

MITCHELL TECHNICAL INSTITUTE
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

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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 the 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, 2018, 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 January 9, 2019.

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) to determine the 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 certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as an item that we consider to be significant deficiencies (items 2018-01 and 2018-02).

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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mitchell Technical Institute's Response to Findings

Mitchell Technical Institute's response to the findings 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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Mitchell, South Dakota
January 9, 2019

**MITCHELL TECHNICAL INSTITUTE
SCHEDULE OF CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Finding Number 2018-01 – Internal control over financial reporting:

CONDITION – A significant deficiency in the internal controls over financial reporting was noted in regard to financial reporting. The District 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 District should have an internal control system designed for the drafting of the financial statements being audited. In addition, OMB Uniform Guidance requires the auditee to prepare appropriate financial statements.

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

Effect: The District 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.

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

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

Finding Number 2018-02 – Internal control over financial reporting:

CONDITION – A significant deficiency in the internal controls over financial reporting was noted in regard to financial reporting. The year-end financial statements that management prepared and presented to us to audit contained errors regarding the capitalization of assets that are required to be capitalized for government-wide financial statements.

Criteria: The client failed to recognize all assets that are required to be capitalized for government-wide financial statements. The client also failed to recognize the appropriate value of donated assets.

Cause of Condition: Client does not thoroughly review proper accounts to identify and record all capital assets that are defined by their capitalization policy, including donation accounts.

Effect: The potential effect on the financial statements would be that assets are understated along with depreciation expense. Assets, revenue, and depreciation would all be understated by the client not recording donated assets at their fair market value.

Recommendation: We recommend that the client reviews all accounts and transactions where assets that are required to be capitalized are recorded. We recommend that the client updates their capital asset spreadsheet as soon as a capital asset transaction is recorded.

Management's Response: School District management will review transactions where capital assets should be recorded update their capital asset schedule immediately when a fixed asset transaction occurs. Also, management will record donated assets at their fair market value. Management will review their capital asset schedule regularly to ensure that it is up to date and accurate.



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, 2018, 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 general 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 from 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 from 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.

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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, and each major fund of Mitchell Technical Institute, a Department of the Mitchell School District No. 17-2, as of June 30, 2018, 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

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.

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 liability (asset), and schedule of the school district contributions 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, 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.

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, 2018, 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 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 January 9, 2019, 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 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 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.

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

Mitchell, South Dakota
January 9, 2019

MITCHELL TECHNICAL INSTITUTE
STATEMENT OF NET POSITION
JUNE 30, 2018

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
ASSETS:			
Cash and cash equivalents	\$ 4,919,030	\$ 169,298	\$ 5,088,328
Receivables:			
Trade accounts	549,518	--	549,518
Student loans - current portion	82,000	--	82,000
Due from other governments	541,355	--	541,355
Inventories	--	156,194	156,194
Student loans - non-current	324,818	--	324,818
Net pension asset	18,690	--	18,690
Capital assets:			
Land and land improvements	773,740	--	773,740
Construction in progress	20,396	--	20,396
Other capital assets, net of depreciation	10,741,534	--	10,741,534
Restricted Assets:			
Cash with fiscal agent	830,921	--	830,921
TOTAL ASSETS	18,802,002	325,492	19,127,494
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	1,997,864	--	1,997,864
LIABILITIES:			
Accounts payable	162,971	40,295	203,266
Other current liabilities	449,543	--	449,543
Noncurrent liabilities:			
Due within one year	123,957	--	123,957
Due in more than one year	2,269,851	--	2,269,851
TOTAL LIABILITIES	3,006,322	40,295	3,046,617
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	375,306	--	375,306
NET POSITION:			
Net investment in capital assets	8,985,670	--	8,985,670
Restricted for:			
Post-Secondary education	5,495,004	--	5,495,004
Student financial aid	465,395	--	465,395
Debt service	830,921	--	830,921
SDRS pension purposes	1,641,248	--	1,641,248
Unrestricted	--	285,197	285,197
TOTAL NET POSITION	\$ 17,418,238	\$ 285,197	\$ 17,703,435

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

MITCHELL TECHNICAL INSTITUTE
STATEMENT OF ACTIVITIES
JUNE 30, 2018

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
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 6,761,080	\$ 6,233,450	\$ 5,252,983	\$ --	\$ 4,725,353	\$ --	\$ 4,725,353
Support services	6,714,722	734,810	629,133	--	(5,350,779)	--	(5,350,779)
Nonprogrammed charges	1,868,224	--	2,131,011	--	262,787	--	262,787
Interest on long-term debt	104,893	--	61,240	--	(43,653)	--	(43,653)
Cocurricular activities	52,709	--	--	--	(52,709)	--	(52,709)
Total Governmental Activities	15,501,628	6,968,260	8,074,367	--	(459,001)	--	(459,001)
<i>Business-type Activities:</i>							
MTI bookstore	1,256,155	1,316,558	--	--	--	60,403	60,403
Total Business-type Activities	1,256,155	1,316,558	--	--	--	60,403	60,403
Total Primary Government	\$ 16,757,783	\$ 8,284,818	\$ 8,074,367	\$ --	(459,001)	60,403	(398,598)
<i>General Revenues:</i>							
<i>Revenue from State Sources:</i>							
State aid					1,210,184	--	1,210,184
Unrestricted investment earnings					24,608	--	24,608
Other general revenues					129,516	--	129,516
Transfers					23,075	--	23,075
Total General Revenues and Transfers					1,387,383	--	1,387,383
Change in Net Position					928,382	60,403	988,785
<i>NET POSITION, Beginning of Year</i>					16,489,856	224,794	16,714,650
<i>NET POSITION, End of Year</i>					\$ 17,418,238	\$ 285,197	\$ 17,703,435

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

**MITCHELL TECHNICAL INSTITUTE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<i>Post- High Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS:			
Cash and cash equivalents	\$ 4,856,531	\$ 62,499	\$ 4,919,030
Receivables:			
Trade accounts	548,599	919	549,518
Student loans - current portion	--	82,000	82,000
Due from other governments	536,621	4,734	541,355
Student loans - non-current	--	324,818	324,818
Restricted Assets:			
Cash with fiscal agent	--	830,921	830,921
TOTAL ASSETS	\$ 5,941,751	\$ 1,305,891	\$ 7,247,642
 LIABILITIES AND FUND BALANCES:			
<i>Liabilities:</i>			
Accounts payable	\$ 153,396	\$ 9,575	\$ 162,971
Contracts payable	349,036	--	349,036
Payroll deductions and withholdings and employer matching payable	100,507	--	100,507
Total Liabilities	602,939	9,575	612,514
 <i>Fund Balances:</i>			
<i>Restricted for:</i>			
Student financial aid	--	465,395	465,395
Debt service	--	830,921	830,921
Post-high fund	5,338,812	--	5,338,812
Total Fund Balances	5,338,812	1,296,316	6,635,128
 TOTAL LIABILITIES AND FUND BALANCES	\$ 5,941,751	\$ 1,305,891	\$ 7,247,642

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	18,690
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,535,670
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,997,864
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.	(2,393,808)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(375,306)
Net Position of Governmental Activities	\$ 17,418,238

*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, 2018

	<i>Post-High Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
REVENUES			
<i>Revenue from Local Sources:</i>			
<i>Post Secondary Program Tuition and Fees:</i>			
Post secondary program tuition	\$ 3,257,240	\$ --	\$ 3,257,240
Post secondary student fees	562,310	--	562,310
Earnings on investments and deposits	24,608	--	24,608
<i>Post Secondary:</i>			
Resales/services - occupational programs	657,052	--	657,052
State fees	193,307	--	193,307
Corporate fees	139,231	--	139,231
Local fees	2,017,018	--	2,017,018
<i>Other Revenue from Local Sources:</i>			
Rentals	64,344	--	64,344
Other	936,674	1,925	938,599
<i>Revenue from State Sources:</i>			
<i>Grants-in-aid:</i>			
Unrestricted grants-in-aid	4,195,209	--	4,195,209
Other state revenue	1,636,445	--	1,636,445
<i>Revenue from Federal Sources:</i>			
<i>Grants-in-aid:</i>			
Restricted grants-in-aid received directly from Federal government	--	6,408,368	6,408,368
Restricted grants-in-aid received from Federal government through the State	255,609	--	255,609
Other Federal Revenue	735,486	44,551	780,037
TOTAL REVENUES	14,674,533	6,454,844	21,129,377

*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, 2018
(CONTINUED)

	<u>Post-High Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES			
<i>Instruction:</i>			
<i>Post Secondary Occupational Programs</i>	\$ 6,787,547	\$ --	\$ 6,787,547
<i>Support Services:</i>			
<i>Pupils:</i>			
Guidance	1,562,580	--	1,562,580
<i>Instructional Staff:</i>			
Educational media	5	--	5
<i>General Administration:</i>			
Board of education	1,292	--	1,292
Executive administration	37,095	--	37,095
<i>School Administration:</i>			
Vocational school - director's office	311,958	--	311,958
Financial aids administration	219,275	--	219,275
Other	117,525	--	117,525
<i>Business:</i>			
Fiscal services	669,595	--	669,595
Facilities acquisition and construction	286	--	286
Operation and maintenance of plant	1,413,058	--	1,413,058
<i>Central:</i>			
Planning	594,183	--	594,183
Data processing	520,023	--	520,023
<i>Resale Services:</i>			
Post secondary resales/service	680,709	--	680,709
Other Support Services	--	33,842	33,842
<i>Nonprogrammed Charges:</i>			
Student financial aid	--	6,408,368	6,408,368
Debt Services	95,775	--	95,775
Capital Outlay	1,301,429	--	1,301,429
<i>Cocurricular Activities:</i>			
Combined activities	51,640	--	51,640
TOTAL EXPENDITURES	<u>14,363,975</u>	<u>6,442,210</u>	<u>20,806,185</u>
<i>Excess of Revenues Over (Under)</i>			
<i>Expenditures</i>	<u>310,558</u>	<u>12,634</u>	<u>323,192</u>
OTHER FINANCING SOURCES (USES):			
Interfund transfers in	--	115,789	115,789
Interfund transfers (out)	(90,789)	(1,925)	(92,714)
General long-term debt issued	--	--	--
Sale of surplus property	50,882	--	50,882
TOTAL OTHER FINANCING SOURCES (USES)	<u>(39,907)</u>	<u>113,864</u>	<u>73,957</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>			
<i>Expenditures and Uses</i>	270,651	126,498	397,149
<i>FUND BALANCE, Beginning of Year</i>			
	5,068,161	1,169,818	6,237,979
<i>FUND BALANCE, End of Year</i>			
	<u>\$ 5,338,812</u>	<u>\$ 1,296,316</u>	<u>\$ 6,635,128</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, 2018

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 397,149
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.	(9,781)
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.	(18,833)
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.	78,596
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds	<u>481,251</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 928,382</u></u>

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

**MITCHELL TECHNICAL INSTITUTE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	<i>Bookstore Fund</i>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 169,298
Inventory of stores purchased for resale	156,194
<i>Total Current Assets</i>	325,492
TOTAL ASSETS	325,492
LIABILITIES AND NET POSITION:	
<i>Liabilities:</i>	
<i>Current Liabilities:</i>	
Accounts payable	40,295
<i>Total Current Liabilities</i>	40,295
<i>Net Position:</i>	
Unrestricted net position	285,197
<i>Total Net Position</i>	\$ 285,197

*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, 2018

	<i>Bookstore Fund</i>
OPERATING REVENUES:	
<i>Charges for Services:</i>	
Bookstore	\$ 1,316,482
<i>Total Charges for Services</i>	1,316,482
 OPERATING EXPENSES:	
Salaries	49,765
Employee benefits	11,808
Purchased services	13,003
Supplies	2,607
Cost of sales	1,178,972
<i>Total Operating Expenses</i>	1,256,155
<i>Operating Income (Loss)</i>	60,327
 NONOPERATING REVENUES:	
<i>Local Sources:</i>	
Miscellaneous revenue	76
<i>Total Nonoperating Revenues</i>	76
<i>Change in Net Position</i>	60,403
 NET POSITION, Beginning of Year	 224,794
NET POSITION, End of Year	\$ 285,197

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

**MITCHELL TECHNICAL INSTITUTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Bookstore Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,316,482
Cash received from miscellaneous revenues	76
Cash paid to suppliers	(1,130,246)
Cash paid to employees	(49,765)
Other cash payments	<u>(11,808)</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>124,739</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers (to) from other funds	<u>--</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	124,739
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>44,559</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 169,298</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
<i>Operating Income (Loss)</i>	<u>\$ 60,327</u>
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Miscellaneous nonoperating revenue	76
(Increase) Decrease in:	
Trade Accounts	--
Inventory	65,049
Increase in:	
Accounts payable	(682)
Other current liabilities	<u>(31)</u>
<i>Total Adjustments</i>	<u>64,412</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 124,739</u></u>

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

MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018**

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, or
- 3) Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the 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 SDCL 13-39-39.1 to account for funds incidental to the operation of the post-secondary vocational-technical program. This is a major fund. 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. This is not a major fund.

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

Series 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, 2018

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, 2018*

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, 2018, are grant reimbursements and tuition and fees.

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

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

All proprietary fund 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, 2018**

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, 2018, 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 by review of prior-year minutes and original contracts.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net 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, 2018

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, 2018*

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. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

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, 2018*

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

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

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

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

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.

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.

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.

MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

4. INVENTORY:

Inventory is valued at the lower of cost or market on the government-wide financial statements and in the proprietary funds. The cost valuation method is average cost.

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

5. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 773,740	\$ --	\$ --	\$ 773,740
Construction in progress	93,578	20,396	(93,578)	20,396
Total, not being depreciated	<u>867,318</u>	<u>20,396</u>	<u>(93,578)</u>	<u>794,136</u>
Capital assets, being depreciated:				
Buildings	7,756,761	154,941	(2,475,042)	5,436,660
Machinery and equipment	15,726,588	1,219,671	(2,510,333)	14,435,926
Total, being depreciated	<u>23,483,349</u>	<u>1,374,612</u>	<u>(4,985,375)</u>	<u>19,872,586</u>
Less accumulated depreciation for:				
Buildings	3,381,371	125,577	(2,057,124)	1,449,824
Machinery and equipment	8,813,438	1,524,505	(2,656,715)	7,681,228
Total accumulated depreciation	<u>12,194,809</u>	<u>1,650,082</u>	<u>(4,713,839)</u>	<u>9,131,052</u>
Total capital assets, being depreciated, net	<u>\$ 11,288,540</u>	<u>\$ (275,470)</u>	<u>\$ (271,536)</u>	<u>\$ 10,741,534</u>

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,551,077
Support services	66,003
Co-curricular activities	33,002
	<u>\$ 1,650,082</u>

MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2018, is as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Governmental Activities:					
Bonds Payable:					
Capital Outlay Certificates	\$ 1,725,000	\$ --	\$ --	\$ 1,725,000	\$ --
Total Debt	<u>1,725,000</u>	<u>--</u>	<u>--</u>	<u>1,725,000</u>	<u>--</u>
Early Retirement Payable -					
Governmental Funds	6,862	--	(6,249)	613	613
Accrued Compensated Absences -					
Governmental Funds	146,709	154,095	(129,013)	171,791	40,000
ASBSD Health Benefits Fund Deficit -					
Governmental Funds	350,000	--	(78,596)	271,404	83,344
Note Payable -					
Governmental Funds	225,000	--	--	225,000	--
Net Pension Liability -					
Governmental Funds	812,349	--	(812,349)	--	--
Total Governmental Activities	<u>\$ 3,265,920</u>	<u>\$ 154,095</u>	<u>\$ (1,026,207)</u>	<u>\$ 2,393,808</u>	<u>\$ 123,957</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, 2018**

6. LONG-TERM LIABILITIES: (continued)

Liabilities payable at June 30, 2018, are comprised of the following:

Capital Outlay Certificates:

	TERMS	
Mitchell School District No. 17-2 Capital Outlay Certificates, Series 2010A – Secured by pledge of capital outlay tax levy	5.50%; Certificate matures and final principal payment due December 1, 2029. Payable from Series 2010 Certificate Redemption Fund. Semi- annual deposits of \$45,395 are required to be made to the fund on June 1 and December 1, with final deposit to be made on December 1, 2029.	<u><u>\$ 1,725,000</u></u>

Contract for Deed:

	TERMS	
SD Development Corporation – Secured by equipment	5.50%; no payment due as long as School District retains ownership of wind turbine for ten years. If turbine is sold or transferred payment is due immediately. Payable from Post High Fund.	<u><u>\$ 225,000</u></u>

Other long-term liabilities were:

Compensated Absences – Payable from the fund to which payroll expenditures are charged		<u><u>\$ 171,791</u></u>
Early Retirement Benefits – Payable from the Post-High Fund		<u><u>\$ 613</u></u>

The annual debt service requirements to maturity for all debt outstanding except for compensated absences and notes payable as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Capital Outlay Certificates</u>		<u>Early Retirement Benefits</u>	<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
	2019	\$ --	\$ 94,875	\$ 613	\$ 613
2020	--	94,875	--	--	94,875
2021	--	94,875	--	--	94,875
2022	--	94,875	--	--	94,875
2023	--	94,875	--	--	94,875
2024-2028	--	474,375	--	--	474,375
2029-2033	1,725,000	142,313	--	1,725,000	142,313
TOTALS	<u><u>\$ 1,725,000</u></u>	<u><u>\$ 1,091,063</u></u>	<u><u>\$ 613</u></u>	<u><u>\$ 1,725,613</u></u>	<u><u>\$ 1,091,063</u></u>

**MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2018, were as follows:

Transfers from:	Transfers to:		
	<i>Other Governmental Funds</i>	<i>Debt Service Funds</i>	<i>Purpose</i>
Post-High Fund	\$ --	\$ 90,789	Deposits for debt retirement
Post-High Fund	\$ 1,925	\$ --	Administration allowance
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:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Post-Secondary Education	Law	\$ 5,495,004
Student Financial Aid	Federal Regulation	465,395
Debt Service	Bond Agreement	830,921
SDRS pension purposes	Law	1,641,248
Total Restricted Net Position		<u>\$ 8,432,568</u>

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>\$ 830,921</u>	For debt service, by debt covenants (sinking funds required to be in a separate account)

*MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

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 <http://www.sdrs.sd.gov/publications/> 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, Class B public safety, and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI:
 - 90.0% to 99.9% funded – 2.1% minimum and 2.8% minimum COLA
 - 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% – 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption to 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.

MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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% of salary
- Class B Judicial Members – 9% of salary
- Class B Public Safety Members – 8% of salary

State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. Mitchell Technical Institute’s share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$247,268, \$299,383, and \$318,629 respectively, equal to the required contributions for each year.

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

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability of SDRS for Mitchell Technical Institute as of June 30, 2018 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 23,980,236
Less proportionate share of total pension liability	<u>23,961,546</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (18,690)</u></u>

At June 30, 2018, the Mitchell Technical Institute reported an asset of \$695,660 for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of Mitchell Technical Institute’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, Mitchell Technical Institute’s proportion was .20594432122%, which is a decrease of 14.36% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, Mitchell Technical Institute recognized pension expense of \$251,036. At June 30, 2018 Mitchell Technical Institute 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	\$ 299,460	\$ --
Changes in assumption	\$ 1,451,136	\$ --
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 359,327
Changes in proportion and difference between District contributions and proportionate share of contributions	\$ --	\$ 15,979
District contributions subsequent to the measurement date	\$ 247,268	\$ --

MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

10. PENSION PLAN: (continued)

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

\$247,268 reported as deferred outflow of resources related to pensions resulting from Mitchell Technical Institute contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<i>Year Ended June 30,</i>	
2019	\$ 372,169
2020	628,449
2021	461,666
2022	<u>(86,995)</u>
TOTAL	<u>\$ 1,375,289</u>

e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	Graded by years of service, from 6.5% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

Mortality rates were based 97% of the RP-2014 Mortality Table, 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-20147 Disabled Retiree Mortality Table, projected generationally with Scale MO-2016.

*MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	58.0%	4.8%
Fixed income	30.0%	1.8%
Real estate	10.0%	4.6%
Cash	2.0%	0.7%
	<u>100.0%</u>	

f. Discount Rate:

The discount rate used to measure the total pension liability (asset) 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 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 (asset).

*MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

10. *PENSION PLAN: (continued)*

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

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

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension liability (asset)	\$ 3,423,008	\$ (18,690)	\$ (2,821,351)

h. Pension Plan Fiduciary Net Position:

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

i. Classified Employee’s Retirement Annuity Plan:

All full-time classified employees who have completed at least one year of employment with the Department may elect to participate in the plan. An eligible employee electing to participate in the plan shall designate an amount determined by him/her to be deducted from his/her monthly salary by the Department, which amount, together with the amount hereinafter specified to be contributed by the Department, shall be used to pay the premiums on a tax-sheltered annuity (designated and owned by the employee). The Department makes a matching contribution on behalf of each participant in the plan up to a maximum contribution of 6% of the employee’s salary.

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, 1 retiree is receiving benefits under this provision. An additional 10 employees are expected to be eligible for early retirement benefits by March 15, 2019, not all of whom are expected to elect early retirement. The benefit is paid in monthly installments. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elect’s early retirement. Benefits paid for the year ended June 30, 2018, were \$6,249.

*MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

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, 2018, the Department managed its risk 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.

Liability Insurance:

Mitchell Technical Institute as a part of the Mitchell School District No. 17-2 joined the Associated Managements of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the 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

*MITCHELL TECHNICAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018*

12. *RISK MANAGEMENT: (continued)*

Liability Insurance: (continued)

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.

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 School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The 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 for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2018, no claims for unemployment benefits were paid. At June 30, 2018, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A***

MITCHELL TECHNICAL INSTITUTE
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
<i>Revenue from Local Sources:</i>				
<i>Post Secondary Program Tuition and Student Fees:</i>				
Post secondary program tuition	\$ 3,308,850	\$ 3,308,850	\$ 3,257,240	\$ (51,610)
Post secondary student fees	702,013	702,013	562,310	(139,703)
<i>Earnings on investments and deposits</i>	15,000	15,000	24,608	9,608
<i>Post Secondary:</i>				
Resales/services - occupational programs	585,000	585,000	657,052	72,052
State fees	208,800	208,800	193,307	(15,493)
Corporate fees	267,500	267,500	139,231	(128,269)
Local fees	2,115,823	2,115,823	2,017,018	(98,805)
<i>Other Revenue from Local Sources:</i>				
Rentals	63,144	63,144	64,344	1,200
Other	593,552	593,552	936,674	343,122
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Unrestricted grants-in-aid	4,195,209	4,195,209	4,195,209	--
<i>Other State Revenue</i>	1,650,425	1,650,425	1,636,445	(13,980)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid received from Federal government through the State	283,616	283,616	255,609	(28,007)
<i>Other Federal Revenue</i>	731,458	731,458	735,486	4,028
TOTAL REVENUES	<u>14,720,390</u>	<u>14,720,390</u>	<u>14,674,533</u>	<u>(45,857)</u>

MITCHELL TECHNICAL INSTITUTE
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
POST HIGH FUND
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
EXPENDITURES				
<i>Instruction:</i>				
<i>Post Secondary Occupational Programs</i>	\$ 7,304,703	\$ 7,304,703	\$ 6,787,547	\$ 517,156
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	1,717,060	1,717,060	1,562,580	154,480
<i>Instructional Staff:</i>				
Educational media	--	--	5	(5)
<i>General Administration:</i>				
Board of education	2,002	2,002	1,292	710
Executive administration	33,333	33,333	37,095	(3,762)
<i>School Administration:</i>				
Vocational school - director's office	315,456	315,456	311,958	3,498
Financial aids administration	208,642	208,642	219,275	(10,633)
Other	117,430	117,430	117,525	(95)
<i>Business:</i>				
Fiscal services	634,130	634,130	669,595	(35,465)
Facilities and acquisition and construction	359,957	359,957	286	359,671
Operation and maintenance of plant	1,697,267	1,697,267	1,413,058	284,209
<i>Central:</i>				
Planning	516,195	516,195	594,183	(77,988)
Data processing	580,429	580,429	520,023	60,406
<i>Resale Services:</i>				
Post secondary resales/service	837,004	837,004	680,709	156,295
<i>Nonprogrammed Charges:</i>				
Debt Services	95,775	95,775	95,775	--
Capital Outlay	--	--	1,301,429	(1,301,429)
<i>Cocurricular Activities:</i>				
Combined activities	297,220	297,220	51,640	245,580
TOTAL EXPENDITURES	<u>14,716,603</u>	<u>14,716,603</u>	<u>14,363,975</u>	<u>352,628</u>
<i>Excess of Revenues Over (Under)</i>				
Expenditures	<u>3,787</u>	<u>3,787</u>	<u>310,558</u>	<u>306,771</u>
OTHER FINANCING SOURCES:				
Interfund transfers out	(90,789)	(90,789)	(90,789)	--
Sale of surplus property	100,000	100,000	50,882	(49,118)
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,211</u>	<u>9,211</u>	<u>(39,907)</u>	<u>(49,118)</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>				
Expenditures	12,998	12,998	270,651	257,653
<i>FUND BALANCE, Beginning of Year</i>				
	5,068,161	5,068,161	5,068,161	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 5,081,159</u>	<u>\$ 5,081,159</u>	<u>\$ 5,338,812</u>	<u>\$ 257,653</u>

**MITCHELL TECHNICAL INSTITUTE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018**

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 Management 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 Management 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 Management must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f) After adoption by the Management, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in item h.
- g) A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total Department budget and may be transferred by resolution of Management 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 Management.
- 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
6/30/2018	0.21%	\$ (18,690)	\$ 4,121,114	16.88%	100.10%
6/30/2017	0.24%	\$ 812,349	\$ 5,313,583	-15.29%	96.89%
6/30/2016	0.28%	\$ (1,180,193)	\$ 5,080,300	23.23%	104.10%
6/30/2015	0.22%	\$ (1,579,992)	\$ 3,835,017	41.20%	107.29%

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

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2018	\$ 247,268	\$ 247,268	\$ --	\$ 4,121,114	6.00%
6/30/2017	\$ 318,815	\$ 318,815	\$ --	\$ 5,313,583	6.00%
6/30/2016	\$ 304,818	\$ 304,818	\$ --	\$ 5,080,300	6.00%
6/30/2015	\$ 230,008	\$ 230,008	\$ --	\$ 3,833,467	6.00%
6/30/2014	\$ 230,101	\$ 230,101	\$ --	\$ 3,835,017	6.00%

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

SUPPLEMENTARY INFORMATION

**MITCHELL TECHNICAL INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of Agriculture:</i>		
<i>Pass through the Board of Regents of the University of Nebraska:</i>		
Farm Business Management and Benchmarking Competitive Grants Program	10.319	\$ <u>81,477</u>
<i>Total U.S. Department of Agriculture</i>		<u>81,477</u>
<i>U.S. Department of Labor:</i>		
<i>Direct Federal Funding:</i>		
Trade Adjustment Assistance Community College and Career Training Grant	17.282	<u>626,895</u>
<i>National Science Foundation:</i>		
<i>Direct Federal Funding:</i>		
Education and Human Resources	47.076	<u>27,114</u>
<i>U.S. Department of Education:</i>		
<i>Direct Federal Funding:</i>		
<i>Student Financial Assistance Programs Cluster:</i>		
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	\$ 47,921
Direct Loan Program (DLP) (Note 2)	84.268	4,530,110
Federal Work Study (FWS)	84.033	33,842
Federal Perkins Loan Program (FPL) - Federal Pell Grant Program (PELL)	84.063	<u>1,830,337</u>
Total Student Financial Assistance Programs Cluster		6,442,210
<i>Pass-through the S.D. Department of Education:</i>		
Vocational Education - Basic Grants to States	84.048	<u>253,371</u>
<i>Total U.S. Department of Education</i>		<u>6,695,581</u>
GRAND TOTAL		<u>\$ <u>7,431,067</u></u>

MITCHELL TECHNICAL INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mitchell Technical Institute a Department of the Mitchell School District No. 17-2 and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of 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: 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	\$3,673,816
PLUS Program Loans	\$ 626,259