

Mitchell School District No. 17-2

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2022**

Mitchell School District No. 17-2

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mitchell School District No. 17-2, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 17, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

Mitchell, South Dakota
March 17, 2023



**Independent Auditor’s Report on Compliance for each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mitchell School District No. 17-2, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2022. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Mitchell School District No. 17-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to School District’s federal

programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

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

Mitchell, South Dakota
March 17, 2023

Mitchell School District No. 17-2
Schedule of Prior and Current Audit Findings and Questioned Costs
June 30, 2022

Schedule of Prior Audit Findings

The prior audit report contained no written audit findings.

Schedule of Current Audit Findings and Questioned Costs

Section I – Summary of Auditor's Results

Financial Statements:

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

Internal control over financial reporting:

Material weakness(es) identified: Yes X None Reported

Significant deficiencies identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? Yes X None Reported

Significant deficiencies identified? Yes X None Reported

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

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

Mitchell School District No. 17-2
 Schedule of Findings and Questioned Costs
 June 30, 2022 (Continued)

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster - National School Lunch Program (cash and noncash)
10.553	Child Nutrition Cluster - School Breakfast Program
10.559	Child Nutrition Cluster - Summer Food Service Program for Children
10.582	Child Nutrition Cluster - Fresh Fruit and Vegetable Program
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster - Grants to States (IDEA, Part B)
84.173	Special Education Cluster - Preschool Grants (IDEA Preschool)
84.425E	Education Stabilization Fund - Higher Education Emergency Relief Fund - Institutional Portion
84.425F	Education Stabilization Fund - Higher Education Emergency Relief Fund - Student Aid Portion
84.425D	Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund
84.425U	Education Stabilization Fund - American Rescue Plan Elementary and Secondary School Emergency Relief

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

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mitchell School District No. 17-2, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the Mitchell School District No. 17-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023 on our consideration of the School District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Mitchell, South Dakota
March 17, 2023

Mitchell School District No. 17-2

Statement of Net Position

June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 26,858,310	\$ 2,106,340	\$ 28,964,650
Investments	456,080	--	456,080
Receivables:			
Taxes - current	5,951,476	--	5,951,476
Taxes - delinquent	99,550	--	99,550
Trade accounts	246,568	--	246,568
Student loans - current portion	41,000	--	41,000
Promises to give	197,550	--	197,550
Due from other governments	1,699,413	50,453	1,749,866
Inventories	307,278	81,939	389,217
Student loans - non-current	377,321	--	377,321
Net pension asset	7,538,023	--	7,538,023
Capital assets:			
Land and land improvements	1,432,632	--	1,432,632
Construction work in progress	666,257	--	666,257
Other capital assets, net of depreciation	46,179,994	445,633	46,625,627
Restricted Assets:			
Cash with fiscal agent	25,715,745	--	25,715,745
Total Assets	117,767,197	2,684,365	120,451,562
Deferred Outflows of Resources			
Pension related deferred outflows	10,356,718	--	10,356,718
Liabilities:			
Accounts payable	313,184	94,166	407,350
Other current liabilities	2,667,085	--	2,667,085
Unearned revenue	--	35,938	35,938
Noncurrent liabilities:			
Due within one year	2,266,746	--	2,266,746
Due in more than one year	43,072,393	--	43,072,393
Total Liabilities	48,319,408	130,104	48,449,512
Deferred Inflows of Resources:			
Property taxes levied for future periods	5,951,476	--	5,951,476
Pension related deferred inflows	14,790,553	--	14,790,553
Total Deferred Inflows of Resources	20,742,029	--	20,742,029
Net Position:			
Net Investment in capital assets	28,385,497	445,633	28,831,130
Restricted for:			
Special education	1,116,555	--	1,116,555
Capital outlay	7,121,135	--	7,121,135
Agriculture program	190,000	--	190,000
Post-Secondary education	4,971,294	--	4,971,294
Mitchell Technical College	5,000,000	--	5,000,000
Student financial aid	88,882	--	88,882
Debt service	1,294,064	--	1,294,064
SDRS pension purposes	3,104,188	--	3,104,188
Unrestricted	7,790,863	2,108,628	9,899,491
Total Net Position	\$ 59,062,478	\$ 2,554,261	\$ 61,616,739

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

Mitchell School District No. 17-2

Statement of Activities

June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 24,642,047	\$ 4,909,387	\$ 9,184,455	\$ --	\$ (10,548,205)	\$ --	\$ (10,548,205)
Support services	14,645,013	3,954,763	225,480	421,380	(10,043,390)	--	(10,043,390)
Community services	163,961	--	--	--	(163,961)	--	(163,961)
Nonprogrammed charges	3,456,723	--	3,456,723	--	--	--	--
Interest on long-term debt	444,315	--	--	--	(444,315)	--	(444,315)
Cocurricular activities	1,049,330	118,208	--	--	(931,122)	--	(931,122)
Total Governmental Activities	44,401,389	8,982,358	12,866,658	421,380	(22,130,993)	--	(22,130,993)
Business-type Activities:							
Food service	1,906,338	189,843	2,173,252	--	--	456,757	456,757
MTI bookstore	1,303,054	1,401,357	748	--	--	99,051	99,051
Drivers Education	31,160	31,350	--	--	--	190	190
Total Business-type Activities	3,240,552	1,622,550	2,174,000	--	--	555,998	555,998
Total Primary Government	\$ 47,641,941	\$ 10,604,908	\$ 15,040,658	\$ 421,380	(22,130,993)	555,998	(21,574,995)
General Revenues:							
Taxes:							
Property taxes					13,750,174	--	13,750,174
Gross receipts taxes					390,748	--	390,748
Revenue from State Sources:							
State aid					15,187,949	--	15,187,949
Revenue from Federal Sources					24,770	--	24,770
Unrestricted investment earnings					64,014	--	64,014
Other general revenues					326,799	--	326,799
Total General Revenues					29,744,454	--	29,744,454
Change in Net Position					7,613,461	555,998	8,169,459
Net Position, Beginning of Year					51,476,259	1,998,263	53,474,522
Restatement					(27,242)	--	(27,242)
Adjusted Net Position - Beginning of Year					51,449,017	1,998,263	53,447,280
Net Position, End of Year					\$ 59,062,478	\$ 2,554,261	\$ 61,616,739

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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Post- High</u>	<u>Capital Projects - New Senior High School</u>	<u>Capital Projects - Ag Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:								
Cash and cash equivalents	\$ 9,068,661	\$ 6,626,510	\$ 1,366,986	\$ 4,748,271	\$ --	\$ 5,000,000	\$ 47,882	\$ 26,858,310
Investments	--	456,080	--	--	--	--	--	456,080
Receivables:								
Taxes - current	2,788,986	2,025,197	1,137,293	--	--	--	--	5,951,476
Taxes - delinquent	44,710	34,902	19,938	--	--	--	--	99,550
Trade accounts	849	--	--	245,719	--	--	--	246,568
Student loans - current portion	--	--	--	--	--	--	41,000	41,000
Due from other governments	655,670	111,315	104,802	827,626	--	--	--	1,699,413
Inventory of stores for resale	--	--	--	307,278	--	--	--	307,278
Student loans - non-current	--	--	--	--	--	--	377,321	377,321
Restricted Assets:								
Cash with fiscal agent	--	--	--	--	24,421,681	--	1,294,064	25,715,745
Total Assets	<u><u>\$ 12,558,876</u></u>	<u><u>\$ 9,254,004</u></u>	<u><u>\$ 2,629,019</u></u>	<u><u>\$ 6,128,894</u></u>	<u><u>\$ 24,421,681</u></u>	<u><u>\$ 5,000,000</u></u>	<u><u>\$ 1,760,267</u></u>	<u><u>\$ 61,752,741</u></u>
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable	\$ 72,875	\$ 72,770	\$ 2,451	\$ 165,088	\$ --	\$ --	\$ --	\$ 313,184
Contracts payable	1,458,439	--	280,981	384,484	--	--	--	2,123,904
Payroll deductions and withholdings and employer matching payable	360,630	--	71,801	110,750	--	--	--	543,181
Total Liabilities	<u><u>1,891,944</u></u>	<u><u>72,770</u></u>	<u><u>355,233</u></u>	<u><u>660,322</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>2,980,269</u></u>
Deferred inflows of resources								
Property taxes levied for future periods	2,788,986	2,025,197	1,137,293	--	--	--	--	5,951,476
Unavailable revenue - property taxes	44,710	34,902	19,938	--	--	--	--	99,550
	<u><u>2,833,696</u></u>	<u><u>2,060,099</u></u>	<u><u>1,157,231</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>6,051,026</u></u>

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

Mitchell School District No. 17-2
Balance Sheet – Governmental Funds
June 30, 2022 (Continued)

	General	Capital Outlay	Special Education	Post- High	Capital Projects - New Senior High School	Capital Projects - Ag Building	Other Governmental Funds	Total Governmental Funds
Fund Balances:								
Nonspendable:								
Inventories	\$ --	\$ --	\$ --	\$ 307,278	\$ --	\$ --	\$ --	\$ 307,278
Long-term receivables	--	--	--	--	--	--	377,321	377,321
Restricted for:								
Student financial aid	--	--	--	--	--	--	88,882	88,882
Debt service	--	--	--	--	--	--	1,294,064	1,294,064
Capital outlay fund	--	7,121,135	--	--	--	--	--	7,121,135
Special education fund	--	--	1,116,555	--	--	--	--	1,116,555
Agriculture program	--	--	--	190,000	--	--	--	190,000
Post-secondary education	--	--	--	4,971,294	--	--	--	4,971,294
New senior high school	--	--	--	--	24,421,681	--	--	24,421,681
Mitchell Technical College	--	--	--	--	--	5,000,000	--	5,000,000
Unassigned	7,833,236	--	--	--	--	--	--	7,833,236
Total Fund Balances	<u>7,833,236</u>	<u>7,121,135</u>	<u>1,116,555</u>	<u>5,468,572</u>	<u>24,421,681</u>	<u>5,000,000</u>	<u>1,760,267</u>	<u>52,721,446</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,558,876</u>	<u>\$ 9,254,004</u>	<u>\$ 2,629,019</u>	<u>\$ 6,128,894</u>	<u>\$ 24,421,681</u>	<u>\$ 5,000,000</u>	<u>\$ 1,760,267</u>	<u>\$ 61,752,741</u>
								Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds
								\$ 7,538,023
								Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
								48,278,883
								Long-term liabilities, including bonds payable, net pension liability, and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.
								(45,339,139)
								Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds
								10,356,718
								Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds
								(14,790,553)
								Assets such as promises to give are not available to pay for current period expenditures and therefore are deferred in the funds.
								197,550
								Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.
								99,550
								<u>Net Position of Governmental Activities</u>
								<u>\$ 59,062,478</u>

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

Mitchell School District No. 17-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Post- High</u>	<u>Capital Projects - New Senior High School</u>	<u>Capital Projects - Ag Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues								
Revenue from Local Sources:								
Taxes:								
Ad valorem taxes	\$ 6,554,799	\$ 4,488,447	\$ 2,577,497	\$ --	\$ --	\$ --	\$ --	\$ 13,620,743
Prior years' ad valorem taxes	64,608	38,968	21,988	--	--	--	--	125,564
Utility taxes	390,748	--	--	--	--	--	--	390,748
Penalties and interest on taxes	19,926	11,828	6,555	--	--	--	--	38,309
Tuition and Fees:								
Regular day school tuition	133,938	--	--	--	--	--	--	133,938
Post Secondary Program Tuition and Fees:								
Post secondary program tuition	--	--	--	3,517,705	--	--	--	3,517,705
Post secondary student fees	--	--	--	648,295	--	--	--	648,295
Earnings on investments and deposits	5,966	35,858	444	21,746	--	--	--	64,014
Post Secondary:								
Resales/services - occupational programs	--	--	--	687,924	--	--	--	687,924
State fees	--	--	--	189,968	--	--	--	189,968
Corporate education fees	--	--	--	126,019	--	--	--	126,019
Local fees	--	--	--	2,490,408	--	--	--	2,490,408
Cocurricular Activities:								
Admissions	98,844	--	--	--	--	--	--	98,844
Other student activity income	19,364	--	--	--	--	--	--	19,364
Other Revenue from Local Sources:								
Rentals	18,330	--	--	93,816	--	--	--	112,146
Contributions and donations	--	25,000	--	200,480	--	--	--	225,480
Refund of prior years' expenditures	8,150	3,000	--	10,110	--	--	--	21,260
Judgements	--	--	--	1,250	--	--	--	1,250
Charges for services	46,291	--	95,608	--	--	--	--	141,899
Other	77,639	77,897	--	292,481	--	--	11,177	459,194

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, 2022(Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Post- High</u>	<u>Capital Projects - New Senior High School</u>	<u>Capital Projects - Ag Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue from Intermediate Sources:								
County Sources:								
County apportionment	\$ 221,486	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 221,486
Revenue from State Sources:								
Grants-in-aid:								
Unrestricted grants-in-aid	10,778,596	--	--	4,409,353	--	--	--	15,187,949
Restricted grants-in-aid	28,575	--	1,752,367	--	--	--	--	1,780,942
Tuition:								
Regular Education	446,290	--	--	--	--	--	--	446,290
Other State Revenue	15,000	158,428	--	2,345,060	--	--	--	2,518,488
Revenue from Federal Sources:								
Grants-in-aid:								
Restricted grants-in-aid received								
directly from federal government	--	--	--	--	--	--	2,007,717	2,007,717
Restricted grants-in-aid received								
from federal government through state	1,398,874	83,272	937,918	3,420,525	395,259	--	--	6,235,848
Johnson O'Malley Funds	24,770	--	--	--	--	--	--	24,770
Other Federal Revenue	--	17,239	--	75,385	--	--	37,059	129,683
Total Revenues	<u>\$ 20,352,194</u>	<u>\$ 4,939,937</u>	<u>\$ 5,392,377</u>	<u>\$ 18,530,525</u>	<u>\$ 395,259</u>	<u>\$ --</u>	<u>\$ 2,055,953</u>	<u>\$ 51,666,245</u>

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

Mitchell School District No. 17-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2022(Continued)

<u>Expenditures</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Post- High</u>	<u>Capital Projects - New Senior High School</u>	<u>Capital Projects - Ag Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Instruction:								
Regular Programs:								
Elementary	\$ 5,174,537	\$ 107,926	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,282,463
Middle/junior high	2,622,470	95,656	--	--	--	--	--	2,718,126
High school	3,039,654	139,141	--	--	--	--	--	3,178,795
Special Programs:								
Gifted and talented	7,663	--	--	--	--	--	--	7,663
Culturally different	23,117	--	--	--	--	--	--	23,117
Programs for special education	--	--	3,313,393	--	--	--	--	3,313,393
Educationally deprived	634,960	--	--	--	--	--	--	634,960
Other special programs	1,081,850	--	--	--	--	--	--	1,081,850
Post Secondary Occupational Programs	--	--	--	7,074,440	--	--	--	7,074,440
Support Services:								
Students:								
Guidance	413,428	--	23,282	2,068,313	--	--	--	2,505,023
Health	67,404	--	16,423	--	--	--	--	83,827
Psychological	--	--	127,280	--	--	--	--	127,280
Speech pathology	--	--	750,073	--	--	--	--	750,073
Student therapy services	--	--	228,407	--	--	--	--	228,407
Instructional Staff:								
Improvement of instruction	173,318	--	--	--	--	--	--	173,318
Educational media	566,144	9,273	--	--	--	--	--	575,417
General Administration:								
Board of education	127,704	--	--	--	--	--	--	127,704
Executive administration	170,893	--	--	40,848	--	--	--	211,741
School Administration:								
Office of the principal	1,264,410	--	--	--	--	--	--	1,264,410
Vocational school - director's office	--	--	--	362,484	--	--	--	362,484
Financial aids administration	--	--	--	211,694	--	--	--	211,694
Title I Program Administration	9,567	--	--	--	--	--	--	9,567
Other	4,246	--	--	265,253	--	--	--	269,499

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, 2022(Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Post- High</u>	<u>Capital Projects - New Senior High School</u>	<u>Capital Projects - Ag Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Business:								
Fiscal services	\$ 235,404	\$ 159,968	\$ --	\$ 496,602	\$ --	\$ --	\$ --	\$ 891,974
Facilities acquisition and construction	--	194,285	--	--	395,259	--	--	589,544
Operation and maintenance of plant	2,828,315	27,808	--	1,516,772	--	--	--	4,372,895
Student transportation	332,064	--	--	--	--	--	--	332,064
Food Services	77,763	--	--	--	--	--	--	77,763
Internal services	53,777	25,359	--	--	--	--	--	79,136
Central:								
Data processing	--	--	--	558,239	--	--	--	558,239
Special Education:								
Administrative costs	--	--	136,345	--	--	--	--	136,345
Transportation costs	--	--	73,991	--	--	--	--	73,991
Other special education costs	--	--	52,598	--	--	--	--	52,598
Resale Services:								
Post secondary resales/service	--	--	--	808,494	--	--	--	808,494
Other Support Services	--	--	--	--	--	--	48,236	48,236
Community Services:								
Custody and care of children	127,548	--	--	--	--	--	--	127,548
Nonpublic school	36,413	--	--	--	--	--	--	36,413
Nonprogrammed Charges:								
Pension payments	98,050	--	--	--	--	--	--	98,050
Student financial aid	--	--	--	1,400,904	--	--	2,007,717	3,408,621
Other nonprogrammed charges	--	--	--	52	--	--	--	52
Debt Services	--	2,018,574	--	234,875	--	--	--	2,253,449
Cocurricular Activities:								
Male activities	186,788	--	--	--	--	--	--	186,788
Female activities	163,446	--	--	--	--	--	--	163,446
Transportation	132,716	--	--	--	--	--	--	132,716
Combined activities	369,051	46,373	--	88,569	--	--	--	503,993
Capital Outlay	--	892,089	--	3,125,208	--	--	--	4,017,297
Total Expenditures	<u>20,022,700</u>	<u>3,716,452</u>	<u>4,721,792</u>	<u>18,252,747</u>	<u>395,259</u>	<u>--</u>	<u>2,055,953</u>	<u>49,164,903</u>

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

Mitchell School District No. 17-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2022(Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Post- High</u>	<u>Capital Projects - New Senior High School</u>	<u>Capital Projects - Ag Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of Revenues Over (Under)								
Expenditures	\$ 329,494	\$ 1,223,485	\$ 670,585	\$ 277,778	\$ --	\$ --	\$ --	\$ 2,501,342
Other Financing Sources (Uses)								
Interfund transfers in	--	--	--	--	24,421,681	5,000,000	206,579	29,628,260
Interfund transfers (out)	--	(24,446,681)	--	(5,181,579)	--	--	--	(29,628,260)
General long-term debt issued	--	24,577,413	--	--	--	--	--	24,577,413
Sale of surplus property	--	4,737	--	8,449	--	--	--	13,186
Total Other Financing Sources (Uses)	--	135,469	--	(5,173,130)	24,421,681	5,000,000	206,579	24,590,599
Excess of Revenues and Other Sources Over Expenditures and Uses	329,494	1,358,954	670,585	(4,895,352)	24,421,681	5,000,000	206,579	27,091,941
Fund Balance, Beginning of Year	7,503,742	5,762,181	445,970	10,363,924	--	--	1,553,688	25,629,505
Fund Balance, End of Year	<u>\$ 7,833,236</u>	<u>\$ 7,121,135</u>	<u>\$ 1,116,555</u>	<u>\$ 5,468,572</u>	<u>\$ 24,421,681</u>	<u>\$ 5,000,000</u>	<u>\$ 1,760,267</u>	<u>\$ 52,721,446</u>

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

Mitchell School District No. 17-2
 Reconciliation to the Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 27,091,941

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 897,967

In the statement of activities gains and losses of \$33,205 on disposal of capital are reported, whereas, in the governmental funds, the proceeds of \$13,186 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (20,019)

The receipt of donated capital assets is not reported on the fund statements, but is reported as program revenue on the government wide statements. 421,380

The issuance of long-term debt is an other financing source in the fund financial statements, but an increase in long-term liabilities on the government wide statements. (24,577,413)

Long-term pledges payable are not considered an expenditure in the fund financial statements. 50,000

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,809,134

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." (34,442)

Governmental funds do not reflect the change in accrued leave and early retirement payments, but the statement of activities reflects the change in accrued leave and early retirement payments through expenditures. (1,000)

The fund financial statement governmental fund promises to give accruals differ from the government wide statement promises to give accruals in that the fund financial statements require the amounts to be "available." (31,500)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 2,007,413

Change in Net Position of Governmental Activities \$ 7,613,461

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

Mitchell School District No. 17-2
Statement of Net Position – Proprietary Funds
June 30, 2022

	<u>Food Service</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,427,216	\$ 679,124	\$ 2,106,340
Due from other governments	50,453	--	50,453
Inventory of supplies	27,165	--	27,165
Inventory of stores purchased for resale	31,963	22,811	54,774
Total Current Assets	<u>1,536,797</u>	<u>701,935</u>	<u>2,238,732</u>
Capital Assets:			
Machinery and equipment	1,044,109	--	1,044,109
Accumulated depreciation	<u>(598,476)</u>	<u>--</u>	<u>(598,476)</u>
Capital Assets - Net	<u>445,633</u>	<u>--</u>	<u>445,633</u>
Total Assets	<u><u>1,982,430</u></u>	<u><u>701,935</u></u>	<u><u>2,684,365</u></u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts payable	42,419	51,747	94,166
Unearned revenue	35,580	358	35,938
Total Current Liabilities	<u>77,999</u>	<u>52,105</u>	<u>130,104</u>
Net Position:			
Invested in capital assets	445,633	--	445,633
Unrestricted net position	1,458,798	649,830	2,108,628
Total Net Position	<u>1,904,431</u>	<u>649,830</u>	<u>2,554,261</u>
Total Liabilities and Net Position	<u><u>\$ 1,982,430</u></u>	<u><u>\$ 701,935</u></u>	<u><u>\$ 2,684,365</u></u>

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

Mitchell School District No. 17-2

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2022

	<u>Food Service</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Operating Revenues:			
Charges for Services:			
Food service	\$ 189,843	\$ --	\$ 189,843
Bookstore	--	1,401,357	1,401,357
Drivers Education	--	31,350	31,350
Total Charges for Services	<u>189,843</u>	<u>1,432,707</u>	<u>1,622,550</u>
Operating Expenses:			
Cost of sales	919,348	1,223,138	2,142,486
Salaries	584,587	76,047	660,634
Employee benefits	166,358	19,387	185,745
Purchased services	27,931	4,696	32,627
Supplies	123,412	4,671	128,083
Depreciation	84,702	--	84,702
Miscellaneous	--	6,275	6,275
Total Operating Expenses	<u>1,906,338</u>	<u>1,334,214</u>	<u>3,240,552</u>
Operating Income (Loss)	<u>(1,716,495)</u>	<u>98,493</u>	<u>(1,618,002)</u>
Nonoperating Revenues:			
Local Sources:			
Miscellaneous revenue	--	748	748
State Sources:			
Cash payments	4,269	--	4,269
Federal Sources:			
Cash reimbursements	2,057,417	--	2,057,417
Donated food	111,566	--	111,566
Total Nonoperating Revenues	<u>2,173,252</u>	<u>748</u>	<u>2,174,000</u>
Change in Net Position	456,757	99,241	555,998
Net Position, Beginning of Year	<u>1,447,674</u>	<u>550,589</u>	<u>1,998,263</u>
Net Position, End of Year	<u>\$ 1,904,431</u>	<u>\$ 649,830</u>	<u>\$ 2,554,261</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, 2022

	<u>Food Service</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 389,008	\$ 1,478,265	\$ 1,867,273
Cash paid to suppliers	(1,149,418)	(1,279,513)	(2,428,931)
Cash paid to employees	(750,945)	(95,434)	(846,379)
Cash Flows Provided (Used) by Operating Activities	<u>(1,511,355)</u>	<u>103,318</u>	<u>(1,408,037)</u>
Cash Flows from Non-Capital Financing Activities:			
Operating grants received	2,061,686	--	2,061,686
Miscellaneous revenue	--	748	748
Cash Flows Provided by Non-Capital Financing Activities	<u>2,061,686</u>	<u>748</u>	<u>2,062,434</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(71,808)	--	(71,808)
Net Increase in Cash and Cash Equivalents	478,523	104,066	582,589
Cash and Cash Equivalents, Beginning of Year	948,693	575,058	1,523,751
Cash and Cash Equivalents, End of Year	<u>\$ 1,427,216</u>	<u>\$ 679,124</u>	<u>\$ 2,106,340</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (1,716,495)	\$ 98,493	\$ (1,618,002)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	84,702	--	84,702
Value of commodities used	111,566	--	111,566
(Increase) decrease in:			
Trade accounts receivable	163,585	45,200	208,785
Inventory	(35,324)	9,055	(26,269)
Increase (decrease) in:			
Accounts payable	(154,969)	(49,788)	(204,757)
Unearned revenue	35,580	358	35,938
Total Adjustments	<u>205,140</u>	<u>4,825</u>	<u>209,965</u>
Cash Flows Provided (Used) by Operating Activities	<u>\$ (1,511,355)</u>	<u>\$ 103,318</u>	<u>\$ (1,408,037)</u>
Supplemental Schedule of Non-Cash Activities:			
Commodities received from Federal Government	<u>\$ 111,566</u>	<u>\$ --</u>	<u>\$ 111,566</u>

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

Mitchell School District No. 17-2
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 762,399	\$ 828,209
Investments, at fair value	315,122	--
Total Assets	1,077,521	828,209
Liabilities:		
Accounts payable	--	10,829
Total Liabilities	--	10,829
Net Position:		
Restricted for:		
Scholarships	1,077,521	--
Individuals, organizations, and other governments	--	817,380
Total Liabilities and Net Position	\$ 1,077,521	\$ 817,380

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

Mitchell School District No. 17-2
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended June 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 1,613,270	\$ --
Earnings from deposits and investments	4,082	--
Collections for student activities	--	5,257,767
Total Additions	1,617,352	5,257,767
Deductions:		
Trust deductions for scholarship	1,558,670	--
Payments for student activities	--	5,171,723
Total Deductions	1,558,670	5,171,723
Change in Net Position	58,682	86,044
Net Position, Beginning	1,018,839	731,336
Net Position, Ending	\$ 1,077,521	\$ 817,380

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

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

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

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

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

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

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

Capital Projects Funds – 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).

The New Senior High School Capital Project Fund is to construct a new senior high school. This is a major fund.

The Ag Building Capital Project Fund is to construct a new ag building. This is a major fund.

Proprietary Funds:

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

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

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

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

Fiduciary Funds:

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

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

Custodial Fund Types – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The district maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of Accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2022, are grant reimbursements and tuition and fees.

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

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

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

d. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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

Government-Wide Financial Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2022, balance of capital assets for governmental activities includes approximately 12% for which costs were determined by estimates of the original costs. The total June 30, 2022, balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by review of prior-year minutes and original contracts.

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

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund’s Statement of Net Position.

Mitchell School District No. 17-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization 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/A mortization 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
Intangible lease assets	\$ 50,000	Straight-line	5-50 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.

f. 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, notes payable, pledges payable, qualified zone academy bonds, direct borrowing notes, leases, and capital outlay certificates payable.

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. 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.

h. 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.

i. 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.

j. Equity Classifications:

Government-Wide Statements:

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

1. Net investment in Capital Assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

2. Restricted net position – consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

k. Application of Net Position:

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

l. 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.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The nonspendable fund balance is comprised of amounts reported in non-spendable form such as inventory and amounts not in cash form such as long-term loans receivable.

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

m. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

n. Leases:

The School District is a lessee for a noncancellable lease of a building, computers, and copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

2. Deposits and Investments, Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

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

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

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

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

2. Deposits and Investments, Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

The School District has the following recurring fair value measurements as of June 30, 2022:

Investment Description	Amount	Fair Value Hierarchy	Valuation Technique
Mutual funds	\$ 315,122	Level 1	Quoted market prices in active markets

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

As of June 30, 2022, the School District had the following investments:

Investment	Credit Rating	Maturities	Fair Value
<u>Mutual Funds:</u>			
Alps Core Commodity Management Complete Commodities Strategy Fund	Not Rated	N/A	\$ 8,216
Federated Hermes Institutional High Yield Bond Fund	Not Rated	N/A	2,632
Goldman Sachs Gqg Partners International Opportunities Fund			4,568
Invesco Developing Markets Fund Class R6	Not Rated	N/A	5,324
Invesco Discovery Mid Cap Growth	Not Rated	N/A	8,866
Invesco Floating Rate	Not Rated	N/A	2,925
JP Morgan Equity Index Fund Class R6	Not Rated	N/A	29,467
JP Morgan Hedged Equity Fund - R6	Not Rated	N/A	30,165
Lazard International Equity	Not Rated	N/A	11,074
Manning & Napier Rainier International Discovery Series CI Z	Not Rated	N/A	7,115
Mfs Global Real Estate Fund R5	Not Rated	N/A	5,607
Mfs Mid-Cap Value Fund Class R6	Not Rated	N/A	14,766
Mfs Value Fund Class R6	Not Rated	N/A	20,196
Money Market Funds	Not Rated	N/A	15,192
Palmer Square Income Plus Fund	Not Rated	N/A	4,029
T Rowe Price Blue Chip Growth Fund	Not Rated	N/A	25,608
Tributary Income Fund	Not Rated	N/A	37,948
Tributary Short/Intermediate Bond Fund	Not Rated	N/A	48,237
Tributary Small Company Fund	Not Rated	N/A	12,657
Vanguard Equity Income Fund	Not Rated	N/A	20,530
Total Investments			<u>\$ 315,122</u>

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

2. Deposits and Investments, Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

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

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

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

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.

4. Inventory:

Inventory held for consumption is stated at cost.

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

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

In the governmental fund financial statements, inventories consist of land and residential homes constructed as part of the educational program and held for sale. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

5. Property Taxes:

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

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

6. Restricted Cash and Investments:

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

<u>Amount</u>	<u>Purpose</u>
\$ 1,294,064	For debt service, by debt covenants (sinking funds required to be in a separate account)

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

7. Changes in Capital Assets:

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

(a) restated	<u>Balance</u> <u>7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2022</u>
Governmental Activities:				
Capital assets, not being depreciated /amortized:				
Land	\$ 1,432,632	\$ --	\$ --	\$ 1,432,632
Construction in progress	<u>580,932</u>	<u>446,747</u>	<u>(361,422)</u>	<u>666,257</u>
Total, not being depreciated /amortized	<u>2,013,564</u>	<u>446,747</u>	<u>(361,422)</u>	<u>2,098,889</u>
Capital assets, being depreciated /amortized:				
Buildings	54,150,623	1,190,877	--	55,341,500
Machinery and equipment	21,572,257	3,069,583	(228,625)	24,413,215
Intangible lease assets (a)	<u>609,493</u>	<u>92,892</u>	<u>--</u>	<u>702,385</u>
Total, being depreciated /amortized (a)	<u>76,332,373</u>	<u>4,353,352</u>	<u>(228,625)</u>	<u>80,457,100</u>
Less accumulated depreciation /amortization for:				
Buildings	18,198,950	1,256,896	--	19,455,846
Machinery and equipment	13,063,311	1,814,929	(208,606)	14,669,634
Intangible lease assets (a)	<u>104,121</u>	<u>47,505</u>	<u>--</u>	<u>151,626</u>
Total accumulated depreciation /amortization (a)	<u>31,366,382</u>	<u>3,119,330</u>	<u>(208,606)</u>	<u>34,277,106</u>
Total capital assets, being depreciated/amortized, net (a)	<u>44,965,991</u>	<u>1,234,022</u>	<u>(20,019)</u>	<u>46,179,994</u>
Total Governmental Activity Capital Assets, Net (a)	<u>\$ 46,979,555</u>	<u>\$ 1,680,769</u>	<u>\$ (381,441)</u>	<u>\$ 48,278,883</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 2,932,170
Support Services	124,773
Co-curricular activities	62,387
	<u>\$ 3,119,330</u>

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

7. Changes in Capital Assets: (Continued)

Construction in Progress at June 30, 2022 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Through 06/30/2022</u>	<u>Committed</u>	<u>Required Future Financing</u>
Wind Lab - In Process	\$ 425,000	\$ 349,632	\$ 425,000	\$ --
Fiber Project - In Process	\$ 122,000	\$ 107,077	\$ 122,000	\$ --
Morton Buildings - In Process	\$ 125,000	\$ 109,548	\$ 125,000	\$ --
Rockport Colony Building	\$ --	\$ 100,000	\$ --	\$ --

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 972,301	\$ 71,808	\$ --	\$ 1,044,109
Less accumulated depreciation for:				
Machinery and equipment	<u>513,774</u>	<u>84,702</u>	<u>--</u>	<u>598,476</u>
Total capital assets, being depreciated, net	<u>\$ 458,527</u>	<u>\$ (12,894)</u>	<u>\$ --</u>	<u>\$ 445,633</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 84,702</u>

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

8. Long-Term Liabilities:

A summary of changes in long-term liabilities for the year ended June 30, 2022, is as follows:

(a) restated	<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	\$ 929,000	\$ --	\$ (81,500)	\$ 847,500	\$ 81,500
Capital Outlay Certificates	18,080,000	22,900,000	(1,265,000)	39,715,000	1,340,000
	<u>19,009,000</u>	<u>22,900,000</u>	<u>(1,346,500)</u>	<u>40,562,500</u>	<u>1,421,500</u>
Early Retirement Payable -					
Governmental Funds	212,999	70,990	(73,953)	210,036	22,979
Accrued Compensated Absences -					
Governmental Funds	610,073	247,992	(244,029)	614,036	245,614
Direct Borrowing Note	882,967	--	(294,322)	588,645	294,322
Leases (a)	532,614	92,892	(35,207)	590,299	--
Pledges Payable - MTC Foundation -					
Governmental Funds	250,000	--	(50,000)	200,000	100,000
Notes Payable -					
Governmental Funds	540,000	--	(90,000)	450,000	60,000
Unamortized Premiums	594,775	1,789,476	(44,489)	2,339,762	133,963
Unamortized Discounts	(12,568)	(204,955)	1,384	(216,139)	(11,632)
Total Governmental Activities (a)	<u>\$ 22,619,860</u>	<u>\$ 24,896,395</u>	<u>\$ (2,177,116)</u>	<u>\$ 45,339,139</u>	<u>\$ 2,266,746</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 Post-High Fund.

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

8. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2022, are comprised of the following:

Capital Outlay Certificates

	Terms	
Mitchell School District No. 17-2 Limited Tax General Obligation Refunding Certificates – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 1.4%-3.0% that vary depending on the term of maturity; due in semi-annual installments of February 1 and August 1, beginning fiscal year 2020. Final payment due August 1, 2029. Payable from Capital Outlay Fund.	\$ 3,295,000
Mitchell School District No. 17-2 Capital Outlay Certificates (QSCB), Series 2010 – Secured by pledge of capital outlay tax levy	1.95%; due in semi-annual installments on June 16 and December 16. Final payment due December 16, 2024. Payable from Capital Outlay Fund.	\$ 470,000
Mitchell School District No. 17-2 Limited Tax General Obligation Taxable Certificates, Series 2010A Qualified Energy Conservation Bonds - Direct Pay– 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 Limited Tax General Obligation Certificates, Series 2021 (Refund Series 2015 Capital Outlay Certificates) – Secured by pledge of capital outlay tax levy	2%; due in semi-annual installments on August 1 and February 1. Final payment due August 1, 2035. Payable from Capital Outlay Fund.	\$ 10,365,000
Mitchell School District No. 17-2 Limited Tax General Obligation Certificates – Secured by pledge of capital outlay tax levy	Fixed interest rates ranging from 2.0%-3.0% that vary depending on the term of maturity; due in semi-annual installments on February 1 and August 1, beginning fiscal year 2019. Final payment due August 1, 2030. Payable from Capital Outlay Fund.	\$ 960,000
Mitchell School District No. 17-2 Limited Tax General Obligation Taxable Certificates, Series 2022 Qualified Energy Conservation Bonds - Secured by pledge of capital outlay tax levy	2.75%; due in semi-annual installments on August 1 and February 1. Final payment due August 1, 2041. Payable from Capital Outlay Fund.	\$ 22,900,000

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

8. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2022, are comprised of the following: (continued)

Qualified Zone Academy Bonds

		Terms	
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.	\$ 240,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2012		4.25%; bond matures and final principal payment due December 31, 2031. Annual deposits of \$25,000. Final deposit due December 15, 2031. Payable from Capital Outlay Fund.	\$ 500,000
Mitchell School District No. 17-2 Qualified Zone Academy Bonds, Series 2015		0%; due in annual installments of \$21,500. Final payment due December 10, 2026. Payable from Capital Outlay Fund.	\$ 107,500

Notes Payable:

		Terms	
MTC Rural Electric Economic Development, Inc. - Unsecured		0.00%; due in annual installments of \$30,000 (principal only, no interest) on April 25. Final payment due April 25, 2029.	\$ 210,000
MTC Central Electric Cooperative, Inc. Rural Electric Economic Development - Unsecured		0.00%; due in annual installments of \$30,000 (principal only, no interest) on June 15. Final payment due June 15, 2024. Loan may be extended upon mutual consent of the lender and borrower for up to three (3) consecutive two-year terms for a total term of ten years through June 15, 2030.	\$ 240,000

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

8. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2022, are comprised of the following: (continued)

Direct Borrowing Notes and Leases:

	Terms		
Mitchell School District No. 17-2 Direct Borrowing Note with Hewlett Packard Financial Services Company	0.00%; due in annual installments in October. Final payment due October 2023. Payable from Capital Outlay Fund.	\$	588,644
Mitchell School District No. 17-2 Lease with Xerox Financial Services LLC	0.00%; due in 60 monthly installments of \$1,548. Final payment due 2027. Payable from Capital Outlay Fund.	\$	75,862
Mitchell School District No. 17-2 Lease with Dakota Wesleyan University for LB Williams Elementary School	Imputed rate of 2.75%; Due in 20 annual installments of \$29,736 increasing by 2.5% every year starting in 2018. Final payment due 2028. Payable from Capital Outlay Fund.	\$	514,438

Other Long-Term Liabilities:

Compensated Absences –			
Payable from the fund to which payroll expenditures are charged		\$	614,036
Early Retirement Benefits –			
Payable from the Pension Fund and the Post-High Fund		\$	210,036
MTI Foundation - Pledge Payable - Payable from the Post High Fund		\$	200,000

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

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, 2022, are as follows:

Year Ending June 30,	Qualified Zone Academy				Notes Payable
	Bonds		Capital Outlay Certificates		
	Principal	Interest	Principal	Interest	
2023	\$ 81,500	\$ 13,080	\$ 1,340,000	\$ 1,075,588	\$ 60,000
2024	81,500	9,810	1,970,000	1,179,895	60,000
2025	81,500	6,540	2,185,000	1,121,926	60,000
2026	81,500	3,270	2,150,000	1,058,653	60,000
2027	21,500	--	2,215,000	1,001,630	60,000
2028-2032	500,000	--	12,495,000	3,666,663	150,000
2033-2037	--	--	9,685,000	1,931,425	--
2038-2042			7,675,000	556,750	--
Totals	<u>\$ 847,500</u>	<u>\$ 32,700</u>	<u>\$ 39,715,000</u>	<u>\$ 11,592,530</u>	<u>\$ 450,000</u>

Pledge Payable	Retirement Benefits	Direct		Totals		
		Borrowing Notes	Leases		Principal	Interest
		Principal	Principal	Interest		
\$ 100,000	\$ 22,979	\$ 294,322	\$ 38,075	\$ 14,147	\$ 1,936,876	\$ 1,102,815
100,000	25,072	294,323	39,452	13,611	2,570,347	1,203,316
--	40,594	--	40,888	13,037	2,407,982	1,141,503
--	27,460	--	42,385	12,423	2,361,345	1,074,346
--	31,041	--	26,917	11,769	2,354,458	1,013,399
--	62,890	--	152,624	47,456	13,360,514	3,714,119
--	--	--	202,537	23,835	9,887,537	1,955,260
--	--	--	47,421	1,304	7,722,421	558,054
<u>\$ 200,000</u>	<u>\$ 210,036</u>	<u>\$ 588,645</u>	<u>\$ 590,299</u>	<u>\$ 137,582</u>	<u>\$ 42,601,480</u>	<u>\$ 11,762,812</u>

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

9. Interfund Transfers:

Interfund transfers for the year ended June 30, 2022, were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>	<u>Purpose:</u>
	Debt Service Funds	
Capital Outlay Fund	\$ 25,000	Deposits for debt retirement
Post-High Fund	\$ 181,579	Deposits for debt retirement
	Ag Building Fund	
Post-High Fund	\$ 5,000,000	Capital project funding
	New Senior High School	
Capital Outlay Fund	\$ 24,421,681	Transfer CO Certificate for HS construction project

10. Restricted Net Position:

Restricted net position restricted for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Special Education	Law	\$ 1,116,555
Capital Outlay	Law	7,121,135
Agriculture Program	Donor	190,000
Mitchell Technical College	Donor	5,000,000
Post-Secondary Education	Law	4,971,294
Student Financial Aid	Law	88,882
Debt Service	Bond Agreement	1,294,064
SDRS Pension Purposes	Law	3,104,188
Total Restricted Net Position		<u>\$ 22,886,118</u>

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

11. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

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

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

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

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020 were \$1,360,838, \$1,339,614, and \$1,310,788, respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 136,486,127
Less proportionate share of net pension restricted for pension benefits	<u>144,024,150</u>
Proportionate share of net pension (asset)	<u><u>\$ (7,538,023)</u></u>

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

At June 30, 2022, the District reported an asset of \$7,538,023 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the District's proportion was .98429600 %, which is a decrease of -.0114734% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022 , the District recognized reduction of pension expense of \$2,007,413. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 270,635	\$ 19,763
Changes in assumption	8,668,649	3,774,933
Net difference between projected and actual earnings on pension plan investments	--	10,768,216
Changes in proportion and difference between District contributions and proportionate share of contributions	56,596	227,641
District contributions subsequent to the measurement date	1,360,838	--
	\$ 10,356,718	\$ 14,790,553

\$1,360,838 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2023	\$ (1,440,496)
2024	(1,027,546)
2025	(297,289)
2026	(3,029,342)
Total	\$ (5,794,673)

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

e. Actuarial Assumptions:

The total pension asset in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of services, from 6.5% at entry to 3.00% after 25 years of service.
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
	<u>100.0%</u>	

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 12,205,934	\$ (7,538,023)	\$ (23,565,520)

h. Pension Plan Fiduciary Net Position:

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

12. Early Retirement Plan:

The Department has an agreement which provides for an early retirement cash benefit in an amount not to exceed the retiree's highest salary while employed by the Department to certificated teachers and administrative personnel hired before September 1, 2001, who retire after having met certain age and length-of-service requirements. To collect these benefits, notification must be given no later than March 15 of the year in which such retirement will occur. Currently, 12 retirees are receiving benefits under this provision. The benefit is paid in monthly installments. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elect's early retirement. Benefits paid for the year ended June 30, 2022, were \$98,050.

Mitchell School District No. 17-2

Notes to the Financial Statements

June 30, 2022

13. Joint Venture:

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

Sanborn Central School District	5.0%
Parkston School District	14.2%
Mitchell School District	74.2%
Woonsocket School District	6.6%

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

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

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

At June 30, 2022, this joint venture had total assets of \$56,439; total liabilities of \$36,538; and net position of \$19,901.

14. Risk Management:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, 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 the Financial Statements
June 30, 2022

14. Risk Management: (Continued)

Liability Insurance:

The School District purchases liability insurance for risks related to torts, theft, or damage to property, and errors and omissions of public officials from a commercial insurance carrier. 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 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, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Mitchell School District No. 17-2
Notes to the Financial Statements
June 30, 2022

15. Restatement and Implementation of New Standards:

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

The School District restated the net position indicated below to appropriately reflect the July 1, 2021 balances as follows:

Governmental Activities

Net Position - June 30, 2021, as previously reported	\$ 51,476,259
Restatement - Implementation of GASB 87	<u>(27,242)</u>
Net Position - July 1, 2021, as restated	<u><u>\$ 51,449,017</u></u>

	As previously stated	Restatement - Implementation of GASB 87	As restated
Intangible lease assets, net	\$ --	\$ 505,372	\$ 505,372
Lease liability	\$ --	\$ 532,614	\$ 532,614

16. Subsequent Events:

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

**Required Supplementary Information
other than MD&A**

Mitchell School District No. 17-2
 Budgetary Comparison Schedule (Budgetary Basis) – General Fund
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 6,288,810	\$ 6,288,810	\$ 6,554,799	\$ 265,989
Prior years' ad valorem taxes	35,000	35,000	64,608	29,608
Utility taxes	480,000	480,000	390,748	(89,252)
Penalties and interest on taxes	11,500	11,500	19,926	8,426
Tuition and Fees:				
Regular day school tuition	80,000	80,000	133,938	53,938
Earnings on investments and deposits	7,500	7,500	5,966	(1,534)
Cocurricular Activities:				
Admissions	65,000	65,000	98,844	33,844
Other student activity income	17,500	17,500	19,364	1,864
Other Revenue from Local Sources:				
Rentals	15,000	15,000	18,330	3,330
Refund of prior years' expenditures	--	--	8,150	8,150
Charges for services	40,000	40,000	46,291	6,291
Other	55,000	55,000	77,639	22,639
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	260,000	260,000	221,486	(38,514)
Lease of county-owned land	17,500	17,500	--	(17,500)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	11,074,698	11,110,698	10,778,596	(332,102)
Restricted grants-in-aid	--	17,000	28,575	11,575
Tuition:				
Regular	425,000	425,000	446,290	21,290
Other state revenue	--	25,000	15,000	(10,000)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through state	1,220,622	1,406,622	1,398,874	(7,748)
Johnson O'Malley Funds	28,842	28,842	24,770	(4,072)
Total Revenues	<u>\$ 20,121,972</u>	<u>\$ 20,385,972</u>	<u>\$ 20,352,194</u>	<u>\$ (33,778)</u>

Mitchell School District No. 17-2
Budgetary Comparison Schedule (Budgetary Basis) – General Fund
For the Year Ended June 30, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instruction:				
Regular Programs:				
Elementary	\$ 5,110,210	\$ 5,245,210	\$ 5,174,537	\$ 70,673
Middle/junior high	2,701,491	2,727,491	2,622,470	105,021
High school	3,138,569	3,163,569	3,039,654	123,915
Special Programs:				
Gifted and talented	9,791	9,791	7,663	2,128
Culturally different	22,906	22,906	23,117	(211)
Educationally deprived	602,980	602,980	634,960	(31,980)
Other Special Programs	1,024,301	1,079,301	1,081,850	(2,549)
Support Services:				
Students:				
Guidance	480,643	480,643	413,428	67,215
Health	84,873	84,873	67,404	17,469
Instructional Staff:				
Improvement of instruction	137,508	180,508	173,318	7,190
Educational media	516,112	551,112	566,144	(15,032)
General Administration:				
Board of education	139,250	146,250	127,704	18,546
Executive administration	179,600	179,600	170,893	8,707
School Administration:				
Office of the principal	1,276,887	1,276,887	1,264,410	12,477
Title I program administration	10,000	10,000	9,567	433
Other	5,500	5,500	4,246	1,254
Business:				
Fiscal services	244,264	244,264	235,404	8,860
Operation and maintenance of plant	2,781,099	2,831,099	2,828,315	2,784
Student transportation	259,000	330,000	332,064	(2,064)
Food Services	80,000	80,000	77,763	2,237
Internal services	84,110	84,110	53,777	30,333
Community Services:				
Direction	6,000	--	--	--
Custody and care of children	150,000	150,000	127,548	22,452
Nonpublic school	56,522	62,522	36,413	26,109
Nonprogrammed Charges:				
Payments to State - Unemployment	10,000	10,000	--	10,000
Pension payments	97,012	97,012	98,050	(1,038)
Cocurricular Activities:				
Male activities	197,381	197,381	186,788	10,593
Female activities	186,552	186,552	163,446	23,106
Transportation	143,000	143,000	132,716	10,284
Combined activities	386,411	386,411	369,051	17,360
Total Expenditures	<u>20,121,972</u>	<u>20,568,972</u>	<u>20,022,700</u>	<u>546,272</u>
Excess of Revenues Over Expenditures	--	(183,000)	329,494	512,494
Fund Balance, Beginning of Year	7,503,742	7,503,742	7,503,742	--
Fund Balance, End of Year	<u>\$ 7,503,742</u>	<u>\$ 7,320,742</u>	<u>\$ 7,833,236</u>	<u>\$ 512,494</u>

Mitchell School District No. 17-2
Budgetary Comparison Schedule (Budgetary Basis) – Capital Outlay
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 4,413,979	\$ 4,413,979	\$ 4,488,447	\$ 74,468
Prior years' ad valorem taxes	19,000	19,000	38,968	19,968
Penalties and interest on taxes	8,000	8,000	11,828	3,828
Earnings on investments and deposits	2,000	2,000	35,858	33,858
Other Revenue from Local Sources:				
Contributions and donations	--	--	25,000	25,000
Refund of prior years' expenditures	--	--	3,000	3,000
Other	--	64,000	77,897	13,897
Revenue from State Sources:				
Other State Revenue	118,791	118,791	158,428	39,637
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received				
from federal government through state	--	83,500	83,272	(228)
Other Federal Revenue	11,000	11,000	17,239	6,239
Total Revenues	<u>4,572,770</u>	<u>4,720,270</u>	<u>4,939,937</u>	<u>219,667</u>
Expenditures				
Instruction:				
Regular Programs:				
Elementary	189,300	189,300	165,022	24,278
Middle/junior high	40,000	104,000	95,656	8,344
High school	227,800	415,300	361,771	53,529
Support Services:				
Instructional Staff:				
Improvement of instruction	1,088,339	1,088,339	--	1,088,339
Educational media	30,284	33,059	76,578	(43,519)
Business:				
Fiscal services	--	1,500	159,968	(158,468)
Facilities acquisition and construction	487,500	487,500	360,820	126,680
Operation and maintenance of plant	315,000	315,000	330,544	(15,544)
Student transportation	48,000	48,000	--	48,000
Internal services	77,823	77,823	25,359	52,464
Debt Services	1,993,724	1,993,724	2,018,574	(24,850)
Cocurricular Activities:				
Male activities	14,000	14,000	14,000	--
Combined activities	61,000	82,000	108,160	(26,160)
Total Expenditures	<u>4,572,770</u>	<u>4,849,545</u>	<u>3,716,452</u>	<u>1,133,093</u>
Excess of Revenues Over Expenditures	--	(129,275)	1,223,485	1,352,760
Other Financing Sources (Uses):				
Transfers (out)	--	--	(24,446,681)	(24,446,681)
General long-term debt issued	--	--	24,577,413	24,577,413
Sale of surplus property	--	--	4,737	4,737
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>135,469</u>	<u>135,469</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	--	(129,275)	1,358,954	1,488,229
Fund Balance, Beginning of Year	<u>5,762,181</u>	<u>5,762,181</u>	<u>5,762,181</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 5,762,181</u>	<u>\$ 5,632,906</u>	<u>\$ 7,121,135</u>	<u>\$ 1,488,229</u>

Mitchell School District No. 17-2
 Budgetary Comparison Schedule (Budgetary Basis) – Special Education
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,300,703	\$ 2,352,703	\$ 2,577,497	\$ 224,794
Prior years' ad valorem taxes	10,000	10,000	21,988	11,988
Penalties and interest on taxes	4,000	4,000	6,555	2,555
Earnings on investments and deposits	100	100	444	344
Other Revenue from Local Sources:				
Charges for services	70,000	70,000	95,608	25,608
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	1,824,704	1,824,704	1,752,367	(72,337)
Revenue in Lieu of Special Education Tuition	85,000	85,000	--	(85,000)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through state	761,540	761,540	937,918	176,378
Total Revenues	<u>5,056,047</u>	<u>5,108,047</u>	<u>5,392,377</u>	<u>284,330</u>
Expenditures				
Instruction:				
Special Programs:				
Programs for special education	3,555,314	3,595,314	3,313,393	281,921
Support Services:				
Students:				
Guidance	23,299	23,299	23,282	17
Health	26,423	26,423	16,423	10,000
Psychological	127,556	127,556	127,280	276
Speech pathology	783,205	783,205	750,073	33,132
Student therapy services	233,000	245,000	228,407	16,593
Business:				
Student transportation	42,250	42,250	--	42,250
Special Education:				
Administrative costs	145,000	145,000	136,345	8,655
Transportation costs	--	--	73,991	(73,991)
Other special education costs	120,000	120,000	52,598	67,402
Total Expenditures	<u>5,056,047</u>	<u>5,108,047</u>	<u>4,721,792</u>	<u>386,255</u>
Excess of Revenues Over Expenditures	--	--	670,585	670,585
Fund Balance, Beginning of Year	445,970	445,970	445,970	--
Fund Balance, End of Year	<u>\$ 445,970</u>	<u>\$ 445,970</u>	<u>\$ 1,116,555</u>	<u>\$ 670,585</u>

Mitchell School District No. 17-2
 Budgetary Comparison Schedule (Budgetary Basis) – Post-High Fund
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Revenue from Local Sources:				
Post Secondary Program Tuition and Fees:				
Post secondary program tuition	\$ 3,563,760	\$ 3,938,360	\$ 3,517,705	\$ (420,655)
Post secondary student fees	621,240	621,240	648,295	27,055
Earnings on investments and deposits	5,000	5,000	21,746	16,746
Post Secondary:				
Resales/services - occupational programs	530,000	530,000	687,924	157,924
State fees	190,800	190,800	189,968	(832)
Corporate education fees	100,000	100,000	126,019	26,019
Local fees	2,420,965	2,531,365	2,490,408	(40,957)
Other Revenue from Local Sources:				
Rentals	80,904	80,904	93,816	12,912
Contributions and donations	--	190,000	200,480	10,480
Refund of prior years' expenditures	--	--	10,110	10,110
Judgements	--	--	1,250	1,250
Other	534,000	534,000	292,481	(241,519)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	4,422,289	4,422,289	4,409,353	(12,936)
Other state revenue	2,482,321	2,600,703	2,345,060	(255,643)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through state	2,853,374	4,453,374	3,420,525	(1,032,849)
Other Federal Revenue	72,560	132,155	75,385	(56,770)
Total Revenues	<u>\$ 17,877,213</u>	<u>\$ 20,330,190</u>	<u>\$ 18,530,525</u>	<u>\$ (1,799,665)</u>

Mitchell School District No. 17-2
 Budgetary Comparison Schedule (Budgetary Basis) – Post-High Fund
 For the Year Ended June 30, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instruction:				
Post Secondary Occupational Programs	\$ 8,581,760	\$ 8,581,760	\$ 8,726,690	\$ (144,930)
Support Services:				
Students:				
Guidance	2,023,067	2,023,067	2,068,313	(45,246)
General Administration:				
Board of education	2,000	2,000	--	2,000
Executive administration	41,999	41,999	40,848	1,151
School Administration:				
Vocational school - director's office	395,351	395,351	362,484	32,867
Financial aids administration	231,049	231,049	211,694	19,355
Other	285,416	285,416	265,253	20,163
Business:				
Fiscal services	545,370	545,370	496,602	48,768
Facilities acquisition and construction	1,270,000	1,480,904	656,284	824,620
Operation and maintenance of plant	2,035,673	2,035,673	2,017,425	18,248
Central:				
Data processing	574,923	574,923	850,993	(276,070)
Resale Services:				
Post secondary resales/service	540,000	540,000	831,761	(291,761)
Nonprogrammed Charges:				
Student financial aid	1,335,441	2,792,514	1,400,904	1,391,610
Other nonprogrammed costs	--	--	52	(52)
Debt Services	154,875	154,875	234,875	(80,000)
Cocurricular Activities:				
Combined activities	84,500	84,500	88,569	(4,069)
Total Expenditures	<u>18,101,424</u>	<u>19,769,401</u>	<u>18,252,747</u>	<u>1,516,654</u>
Excess of Revenues Over Expenditures	(224,211)	560,789	277,778	(283,011)
Other Financing Sources (Uses)				
Transfers (out)	(90,789)	(90,789)	(5,181,579)	(5,090,790)
General long-term debt issued	300,000	--	--	--
Sale of surplus property	5,000	5,000	8,449	3,449
Total Other Financing Sources (Uses)	<u>214,211</u>	<u>(85,789)</u>	<u>(5,173,130)</u>	<u>(5,087,341)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(10,000)	475,000	(4,895,352)	(5,370,352)
Fund Balance, Beginning of Year	<u>10,363,924</u>	<u>10,363,924</u>	<u>10,363,924</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 10,353,924</u>	<u>\$ 10,838,924</u>	<u>\$ 5,468,572</u>	<u>\$ (5,370,352)</u>

Mitchell School District No. 17-2

Notes to Required Supplementary Information – Budgetary Comparison Schedules For the Year Ended June 30, 2022

1. Budgets and Budgetary Accounting:

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

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

2. US GAAP/Budgetary Accounting Basis Differences:

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

Mitchell School District No. 17-2

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of School District Pension Contributions
South Dakota Retirement System

Measurement Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/2022	0.98%	\$ (7,538,023)	\$ 22,326,893	-33.76%	105.52%
6/30/2021	0.99%	\$ (43,246)	\$ 21,846,416	-0.20%	100.04%
6/30/2020	0.79%	\$ (83,432)	\$ 16,730,679	-0.50%	100.09%
6/30/2019	0.82%	\$ (19,035)	\$ 16,959,575	-0.11%	100.02%
6/30/2018	0.83%	\$ (75,759)	\$ 16,943,038	-0.45%	100.10%
6/30/2017	0.82%	\$ 2,758,402	\$ 15,518,631	17.77%	96.89%
6/30/2016	0.81%	\$ (3,448,841)	\$ 14,831,383	-23.25%	104.10%
6/30/2015	0.81%	\$ (5,851,816)	\$ 14,174,483	-41.28%	107.30%

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

Fiscal Year Ending	Contractually Required Contribution	Contributions in relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2022	\$ 1,360,838	\$ 1,360,838	\$ --	\$ 22,680,549	6.00%
6/30/2021	\$ 1,339,614	\$ 1,339,614	\$ --	\$ 22,326,893	6.00%
6/30/2020	\$ 1,310,788	\$ 1,310,788	\$ --	\$ 21,846,416	6.00%
6/30/2019	\$ 1,003,842	\$ 1,003,842	\$ --	\$ 16,730,679	6.00%
6/30/2018	\$ 1,017,578	\$ 1,017,578	\$ --	\$ 16,959,575	6.00%
6/30/2017	\$ 1,016,582	\$ 1,016,582	\$ --	\$ 16,943,038	6.00%
6/30/2016	\$ 931,118	\$ 931,118	\$ --	\$ 15,518,631	6.00%
6/30/2015	\$ 889,883	\$ 889,883	\$ --	\$ 14,831,383	6.00%

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

Mitchell School District No. 17-2
Notes to Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of School District Pension Contributions
South Dakota Retirement System

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

Supplementary Information

Mitchell School District No. 17-2
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D. Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	--	\$ 17,767
Cash Assistance:			
School Breakfast Program (Note 4)	10.553	--	416,264
National School Lunch Program (Note 4)	10.555	--	1,524,161
Summer Food Service Program for Children	10.559	--	210,791
Fresh Fruit and Vegetable Program	10.582	--	<u>89,919</u>
Total Child Nutrition Cluster			<u>2,258,902</u>
Total U.S. Department of Agriculture			<u>2,258,902</u>
U.S. General Services Administration:			
Pass through the S.D. Federal Property Agency:			
Donation of Federal Surplus Property (Note 7)	39.003	--	9,295
National Foundation on the Arts and Humanities			
Pass through the S.D. Department of Education			
Grants to States	45.310	--	24,673
U.S. Department of Education:			
Direct Federal Funding:			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	--	34,756
Direct Loan Program (DLP) (Note 5)	84.268	--	3,523,650
Federal Work Study (FWS)	84.033	--	61,935
Federal Pell Grant Program (PELL)	84.063	--	<u>1,960,611</u>
Total Student Financial Assistance Programs Cluster			5,580,952
Indian Education - Grants to Local Educational Agencies	84.060	--	24,770
Education Stabilization Fund:			
Direct Award:			
Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	--	\$ 1,408,812
Higher Education Emergency Relief Fund - Institutional Portion	84.425F	--	1,599,002
Pass through the S.D. Department of Education:			
Elementary and Secondary School Emergency Relief Fund	84.425D	--	395,269
American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	--	<u>176,675</u>
Total Education Stabilization Fund			3,579,758
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies (LEAs)	84.010	--	701,964
Vocational Education - Basic Grants to States	84.048	--	39,521
Twenty-First Century Community Learning Centers	84.287	--	129,705
English Language Acquisition State Grants	84.365	--	19,274
Improving Teacher Quality State Grants	84.367	--	160,398
Student Support and Academic Enrichment Program	84.424	--	140,017
Special Education Cluster:			
Special Education Grants to States	84.027	--	951,369
Special Education - Preschool Grants	84.173	--	<u>41,934</u>
Total Special Education Cluster			993,303
Total U.S. Department of Education			<u>11,369,662</u>
Grand Total			<u>\$ 13,662,532</u>

Mitchell School District No. 17-2
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mitchell School District No. 17-2 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mitchell School District No. 17-2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mitchell School District No. 17-2.

2. Summary of Significant Accounting Policies:

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

3. Indirect Cost Rate:

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

4. Federal Reimbursements:

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

5. Federal Loan Guarantee Program:

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

Direct Student Loans	\$ 1,314,217
Unsubsidized Direct Student Loans	\$ 2,069,144
PLUS Program Loans	\$ 140,289

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

6. Federal Surplus Property:

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the school.