
Total Child Nutrition Cluster		<u>622,298</u>
<i>Total U.S. Department of Agriculture</i>		<u>761,600</u>
<i>U.S. Department of Commerce:</i>		
<i>Pass through South Dakota Network, LLC:</i>		
Broadband Technologies Opportunities Program (ARRA)	11.557	<u>882,682</u>
<i>U.S. Department of Labor:</i>		
<i>Direct Federal Funding</i>		
Community Based Job Training Grants	17.269	364,490
Trade Adjustment Assistance Community College and Career Training Grant	17.282	<u>52,590</u>
<i>Total U.S. Department of Labor</i>		<u>417,080</u>
<i>General Services Administration:</i>		
<i>Pass through the S.D. Federal Property Agency:</i>		
Donation of Federal Surplus Property (Note 5)	39.003	<u>1,061</u>
<i>National Science Foundation</i>		
<i>Pass through the S.D. Department of Education</i>		
Office of Experimental Program to Stimulate Competitive Research	47.081	<u>17,000</u>

**MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)**

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of Education:</i>		
<i>Direct Federal Funding:</i>		
Student Financial Assistance Programs Cluster:		
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	\$ 47,921
Direct Loan Program (DLP) (Note 3)	84.032	5,717,613
Federal Work Study (FWS)	84.033	48,147
Federal Perkins Loan Program - Federal Capital Contributions (FPL) (Note 4)	84.038	385,500
Federal Pell Grant Program (PELL)	84.063	<u>2,142,088</u>
Total Student Financial Assistance Programs Cluster		\$ 8,341,269
 Indian Education - Grants to Local Educational Agencies	 84.060	 23,044
 <i>Pass through the S.D. Department of Education:</i>		
Title I Grants to Local Educational Agencies (LEAs)	84.010	629,046
Vocational Education - Basic Grants to States	84.048	367,741
Tech-Prep Education	84.243	59,000
Twenty-First Century Community Learning Centers	84.287	145,805
Education Technology State Grants	84.318	5,532
Improving Teacher Quality State Grants	84.367	215,989
Education Jobs Fund	84.410	7,703
Special Education Cluster:		
Special Education Grants to States	84.027	608,607
Special Education - Preschool Grants	84.173	<u>17,855</u>
Total Special Education Cluster		<u>626,462</u>
 Total U.S. Department of Education		 <u>10,421,591</u>
 GRAND TOTAL		 <u><u>\$ 12,501,014</u></u>

MITCHELL SCHOOL DISTRICT NO. 17-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

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

Note 3: Loans guaranteed under federal guarantee loan programs and issued to parents of eligible students or eligible students attending this vocational technical school had the following values:

Stafford Loans - Subsidized	\$ 2,356,373
Stafford Loans - Unsubsidized	\$ 2,417,276
PLUS Program Loans	\$ 943,964

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>\$ 75,464</u>	<u>\$ 385,500</u>

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the school. (Original acquisition cost is provided by Federal Surplus Property. It is not what the school actually paid for the item.)

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