

***MITCHELL TECHNICAL INSTITUTE***  
***INDEPENDENT AUDITOR'S REPORT***  
***AND***  
***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***JUNE 30, 2020***

**DRAFT**

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

To the Management  
Mitchell Technical Institute

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mitchell Technical Institute, a Department of the Mitchell School District No. 17-2, Davison County, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Mitchell Technical Institute's basic financial statements, and have issued our report thereon dated **February 24, 2020**.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Mitchell Technical Institute'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 Mitchell Technical Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Mitchell Technical Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Current Audit Findings as an item that we consider to be a significant deficiency (item 2020-01).

### *Compliance and Other Matters*

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

### *Mitchell Technical Institute's Response to Findings*

Mitchell Technical Institute's response to the finding identified in our audit is described in the accompanying schedule of current audit findings. Mitchell Technical Institutes' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *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 entity'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.

*CTO Prof LLC*  
Mitchell, South Dakota  
February 24, 2020

**MITCHELL TECHNICAL INSTITUTE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

**Prior Audit Findings:**

**Finding Number 2019-01 – Internal control over financial reporting:**

A significant deficiency in the internal controls over financial reporting was noted in regard to financial reporting. The Department relies on the auditor to prepare GASB 34 financial statements and does not provide complete and accurate closing entries.

**Views of Responsible Officials and Planned Corrective Action Plan:**

The Mitchell School District Business Manager, Steve Culhane, is the contact person responsible for the corrective action plan for this finding. We are aware of this weakness in internal controls and continue to analyze the processes and procedures to minimize the risk to the Mitchell School District. The Department has determined that it will continue to regularly provide compensating controls whenever and wherever possible and practical.

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**MITCHELL TECHNICAL INSTITUTE**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

**Finding Number 2020-01 – Internal control over financial reporting:**

**CONDITION** – A significant deficiency in the internal controls over financial reporting was noted in regard to financial reporting. The Department relies on the auditor to prepare GASB 34 financial statements and does not provide complete and accurate closing entries.

**Criteria:** Establishing internal controls over the preparation of the financial statements and drafting the financial statements is the responsibility of management. The Department should have an internal control system designed for the drafting of the financial statements being audited.

**Cause of Condition:** Client does not prioritize the preparation of government wide financial statements and associated subsidiary ledgers.

**Effect:** The Department engages the auditor to draft the financial statements and notes to the financial statements. The possibility of error occurring and not being detected or corrected is present.

**Repeat Finding from Prior Years(s):** Yes

**Recommendation:** It is the responsibility of management and those charged with governance to make the decision whether to accept the risk associated with the Department's auditor drafting the financial statements. If the Department chooses not to accept the risk, training should be provided to those employees responsible for drafting the financial statements.

**Management's Response:** The Department agrees with this finding and is willing to accept the risk. The Department is aware that current practices will result in an ongoing audit finding in this internal control matter. The Department has confirmed that it will continue to regularly provide compensating controls whenever and wherever possible and practical.



## ***INDEPENDENT AUDITOR'S REPORT***

**To the Management  
Mitchell Technical Institute**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mitchell Technical Institute, a Department of the Mitchell School District No. 17-2, Davison County, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Mitchell Technical Institute's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Mitchell Technical Institute's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Mitchell Technical Institute, a Department of the Mitchell School District No. 17-2, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, the schedule of the proportionate share of the net pension asset, and schedule of pension contributions – South Dakota Retirement System listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries of 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.

Mitchell Technical Institute has omitted the Management's Discussion and Analysis 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.

### *Emphasis of Matter*

As discussed in Note 1, the financial statements of Mitchell Technical Institute, a Department of the Mitchell School District No. 17-2, Davison County, South Dakota, are intended to present the financial position, and changes in financial positions and, where applicable, cash flows, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District that is attributable to Mitchell Technical Institute. They do not purport to, and do not, present fairly the financial position of the Mitchell School District No. 17-2 as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell Technical Institute's basic financial statements. The accompanying schedule of expenditures of federal awards 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, on our consideration of Mitchell Technical Institute'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 Mitchell Technical Institute'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 Mitchell Technical Institute's internal control over financial reporting and compliance.

*CIO Prof LLC*  
Mitchell, South Dakota  
February 24, 2020

**MITCHELL TECHNICAL INSTITUTE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<i>Primary Government</i>		
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>
	<i>Activities</i>	<i>Activities</i>	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 4,668,444	\$ 253,549	\$ 4,921,993
Receivables:			
Trade accounts	280,084	--	280,084
Student loans - current portion	82,000	--	82,000
Due from other governments	974,018	--	974,018
Inventories	77,674	30,791	108,465
Student loans - non-current	332,855	--	332,855
Net pension asset	26,957	--	26,957
Capital assets:			
Land and land improvements	773,740	--	773,740
Construction in progress	178,047	--	178,047
Other capital assets, net of depreciation	11,938,908	--	11,938,908
Restricted Assets:			
Cash with fiscal agent	1,017,090	--	1,017,090
<b>TOTAL ASSETS</b>	<b>20,349,811</b>	<b>284,340</b>	<b>20,634,157</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	1,518,956	--	1,518,956
<b>LIABILITIES:</b>			
Accounts payable	276,926	8,329	285,255
Other current liabilities	435,487	--	435,487
Noncurrent liabilities:			
Due within one year	768,521	--	768,521
Due in more than one year	2,152,628	--	2,152,628
<b>TOTAL LIABILITIES</b>	<b>3,633,562</b>	<b>8,329</b>	<b>3,641,891</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension related deferred inflows	556,710	--	556,710
<b>NET POSITION:</b>			
Net investment in capital assets	10,370,695	--	10,370,695
Restricted for:			
Post-Secondary education	4,835,310	--	4,835,310
Student financial aid	466,203	--	466,203
Debt service	1,017,090	--	1,017,090
SDRS pension purposes	989,203	--	989,203
Unrestricted	--	276,011	276,011
<b>TOTAL NET POSITION</b>	<b>\$ 17,678,501</b>	<b>\$ 276,011</b>	<b>\$ 17,954,512</b>

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

**MITCHELL TECHNICAL INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2020**

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	\$ 8,417,267	\$ 8,565,217	\$ 1,476,388	\$ --	\$ 1,624,338	\$ --	\$ 1,624,338
Support services	6,546,552	546,311	--	--	(6,000,241)	--	(6,000,241)
Nonprogrammed charges	347,553	--	--	--	(347,553)	--	(347,553)
Interest on long-term debt	94,875	--	--	--	(94,875)	--	(94,875)
Cocurricular activities	70,276	--	--	--	(70,276)	--	(70,276)
Total Governmental Activities	15,476,523	9,111,528	1,476,388	--	(4,888,607)	--	(4,888,607)
Business-type Activities:							
MTI bookstore	1,258,240	1,165,001	--	--	--	(93,239)	(93,239)
Total Business-type Activities	1,258,240	1,165,001	--	--	--	(93,239)	(93,239)
Total Primary Government	\$ 16,734,763	10,276,529	\$ 1,476,388	\$ --	(4,888,607)	(93,239)	(4,981,846)
General Revenues:							
Revenue from State Sources:							
State aid					4,270,606	--	4,270,606
Other					--	--	--
Revenue from Federal Sources					894,129	--	894,129
Unrestricted investment earnings					37,608	--	37,608
Gain on sale of surplus property					--	--	--
Other general revenues					92,016	--	92,016
Transfers					25,000	--	25,000
Total General Revenues and Transfers					5,319,359	--	5,319,359
Change in Net Position					430,752	(93,239)	337,513
NET POSITION, Beginning of Year					17,247,749	369,250	17,616,999
NET POSITION, End of Year					\$ 17,678,501	\$ 276,011	\$ 17,954,512

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

**MITCHELL TECHNICAL INSTITUTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<i>Post- High Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 4,621,771	\$ 46,673	\$ 4,668,444
Receivables:			
Trade accounts	280,084	--	280,084
Student loans - current portion	--	82,000	82,000
Due from other governments	56,633	4,675	61,308
Inventory of supplies	77,674	--	77,674
Due from other governments	912,710	--	912,710
Student loans - non-current	--	332,855	332,855
Restricted Assets:			
Cash with fiscal agent		1,017,090	1,017,090
<b>TOTAL ASSETS</b>	<u>\$ 5,948,872</u>	<u>1,483,293</u>	<u>\$ 7,432,165</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<i>Liabilities:</i>			
Accounts payable	\$ 276,926	\$ --	\$ 276,926
Contracts payable	339,291	--	339,291
Payroll deductions and withholdings and employer matching payable	96,196	--	96,196
<b>Total Liabilities</b>	<u>612,413</u>	<u>--</u>	<u>712,413</u>
<i>Fund Balances:</i>			
<i>Nonspendable:</i>			
Inventories	77,674	--	77,674
<i>Restricted for:</i>			
Student financial aid	--	466,203	466,203
Debt service	--	1,017,090	1,017,090
Post-high fund	5,158,785	--	5,158,785
<b>Total Fund Balances</b>	<u>5,236,459</u>	<u>1,483,293</u>	<u>6,719,752</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,948,872</u>	<u>\$ 1,483,293</u>	<u>\$ 7,432,165</u>

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	\$ 26,957
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,890,695
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,518,956
Long-term liabilities, including bonds payable, accrued leave payable, and net pension liability are not due and payable in the current period and therefore are not reported in the funds.	(2,921,149)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(556,710)
<b>Net Position of Governmental Activities</b>	<u>\$ 17,678,501</u>

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

**MITCHELL TECHNICAL INSTITUTE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Post-High Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>REVENUES</b>			
<i>Revenue from Local Sources:</i>			
<i>Post Secondary Program Tuition and Fees:</i>			
Post secondary program tuition	\$ 3,412,194	\$ --	\$ 3,412,194
Post secondary student fees	536,261	--	536,261
<i>Earnings on investments and deposits</i>	37,608	--	37,608
<i>Post Secondary:</i>			
Resales/services - occupational programs	546,311	--	546,311
State fees	187,677	--	187,677
Corporate fees	93,776	--	93,776
Local fees	2,116,179	--	2,116,179
<i>Other Revenue from Local Sources:</i>			
Rentals	77,904	--	77,904
Other	2,219,130	--	2,219,130
<i>Revenue from State Sources:</i>			
<i>Grants-in-aid:</i>			
Unrestricted grants-in-aid	4,270,606	--	4,270,606
<i>Other state revenue</i>	1,388,331	--	1,388,331
<i>Revenue from Federal Sources:</i>			
<i>Grants-in-aid:</i>			
Restricted grants-in-aid received directly from Federal government	--	--	--
Restricted grants-in-aid received from Federal government through the state	894,129	--	894,129
<i>Other Federal Revenue</i>	61,294	26,763	88,057
<b>TOTAL REVENUES</b>	<b>15,841,400</b>	<b>26,763</b>	<b>15,868,163</b>

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

**MITCHELL TECHNICAL INSTITUTE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(CONTINUED)**

	<u>Post-High Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>EXPENDITURES</b>			
<i>Instruction:</i>			
<i>Post Secondary Occupational Programs</i>	\$ 6,633,201	\$ --	\$ 6,633,201
<i>Support Services:</i>			
<i>Pupils:</i>			
Guidance	1,980,001	--	1,980,001
<i>Instructional Staff:</i>			
Educational media	--	--	--
<i>General Administration:</i>			
Board of education	1,938	--	1,938
Executive administration	38,996	--	38,996
<i>School Administration:</i>			
Vocational school - director's office	346,358	--	346,358
Financial aids administration	220,075	--	220,075
Other	207,324	--	207,324
<i>Business:</i>			
Fiscal services	483,634	--	483,634
Facilities acquisition and construction	36,667	--	36,667
Operation and maintenance of plant	1,727,793	--	1,727,793
<i>Central:</i>			
Planning	10,635	--	10,635
Data processing	552,336	--	552,336
<i>Resale Services:</i>			
Post secondary resales/service	724,208	--	724,208
<i>Other Support Services</i>	--	26,763	26,763
<i>Nonprogrammed Charges:</i>			
Early retirement payment	346,620	--	346,620
Student financial aid	933	--	933
<i>Debt Services</i>	124,875	--	124,875
<i>Capital Outlay</i>	2,914,626	--	2,914,626
<i>Cocurricular Activities:</i>			
Combined activities	42,717	--	42,717
<b>TOTAL EXPENDITURES</b>	<u>16,392,937</u>	<u>26,763</u>	<u>16,419,700</u>
<i>Excess of Revenues Over (Under)</i>			
<i>Expenditures</i>	<u>(551,537)</u>	<u>--</u>	<u>(551,537)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	197,169	115,789	312,958
Transfers (out)	(287,958)	--	(287,958)
General long-term debt issued	300,000	--	300,000
Sale of surplus property	14,112	--	14,112
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>223,323</u>	<u>115,789</u>	<u>339,112</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>			
<i>Expenditures and Uses</i>	(328,214)	115,789	(212,425)
<i>FUND BALANCE, Beginning of Year</i>	5,564,673	1,367,504	6,932,177
<i>FUND BALANCE, End of Year</i>	<u>\$ 5,236,459</u>	<u>\$ 1,483,293</u>	<u>\$ 6,719,752</u>

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

**MITCHELL TECHNICAL INSTITUTE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

*Net Change in Fund Balances - Total Governmental Funds* \$ (212,425)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expense in the current period. 1,536,656

In the statement of activities gains and losses of \$18,459 on disposal of capital are reported, whereas, in the governmental funds, the proceeds of \$51,686 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized (+gain -losses -proceeds =amount). (13,227)

The issuance of long-term debt is an other financing source in the fund financial statements, but an increase in long-term liabilities of the government wide statements (300,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 30,000

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. (46,107)

Governmental funds do not reflect the assessment for the share of the deficit in the South Dakota School District Benefit Fund, but the statement of activities reflects the assessment. 109,380

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds (673,525)

*Change in Net Position of Governmental Activities* \$ 430,752

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

**MITCHELL TECHNICAL INSTITUTE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2020**

	<u><i>MTI Bookstore Fund</i></u>
<b>ASSETS:</b>	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 253,549
Inventory of stores purchased for resale	30,791
<i>Total Current Assets</i>	<u>284,340</u>
<b>TOTAL ASSETS</b>	<u>284,340</u>
 <b>LIABILITIES AND NET POSITION:</b>	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts payable	8,329
<i>Total Current Liabilities</i>	<u>8,329</u>
<i>Net Position:</i>	
Unrestricted net position	276,011
<i>Total Net Position</i>	<u><u>\$ 276,011</u></u>

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



**MITCHELL TECHNICAL INSTITUTE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>MTI Bookstore Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for Services:	
Bookstore	\$ 1,165,001
Total Charges for Services	<u>1,165,001</u>
<b>OPERATING EXPENSES:</b>	
Cost of sales	1,185,881
Salaries	53,605
Purchased services	10,463
Employee benefits	5,289
Supplies	3,002
Total Operating Expenses	<u>1,258,240</u>
Change in Net Position	(93,239)
NET POSITION, Beginning of Year	369,250
NET POSITION, End of Year	<u><u>\$ 276,011</u></u>

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

**MITCHELL TECHNICAL INSTITUTE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>MTI Bookstore Fund</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 1,165,001
Cash paid to suppliers	46,501
Cash paid to employees	(1,185,881)
Other cash payments	<u>(53,605)</u>
<b>CASH FLOWS (USED) BY OPERATING ACTIVITIES</b>	<u>(27,984)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(27,984)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>281,533</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 253,549</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:</b>	
Operating (Loss)	<u>\$ (93,239)</u>
Adjustments to reconcile operating income to net cash (used) by operating activities:	
Miscellaneous nonoperating revenue	--
Decrease in:	
Inventory	155,595
Increase in:	
Accounts payable	<u>(90,340)</u>
Total Adjustments	<u>65,255</u>
<b>CASH (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ (27,984)</u></b>

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

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Mitchell Technical Institute, a Department of the Mitchell School District No. 17-2 conform to generally accepted accounting principles as applicable to government entities in the United States of America.

**a. Financial Reporting Entity:**

Mitchell Technical Institute is a Department of the Mitchell School District No. 17-2 (Department). Mitchell Technical Institute consists of all of the funds, organizations, agencies, and offices that make up Mitchell Technical Institute, plus those funds for which Mitchell Technical Institute 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 accompanying financial statements include only the accounts of Mitchell Technical Institute and do not include various other activities and organizations over which the Mitchell School District No. 17-2 exercises oversight responsibilities.

**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 Department and for each function of the Department's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

***Fund Financial Statements: (continued)***

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 Department 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, and
- 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 Department's financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

**Post-Secondary Vocational-Technical Fund (also referred to as Post-High Fund) –** A fund established by S.C. CL 13-39-39.1 to account for funds incidental to the operation of the post-secondary vocational-technical program. This is a major fund. This is considered the general fund for the reporting of Mitchell Technical Institute.

**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.

**Pell Grant Fund –** This fund was established to account for the activity of Pell Grant Programs.

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

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

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

***Fund Financial Statements: (continued)***

**Proprietary Funds:**

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

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

The MTI Bookstore Fund – enterprise fund used to record financial transactions related to the operation of the MTI Bookstore. This is a major fund.

**c. Measurement Focus and Basis of Accounting:**

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

***Measurement Focus:***

**Government-wide Financial Statements:**

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

**Fund Financial Statements:**

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

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

***Basis of Accounting:***

**Government-wide Financial Statements:**

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

**Fund Financial Statements:**

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Department is 60 days. The revenues which are accrued at June 30, 2020, are grant reimbursements and tuition and fees.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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 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 TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**d. Capital Assets:**

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

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

***Government-Wide Statements:***

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

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

The total June 30, 2020, balance of capital assets for governmental activities includes approximately 33% for which costs were determined by estimates of the original costs. These estimated original costs were established through review of prior-year minutes and original contracts.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land*	\$5,000	—	—
Land improvements	\$5,000	Straight-line	20 yrs
Buildings	\$50,000	Straight-line	50 yrs
Machinery and equipment	\$5,000	Straight-line	5-20 yrs

Land is an inexhaustible capital asset and is not depreciated. \*

***Fund Financial Statements:***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**e. Long-term Liabilities:**

The accounting treatment of long-term liabilities depends on whether the 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, and capital outlay certificates payable.

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

**f. Program Revenues:**

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

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

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

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

**h. Cash and Cash Equivalents:**

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



**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**i. Equity Classifications:**

***Government-Wide Statements:***

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

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

***Fund Financial Statements:***

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

**j. Application of Net Position:**

It is the Department'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.

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

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

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

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

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

Amount reported in nonspendable is comprised of inventory.

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

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

**l. Pensions:**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Department contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**m. Emerging Accounting Standards:**

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, which expand disclosure requirements for certain types of debt. The School District has not yet determined the specific impact of this statement on the financial statements. The standard's original effective date was for fiscal years beginning after June 15, 2019, with a postponement of one year. The standard's new effective date is now for fiscal years beginning after June 15, 2020, making the standard effective for the School District's year ending June 30, 2021. Early implementation is allowed. During the year, the School did not early implement GASB 88.

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has not yet determined the specific impact of this statement on the financial statements. The standard's original effective date was for fiscal years beginning after June 15, 2021 with a postponement of 18 months. The standard's new effective date is now for fiscal years beginning after December 15, 2022, making the standard effective for the School District's year ending June 30, 2024. Early implementation is allowed.

In 2019, the GASB issued Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those should be reported. The School has not yet determined the specific impact of this statement on the financial statements. The standard's original effective date was for fiscal years beginning after December 15, 2019 with a postponement of one year. The standard's new effective date is now for fiscal years beginning after December 15, 2020, making the standard effective for the School District's year ending June 30, 2022. Early implementation is allowed.

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

The Department 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 Department'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 Department 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 collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

**Concentration of Credit Risk** – The Department places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Department's investments are in cash and cash equivalents at one financial institution.

**Interest Rate Risk** – The Department does not have a formal 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 Department'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 Department expects all receivables to be collected within one year. All receivables are considered to be collectible; therefore, no allowance for uncollectible accounts has been established.

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**4. INVENTORY:**

Inventory held for consumption is stated at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on a first-in, first-out cost flow assumption. 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, inventory is recorded as an asset at the time of purchase and charged to expense in the various functions of government as it is consumed.

In the fund financial statements, purchases of inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**5. CHANGES IN CAPITAL ASSETS:**

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

	<i>Balance 7/1/2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2020</i>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 773,740	\$ --	\$ --	\$ 773,740
Construction in progress	262,084	178,047	(262,084)	178,047
Total, not being depreciated	<u>1,035,824</u>	<u>178,047</u>	<u>(262,084)</u>	<u>951,787</u>
Capital assets, being depreciated:				
Buildings	6,026,160	1,161,851	--	7,188,011
Machinery and equipment	14,907,338	1,836,812	(36,413)	16,707,737
Total, being depreciated	<u>20,933,498</u>	<u>2,998,663</u>	<u>(36,413)</u>	<u>23,895,748</u>
Less accumulated depreciation for:				
Buildings	1,584,254	169,477	--	1,753,731
Machinery and equipment	9,017,802	1,208,493	(23,186)	10,203,109
Total accumulated depreciation	<u>10,602,056</u>	<u>1,377,970</u>	<u>(23,186)</u>	<u>11,956,840</u>
 Total capital assets, being depreciated, net	 <u>\$ 10,331,442</u>	 <u>\$ 1,620,693</u>	 <u>\$ (13,227)</u>	 <u>\$ 11,938,908</u>

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**5. CHANGES IN CAPITAL ASSETS: (continued)**

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,295,292
Support services	55,119
Co-curricular activities	27,559
	<u>\$ 1,377,970</u>

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Through 6/30/20</u>	<u>Committed</u>	<u>Required Future Financing</u>
MTI Campus Center Bathroom	\$ 224,900	\$ 178,047	\$ 224,900	\$ --

**6. LONG-TERM LIABILITIES:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
Capital Outlay Certificates	1,725,000	\$ --	\$ --	\$ 1,725,000	\$ --
Total Debt	1,725,000	--	--	1,725,000	--
<b>Early Retirement Payable -</b>					
Governmental Funds	--	27,412	--	27,412	27,412
<b>Accrued Compensated Absences -</b>					
Governmental Funds	244,019	18,695	--	262,714	105,086
<b>ASBSD Health Benefits Fund -</b>					
Governmental Funds	220,403	--	(109,380)	111,023	111,023
<b>Note Payable -</b>					
Governmental Funds	525,000	300,000	(30,000)	795,000	525,000
<b>Total Governmental Activities</b>	<u>\$ 2,714,422</u>	<u>\$ 346,107</u>	<u>\$ (139,380)</u>	<u>\$ 2,921,149</u>	<u>\$ 768,521</u>

Compensated absences for governmental activities typically have been liquidated from the Post-High Fund. Early retirement benefits for governmental activities typically have been liquidated from the Post-High Fund.

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

**Capital Outlay Certificates:**

<b>Mitchell School District No. 17-2  Capital Outlay Certificates, Series  2010A – Secured by pledge of capital  outlay tax levy</b>	<b>5.50%; Certificate matures and final principal  payment due December 1, 2029. Payable from  Series 2010 Certificate Redemption Fund. Semi-  annual deposits of \$45,315 are required to be  made to the fund on June 1 and December 1,  with final deposit made on December 1,  2029.</b>	<b>\$ 1,725,000</b>
--	--	---------------------

**Notes Payable:**

	<b>TERMS</b>	
<b>SD Development Corporation –  Secured by equipment</b>	<b>5.50%; no payment due as long as School  District retains ownership of wind turbine for  ten years. If turbine is sold or transferred  payment is due immediately. Payable from Post  High Fund.</b>	<b>\$ 225,000</b>
<b>Rural Electric Economic  Development – Unsecured</b>	<b>0.00%; due in annual installments on April 25.  Final payment due April 25, 2021. Renewable  every two years with \$30,000 due annually up to  a ten year term. Payable from Post High Fund.</b>	<b>\$ 270,000</b>
<b>MTI Rural Electric Economic  Development - Unsecured</b>	<b>0.00%; due in annual installments on June 15.  Final payment due June 15, 2022. Renewable  every two years with \$30,000 due annually up to  a ten year term. Payable from Post High Fund.</b>	<b>\$ 300,000</b>

**Other long-term liabilities:**

<b>Compensated Absences –  Payable from the fund to which payroll expenditures are charged</b>	<b><u>\$ 262,714</u></b>
<b>ASBSD Health Benefits Fund Deficit -  Governmental Funds</b>	<b><u>\$ 111,023</u></b>

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2020, are as follows:

Year Ending June 30,	Capital Outlay Certificates		Notes Payable		ABSD Health Benefits Payable	Early Retirement Benefits	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest
2021	--	94,875	525,000	--	111,023	18,700	654,723	94,875
2022	--	94,875	270,000	--	--	5,300	275,300	94,875
2023	--	94,875	--	--	--	1,220	1,220	94,875
2024	--	94,875	--	--	--	2,192	2,192	94,875
2025	--	94,875	--	--	--	--	--	94,875
2026-2030	1,725,000	426,938	--	--	--	--	1,725,000	426,938
TOTALS	<u>\$ 1,725,000</u>	<u>\$ 901,313</u>	<u>\$ 795,000</u>	<u>\$ --</u>	<u>\$ 111,023</u>	<u>\$ 27,412</u>	<u>\$ 2,658,435</u>	<u>\$ 901,313</u>

**7. INTERFUND TRANSFERS:**

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

Transfers from:	Transfers to:			Purpose
	Post-High Fund	Debt Service Funds	MTI Enterprise Fund	
Post-High Fund	--	\$ 90,789	\$ 189,698	Deposits for debt retirement\ subsidize operations
Capital Outlay Fund	\$ --	\$ 25,000	\$ --	Deposits for debt retirement

**8. RESTRICTED NET POSITION:**

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

Purpose	Restricted By	Amount
Post-Secondary Education	Law	\$ 4,835,310
Student Financial Aid	Federal Regulation	466,203
Debt Service	Bond Agreement	1,017,090
SDRS pension purposes	Law	989,203
Total Restricted Net Position		<u>\$ 7,307,806</u>



**MITCHELL TECHNICAL INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**9. 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>
<u>\$ 1,017,090</u>	For debt service, by debt covenants (sinking funds required to be in a separate account)

**10. 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/docs/CAFR2019.pdf> 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 Element 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.

**MITCHELL TECHNICAL INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**10. PENSION PLAN: (continued)**

**b. Benefits Provided: (continued)**

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.

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 Department's share of contributions to the SDRS for the years ended June 30, 2019, 2018, and 2017, equal to the required contributions each year, were as follows:

Year	Amount
2020	\$ 423,516
2019	\$ 321,028
2018	\$ 251,036

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**10. PENSION PLAN: (continued)**

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

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

Proportionate share of net position restricted for pension benefits	\$ 31,700,697
Less proportionate share of total pension liability	<u>31,727,654</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (26,957)</u></u>

At June 30, 2020, the Department reported an asset of (\$26,957) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019 and the total pension asset used to calculate the net pension asset was based on a projection of the Department's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Department's proportion was .2610125%, which is an increase of (0.000550682%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Department recognized pension expense of \$687,861. At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 105,741	\$ 12,201
Changes in assumptions	\$ 931,016	\$ 381,672
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 155,293
Changes in proportion and difference between District contributions and proportionate share of contributions	\$ 58,684	\$ 7,545
District contributions subsequent to the measurement date	<u>\$ 423,516</u>	<u>\$ --</u>
	<u><u>\$ 1,518,957</u></u>	<u><u>\$ 556,711</u></u>

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**10. PENSION PLAN: (continued)**

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

\$423,516 reported as deferred outflow of resources related to pensions resulting from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

<i>Year Ended June 30,</i>	
2020	\$ 94,193
2021	(73,311)
2022	(48,544)
2023	5,392
<b>TOTAL</b>	<b>\$ 38,730</b>

**e. Actuarial Assumptions:**

The total pension asset in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

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

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

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**10. PENSION PLAN: (continued)**

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Global equity	3.0%	4.7%
Fixed income	3.0%	1.7%
Real estate	10.0%	4.3%
Cash	2.0%	0.9%
	<u>100.0%</u>	

**f. Discount Rate:**

The discount rate used to measure the total pension was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 liability.

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

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

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
Department's proportionate share of the net pension asset	\$ 4,474,294	\$ (26,957)	\$ 3,694,663

**MITCHELL TECHNICAL INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**10. PENSION PLAN: (continued)**

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

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

**11. 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, no 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 elects early retirement. Benefits paid for the year ended June 30, 2020, were \$0.

**12. RISK MANAGEMENT:**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2020, the Department manages its risks as follows:

***Employee Health Insurance:***

Mitchell Technical Institute as a part of the Mitchell School District No. 17-2 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 Department 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 Department 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 TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

***Liability Insurance:***

Mitchell Technical Institute as a part of the Mitchell School District No. 17-2 joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Department's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the Department. The Department pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The Department pays an annual premium to the pool to provide coverage for:

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

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

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

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

***Workers' Compensation:***

Mitchell Technical Institute as a part of the Mitchell School District No. 17-2 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 Department'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 Department 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 Department 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 Department 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:***

Mitchell Technical Institute as a part of the Mitchell School District No. 17-2 has elected to be self-insured and retain all risk or liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2020, no claims for unemployment benefits were paid. At June 30, 2020, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**13. SUBSEQUENT EVENTS:**

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

**DRAFT**

**MITCHELL TECHNICAL INSTITUTE**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)**  
**POST HIGH FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
<i>Revenue from Local Sources:</i>				
<i>Post Secondary Program Tuition and Student Fees:</i>				
Post secondary program tuition	\$ 4,013,625	\$ 4,013,625	\$ 3,412,194	\$ (601,431)
Post secondary student fees	142,175	142,175	536,261	394,086
Earnings on investments and deposits	30,000	30,000	37,608	7,608
<i>Post Secondary:</i>				
Resales/services - occupational programs	590,000	590,000	546,311	(43,689)
State fees	207,000	207,000	187,677	(19,323)
Corporate fees	175,000	175,000	93,776	(81,224)
Local fees	2,333,695	2,333,695	2,116,179	(217,516)
<i>Other Revenue from Local Sources:</i>				
Rentals	68,904	68,904	77,904	9,000
Other	926,000	926,000	2,219,130	1,293,130
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	4,179,016	4,179,016	4,270,606	91,590
Other State Revenue	1,387,202	1,387,202	1,388,331	1,129
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	363,141	838,141	894,129	55,988
Other Federal Revenue	92,357	92,357	61,294	(31,063)
<b>TOTAL REVENUES</b>	<b>14,508,115</b>	<b>14,983,115</b>	<b>15,841,400</b>	<b>858,285</b>

**MITCHELL TECHNICAL INSTITUTE**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)**  
**POST HIGH FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(CONTINUED)**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
<i>Instruction:</i>				
Post Secondary Occupational Programs	\$ 7,240,476	\$ 7,240,476	\$ 6,897,398	\$ 343,078
<i>Support Services:</i>				
Pupils:				
Guidance	2,070,831	2,070,831	1,980,001	90,830
<i>General Administration:</i>				
Board of education	2,000	2,000	1,938	62
Executive administration	41,892	41,892	38,996	2,896
<i>School Administration:</i>				
Vocational school - director's office	407,707	407,707	346,358	61,349
Financial aids administration	219,596	219,596	220,075	(479)
Other	184,143	184,143	1,207,324	(1,023,181)
<i>Business:</i>				
Fiscal services	674,851	674,851	483,634	191,217
Facilities and acquisition and construction	925,000	925,000	1,307,403	(382,403)
Operation and maintenance of plant	1,948,201	1,948,201	2,048,020	(99,819)
<i>Central:</i>				
Planning	11,939	11,939	10,635	1,304
Data processing	665,915	665,915	611,802	54,113
<i>Resale Services:</i>				
Post secondary resales/services	625,000	625,000	724,208	(99,208)
<i>Nonprogrammed Charges:</i>				
Early retirement payments	--	350,000	346,620	3,380
Student financial aid	--	--	933	(933)
<i>Debt Services</i>	95,775	125,775	124,875	900
<i>Cocurricular Activities:</i>				
Combined activities	59,000	59,000	42,717	16,283
<b>TOTAL EXPENDITURES</b>	<b>15,047,326</b>	<b>15,552,326</b>	<b>16,392,937</b>	<b>(840,611)</b>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	(539,211)	(569,211)	(551,537)	17,674
<b>OTHER FINANCING SOURCES:</b>				
Interfund transfers in	--	--	197,169	197,169
Interfund transfers out	(120,789)	(90,789)	(287,958)	(197,169)
General long-term debt issued	300,000	300,000	300,000	--
Sale of surplus property	10,000	10,000	14,112	4,112
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>189,211</b>	<b>219,211</b>	<b>223,323</b>	<b>4,112</b>
<i>Excess of Revenues and Other Sources Over (Under)</i>				
<i>Expenditures</i>	(350,000)	(350,000)	(328,214)	21,786
<b>FUND BALANCE, Beginning of Year</b>	<b>5,564,673</b>	<b>5,564,673</b>	<b>5,564,673</b>	<b>--</b>
<b>FUND BALANCE, End of Year</b>	<b>\$ 5,214,673</b>	<b>\$ 5,214,673</b>	<b>\$ 5,236,459</b>	<b>\$ 21,786</b>

**MITCHELL TECHNICAL INSTITUTE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

**1. BUDGETS AND BUDGETARY ACCOUNTING:**

Mitchell Technical Institute followed these procedures in establishing the budgetary data reflected in the schedule:

- 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 amount 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 department 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.

**MITCHELL TECHNICAL INSTITUTE  
SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)  
SOUTH DAKOTA RETIREMENT SYSTEM**

Measurement Date	MTI's Proportion (Percentage) of the Net Pension Liability (Asset)	MTI's Proportionate Share (Amount) of the Net Pension Liability (Asset)	MTI's Covered Payroll	MTI's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2020	0.26%	\$ (26,957)	\$ 5,350,471	-0.50%	100.09%
6/30/2019	0.26%	\$ (6,087)	\$ 4,183,927	-0.15%	100.02%
6/30/2018	0.21%	\$ (18,690)	\$ 5,313,337	-0.35%	100.10%
6/30/2017	0.24%	\$ 812,349	\$ 5,080,800	15.99%	96.89%
6/30/2016	0.28%	\$ (1,180,193)	\$ 4,015,770	-29.39%	104.10%
6/30/2015	0.22%	\$ (1,579,992)	\$ 4,612,377	-34.26%	107.29%

**SCHEDULE OF THE SCHOOL DEPARTMENT'S CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM**

Fiscal Year Ending	Contractually Required Contribution	Contributions Made in Relation to the Contractually Required	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	\$ 423,516	\$ 423,516	\$ --	\$ 7,058,577	6.00%
6/30/2019	\$ 321,028	\$ 321,028	\$ --	\$ 5,350,471	6.00%
6/30/2018	\$ 251,036	\$ 251,036	\$ --	\$ 4,183,927	6.00%
6/30/2017	\$ 318,800	\$ 318,800	\$ --	\$ 5,313,337	6.00%
6/30/2016	\$ 304,848	\$ 304,848	\$ --	\$ 5,080,800	6.00%
6/30/2015	\$ 240,946	\$ 240,946	\$ --	\$ 4,015,770	6.00%

**MITCHELL TECHNICAL INSTITUTE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION ASSET AND**  
**SCHEDULE OF PENSION CONTRIBUTIONS**

**Changes of benefit terms:**

No significant changes.

**Changes of assumptions:**

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

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

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

***SUPPLEMENTARY INFORMATION***

**DRAFT**

**MITCHELL TECHNICAL INSTITUTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>		<b>FEDERAL EXPENDITURES</b>
<i>U.S. Department of Agriculture:</i>			
<i>Pass through the Board of Regents of the University of Nebraska:</i>			
Farm Business Management and Benchmarking Competitive Grants Program	10.319		<u>\$ 49,500</u>
<i>Total U.S. Department of Agriculture</i>			<u>49,500</u>
<i>National Science Foundation:</i>			
<i>Direct Federal Funding:</i>			
Education and Human Resources	84.071		<u>11,794</u>
<i>U.S. Department of Education:</i>			
<i>Direct Federal Funding:</i>			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	\$ 60,421	
Direct Loan Program (DLP) (Note 2)	84.268	3,485,505	
Federal Work Study (FWS)	84.033	--	
Federal Pell Grant Program (PELL)	84.063	<u>1,964,004</u>	
Total Student Financial Assistance Programs Cluster			5,509,930
<i>Pass-through the S.D. Department of Education:</i>			
Vocational Education - Basic Grants to States	84.048		<u>352,554</u>
<i>Total U.S. Department of Education</i>			<u>5,862,484</u>
<b>GRAND TOTAL</b>			<u><u>\$ 5,923,778</u></u>



**MITCHELL TECHNICAL INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(CONTINUED)**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Mitchell Technical Institute a Department of the Mitchell School District No. 17-2 under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mitchell Technical Institute, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mitchell Technical Institute.

**Note 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Department has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Loan Guarantee Programs**

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

Direct Loans – Subsidized/Unsubsidized	\$ 3,522,239
PLUS Program Loans	\$ 26,763