

Mitchell Technical College

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

**For the Year Ended
June 30, 2021**

Mitchell Technical College

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

To the Management and School Board
Mitchell Technical College

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 College, a Department of the Mitchell School District No. 17-2, Davison County, South Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Mitchell Technical College’s basic financial statements and have issued our report thereon dated January 29, 2022.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mitchell Technical College'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*.

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.

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

Mitchell, South Dakota
January 29, 2022

Mitchell Technical College
Schedule of Prior Audit Findings
Year Ended June 30, 2021

Prior Audit Findings:

Finding Number 2020-01

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.

Status of Prior Audit Finding: Corrective Action Taken.



Independent Auditor's Report

To the Management and School Board
Mitchell Technical College

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 College, a Department of the Mitchell School District No. 17-2, Davison County, South Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Mitchell Technical College's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Mitchell Technical College'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 of Mitchell Technical College, a Department of the Mitchell School District No. 17-2, as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2021, the College adopted Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the financial statements of Mitchell Technical College, a Department of the Mitchell School District No. 17-2, Davison County, South Dakota, are intended to present the financial position, the 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 the transactions of Mitchell Technical College. 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, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the Proportionate Share of the Net Pension Liability (Asset), and Schedule of Pension 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell Technical College's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2022 on our consideration of Mitchell Technical College'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 College'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 College's internal control over financial reporting and compliance.



Mitchell, South Dakota
January 29, 2022

Mitchell Technical College

Statement of Net Position

June 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 9,844,035	\$ 542,923	\$ 10,386,958
Receivables:			
Trade accounts	204,508	45,200	249,708
Student loans - current portion	41,000	--	41,000
Due from other governments	1,109,258	--	1,109,258
Inventories	197,827	31,866	229,693
Student loans - non-current	332,855	--	332,855
Net pension asset	13,306	--	13,306
Capital assets:			
Land and land improvements	773,740	--	773,740
Construction in progress	580,932	--	580,932
Other capital assets, net of depreciation	12,220,957	--	12,220,957
Restricted Assets:			
Cash with fiscal agent	1,087,485	--	1,087,485
Total Assets	26,405,903	619,989	27,025,892
Deferred Outflows of Resources:			
Pension related deferred outflows	2,165,182	--	2,165,182
Liabilities:			
Accounts payable	425,332	100,055	525,387
Other current liabilities	474,024	--	474,024
Noncurrent liabilities:			
Due within one year	218,733	--	218,733
Due in more than one year	2,557,505	--	2,557,505
Total Liabilities	3,675,594	100,055	3,775,649
Deferred Inflows of Resources:			
Pension related deferred inflows	1,841,011	--	1,841,011
Net Position:			
Net investment in capital assets	11,310,629	--	11,310,629
Restricted for:			
Post-Secondary education	9,995,541	--	9,995,541
Agriculture Program	190,000	--	190,000
Student financial aid	133,348	--	133,348
Debt service	1,087,485	--	1,087,485
SDRS pension purposes	337,477	--	337,477
Unrestricted	--	519,934	519,934
Total Net Position	\$ 23,054,480	\$ 519,934	\$ 23,574,414

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

Mitchell Technical College

Statement of Activities

June 30, 2021

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		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$ 8,563,632	\$ 12,355,829	\$ 3,254,404	\$ --	\$ 7,046,601	\$ --	\$ 7,046,601
Support services	6,383,978	538,548	--	--	(5,845,430)	--	(5,845,430)
Nonprogrammed charges	2,701,293	--	2,701,293	--	--	--	--
Interest on long-term debt	44,875	--	--	--	(44,875)	--	(44,875)
Cocurricular activities	118,385	--	--	--	(118,385)	--	(118,385)
Total Governmental Activities	<u>17,812,163</u>	<u>12,894,377</u>	<u>5,955,697</u>	<u>--</u>	<u>1,037,911</u>	<u>--</u>	<u>1,037,911</u>
Business-type Activities:							
MTC bookstore	<u>1,176,433</u>	<u>1,420,356</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>243,923</u>	<u>243,923</u>
Total Business-type Activities	<u>1,176,433</u>	<u>1,420,356</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>243,923</u>	<u>243,923</u>
Total Primary Government	<u>\$ 18,988,596</u>	<u>\$ 14,314,733</u>	<u>\$ 5,955,697</u>	<u>\$ --</u>	<u>1,037,911</u>	<u>243,923</u>	<u>1,281,834</u>
General Revenues:							
Revenue from State Sources:							
State aid					4,321,988	--	4,321,988
Unrestricted investment earnings					4,137	--	4,137
Other general revenues					86,943	--	86,943
Forgiveness of long-term debt					225,000	--	225,000
Total General Revenues and Transfers					<u>4,638,068</u>	<u>--</u>	<u>4,638,068</u>
Change in Net Position					5,675,979	243,923	5,919,902
Net Position, Beginning of Year					<u>17,378,501</u>	<u>276,011</u>	<u>17,654,512</u>
Net Position, End of Year					<u>\$ 23,054,480</u>	<u>\$ 519,934</u>	<u>\$ 23,574,414</u>

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

Mitchell Technical College
Balance Sheet – Governmental Funds
June 30, 2021

	<u>Post- High Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 9,517,071	\$ --	\$ 326,964	\$ 9,844,035
Receivables:				
Trade accounts	204,508	--	--	204,508
Student loans - current portion	--	--	41,000	41,000
Due from other governments	1,107,908	--	1,350	1,109,258
Inventory of supplies	197,827	--	--	197,827
Inventory of stores purchased for resale			--	--
Due from other fund	235,876	--	--	235,876
Student loans - non-current	--	--	332,855	332,855
Restricted Assets:				
Cash with fiscal agent	--	1,087,485	--	1,087,485
Total Assets	<u>\$ 11,263,190</u>	<u>\$ 1,087,485</u>	<u>\$ 702,169</u>	<u>\$ 13,052,844</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 425,242	\$ --	\$ 90	\$ 425,332
Contracts payable	369,396	--	--	369,396
Due to other fund	--	--	235,876	235,876
Payroll deductions and withholdings and employer matching payable	104,628	--	--	104,628
Total Liabilities	<u>899,266</u>	<u>--</u>	<u>235,966</u>	<u>1,135,232</u>
Fund Balances:				
Nonspendable:				
Inventories	197,827	--	--	197,827
Long-term receivables	--	--	332,855	332,855
Restricted for:				
Student financial aid	--	--	133,348	133,348
Debt service	--	1,087,485	--	1,087,485
Post-secondary education	10,166,097	--	--	10,166,097
Total Fund Balances	<u>10,363,924</u>	<u>1,087,485</u>	<u>466,203</u>	<u>11,917,612</u>
Total Liabilities and Fund Balances	<u>\$ 11,263,190</u>	<u>\$ 1,087,485</u>	<u>\$ 702,169</u>	<u>\$ 13,052,844</u>

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 13,306

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 13,575,629

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 2,165,182

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. (2,776,238)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (1,841,011)

Net Position of Governmental Activities \$ 23,054,480

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

Mitchell Technical College
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2021

	<u>Post-High Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Revenue from Local Sources:				
Post Secondary Program Tuition and Fees:				
Post secondary program tuition	\$ 3,389,011	\$ --	\$ --	\$ 3,389,011
Post secondary student fees	574,198	--	--	574,198
Earnings on investments and deposits	4,137	--	--	4,137
Post Secondary:				
Resales/services - occupational programs	538,548	--	--	538,548
State fees	187,266	--	--	187,266
Corporate education fees	55,742	--	--	55,742
Local fees	2,337,774	--	--	2,337,774
Other Revenue from Local Sources:				
Rentals	86,504	--	--	86,504
Contributions and donations	5,472,025	--	--	5,472,025
Refund of prior years' expenditures	439	--	--	439
Judgements	1,500	--	--	1,500
Other	327,932	--	10,381	338,313
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	4,321,988	--	--	4,321,988
Other state revenue	1,879,255	--	--	1,879,255
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	--	--	2,096,410	2,096,410
Restricted grants-in-aid received from federal government through the state	1,896,821	--	--	1,896,821
Other Federal Revenue	58,830	--	24,381	83,211
Total Revenues	<u>21,131,970</u>	<u>--</u>	<u>2,131,172</u>	<u>23,263,142</u>

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

Mitchell Technical College
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2021 (Continued)

	<u>Post-High Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures				
Instruction:				
Post Secondary Occupational Programs	\$ 6,728,271	\$ --	\$ --	\$ 6,728,271
Support Services:				
Students:				
Guidance	1,975,949	--	--	1,975,949
General Administration:				
Board of education	1,421	--	--	1,421
Executive administration	40,017	--	--	40,017
School Administration:				
Vocational school - director's office	359,782	--	--	359,782
Financial aids administration	216,263	--	--	216,263
Other	276,669	--	--	276,669
Business:				
Fiscal services	625,635	--	--	625,635
Facilities acquisition and construction	504	--	--	504
Operation and maintenance of plant	1,577,194	--	--	1,577,194
Central:				
Data processing	509,959	--	--	509,959
Resale Services:				
Post secondary resales/service	603,180	--	--	603,180
Other Support Services	--	--	30,192	30,192
Nonprogrammed Charges:				
Student financial aid	599,947	--	2,096,410	2,696,357
Other nonprogrammed charges	366	--	4,570	4,936
Debt Services	124,875	--	--	124,875
Capital Outlay	2,231,627	--	--	2,231,627
Cocurricular Activities:				
Combined activities	87,451	--	--	87,451
Total Expenditures	<u>15,959,110</u>	<u>--</u>	<u>2,131,172</u>	<u>18,090,282</u>
Excess of Revenues Over Expenditures	<u>5,172,860</u>	<u>--</u>	<u>--</u>	<u>5,172,860</u>
Other Financing Sources (Uses)				
Transfers in	--	70,395	--	70,395
Transfers (out)	(45,395)	--	--	(45,395)
Total Other Financing Sources (Uses)	<u>(45,395)</u>	<u>70,395</u>	<u>--</u>	<u>25,000</u>
Net Change in Fund Balnce	5,127,465	70,395	--	5,197,860
Fund Balance, Beginning of Year	5,236,459	1,017,090	466,203	6,719,752
Fund Balance, End of Year	<u>\$ 10,363,924</u>	<u>\$ 1,087,485</u>	<u>\$ 466,203</u>	<u>\$ 11,917,612</u>

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

Mitchell Technical College
 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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 5,197,860
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense exceeded depreciation expense in the current period.	684,934
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.	80,000
Forgiveness of long-term debt is revenue on the statement of activities, but is not reflected on the statement of revenues, expenditures, and changes in fund balances.	225,000
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.	28,888
Governmental funds reflect the change in the assessment for the share of the deficit in the South Dakota School District Benefit Fund as an expense, but the statement of activities does not reflect the change in the assessment.	111,023
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds	<u>(651,726)</u>
Change in Net Position of Governmental Activities	<u>\$ 5,675,979</u>

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

Mitchell Technical College
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>MTC Bookstore Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 542,923
Receivables:	
Trade accounts	45,200
Inventory of stores purchased for resale	31,866
Total Current Assets	<u>619,989</u>
Total Assets	<u>619,989</u>
 Liabilities and Net Position:	
Liabilities:	
Current Liabilities:	
Accounts payable	<u>100,055</u>
Total Current Liabilities	<u>100,055</u>
 Net Position:	
Unrestricted net position	<u>519,934</u>
Total Net Position	<u><u>\$ 519,934</u></u>

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

Mitchell Technical College
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2021

	MTC Bookstore Fund
Operating Revenues:	
Charges for Services:	
Bookstore	<u>\$ 1,420,356</u>
Operating Expenses:	
Cost of sales	1,095,948
Salaries	54,691
Purchased services	5,217
Employee benefits	20,390
Supplies	187
Total Operating Expenses	<u>1,176,433</u>
Operating Income	243,923
Net Position, Beginning of Year	<u>276,011</u>
Net Position, End of Year	<u><u>\$ 519,934</u></u>

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

Mitchell Technical College
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2021

	MTC Bookstore Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,375,156
Cash paid to suppliers	(1,010,701)
Cash paid to employees	(75,081)
	289,374
Cash Flows Provided by Operating Activities	289,374
Net Increase in Cash and Cash Equivalents	289,374
Cash and Cash Equivalents, Beginning of Year	253,549
Cash and Cash Equivalents, End of Year	\$ 542,923
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 243,923
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in:	
Trade Accounts	(45,200)
Inventory	(1,075)
Increase in:	
Accounts payable	91,726
Total Adjustments	45,451
	289,374
Cash Flows Provided by Operating Activities	\$ 289,374

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

Mitchell Technical College
Statement of Net Position – Fiduciary Funds
June 30, 2021

	Custodial Funds
Assets:	
Cash and cash equivalents	<u>\$ 309,086</u>
Total Assets	<u>309,086</u>
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	<u>309,086</u>
Total Liabilities and Net Position	<u><u>\$ 309,086</u></u>

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

Mitchell Technical College
Statement of Changes in Net Position – Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds
Additions:	
Contributions and donations	\$ --
Collections for student activities	101,841
Total Additions	101,841
 Deductions:	
Payments for student activities	72,481
Total Deductions	72,481
Change in Net Position	29,360
Net Position, Beginning of Year	--
Restatement - See Note 14	279,726
Net Position, Beginning of Year (as restated)	279,726
Net Position, End of Year	\$ 309,086

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

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies:

The accounting policies of Mitchell Technical College, 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 College is a Department of the Mitchell School District No. 17-2 (Department). Mitchell Technical College consists of all of the funds, organizations, institutions, agencies, departments, and offices that make up Mitchell Technical College, plus those funds for which Mitchell Technical College 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; those organizations for which Mitchell Technical College is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause Mitchell Technical College's financial statements to be misleading or incomplete.

The accompanying financial statements include only the accounts of Mitchell Technical College 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 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, are presented as general revenues.

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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 entity of Mitchell Technical College.

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, 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.

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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 a major fund.

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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.

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, 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, 2021, 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 and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

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 Financial Statements:

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

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, 2021, balance of capital assets for governmental activities includes approximately 24% 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:

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

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

1. Summary of Significant Accounting Policies: (Continued)

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.

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, notes payable, pledges 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.

1. Summary of Significant Accounting Policies: (Continued)

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.

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 is reported as net position restricted for individuals, organizations, and other governments.

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.

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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.
- 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 and long-term receivables.

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.

1. Summary of Significant Accounting Policies: (Continued)

m. Emerging Accounting Standards:

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 is effective for fiscal years beginning after June 15, 2021, making the standard effective for the School District's year ending June 30, 2022. Early implementation is allowed.

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

Credit Risk – State law limits eligible investments for the 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.

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

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The 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.

4. Inventory:

Inventory held for consumption is stated at cost.

Inventories held for resale are recorded at the lower of cost or market, on a first-in, first-out cost flow assumption.

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

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

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

5. Changes in Capital Assets:

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	<u>Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2021</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 773,740	\$ --	\$ --	\$ 773,740
Construction in progress	178,047	684,367	(281,482)	580,932
Total, not being depreciated	<u>951,787</u>	<u>684,367</u>	<u>(281,482)</u>	<u>1,354,672</u>
Capital assets, being depreciated:				
Buildings	7,188,011	525,306	--	7,713,317
Machinery and equipment	16,707,737	1,303,436	(18,725)	17,992,448
Total, being depreciated	<u>23,895,748</u>	<u>1,828,742</u>	<u>(18,725)</u>	<u>25,705,765</u>
Less accumulated depreciation for:				
Buildings	1,753,731	236,294	--	1,990,025
Machinery and equipment	10,203,109	1,310,399	(18,725)	11,494,783
Total accumulated depreciation	<u>11,956,840</u>	<u>1,546,693</u>	<u>(18,725)</u>	<u>13,484,808</u>
Total capital assets, being depreciated, net	<u>\$ 11,938,908</u>	<u>\$ 282,049</u>	<u>\$ --</u>	<u>\$ 12,220,957</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,453,891
Support services	61,868
Co-curricular activities	30,934
	<u>\$ 1,546,693</u>

Construction in Progress at June 30, 2021 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Through 06/30/2021</u>	<u>Committed</u>	<u>Required Future Financing</u>
Business Classroom Upgrade	\$ 60,800	\$ 16,089	\$ 60,800	\$ --
Fitness Center	284,510	283,419	284,510	--
Nursing Lab - In Process	80,000	61,914	80,000	--
Wind Lab - In Process	425,000	211,069	425,000	--
Fiber Project	\$ 75,000	\$ 8,441	\$ 75,000	\$ --

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

6. Long-Term Liabilities:

A summary of changes in long-term liabilities for the year ended June 30, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Capital Outlay Certificates	\$ 1,725,000	\$ --	\$ --	\$ 1,725,000	\$ --
Total Debt	1,725,000	--	--	1,725,000	--
Early Retirement Payable -					
Governmental Funds	27,412	7,063	(27,412)	7,063	7,063
Accrued Compensated Absences -					
Governmental Funds	262,714	96,547	(105,086)	254,175	101,670
ASBSD Health Benefits Fund Deficit -					
Governmental Funds	111,023	--	(111,023)	--	--
Note Payable -					
Governmental Funds	795,000	--	(255,000)	540,000	60,000
Pledge Payable -					
Governmental Funds	300,000	--	(50,000)	250,000	50,000
Total Governmental Activities	<u>\$ 3,221,149</u>	<u>\$ 103,610</u>	<u>\$ (548,521)</u>	<u>\$ 2,776,238</u>	<u>\$ 218,733</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.

Liabilities payable at June 30, 2021, are comprised of the following:

Capital Outlay Certificates:

	Terms	
Mitchell School District No. 17-2 Limited Tax General Obligation Taxable Certificates, Series 2010A Qualified Energy Conservation Bonds - Direct Pay- Secured by pledge of capital outlay tax levy	5.50%; Certificate matures and final principal payment due December 1, 2029. Payable from Series 2010 Certificate Redemption Fund. Semi-annual deposits of \$45,395 are required to be made to the fund on June 1 and December 1, with final deposit to be made on December 1, 2029.	\$ 1,725,000

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

6. Long-Term Liabilities: (Continued)

Notes Payable:

	Terms	
Rural Electric Economic Development – Unsecured	0.00%; due in annual installments of \$30,000 (principal only, no interest) on April 25. Final payment due April 25, 2029.	\$ 240,000
Central Electric Cooperative, Inc. Rural Electric Economic Development - Unsecured	0.00%; due in annual installments of \$30,000 (principal only, no interest) on June 15. Final payment due June 15, 2022. Loan may be extended upon mutual consent of the lender and borrower for up to four (4) consecutive two-year terms for a total term on ten years through June 15, 2030.	\$ 300,000

Other long-term liabilities:

Compensated Absences – Payable from the fund to which payroll expenditures are charged	<u>\$ 254,175</u>
Early Retirement Benefits – Payable from the Post-High Fund	<u>\$ 7,063</u>
Mitchell Technical Collage Foundation - Payable from the Post-High Fund	<u>\$ 250,000</u>

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2021, are as follows:

Year Ending June 30,	Capital Outlay Certificates		Notes Payable		Early Retirement Benefits	Pledges Payable	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest
2022	--	94,875	60,000	--	7,063	50,000	67,063	94,875
2023	--	94,875	60,000	--	--	100,000	60,000	94,875
2024	--	94,875	60,000	--	--	100,000	60,000	94,875
2025	--	94,875	60,000	--	--	--	60,000	94,875
2026	--	94,875	60,000	--	--	--	60,000	94,875
2027-2031	1,725,000	332,063	240,000	--	--	--	1,965,000	332,063
Totals	<u>\$ 1,725,000</u>	<u>\$ 806,438</u>	<u>\$ 540,000</u>	<u>\$ --</u>	<u>\$ 7,063</u>	<u>\$ 250,000</u>	<u>\$ 2,272,063</u>	<u>\$ 806,438</u>

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

7. Interfund Transfers:

Interfund transfers for the year ended June 30, 2021, were as follows:

Transfers from:	Transfers to:	Purpose
	<u>Debt Service Funds</u>	<u></u>
Capital Outlay Fund	\$ 25,000	Deposits for debt retirement/Capital funding
Post-High Fund	\$ 45,395	Deposits for debt retirement/Capital funding

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	\$ 9,995,541
Agriculture Program	Donation	\$ 190,000
Student Financial Aid	Federal Regulation	133,348
Debt Service	Bond Agreement	1,087,485
SDRS pension purposes	Law	337,477
Total Restricted Net Position		<u><u>\$ 11,743,851</u></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><u>\$ 1,087,485</u></u>	For debt service, by debt covenants (sinking funds required to be in a separate account)

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

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 survivor 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://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098, or by calling 605-773-3731.

b. Benefits Provided:

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

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

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

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%.

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

10. Pension Plan: (Continued)

- 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, 2021, 2020, and 2019, equal to the required contributions each year, were as follows:

Year	Amount
2021	\$ 412,199
2020	\$ 423,516
2019	\$ 321,028

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

At June 30, 2020, SDRS is 100.04% 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 the measurement period ending June 30, 2020 and reported by the Department as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$ 37,665,522
Less proportionate share of net pension restricted for pension benefits	<u>37,678,828</u>
Proportionate share of net pension liability (asset)	<u>\$ (13,306)</u>

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

10. Pension Plan: (Continued)

At June 30, 2021, the Department reported an asset of (\$13,306) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension liability 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, 2020, the Department's proportion was .3063505%, which is an increase of .0520092% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Department recognized pension expense of \$651,726. At June 30, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 50,906	\$ 10,424
Changes in assumption	428,623	1,728,661
Net difference between projected and actual earnings on pension plan investments	1,236,804	--
Changes in proportion and difference between District contributions and proportionate share of contributions	36,650	101,926
District contributions subsequent to the measurement date	<u>412,199</u>	<u>--</u>
	<u>\$ 2,165,182</u>	<u>\$ 1,841,011</u>

\$412,199 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2022	\$ (166,326)
2023	(135,378)
2024	(6,733)
2025	220,409
Total	<u>\$ (88,028)</u>

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

10. Pension Plan: (Continued)

e. Actuarial Assumptions:

The total pension asset in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

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, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (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%	5.1%
Fixed income	30.0%	1.5%
Real estate	10.0%	6.2%
Cash	2.0%	1.0%
	<u>100.0%</u>	

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

10. Pension Plan: (Continued)

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 plan member 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:

	1% Decrease	Current Discount Rate	1% Increase
Department's proportionate share of the net pension (asset)	\$ 5,162,163	\$ (13,306)	\$ (4,246,739)

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, one retiree is receiving benefits under this provision. The benefit is paid in monthly installments. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elect's early retirement. Benefits paid for the year ended June 20, 2021, were \$7,063.

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

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, 2021, the Department managed its risk as follows:

Employee Health Insurance:

Mitchell Technical College 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 College as a part of the Mitchell School District No. 17-2 purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

Mitchell Technical College 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.

Mitchell Technical College
Notes to Financial Statements
June 30, 2021

12. Risk Management: (Continued)

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 College 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, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

13. Risks and Uncertainties:

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 reasonable estimated at this time.

14. Restatement and Implementation of New Standards:

In 2021, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84., Fiduciary Activities accounting standard. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the College present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the College reclassify previously reported agency funds as custodial funds. The adjustment to beginning fund balance is as follows:

Fiduciary Activities - Custodial Funds:	
Net Position - June 30, 2020, as previously reported	\$ --
Restatement due to the inclusion of amounts held for others	<u>279,726</u>
Net Position - July 1, 2020, as restated	<u><u>\$ 279,726</u></u>

Required Supplementary Information

Mitchell Technical College
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – Post-High Fund
 For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Post Secondary Program Tuition and Fees:				
Post secondary program tuition	\$ 3,124,957	\$ 3,466,957	\$ 3,389,011	\$ (77,946)
Post secondary student fees	488,782	521,382	574,198	52,816
Earnings on investments and deposits	30,000	30,000	4,137	(25,863)
Post Secondary:				
Resales/services - occupational programs	480,000	480,000	538,548	58,548
State fees	180,000	180,000	187,266	7,266
Corporate education fees	175,000	175,000	55,742	(119,258)
Local fees	2,191,234	2,301,634	2,337,774	36,140
Other Revenue from Local Sources:				
Rentals	90,504	90,504	86,504	(4,000)
Contributions and donations	--	190,000	5,472,025	5,282,025
Refund of prior years' expenditures	--	--	439	439
Judgements	--	--	1,500	1,500
Other	586,000	586,000	327,932	(258,068)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	4,270,606	4,270,606	4,321,988	51,382
Other State Revenue	1,710,290	1,828,673	1,879,255	50,582
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	375,754	1,975,754	1,896,821	(78,933)
Other Federal Revenue	--	59,595	58,830	(765)
Total Revenues	<u>13,703,127</u>	<u>16,156,105</u>	<u>21,131,970</u>	<u>4,975,865</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Mitchell Technical College
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – Post-High Fund
 For the Year Ended June 30, 2021 (Continued)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Expenditures				
Instruction:				
Post Secondary Occupational Programs	\$ 7,508,547	\$ 7,508,547	\$ 7,899,374	\$ (390,827)
Support Services:				
Students:				
Guidance	2,035,736	2,035,736	1,975,949	59,787
General Administration:				
Board of education	2,000	2,000	1,421	579
Executive administration	40,159	40,159	40,017	142
School Administration:				
Vocational school - director's office	404,031	404,031	359,782	44,249
Financial aids administration	217,937	217,937	216,263	1,674
Other	236,041	236,041	351,669	(115,628)
Business:				
Fiscal services	535,639	535,639	625,635	(89,996)
Facilities and acquisition and construction	365,700	576,604	627,993	(51,389)
Operation and maintenance of plant	1,894,931	1,894,931	1,717,727	177,204
Central:				
Data processing	521,593	521,593	727,461	(205,868)
Resale Services:				
Post secondary resales/service	480,000	480,000	603,180	(123,180)
Nonprogrammed Charges:				
Student financial aid	--	1,457,073	599,947	857,126
Other nonprogrammed costs	--	--	366	(366)
Debt Services	95,775	95,775	124,875	(29,100)
Cocurricular Activities:				
Combined activities	59,250	59,250	87,451	(28,201)
Total Expenditures	<u>14,397,339</u>	<u>16,065,316</u>	<u>15,959,110</u>	<u>106,206</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(694,212)</u>	<u>90,789</u>	<u>5,172,860</u>	<u>5,082,071</u>
Other Financing Sources (Uses)				
Interfund transfers out	(90,789)	(90,789)	(45,395)	45,394
General long-term debt issued	300,000	--	--	--
Total Other Financing Sources (Uses)	<u>209,211</u>	<u>(90,789)</u>	<u>(45,395)</u>	<u>45,394</u>
Excess of Revenues and Other Sources Over (Under)Expenditures	(485,001)	--	5,127,465	5,127,465
Fund Balance, Beginning of Year	5,236,459	5,236,459	5,236,459	--
Fund Balance, End of Year	<u>\$ 4,751,458</u>	<u>\$ 5,236,459</u>	<u>\$ 10,363,924</u>	<u>\$ 5,127,465</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Mitchell Technical College

Notes to Required Supplementary Information – Budgetary Comparison Schedule For the Year Ended June 30, 2021

1. Budgets and Budgetary Accounting:

Mitchell Technical College 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 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 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 Post-High Fund and special revenue funds.

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 College
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

Measurement Date	MTC's Proportion (Percentage) of the Net Pension Liability (Asset)	MTC's Proportionate Share (Amount) of the Net Pension Liability (Asset)	MTC's Covered Payroll	MTC's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/2021	0.30%	\$ (13,306)	\$ 7,058,577	-0.19%	100.04%
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%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.

Mitchell Technical College
Schedule of the Employer Contributions
South Dakota Retirement System

Fiscal Year Ending	Contractually Required Contribution	Contributions in relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2021	\$ 412,199	\$ 412,199	\$ --	\$ 6,869,985	6.00%
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%

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.

Mitchell Technical College
Notes to Required Supplementary Information – Schedule of the Proportionate
Share of the Net Pension Asset and Schedule of Pension Contributions
South Dakota Retirement System

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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 a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

Actuarial Method Changes

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

Supplementary Information

Mitchell Technical College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Agriculture:			
Pass through the Board of Regents of the University of Nebraska:			
Farm Business Management and Benchmarking Competitive Grants Program	10.319		<u>\$ 58,830</u>
Total U.S. Department of Agriculture			<u>58,830</u>
U.S. Department of Education:			
Direct Federal Funding:			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	47,921	
Direct Loan Program (DLP) (Note 3)	84.268	3,386,563	
Federal Work Study (FWS)	84.033	36,881	
Federal Pell Grant Program (PELL)	84.063	<u>1,979,620</u>	
Total Student Financial Assistance Programs Cluster			5,450,985
Pass-through the S.D. Department of Education:			
Vocational Education - Basic Grants to States	84.048	35,153	
Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	485,042	
Higher Education Emergency Relief Fund - Institutional Portion	84.425F	<u>1,033,074</u>	
			<u>1,553,269</u>
Total U.S. Department of Education			<u>7,004,254</u>
Grand total			<u><u>\$ 7,063,084</u></u>

Mitchell Technical College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021 (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 College a Department of the Mitchell School District No. 17-2 under programs of the federal government for the year ended June 30, 2021. 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 College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mitchell Technical College.

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 Student Loans	\$ 1,268,459
Unsubsidized Direct Student Loans	\$ 1,842,650
PLUS Program Loans	\$ 275,454

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