

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHOOL OFFICIALS**  
**JUNE 30, 2015**

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Board Members:

Chad Mettler, President  
A.J. Lindskov, Vice-President  
Willard Nash  
Pat Aberle  
Heidi Ducheneaux

Superintendent:

Jarod Larson

Business Manager:

Norma Pesicka

# TIMBER LAKE SCHOOL DISTRICT NO. 20-3

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**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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 January 5, 2016.

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 2015-001 through 2015-003 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.

*Kahlm, Dinnella L & A. C., LLP*

January 5, 2016

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH OFFICE IN  
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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) Circular A-133 Compliance Supplement that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2015. 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 program.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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, 2015.

## 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 our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. 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.

January 5, 2016

*Krakham, Deimbeck & Anderson, FZP*

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2015**

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PRIOR FEDERAL AUDIT FINDINGS:

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

PRIOR OTHER AUDIT FINDINGS:

2014-001

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. This finding has not been corrected and is restated as current other audit finding 2015-001.

2014-002

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). This comment has not been corrected and is restated as current other audit finding 2015-002.

2014-003

The School District does not have an internal control structure to provide for the recording of all necessary material adjustments. This comment has not been corrected and is restated as current other audit finding 2015-003.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2015**

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SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unqualified 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 2015-001 through 2015-003.
- 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 disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(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 \$300,000.
- 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:

2015-001

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, indebtedness, 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, 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.

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, indebtedness, and equity.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2015**  
**(Continued)**

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Corrective Action Plan

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, indebtedness, 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. The Board President, Chad Mettler, is responsible for the corrective action plan for this finding.

2015-002

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.

Corrective Action Plan

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, Chad Mettler, is responsible for the corrective action plan for this finding.

2015-003

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, 2015**  
**(Continued)**

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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.

Corrective Action Plan

The School District will work on having all adjustments made prior to each annual audit. The Board President, Chad Mettler, is the contact person for this finding.

Closing Conference

The contents of this report were discussed with Norma Pesicka, Business Manager, Jarod Larson, Superintendent, Willard Nash, Board Member, and Heidi Ducheneaux, Board Member, on August 10, 2015.

**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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Standard*

As described in Note 11 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As discussed in Note 10 to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 43 through 49 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 is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 January 5, 2016, 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.

January 5, 2016

*Kelley, Deborah L. Anderson, CPA*

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,091,240	\$ 9,883	\$ 2,101,123
Investments	2,000,000	-	2,000,000
Taxes receivable	320,982	-	320,982
Inventories	-	6,261	6,261
Other assets	46,162	-	46,162
Net pension asset	920,953	22,453	943,406
Capital Assets:			
Land, improvements and construction in progress	54,410	-	54,410
Other capital assets, net of depreciation	<u>11,860,056</u>	<u>7,834</u>	<u>11,867,890</u>
<b>TOTAL ASSETS</b>	<u>17,293,803</u>	<u>46,431</u>	<u>17,340,234</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>820,077</u>	<u>20,525</u>	<u>840,602</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>820,077</u>	<u>20,525</u>	<u>840,602</u>
<b>LIABILITIES:</b>			
Other current liabilities	284,190	-	284,190
Noncurrent Liabilities:			
Due within one year	12,274	-	12,274
Due in more than one year	<u>15,028</u>	<u>-</u>	<u>15,028</u>
<b>TOTAL LIABILITIES</b>	<u>311,492</u>	<u>-</u>	<u>311,492</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	361,623	-	361,623
Pension related deferred inflows	<u>1,066,619</u>	<u>26,004</u>	<u>1,092,623</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,428,242</u>	<u>26,004</u>	<u>1,454,246</u>
<b>NET POSITION:</b>			
Net investment in capital assets	11,914,466	7,834	11,922,300
Restricted for:			
Capital outlay purposes	11,146	-	11,146
SDRS pension purposes	674,411	16,974	691,385
Pension purposes	2,993	-	2,993
Unrestricted	<u>3,771,130</u>	<u>16,144</u>	<u>3,787,274</u>
<b>TOTAL NET POSITION</b>	<u>\$16,374,146</u>	<u>\$ 40,952</u>	<u>\$16,415,098</u>

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, 2015**

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	\$2,744,861	\$ -	\$ 204,604	\$ (2,540,257)		\$ (2,540,257)
Support services	1,651,779	390	11,560	(1,639,829)		(1,639,829)
Cocurricular activities	145,564	18,161	1,299	(126,104)		(126,104)
Total Governmental Activities	4,542,204	18,551	217,463	(4,306,190)		(4,306,190)
Business-Type Activities:						
Food service	262,986	40,037	118,994		\$ (103,955)	(103,955)
Total Primary Government	\$4,805,190	\$ 58,588	\$ 336,457	(4,306,190)	(103,955)	(4,410,145)
General Revenues:						
Taxes:						
Property taxes				706,720	-	706,720
Utility taxes				56,113	-	56,113
Revenue from State Sources:						
State aid				1,573,590	-	1,573,590
Other				21,701	-	21,701
Revenue from Federal Sources						
Unrestricted Investment Earnings				2,391,527	-	2,391,527
Other General Revenues				3,346	-	3,346
Transfers				26,477	-	26,477
				(105,000)	105,000	-
Total General Revenues and Transfers				4,674,474	105,000	4,779,474
Change In Net Position				368,284	1,045	369,329
Net Position - Beginning				15,548,870	27,850	15,576,720
Prior Period Adjustment (Note 10)				456,992	12,057	469,049
Net Position - Ending				\$16,374,146	\$ 40,952	\$16,415,098

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, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Other Govern- mental Funds	Total Govern- mental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$2,040,128	\$ 11,146	\$ 36,973	\$ 2,993	\$ 2,091,240
Investments	2,000,000	-	-	-	2,000,000
Taxes receivable - current	219,747	-	88,255	-	308,002
Taxes receivable - delinquent	8,768	-	4,212	-	12,980
Due from county government	36,565	-	-	-	36,565
Due from federal government	9,597	-	-	-	9,597
<b>TOTAL ASSETS</b>	<u>\$4,314,805</u>	<u>\$ 11,146</u>	<u>\$129,440</u>	<u>\$ 2,993</u>	<u>\$ 4,458,384</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Contracts payable	\$ 218,042	\$ -	\$ 31,413	\$ -	\$ 249,455
Payroll deductions and withholdings and employer matching payable	29,792	-	4,943	-	34,735
<b>TOTAL LIABILITIES</b>	<u>247,834</u>	<u>-</u>	<u>36,356</u>	<u>-</u>	<u>284,190</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	8,768	-	4,212	-	12,980
Taxes levied for future period	258,479	-	103,144	-	361,623
<b>TOTAL DEFERRED INFLOWS OF RESOURCE</b>	<u>267,247</u>	<u>-</u>	<u>107,356</u>	<u>-</u>	<u>374,603</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Capital outlay purposes	-	11,146	-	-	11,146
Pension purposes	-	-	-	2,993	2,993
Unassigned	3,799,724	-	(14,272)	-	3,785,452
<b>TOTAL FUND BALANCES</b>	<u>3,799,724</u>	<u>11,146</u>	<u>(14,272)</u>	<u>2,993</u>	<u>3,799,591</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$4,314,805</u>	<u>\$ 11,146</u>	<u>\$129,440</u>	<u>\$ 2,993</u>	<u>\$ 4,458,384</u>

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, 2015**

Total Fund Balances - Governmental Funds		\$ 3,799,591
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.		920,953
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		820,077
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		11,914,466
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued leave	<u>\$ 27,302</u>	(27,302)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes receivable	<u>\$ 12,980</u>	12,980
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(1,066,619)</u>
Net Position - Governmental Activities		<u>\$ 16,374,146</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, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 511,648	\$ -	\$ 194,364	\$ -	\$ 706,012
Prior years' ad valorem taxes	6,669	-	1,509	-	8,178
Utility taxes	56,113	-	-	-	56,113
Penalties and interest on taxes	2,750	-	874	-	3,624
Earnings on investments and deposits	3,346	-	-	-	3,346
Cocurricular activities:					
Admissions	16,002	-	-	-	16,002
Other pupil activity income	2,159	-	-	-	2,159
Other revenue from local sources:					
Rentals	13,750	-	-	-	13,750
Charges for services	-	-	390	-	390
Other	10,394	-	-	-	10,394
Revenue from Intermediate Sources:					
County sources:					
County apportionment	2,285	-	-	-	2,285
Revenue in lieu of taxes	48	-	-	-	48
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	1,595,291	-	-	-	1,595,291
Restricted grants-in-aid	-	-	136,761	-	136,761
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	1,996,471	11,605	34,704	-	2,042,780
Restricted grants-in-aid received from federal government through the state	336,497	-	-	-	336,497
Johnson O'Malley funds	12,250	-	-	-	12,250
Other federal revenue	41,801	-	-	-	41,801
<b>TOTAL REVENUE</b>	<b>4,607,474</b>	<b>11,605</b>	<b>368,602</b>	<b>-</b>	<b>4,987,681</b>
<b>EXPENDITURES:</b>					
Instruction:					
Regular programs:					
Elementary	784,031	58,189	-	-	842,220
Middle/Junior high	376,598	57,034	-	-	433,632
High school	476,196	69,407	-	-	545,603
Preschool services	37,153	-	-	-	37,153
Special programs:					
Programs for special education	-	-	432,592	-	432,592
Culturally different	51,197	-	-	-	51,197
Educationally deprived	274,176	-	-	-	274,176
Support Services:					
Pupils:					
Guidance	111,474	-	-	-	111,474
Health	3,389	-	-	-	3,389
Student therapy services	-	-	84,766	-	84,766

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
Instructional staff:					
Improvement of instruction	6,259	-	-	-	6,259
Educational media	118,574	5,305	-	-	123,879
General administration:					
Board of education	63,353	-	-	-	63,353
Executive administration	178,836	-	-	-	178,836
School administration:					
Office of the principal	176,025	-	-	-	176,025
Other	71,847	-	-	-	71,847
Business:					
Fiscal services	110,595	-	-	-	110,595
Operation and maintenance of plant	334,237	96,505	-	-	430,742
Pupil transportation	186,630	21,631	-	-	208,261
Food services	6,904	-	-	-	6,904
Central:					
Staff	661	-	-	-	661
Special education:					
Administrative costs	-	-	35,672	-	35,672
Transportation costs	-	-	18,900	-	18,900
Cocurricular Activities:					
Male activities	34,391	7,484	-	-	41,875
Female activities	34,420	1,253	-	-	35,673
Combined activities	67,775	1,456	-	-	69,231
Capital Outlay	-	197,416	-	-	197,416
TOTAL EXPENDITURES	<u>3,504,721</u>	<u>515,680</u>	<u>571,930</u>	<u>-</u>	<u>4,592,331</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,102,753</u>	<u>(504,075)</u>	<u>(203,328)</u>	<u>-</u>	<u>395,350</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	510,000	190,000	-	700,000
Transfers out	<u>(805,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(805,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(805,000)</u>	<u>510,000</u>	<u>190,000</u>	<u>-</u>	<u>(105,000)</u>
NET CHANGE IN FUND BALANCES	297,753	5,925	(13,328)	-	290,350
FUND BALANCE - BEGINNING	3,529,771	5,221	8,793	2,993	3,546,778
PRIOR PERIOD ADJUSTMENT (NOTE 10)	<u>(27,800)</u>	<u>-</u>	<u>(9,737)</u>	<u>-</u>	<u>(37,537)</u>
FUND BALANCE - ENDING	<u>\$3,799,724</u>	<u>\$ 11,146</u>	<u>\$ (14,272)</u>	<u>\$ 2,993</u>	<u>\$ 3,799,591</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, 2015**

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Net Change in Fund Balances - Total Governmental Funds		\$ 290,350
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.		197,416
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.		(276,018)
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".		(11,094)
In the statement of activities, losses of \$4,723 on the disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(4,723)
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	\$ <u>7,529</u>	(7,529)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (pension revenue).		38,901
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		<u>140,981</u>
Change in Net Position of Governmental Activities		<u>\$ 368,284</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, 2015**

	Enterprise Funds
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 9,883
Inventory of supplies	364
Inventory of stores purchased for resale	2,170
Inventory of donated food	3,727
Total Current Assets	16,144
Noncurrent Assets:	
Net pension asset	22,453
Capital Assets:	
Machinery and equipment	28,033
Less: accumulated depreciation	(20,199)
Total Noncurrent Assets	30,287
TOTAL ASSETS	46,431
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	20,525
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,525
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	26,004
TOTAL DEFERRED INFLOWS OF RESOURCES	26,004
NET POSITION:	
Net investment in capital assets	7,834
Restricted for:	
SDRS pension purposes	16,974
Unrestricted	16,144
TOTAL NET POSITION	\$ 40,952

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, 2015**

	Enterprise Funds
	Food Service Fund
OPERATING REVENUE:	
Food sales:	
Student	\$ 30,897
Adult	7,640
Other charges for goods and services	1,500
Pension revenue	948
TOTAL OPERATING REVENUE	40,985
OPERATING EXPENSES:	
Salaries	84,968
Employee benefits	44,458
Purchased services	2,905
Supplies	3,675
Cost of sales - purchased	115,032
Cost of sales - donated	9,925
Other	201
Depreciation	1,822
TOTAL OPERATING EXPENSES	262,986
OPERATING LOSS	(222,001)
NONOPERATING REVENUE:	
State grants	1,189
Federal grants	106,709
Donated food	10,148
TOTAL NONOPERATING REVENUE	118,046
LOSS BEFORE TRANSFERS	(103,955)
TRANSFERS IN	105,000
CHANGE IN NET POSITION	1,045
NET POSITION - BEGINNING	27,850
PRIOR PERIOD ADJUSTMENT (NOTE 10)	12,057
NET POSITION - ENDING	\$ 40,952

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, 2015**

	Enterprise Funds
	Food Service
	Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers	\$ 38,537
Other operating cash receipts	1,500
Cash payments to employees for services	(133,540)
Cash payments to suppliers of goods or services	<u>(122,787)</u>
Net cash used by operating activities	<u>(216,290)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers in	105,000
Operating grants received	<u>107,898</u>
Net cash provided by noncapital financing activities	<u>212,898</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,392)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>13,275</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 9,883</u></u>
<u><b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b></u>	
<b>OPERATING LOSS</b>	\$ (222,001)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Depreciation expense	1,822
Value of donated commodities used	9,925
Change in assets and liabilities:	
Inventories	(974)
Net pension asset	(13,666)
Pension related deferred inflows	26,004
Pension related deferred outflows	(17,255)
Payroll deductions and withholdings and employer matching payable	<u>(145)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (216,290)</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Value of commodities received	<u><u>\$ 10,148</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, 2015**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 70,163	\$ 20,531
<b>TOTAL ASSETS</b>	<u>70,163</u>	<u>\$ 20,531</u>
<b>LIABILITIES:</b>		
Amounts held for others	-	\$ 20,531
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 20,531</u>
<b>NET POSITION:</b>		
Held in trust for scholarships	70,163	
<b>TOTAL NET POSITION</b>	<u>\$ 70,163</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, 2015**

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	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and donations	\$ 2,873
Earnings on investments and deposits	<u>210</u>
TOTAL ADDITIONS	<u>3,083</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>4,100</u>
TOTAL DEDUCTIONS	<u>4,100</u>
CHANGE IN NET POSITION	(1,017)
NET POSITION - BEGINNING	<u>71,180</u>
NET POSITION - ENDING	<u>\$ 70,163</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, 2015**

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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, 2015**

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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

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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.
- 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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2015, 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. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

All proprietary fund 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. Deposit 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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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.

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, 2015 balance of capital assets for governmental activities are all valued at original costs. The total June 30, 2015 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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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.

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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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

Fund Financial Statements:

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

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 does not have fund balance amounts in nonspendable form.

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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 1 - (Continued)

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

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, 2015, 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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 2 - (Continued)

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

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

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, 2015, 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, 2015**

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NOTE 6 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2015, is as follows:

PRIMARY GOVERNMENT

Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 19,773	\$ 19,779	\$ 12,250	\$ 27,302	\$ 12,274

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

Liabilities payable at June 30, 2015, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Compensated Absences:

Payable from the General Fund     \$27,302

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, were as follows:

	Transfers to:			
	Governmental Activities		Business- Type Activities	
Transfers from:	Capital Outlay Fund	Special Education Fund	Food Service Fund	Totals
General Fund	\$ 510,000	\$ 190,000	\$ 105,000	\$ 805,000

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, 2015**

**NOTE 8 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2015, is as follows:

**PRIMARY GOVERNMENT**

	<u>Balance 7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 54,410	\$ -	\$ -	\$ 54,410
Total, not being depreciated	<u>54,410</u>	<u>-</u>	<u>-</u>	<u>54,410</u>
Capital assets, being depreciated:				
Improvements	253,872	-	-	253,872
Buildings	12,152,266	93,070	-	12,245,336
Machinery and equipment	<u>1,259,476</u>	<u>104,346</u>	<u>24,611</u>	<u>1,339,211</u>
Total, being depreciated	<u>13,665,614</u>	<u>197,416</u>	<u>24,611</u>	<u>13,838,419</u>
Less accumulated depreciation for:				
Improvements	119,552	10,453	-	130,005
Buildings	1,064,203	160,099	-	1,224,302
Machinery and equipment	<u>538,478</u>	<u>105,466</u>	<u>19,888</u>	<u>624,056</u>
Total accumulated depreciation	<u>1,722,233</u>	<u>276,018</u>	<u>19,888</u>	<u>1,978,363</u>
Total capital assets, being depreciated, net	<u>11,943,381</u>	<u>(78,602)</u>	<u>4,723</u>	<u>11,860,056</u>
Total governmental activity capital assets, net	<u>\$ 11,997,791</u>	<u>\$ (78,602)</u>	<u>\$ 4,723</u>	<u>\$ 11,914,466</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 223,529
Support Services	49,161
Cocurricular Activities	<u>3,328</u>
Total depreciation expense - governmental activities	<u>\$ 276,018</u>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

NOTE 8 - (Continued)

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
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	18,377	1,822	-	20,199
Total accumulated depreciation	18,377	1,822	-	20,199
Total capital assets, being depreciated, net	9,656	(1,822)	-	7,834
Total business-type activity capital assets, net	\$ 9,656	\$ (1,822)	\$ -	\$ 7,834

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Service	\$ 1,822
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NOTE 9 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2015, was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
SDRS Pension Purposes	Law	\$ 674,411
Capital Outlay Purposes	Law	11,146
Other Purposes:		
Pension Purposes	Law	2,993
Total Restricted Net Position		\$ 688,550

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

Pension Adjustment

The School District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.

Tax Revenue Adjustment

The School District is restating beginning net position and fund balance on the statement of activities, statement of revenues, expenditures and changes in fund balances and the budgetary comparison schedules to reflect GASB codification section P70 which states when property taxes are collected in advance of the period for which they are levied, the taxes should be recorded as a deferred inflow of resources and recognized as revenue in the period for which they are levied, subject to the "available" criterion.

As a result of the above adjustments, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources and tax revenue as of July 1, 2014, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>General Fund</u>	<u>Special Education Fund</u>
Net Position July 1, 2014, as previously reported	\$ 15,548,870	\$ 27,850	\$ 3,529,771	\$ 8,793
Restatement for pension accounting:				
Net Pension Asset	360,407	8,787	-	-
Pension related Deferred Outflows of Resources	134,122	3,270	-	-
Tax revenue restatement	<u>(37,537)</u>	<u>-</u>	<u>(27,800)</u>	<u>(9,737)</u>
Net Position July 1, 2014, as restated	<u>\$ 16,005,862</u>	<u>\$ 39,907</u>	<u>\$ 3,501,971</u>	<u>\$ (944)</u>

NOTE 11 - 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://www.sdrs.sd.gov/publications/> 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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 11 - (Continued)

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 1<sup>st</sup> 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, 2015, 2014, and 2013, were \$144,950, \$137,392, and \$136,944, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107% 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 June 30, 2014, are as follows:

Proportionate share of net position restricted for pension benefits	\$ 13,890,073
Less proportionate share of total pension liability	<u>12,946,667</u>
Proportionate share of net pension liability (asset)	<u>\$ (943,406)</u>

At June 30, 2015, the School District reported a liability (asset) of \$(943,406) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset)

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 11 - (Continued)

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, 2014, the School District's proportion was .1309451%, which is a decrease of .0054853% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(39,849). At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 79,825	\$ -
Changes in assumption	615,827	-
Net Difference between projected and actual earnings on pension plan investments	-	1,092,623
District contributions subsequent to the measurement date	144,950	-
<b>TOTAL</b>	<b>\$ 840,602</b>	<b>\$ 1,092,623</b>

\$144,950 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, 2016. 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:

2016	\$	74,964
2017		74,964
2018		74,964
2019		172,079
<b>TOTAL</b>	<b>\$</b>	<b>396,971</b>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 11 - (Continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2014 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 2016 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. 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, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
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 2016 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).

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 11 - (Continued)

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 2016 and 7.50 percent thereafter, as well as what the School'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:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$932,262	\$(943,406)	\$(2,473,209)

Pension Plan Fiduciary Net Position:

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

NOTE 12 - 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.

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	15.24%
Faith School District No. 46-2	15.24%
Dupree School District No. 64-2	15.24%
Timber Lake School District No. 20-3	15.24%
McLaughlin School District No. 15-2	15.24%
McIntosh School District No. 15-1	15.24%
Smee School District No. 15-3	8.56%

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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 12 - (Continued)

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 Education Cooperative are combined for financial reporting purposes. At June 30, 2015, the combined joint ventures had total assets of \$2,713,792, deferred outflows of \$362,695, total liabilities of \$228,103, deferred inflows of \$470,073 and net position of \$2,378,311.

NOTE 13 - 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, 2015, 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.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 13 - (Continued)

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 limit. 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 limit. 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 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, 2015, no claims for unemployment benefits were paid. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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NOTE 14 - LITIGATION

At June 30, 2015, the School District was not involved in any litigation.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 5, 2016, 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, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 494,839	\$ 494,839	\$ 511,648	\$ 16,809
Prior years' ad valorem taxes	6,000	6,000	6,669	669
Utility taxes	40,000	40,000	56,113	16,113
Other taxes	500	500	-	(500)
Penalties and interest on taxes	4,000	4,000	2,750	(1,250)
Cocurricular activities:				
Admissions	13,000	13,000	16,002	3,002
Other pupil activity income	900	900	2,159	1,259
Other revenue from local sources:				
Rentals	11,400	11,400	13,750	2,350
Other	25,000	25,000	10,394	(14,606)
Revenue from Intermediate Sources:				
County sources:				
County apportionment	3,000	3,000	2,285	(715)
Revenue in lieu of taxes	-	-	48	48
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,511,321	1,511,321	1,595,291	83,970
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	324,537	324,537	336,497	11,960
Johnson O'Malley funds	6,484	6,484	12,250	5,766
Other federal revenue	41,881	41,881	41,801	(80)
<b>TOTAL REVENUE</b>	<u>2,483,862</u>	<u>2,483,862</u>	<u>2,607,657</u>	<u>123,795</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	662,136	662,136	784,031	(121,895)
Middle/Junior high	443,388	443,388	376,598	66,790
High school	589,262	589,262	476,196	113,066
Preschool services	-	-	37,153	(37,153)
Special programs:				
Culturally different	48,365	48,365	51,197	(2,832)
Educationally deprived	271,816	271,816	274,176	(2,360)
Support Services:				
Pupils:				
Guidance	115,043	115,043	111,474	3,569
Health	5,200	5,200	3,389	1,811
Instructional staff:				
Improvement of instruction	7,300	7,300	6,259	1,041
Educational media	125,338	125,338	118,574	6,764

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
General administration:				
Board of education	82,721	82,721	63,353	19,368
Executive administration	196,383	196,383	178,836	17,547
School administration:				
Office of the principal	185,084	185,084	176,025	9,059
Other	73,326	73,326	71,847	1,479
Business:				
Fiscal services	125,526	125,526	110,595	14,931
Operation and maintenance of plant	386,666	386,666	334,237	52,429
Pupil transportation	234,976	234,976	186,630	48,346
Food services	-	-	6,904	(6,904)
Central:				
Staff	2,000	2,000	661	1,339
Cocurricular Activities:				
Male activities	36,589	36,589	34,391	2,198
Female activities	33,471	33,471	34,420	(949)
Combined activities	80,323	80,323	67,775	12,548
TOTAL EXPENDITURES	<u>3,704,913</u>	<u>3,704,913</u>	<u>3,504,721</u>	<u>200,192</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,221,051)</u>	<u>(1,221,051)</u>	<u>(897,064)</u>	<u>323,987</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>1,221,051</u>	<u>1,221,051</u>	<u>1,000,000</u>	<u>(221,051)</u>
TOTAL OTHER FINANCING SOURCES	<u>1,221,051</u>	<u>1,221,051</u>	<u>1,000,000</u>	<u>(221,051)</u>
NET CHANGE IN FUND BALANCES	-	-	102,936	102,936
FUND BALANCE - BEGINNING	256,648	256,648	256,648	-
PRIOR PERIOD ADJUSTMENT (NOTE 10)	<u>-</u>	<u>-</u>	<u>(27,800)</u>	<u>(27,800)</u>
FUND BALANCE - ENDING	<u>\$ 256,648</u>	<u>\$ 256,648</u>	<u>\$ 331,784</u>	<u>\$ 75,136</u>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Prior years' ad valorem taxes	\$ 300	\$ 300	\$ -	\$ (300)
Penalties and interest on taxes	150	150	-	(150)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	<u>10,000</u>	<u>10,000</u>	<u>11,605</u>	<u>1,605</u>
TOTAL REVENUE	<u>10,450</u>	<u>10,450</u>	<u>11,605</u>	<u>1,155</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	50,000	50,000	58,189	(8,189)
Middle/Junior high	38,000	38,000	57,034	(19,034)
High school	65,000	65,000	69,407	(4,407)
Support Services:				
Instructional staff:				
Educational media	15,000	15,000	9,670	5,330
Business:				
Operation and maintenance of plant	148,000	242,000	207,049	34,951
Pupil transportation	-	96,000	104,138	(8,138)
Cocurricular Activities:				
Male activities	12,000	12,000	7,484	4,516
Female activities	-	-	1,253	(1,253)
Combined activities	<u>6,000</u>	<u>6,000</u>	<u>1,456</u>	<u>4,544</u>
TOTAL EXPENDITURES	<u>334,000</u>	<u>524,000</u>	<u>515,680</u>	<u>8,320</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(323,550)</u>	<u>(513,550)</u>	<u>(504,075)</u>	<u>9,475</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>323,550</u>	<u>513,550</u>	<u>510,000</u>	<u>(3,550)</u>
TOTAL OTHER FINANCING SOURCES	<u>323,550</u>	<u>513,550</u>	<u>510,000</u>	<u>(3,550)</u>
NET CHANGE IN FUND BALANCES	-	-	5,925	5,925
FUND BALANCE - BEGINNING	<u>5,221</u>	<u>5,221</u>	<u>5,221</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,221</u>	<u>\$ 5,221</u>	<u>\$ 11,146</u>	<u>\$ 5,925</u>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 137,300	\$ 137,300	\$ 194,364	\$ 57,064
Prior years' ad valorem taxes	2,500	2,500	1,509	(991)
Penalties and interest on taxes	1,000	1,000	874	(126)
Other revenue from local sources:				
Charges for services	1,000	1,000	390	(610)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	158,754	158,754	136,761	(21,993)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	<u>23,000</u>	<u>23,000</u>	<u>34,704</u>	<u>11,704</u>
<b>TOTAL REVENUE</b>	<u>323,554</u>	<u>323,554</u>	<u>368,602</u>	<u>45,048</u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	458,835	458,835	432,592	26,243
Support Services:				
Pupils:				
Psychological	500	500	-	500
Speech pathology	200	200	-	200
Audiology	200	200	-	200
Student therapy services	28,000	88,000	84,766	3,234
Special education:				
Administrative costs	45,699	45,699	35,672	10,027
Transportation costs	<u>2,200</u>	<u>2,200</u>	<u>18,900</u>	<u>(16,700)</u>
<b>TOTAL EXPENDITURES</b>	<u>535,634</u>	<u>595,634</u>	<u>571,930</u>	<u>23,704</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(212,080)</u>	<u>(272,080)</u>	<u>(203,328)</u>	<u>68,752</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>212,080</u>	<u>272,080</u>	<u>190,000</u>	<u>(82,080)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>212,080</u>	<u>272,080</u>	<u>190,000</u>	<u>(82,080)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(13,328)	(13,328)
<b>FUND BALANCE - BEGINNING</b>	(944)	(944)	(944)	-
<b>PRIOR PERIOD ADJUSTMENT (NOTE 10)</b>	<u>-</u>	<u>-</u>	<u>(9,737)</u>	<u>(9,737)</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (944)</u>	<u>\$ (944)</u>	<u>\$ (24,009)</u>	<u>\$ (23,065)</u>

**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, 2015**

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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, 2015**  
**(Continued)**

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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, 2015**

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	<u>2015</u>
District's proportion of the net pension liability (asset)	0.130955%
District's proportionate share of net pension liability (asset)	\$ (943,406)
District's covered-employee payroll	\$ 2,415,821
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.05%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 144,950	\$ 137,392	\$ 136,944	\$ 136,117	\$ 134,232	\$ 123,107	\$ 111,507	\$ 108,726	\$ 108,512	\$ 99,272
Contributions in relation to the contractually required contribution	<u>144,950</u>	<u>137,392</u>	<u>136,944</u>	<u>136,117</u>	<u>134,232</u>	<u>123,107</u>	<u>111,507</u>	<u>108,726</u>	<u>108,512</u>	<u>99,272</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
District's covered-employee payroll	\$ 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	\$ 1,654,532
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, 2015**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2015
U.S. DEPARTMENT OF AGRICULTURE:		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 9,925
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	29,945
National School Lunch Program (Note 2)	10.555	<u>76,764</u>
Total for Child Nutrition Cluster		<u>116,634</u>
Other Programs:		
Fresh Fruit and Vegetable Program	10.582	<u>11,885</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>128,519</u>
U.S. DEPARTMENT OF THE INTERIOR:		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 2)	15.130	<u>12,250</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR		<u>12,250</u>
NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES:		
Pass-through the S.D. Department of Tourism:		
Promotion of the Arts - Partnership Agreements	45.025	<u>934</u>
TOTAL NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES		<u>934</u>
U.S. DEPARTMENT OF EDUCATION:		
Direct Federal Funding:		
Impact Aid (Note 3)	84.041	1,722,963
Indian Education - Grants to Local Educational Agencies	84.060	41,801
Pass-through the S.D. Department of Education:		
Title I Grants to Local Educational Agencies	84.010	271,816
Improving Teacher Quality State Grants	84.367	<u>51,862</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>2,088,442</u>
GRAND TOTAL		<u>\$ 2,230,145</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.