

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
SCHOOL OFFICIALS
JUNE 30, 2016

Board Members:

Heidi Ducheneaux, President
Marie Gross, Vice-President
Willard Nash
A.J Lindskov
Mitch Schoelerman

Superintendent:

Dan Martin

Business Manager:

Norma Pesicka

TIMBER LAKE SCHOOL DISTRICT NO. 20-3

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KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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WITH OFFICE IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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

School Board
Timber Lake School District No. 20-3
Timber Lake, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Timber Lake School District No. 20-3, South Dakota (School District), as of June 30, 2016, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2016-001 through 2016-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Kohlen, Benschel & Adams, PLLC

March 8, 2017

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board
Timber Lake School District No. 20-3
Timber Lake, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Timber Lake School District No. 20-3, South Dakota (School District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2016. The School District's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Timber Lake School District No. 20-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

Purpose of this Report

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

Kohlman, Smith & Allen, LLP

March 8, 2017

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

PRIOR FEDERAL AUDIT FINDINGS:

There were no written prior federal compliance audit findings to report.

PRIOR OTHER AUDIT FINDINGS:

2015-001

Initial Fiscal Year Ending Occurred: 2003

Finding Summary:

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Status:

This finding has not been corrected and is restated as current other audit finding 2016-001.

2015-002

Initial Fiscal Year Ending Occurred: 2006

Finding Summary:

The School District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Status:

This finding has not been corrected and is restated as current other audit finding 2016-002.

2015-003

Initial Fiscal Year Ending Occurred: 2006

Finding Summary:

The School District does not have an internal control structure to provide for the recording of all necessary material adjustments.

Status:

This finding has not been corrected and is restated as current other audit finding 2016-003.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2016-001 through 2016-003.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to the major program.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:
 - a. Impact Aid #84.041
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Timber Lake School District No. 20-3 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2016-001

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, and equity, which could result in errors not being found in a timely manner.

Effect

The Timber Lake School District No. 20-3 has a limited number of employees who prepare all records for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the School Board take a more active role in their oversight of cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, and equity.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016
(Continued)

Identification as a Repeat Finding

Yes, the finding is a restatement of 2015-001

Views of responsible officials and corrective actions

See the School District's corrective action plan on pages 9-10.

2016-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, the finding is a restatement of 2015-002

Views of responsible officials and corrective actions

See the School District's corrective action plan on pages 9-10.

2016-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016
(Continued)

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, the finding is a restatement of 2015-003

Views of responsible officials and corrective actions

See the School District's corrective action plan on pages 9-10.

Closing Conference

The contents of this report were discussed with Norma Pesicka, Business Manager, Dan Martin, Superintendent, Jake Kraft, Board Member, and Heidi Ducheneaux, Board Member, on August 19, 2016.

Timber Lake School District No. 20-3

PO Box 1000 – 500 Main Street
Timber Lake, South Dakota 57656

Dan Martin, Superintendent
Norma Pesicka, Business Manager

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Corrective Action Plan (Unaudited)

Timber Lake School District No. 20-3 submits the following corrective action plan for the year ended June 30, 2016:

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

Internal Control-Related Findings - Material Weaknesses:

2016-001

Condition: A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, and equity, which could result in errors not being found in a timely manner.

Views of responsible officials and planned corrective actions: The Timber Lake School District No. 20-3 has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, and equity and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented include dual signature and board members review vouchers and bank statements. The Board Chairman, Heidi Ducheneaux, is responsible for the corrective action plan for this finding.

2016-002

Condition: An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Views of responsible officials and planned corrective actions: Both management and the School Board have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Board President, Heidi Ducheneaux, is responsible for the corrective action plan for this finding.

2016-003

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Mission Statement

"Timber Lake School provides a safe environment that empowers students to become critical thinkers and responsible lifelong learners in a changing society."

Views of responsible officials and planned corrective actions: The School District will work on having all adjustments made prior to each annual audit. The contact person for this finding is Heidi Ducheneaux, Board President.



Business Manager



Superintendent

KOHLMAN,BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH OFFICE IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
Timber Lake School District No. 20-3
Timber Lake, South Dakota

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 the Timber Lake School District No. 20-3, South Dakota (School District), as of June 30, 2016, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District'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 from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 School District'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 School District'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 the Timber Lake School District No. 20-3, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 41 through 47 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kahlan, Simbich & Ashen, FZT

March 8, 2017

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF NET POSITION
JUNE 30, 2016

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,280,006	\$ 17,877	\$ 2,297,883
Investments	2,000,000	-	2,000,000
Taxes receivable	335,391	-	335,391
Internal balances	(2,206)	2,206	-
Inventories	-	5,133	5,133
Other assets	148,597	9,372	157,969
Net pension asset	548,243	12,975	561,218
Capital Assets:			
Land, improvements and construction in progress	54,410	-	54,410
Other capital assets, net of depreciation	11,697,420	6,059	11,703,479
TOTAL ASSETS	17,061,861	53,622	17,115,483
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	1,026,552	25,389	1,051,941
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,026,552	25,389	1,051,941
LIABILITIES:			
Other current liabilities	301,440	-	301,440
Unearned revenue	-	3,743	3,743
Noncurrent Liabilities:			
Due within one year	11,327	-	11,327
Due in more than one year	13,320	-	13,320
TOTAL LIABILITIES	326,087	3,743	329,830
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	383,055	-	383,055
Pension related deferred inflows	812,986	19,554	832,540
TOTAL DEFERRED INFLOWS OF RESOURCES	1,196,041	19,554	1,215,595
NET POSITION:			
Net investment in capital assets	11,751,830	6,059	11,757,889
Restricted for:			
Capital outlay purposes	7,252	-	7,252
SDRS pension purposes	761,809	18,810	780,619
Pension purposes	2,993	-	2,993
Unrestricted	4,042,401	30,845	4,073,246
TOTAL NET POSITION	\$16,566,285	\$ 55,714	\$16,621,999

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instruction	\$2,908,148	\$ -	\$ 157,073	\$ (2,751,075)		\$ (2,751,075)
Support services	1,810,399	587	-	(1,809,812)		(1,809,812)
Cocurricular activities	138,859	16,030	-	(122,829)		(122,829)
Total Governmental Activities	4,857,406	16,617	157,073	(4,683,716)		(4,683,716)
Business-Type Activities:						
Food service	268,010	43,719	116,945		\$ (107,346)	(107,346)
Total Primary Government	\$5,125,416	\$ 60,336	\$ 274,018	(4,683,716)	(107,346)	(4,791,062)
General Revenues:						
Taxes:						
Property taxes				750,889	-	750,889
Utility taxes				51,729	-	51,729
Revenue from State Sources:						
State aid				1,619,268	-	1,619,268
Other				24,115	-	24,115
Revenue from Federal Sources				2,419,022	-	2,419,022
Unrestricted Investment Earnings				5,931	-	5,931
Other General Revenues				124,901	2,108	127,009
Transfers				(120,000)	120,000	-
Total General Revenues and Transfers				4,875,855	122,108	4,997,963
Change In Net Position				192,139	14,762	206,901
Net Position - Beginning				16,374,146	40,952	16,415,098
Net Position - Ending				\$16,566,285	\$ 55,714	\$ 16,621,999

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Outlay Fund	Special Education Fund	Other Govern- mental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,252,943	\$ 7,252	\$ 16,818	\$ 2,993	\$ 2,280,006
Investments	2,000,000	-	-	-	2,000,000
Taxes receivable - current	225,773	-	98,407	-	324,180
Taxes receivable - delinquent	7,363	-	3,848	-	11,211
Due from county government	33,728	-	-	-	33,728
Due from federal government	56,515	-	-	-	56,515
Prepaid expenses	51,092	-	7,262	-	58,354
TOTAL ASSETS	\$ 4,627,414	\$ 7,252	\$126,335	\$ 2,993	\$ 4,763,994
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Contracts payable	\$ 236,059	\$ -	\$ 32,462	\$ -	\$ 268,521
Due to other funds	2,206	-	-	-	2,206
Payroll deductions and withholdings and employer matching payable	27,840	-	5,079	-	32,919
TOTAL LIABILITIES	266,105	-	37,541	-	303,646
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	7,363	-	3,848	-	11,211
Taxes levied for future period	266,972	-	116,083	-	383,055
TOTAL DEFERRED INFLOWS OF RESOURCES	274,335	-	119,931	-	394,266
FUND BALANCES:					
Nonspendable:					
Prepaid expenses	51,092	-	-	-	51,092
Restricted for:					
Capital outlay purposes	-	7,252	-	-	7,252
Pension purposes	-	-	-	2,993	2,993
Unassigned	4,035,882	-	(31,137)	-	4,004,745
TOTAL FUND BALANCES	4,086,974	7,252	(31,137)	2,993	4,066,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,627,414	\$ 7,252	\$126,335	\$ 2,993	\$ 4,763,994

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds		\$ 4,014,990
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		548,243
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		1,026,552
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		11,751,830
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued leave	\$ 24,647	(24,647)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes receivable	\$ 11,211	11,211
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(812,986)
Net Position - Governmental Activities		<u>\$ 16,566,285</u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 523,765	\$ -	\$ 218,895	\$ -	\$ 742,660
Prior years' ad valorem taxes	5,171	-	1,362	-	6,533
Utility taxes	51,729	-	-	-	51,729
Penalties and interest on taxes	2,550	-	915	-	3,465
Earnings on investments and deposits	5,931	-	-	-	5,931
Cocurricular activities:					
Admissions	15,340	-	-	-	15,340
Other pupil activity income	690	-	-	-	690
Other revenue from local sources:					
Rentals	19,800	-	-	-	19,800
Charges for services	-	-	587	-	587
Other	19,365	-	-	-	19,365
Revenue from Intermediate Sources:					
County sources:					
County apportionment	2,841	-	-	-	2,841
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	1,643,383	-	-	-	1,643,383
Restricted grants-in-aid	-	-	119,132	-	119,132
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	2,033,295	255	31,894	-	2,065,444
Restricted grants-in-aid received from federal government through the state	322,637	21,684	-	-	344,321
Johnson O'Malley funds	9,257	-	-	-	9,257
Other federal revenue	37,941	-	-	-	37,941
TOTAL REVENUE	<u>4,693,695</u>	<u>21,939</u>	<u>372,785</u>	<u>-</u>	<u>5,088,419</u>
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	829,322	66,842	-	-	896,164
Middle/Junior high	386,728	64,669	-	-	451,397
High school	484,184	56,965	-	-	541,149
Preschool services	40,780	-	-	-	40,780
Special programs:					
Programs for special education	-	-	434,824	-	434,824
Culturally different	45,457	-	-	-	45,457
Educationally deprived	277,877	-	-	-	277,877
Support Services:					
Pupils:					
Guidance	115,410	-	-	-	115,410
Health	2,913	-	-	-	2,913
Psychological	-	-	4,000	-	4,000
Student therapy services	-	-	96,337	-	96,337

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
Instructional staff:					
Improvement of instruction	1,709	-	-	-	1,709
Educational media	126,426	5,766	-	-	132,192
General administration:					
Board of education	80,866	-	-	-	80,866
Executive administration	201,473	876	-	-	202,349
School administration:					
Office of the principal	177,809	1,752	-	-	179,561
Other	74,745	-	-	-	74,745
Business:					
Fiscal services	115,317	876	-	-	116,193
Operation and maintenance of plant	324,160	135,782	-	-	459,942
Pupil transportation	194,840	15,853	-	-	210,693
Food services	15,694	-	-	-	15,694
Central:					
Staff	346	-	-	-	346
Special education:					
Transportation costs	-	-	8,375	-	8,375
Other special education costs	-	-	36,114	-	36,114
Cocurricular Activities:					
Male activities	32,620	5,314	-	-	37,934
Female activities	32,161	2,327	-	-	34,488
Combined activities	65,608	-	-	-	65,608
Capital Outlay	-	138,811	-	-	138,811
TOTAL EXPENDITURES	<u>3,626,445</u>	<u>495,833</u>	<u>579,650</u>	<u>-</u>	<u>4,701,928</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,067,250</u>	<u>(473,894)</u>	<u>(206,865)</u>	<u>-</u>	<u>386,491</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	470,000	190,000	-	660,000
Transfers out	<u>(780,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(780,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(780,000)</u>	<u>470,000</u>	<u>190,000</u>	<u>-</u>	<u>(120,000)</u>
NET CHANGE IN FUND BALANCES	287,250	(3,894)	(16,865)	-	266,491
FUND BALANCE - BEGINNING	<u>3,799,724</u>	<u>11,146</u>	<u>(14,272)</u>	<u>2,993</u>	<u>3,799,591</u>
FUND BALANCE - ENDING	<u>\$4,086,974</u>	<u>\$ 7,252</u>	<u>\$ (31,137)</u>	<u>\$ 2,993</u>	<u>\$ 4,066,082</u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 266,491
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	138,811
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(281,894)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	(1,769)
In the statement of activities, losses of \$19,396 on the disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of \$157 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(19,553)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	
Vacation leave	\$ 2,655
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (pension revenue).	82,895
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	4,503
Change in Net Position of Governmental Activities	<u>\$ 192,139</u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Enterprise Funds</u> <u>Food Service</u> <u>Fund</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 17,877
Accounts receivable	7,633
Due from other funds	2,206
Inventory of supplies	226
Inventory of stores purchased for resale	2,249
Inventory of donated food	2,658
Prepaid expenses	<u>1,739</u>
Total Current Assets	<u>34,588</u>
Noncurrent Assets:	
Net pension asset	12,975
Capital Assets:	
Machinery and equipment	28,033
Less: accumulated depreciation	<u>(21,974)</u>
Total Noncurrent Assets	<u>19,034</u>
TOTAL ASSETS	<u>53,622</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>25,389</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>25,389</u>
LIABILITIES:	
Current Liabilities:	
Unearned revenue	<u>3,743</u>
Total Current Liabilities	<u>3,743</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	<u>19,554</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,554</u>
NET POSITION:	
Net investment in capital assets	6,059
Restricted for:	
SDRS pension purposes	18,810
Unrestricted	<u>30,845</u>
TOTAL NET POSITION	<u><u>\$ 55,714</u></u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Enterprise Funds</u> Food Service Fund
OPERATING REVENUE:	
Food sales:	
Student	\$ 34,324
Adult	7,395
Other charges for goods and services	2,000
Pension revenue	<u>2,108</u>
TOTAL OPERATING REVENUE	<u>45,827</u>
OPERATING EXPENSES:	
Salaries	81,519
Employee benefits	50,906
Purchased services	2,755
Supplies	2,948
Cost of sales - purchased	108,064
Cost of sales - donated	19,656
Other	387
Depreciation	<u>1,775</u>
TOTAL OPERATING EXPENSES	<u>268,010</u>
OPERATING LOSS	<u>(222,183)</u>
NONOPERATING REVENUE:	
State grants	1,446
Federal grants	96,912
Donated food	<u>18,587</u>
TOTAL NONOPERATING REVENUE	<u>116,945</u>
LOSS BEFORE TRANSFERS	(105,238)
TRANSFERS IN	<u>120,000</u>
CHANGE IN NET POSITION	14,762
NET POSITION - BEGINNING	<u>40,952</u>
NET POSITION - ENDING	<u><u>\$ 55,714</u></u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Enterprise Funds Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	\$ 37,829
Other operating cash receipts	2,000
Cash payments to employees for services	(133,892)
Cash payments to suppliers of goods or services	<u>(114,095)</u>
Net cash used by operating activities	<u>(208,158)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	120,000
Operating grants received	98,358
Change in due from General Fund	<u>(2,206)</u>
Net cash provided by noncapital financing activities	<u>216,152</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,883</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 17,877</u></u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>	
OPERATING LOSS	\$ (222,183)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation expense	1,775
Value of donated commodities used	19,656
Change in assets and liabilities:	
Accounts receivable	(7,633)
Inventories	59
Net pension asset	9,478
Pension related deferred inflows	(6,450)
Pension related deferred outflows	(4,864)
Deferred revenue	3,743
Prepaid expenses	<u>(1,739)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (208,158)</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Value of commodities received	<u><u>\$ 18,587</u></u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 73,619	\$ 19,273
TOTAL ASSETS	<u>73,619</u>	<u>\$ 19,273</u>
LIABILITIES:		
Amounts held for others	-	\$ 19,273
TOTAL LIABILITIES	<u>-</u>	<u>\$ 19,273</u>
NET POSITION:		
Held in trust for scholarships	<u>73,619</u>	
TOTAL NET POSITION	<u>\$ 73,619</u>	

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and donations	\$ 5,347
Earnings on investments and deposits	<u>209</u>
TOTAL ADDITIONS	<u>5,556</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>2,100</u>
TOTAL DEDUCTIONS	<u>2,100</u>
CHANGE IN NET POSITION	3,456
NET POSITION - BEGINNING	<u>70,163</u>
NET POSITION - ENDING	<u><u>\$ 73,619</u></u>

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Timber Lake School District No. 20-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government 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 the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

Fund Financial Statements:

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

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

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

Governmental Funds:

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

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

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

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

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund. The Pension Fund is the only Other Governmental Fund included in the financial statements.

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.

- a. 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).
- b. 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.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

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

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

Fiduciary Funds:

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

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

The William Adney Scholarship Trust Fund and the Alf Hulm Scholarship Trust Fund are the only private-purpose trust funds. The purpose of these private-purpose trust funds is to provide scholarships.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2016, are reimbursements for federal program expenditures and miscellaneous receivables.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

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

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

f. 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.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

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, 2016 balance of capital assets for governmental activities are all valued at original costs. The total June 30, 2016 balance of capital assets for business-type activities are all valued at original costs.

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	\$ -	N/A	N/A
Improvements	\$ 10,000	Straight-line	15 - 25 years
Buildings	\$ 50,000	Straight-line	75 - 100 years
Machinery and Equipment	\$ 5,000	Straight-line	5 - 20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. 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.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

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.

h. Program Revenues:

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

1. 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.
2. 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.

i. 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.

j. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

k. Equity Classifications:

Government-Wide Financial 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 does not meet the definition of "restricted" or "net investment in capital assets".

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District's fund balance amounts in nonspendable form are for prepaid expenses.

The School Board has not committed any portion of the School District's fund balance.

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

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - (Continued)

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Education Fund	Grants and Property Taxes
Capital Outlay Fund	Property Taxes

n. 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. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

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

As of June 30, 2016, all of the School District's investments were in certificates of deposit.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. Fifty percent of the School District's investments are in certificates of deposit at Dacotah Bank and the other fifty percent are in certificates of deposit at Western Dakota Bank.

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - (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 School District's policy is to credit all income from investments to the fund making the investment.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been determined to be necessary.

NOTE 4 - INVENTORY

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

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

No material inventories were on hand as of June 30, 2016, in the governmental funds.

NOTE 5 - PROPERTY TAXES

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

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2016, is as follows:

PRIMARY GOVERNMENT

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 27,302	\$ 14,246	\$ 16,901	\$ 24,647	\$ 11,327

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2016, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Compensated Absences:

Payable from the General Fund \$24,647

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, were as follows:

	<u>Transfers to:</u>			<u>Totals</u>
	<u>Governmental Activities</u>		<u>Business- Type Activities</u>	
	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Food Service Fund</u>	
Transfers from:				
General Fund	<u>\$ 470,000</u>	<u>\$ 190,000</u>	<u>\$ 120,000</u>	<u>\$ 780,000</u>

The purpose of the interfund transfers was to transfer federal monies from the General Fund to the Capital Outlay Fund, Special Education Fund, and Food Service Fund.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

PRIMARY GOVERNMENT

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 54,410	\$ -	\$ -	\$ 54,410
Total, not being depreciated	54,410	-	-	54,410
Capital assets, being depreciated:				
Improvements	253,872	-	-	253,872
Buildings	12,245,336	-	-	12,245,336
Machinery and equipment	1,339,211	138,811	99,831	1,378,191
Total, being depreciated	13,838,419	138,811	99,831	13,877,399
Less accumulated depreciation for:				
Improvements	130,005	10,453	-	140,458
Buildings	1,224,302	160,099	-	1,384,401
Machinery and equipment	624,056	111,342	80,278	655,120
Total accumulated depreciation	1,978,363	281,894	80,278	2,179,979
Total capital assets, being depreciated, net	11,860,056	(143,083)	19,553	11,697,420
Total governmental activity capital assets, net	<u>\$ 11,914,466</u>	<u>\$ (143,083)</u>	<u>\$ 19,553</u>	<u>\$ 11,751,830</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 222,398
Support Services	56,168
Cocurricular Activities	<u>3,328</u>
Total depreciation expense - governmental activities	<u>\$ 281,894</u>

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - (Continued)

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 28,033	\$ -	\$ -	\$ 28,033
Total, being depreciated	28,033	-	-	28,033
Less accumulated depreciation for:				
Machinery and equipment	20,199	1,775	-	21,974
Total accumulated depreciation	20,199	1,775	-	21,974
Total capital assets, being depreciated, net	7,834	(1,775)	-	6,059
Total business-type activity capital assets, net	\$ 7,834	\$ (1,775)	\$ -	\$ 6,059

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Service	\$ 1,775
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NOTE 9 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2016, was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
SDRS Pension Purposes	Law	\$ 761,809
Capital Outlay Purposes	Law	7,252
Other Purposes:		
Pension Purposes	Law	2,993
Total Restricted Net Position		\$ 772,054

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are 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, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for fiscal years ended June 30, 2016, 2015, and 2014, were \$149,181, \$144,950, and \$137,342, respectively, equal to the required contributions each year.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - (Continued)

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

At June 30, 2015, SDRS is 104% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2015, and reported by the School District as of June 30, 2016, are as follows:

Proportionate share of net position restricted for pension benefits	\$ 14,259,779
Less proportionate share of total pension liability	<u>13,698,561</u>
Proportionate share of net pension liability (asset)	<u>\$ (561,218)</u>

At June 30, 2016, the School District reported a liability (asset) of \$(561,218) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the School District's proportion was .1323225%, which is a decrease of .0013774% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense (revenue) of \$(59,947). At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 114,912	\$ -
Changes in assumption	445,010	-
Net difference between projected and actual earnings on pension plan investments	342,838	828,087
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	4,453
School District contributions subsequent to the measurement date	<u>149,181</u>	<u>-</u>
TOTAL	<u>\$ 1,051,941</u>	<u>\$ 832,540</u>

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - (Continued)

\$149,181 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30:

2017	\$ 27,888
2018	27,888
2019	(70,248)
2020	<u>93,599</u>
 TOTAL	 <u>\$ 79,127</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.8%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50 percent thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,412,578	\$(561,218)	\$(2,170,678)

Pension Plan Fiduciary Net Position:

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

NOTE 11 - JOINT VENTURES

The School District participates in two joint ventures known as Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative. These are cooperative service units formed for the purpose of providing education services in the area of special education, adult education, in-service training and other educational services to the member school districts.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - (Continued)

Northwest Area Schools Multi-District

The members of the Northwest Area Schools Multi-District and their relative percentage participation are as follows:

Harding County School District No. 31-1	15.00%
Faith School District No. 46-2	15.00%
Dupree School District No. 64-2	15.00%
Timber Lake School District No. 20-3	15.00%
McLaughlin School District No. 15-2	15.00%
McIntosh School District No. 15-1	15.00%
Smee School District No. 15-3	10.00%

Northwest Area Schools Multi-District's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net position and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-District.

Northwest Area Schools Educational Cooperative

The members of the Northwest Area Schools Educational Cooperative and their relative percentage participation are as follows:

Bison School District No. 52-1	16.67%
Harding County School District No. 31-1	16.67%
Faith School District No. 46-2	16.67%
Dupree School District No. 64-2	16.67%
Timber Lake School District No. 20-3	16.67%
McIntosh School District No. 15-1	16.67%
McLaughlin School District No. 15-2	0.00%

Northwest Area Schools Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net position and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Educational Cooperative.

Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative are combined for financial reporting purposes. At June 30, 2016, the combined joint ventures had total assets of \$2,567,490, deferred outflows of \$458,445, total liabilities of \$173,183, deferred inflows of \$369,788 and net position of \$2,482,964.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2016, the School District managed its risks as follows:

Employee Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years. The District also reimburses employees for out of pocket expenses beyond the first \$100 to meet their deductible up to \$650 per individual up to three individuals.

Liability Insurance:

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

The agreement with the ASBSD-PLF provides that the above coverages will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limits. The School District carries various deductibles for differing types of insurance coverage.

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

Workers' Compensation:

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

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - (Continued)

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 \$1,000,000 per individual, per incident.

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

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has not assigned any amount of fund balance for the payment of future unemployment benefits.

During the year ended June 30, 2016, no claims for unemployment benefits were paid. At June 30, 2016, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 - LITIGATION

At June 30, 2016, the School District was not involved in any litigation.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 8, 2017, the date on which the financial statements were available to be issued. Management has determined there are none.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 498,922	\$ 498,922	\$ 523,765	\$ 24,843
Prior years' ad valorem taxes	7,000	7,000	5,171	(1,829)
Utility taxes	46,000	46,000	51,729	5,729
Penalties and interest on taxes	3,000	3,000	2,550	(450)
Cocurricular activities:				
Admissions	15,000	15,000	15,340	340
Other pupil activity income	2,000	2,000	690	(1,310)
Other revenue from local sources:				
Rentals	19,800	19,800	19,800	-
Other	15,000	15,000	19,365	4,365
Revenue from Intermediate Sources:				
County sources:				
County apportionment	3,000	3,000	2,841	(159)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,437,135	1,437,135	1,643,383	206,248
Other state revenue	1,000	1,000	-	(1,000)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	322,458	322,458	322,637	179
Johnson O'Malley funds	9,000	9,000	9,257	257
Other federal revenue	37,689	37,689	37,941	252
TOTAL REVENUE	2,417,004	2,417,004	2,654,469	237,465
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	767,302	767,302	829,322	(62,020)
Middle/Junior high	407,324	407,324	386,728	20,596
High school	520,853	520,853	484,184	36,669
Preschool services	70,236	70,236	40,780	29,456
Special programs:				
Culturally different	48,689	48,689	45,457	3,232
Educationally deprived	265,261	265,261	277,877	(12,616)
Support Services:				
Pupils:				
Guidance	117,959	117,959	115,410	2,549
Health	5,200	5,200	2,913	2,287
Instructional staff:				
Improvement of instruction	5,000	5,000	1,709	3,291
Educational media	127,377	127,377	126,426	951

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
General administration:				
Board of education	81,225	81,225	80,866	359
Executive administration	200,360	200,360	201,473	(1,113)
School administration:				
Office of the principal	178,666	178,666	177,809	857
Other	73,012	73,012	74,745	(1,733)
Business:				
Fiscal services	122,096	122,096	115,317	6,779
Operation and maintenance of plant	387,277	387,277	324,160	63,117
Pupil transportation	208,193	208,193	194,840	13,353
Food services	11,500	11,500	15,694	(4,194)
Central:				
Staff	2,000	2,000	346	1,654
Cocurricular Activities:				
Male activities	41,324	41,324	32,620	8,704
Female activities	36,878	36,878	32,161	4,717
Combined activities	85,461	85,461	65,608	19,853
TOTAL EXPENDITURES	3,763,193	3,763,193	3,626,445	136,748
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,346,189)	(1,346,189)	(971,976)	374,213
OTHER FINANCING SOURCES:				
Transfers in	1,346,189	1,346,189	850,000	(496,189)
TOTAL OTHER FINANCING SOURCES	1,346,189	1,346,189	850,000	(496,189)
NET CHANGE IN FUND BALANCES	-	-	(121,976)	(121,976)
FUND BALANCE - BEGINNING	331,784	331,784	331,784	-
FUND BALANCE - ENDING	\$ 331,784	\$ 331,784	\$ 209,808	\$ (121,976)

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:				
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	\$ 12,000	\$ 12,000	\$ 255	\$ (11,745)
Restricted grants-in-aid received from federal government through the state	21,684	21,684	21,684	-
TOTAL REVENUE	33,684	33,684	21,939	(11,745)
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	67,000	67,000	82,025	(15,025)
Middle/Junior high	92,000	92,000	64,669	27,331
High school	92,000	92,000	56,965	35,035
Support Services:				
Instructional staff:				
Educational media	13,000	13,000	9,636	3,364
General administration:				
Executive administration	1,200	1,200	876	324
School administration:				
Office of the principal	3,200	3,200	1,752	1,448
Business:				
Fiscal services	1,200	1,200	876	324
Operation and maintenance of plant	178,000	178,000	164,468	13,532
Pupil transportation	90,500	90,500	106,925	(16,425)
Cocurricular Activities:				
Male activities	8,000	8,000	5,314	2,686
Female activities	5,000	5,000	2,327	2,673
Combined activities	5,000	5,000	-	5,000
TOTAL EXPENDITURES	556,100	556,100	495,833	60,267
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(522,416)	(522,416)	(473,894)	48,522
OTHER FINANCING SOURCES:				
Transfers in	522,416	522,416	470,000	(52,416)
TOTAL OTHER FINANCING SOURCES	522,416	522,416	470,000	(52,416)
NET CHANGE IN FUND BALANCES	-	-	(3,894)	(3,894)
FUND BALANCE - BEGINNING	11,146	11,146	11,146	-
FUND BALANCE - ENDING	\$ 11,146	\$ 11,146	\$ 7,252	\$ (3,894)

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget - Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 139,300	\$ 139,300	\$ 218,895	\$ 79,595
Prior years' ad valorem taxes	2,000	2,000	1,362	(638)
Penalties and interest on taxes	1,000	1,000	915	(85)
Other revenue from local sources:				
Charges for services	1,000	1,000	587	(413)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	162,348	162,348	119,132	(43,216)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	25,000	25,000	31,894	6,894
TOTAL REVENUE	330,648	330,648	372,785	42,137
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	409,629	445,629	434,824	10,805
Support Services:				
Pupils:				
Psychological	500	500	4,000	(3,500)
Speech pathology	500	500	-	500
Student therapy services	80,000	104,000	96,337	7,663
Special education:				
Administrative costs	52,570	52,570	36,114	16,456
Transportation costs	1,500	11,500	8,375	3,125
TOTAL EXPENDITURES	544,699	614,699	579,650	35,049
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(214,051)	(284,051)	(206,865)	77,186
OTHER FINANCING SOURCES:				
Transfers in	214,051	284,051	190,000	(94,051)
TOTAL OTHER FINANCING SOURCES	214,051	284,051	190,000	(94,051)
NET CHANGE IN FUND BALANCES	-	-	(16,865)	(16,865)
FUND BALANCE - BEGINNING	(14,272)	(14,272)	(14,272)	-
FUND BALANCE - ENDING	\$ (14,272)	\$ (14,272)	\$ (31,137)	\$ (16,865)

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2016

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. 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 number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

1. 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.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2016
(Continued)

NOTE 2 - (Continued)

2. The financial statements prepared in conformity with USGAAP do not recognize the Impact Aid Fund as a special revenue fund. The fund has specific revenue, but does not require it be spent on a special purpose. According to SDCL 13-16-31, the School District should maintain a separate Impact Aid Fund. So to comply with USGAAP and state law, the Impact Aid Fund is blended with the General Fund in the Basic Financial Statements, however, the Budgetary RSI Schedule shows the General Fund separate from the Impact Aid Fund.

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
YEAR ENDED JUNE 30, 2016

	2016	2015
District's proportion of the net pension liability (asset)	0.132323%	0.130945%
District's proportionate share of net pension liability (asset)	\$ (561,218)	\$ (943,406)
District's covered-employee payroll	\$ 2,415,821	\$ 2,289,868
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104%	107%

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 149,181	\$ 144,950	\$ 137,392	\$ 136,944	\$ 136,117	\$ 134,232	\$ 123,107	\$ 111,507	\$ 108,726	\$ 108,512
Contributions in relation to the contractually required contribution	149,181	144,950	137,392	136,944	136,117	134,232	123,107	111,507	108,726	108,512
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,486,334	\$ 2,415,821	\$ 2,289,868	\$ 2,282,404	\$ 2,268,610	\$ 2,237,196	\$ 2,051,787	\$ 1,858,442	\$ 1,812,095	\$ 1,808,536
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

SUPPLEMENTARY INFORMATION

TIMBER LAKE SCHOOL DISTRICT NO. 20-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identification Number	Federal CFDA Number	Expenditures 2016
<u>Child Nutrition Cluster:</u>			
U.S. Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	None Available	10.555	\$ 19,656
Cash Assistance:			
School Breakfast Program (Note 3)	None Available	10.553	25,352
National School Lunch Program (Note 3)	None Available	10.555	71,561
			<u>116,569</u>
Total for Child Nutrition Cluster			
U.S. Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Fresh Fruit and Vegetable Program	None Available	10.582	12,110
			<u>12,110</u>
Subtotal for U.S. Department of Agriculture - Pass-Through Programs			
			<u>128,679</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
U.S. Department of the Interior - Direct Programs:			
Indian Education - Assistance to Schools (Note 3)	None Available	15.130	6,939
			<u>6,939</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			
National Foundation on the Arts and Humanities - Pass-Through Programs From:			
SD Department of Tourism:			
Promotion of the Arts - Partnership Agreements	None Available	45.025	1,039
			<u>1,039</u>
TOTAL NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES			
Environmental Protection Agency - Pass-Through Programs From:			
SD Department of Environment and Natural Resources:			
Air Quality Program	None Available	66.040	21,684
			<u>21,684</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			
U.S. Department of Education - Direct Programs:			
Impact Aid (Title VIII of ESEA) (Note 4)	None Available	84.041	1,656,219
Indian Education - Grants to Local Educational Agencies	None Available	84.060	37,941
			<u>1,694,160</u>
Subtotal for U.S. Department of Education - Direct Programs			
U.S. Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Title I Grants to Local Educational Agencies	None Available	84.010	258,230
Improving Teacher Quality State Grants	None Available	84.367	51,258
			<u>309,488</u>
Subtotal U.S. Department of Education - Pass-Through Programs			
			<u>2,003,648</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			
GRAND TOTAL			<u>\$ 2,161,989</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2016. 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 the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE 2: 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. The School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 4: This represents a major federal financial assistance program.

