

# Shelley Joint School District #60

Financial Statements and  
Supplementary Information

Year ended June 30, 2016



**"Where Students Come First"**

**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants

# Shelley Joint School District #60

Contents  
June 30, 2016

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# Shelley Joint School District #60

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, budgetary comparison information, OPEB funding information and schedule of employer's share of net pension liability for PERSI-Base plan last 10 fiscal years, and schedule of employer contributions PERSI-Base plan for last 10 fiscal years as listed in the table of contents on pages 3 through 9 and pages 36 through 41 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, 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, the agency funds combining statement of changes in assets and liabilities, and other schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the agency funds combining statement of changes in assets and liabilities and other schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining and individual nonmajor fund financial statements, the agency funds combining statement of changes in assets and liabilities and other schedules listed in the table of contents and the schedule of expenditures of federal awards are 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 October 20, 2016, on our consideration of Shelley Joint School District #60'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 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 District's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP  
CPAs and Consultants

Idaho Falls, Idaho  
October 20, 2016

# Shelley Joint School District #60

## Management's Discussion and Analysis *Fiscal Year Ended June 30, 2016*

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The discussion and analysis of Shelley Joint School District #60's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2016 are as follows:

In total, net position increased \$362,154 which represents an 8 percent increase from 2015. This was largely due to the increase in the general fund.

General revenues accounted for \$11,626,425 in revenue, or 79.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,009,039 or 20.6 percent of total revenues of \$14,635,464.

Total assets of governmental activities decreased by \$543,512 as cash and cash equivalents increased by \$342,299, receivables decreased by \$80,196, and capital assets decreased by \$805,615.

The District had \$14,273,310 in expenses; only \$3,009,039 of these expenses were offset by program specific charges for services, grants, or contributions. These expenses were decreased by \$203,826 from the pension gain. General revenues (primarily taxes and state aid) of \$11,626,425 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,095,220 in revenues and \$10,646,076 in expenditures. The General Fund's balance increased \$320,693 from 2015. State support in the General Fund is broken down as follows: Base Support - \$8,341,706 which includes state salary and benefits apportionment of \$1,104,607 and Transportation of \$380,755; and Revenue in Lieu of Taxes of \$39,428 from agriculture replacement and personal property tax replacement. There was also Bond Levy Equalization money received from the state in the Debt Service Fund of \$214,517 during the fiscal year.

### **USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shelley Joint School District #60 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Shelley Joint School District #60, the General Fund is by far the most significant fund.

# Shelley Joint School District #60

Management's Discussion and Analysis  
*Fiscal Year Ended June 30, 2016*

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## REPORTING THE DISTRICT AS A WHOLE

### Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Idaho restricting revenue growth, facility condition, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities. The District does not have any business-like activities.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General, Debt Service, and Capital Projects Funds.

### Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District serves as a trustee, or fiduciary, for student organizations and programs. The assets of these organizations and programs do not directly benefit nor are they under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2016

### THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,826,083 at the close of the most recent fiscal year. The following table provides a summary of the District's net position for 2016 compared to 2015:

	<u>2016</u>	<u>2015</u> (as restated)
Assets		
Current and other assets	<b>4,918,435</b>	4,656,332
Capital assets	<b>16,054,811</b>	16,860,426
Total assets	<b>20,973,246</b>	21,516,758
Deferred outflows of resources	<b>3,144,016</b>	1,839,987
Liabilities		
Long-term liabilities	<b>15,201,490</b>	14,373,669
Other liabilities	<b>1,626,812</b>	1,612,731
Total liabilities	<b>16,828,302</b>	15,986,400
Deferred inflows of resources	<b>2,462,877</b>	2,906,416
Net position		
Net investment in capital assets	<b>4,651,585</b>	5,715,426
Restricted	<b>2,406,184</b>	2,240,959
Unrestricted	<b>(2,231,686)</b>	(3,492,456)
Total net position	<b>4,826,083</b>	4,463,929

Total assets of governmental activities decreased by \$543,512 as cash and cash equivalents increased by \$342,299, receivables decreased by \$80,196, and capital assets decreased by \$805,615. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,826,083 at the close of the most recent fiscal year. The deficit in unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the District decreased by \$1,260,770 after the prior year was restated for the increased net pension liability.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2016

The following table shows the changes in net position for fiscal year 2016 and 2015.

	<u>2016</u>	<u>2015</u> (as restated)
Revenues		
Program revenues		
Charges for services	249,548	229,723
Operating grants and contributions	2,759,491	3,029,640
General revenues		
Property taxes	1,768,513	1,767,345
State aid	9,776,318	9,261,506
Other	81,594	68,643
Total revenues	<u>14,635,464</u>	<u>14,356,857</u>
Program Expenses		
Instruction	8,617,835	8,218,661
Support services	954,918	718,758
Administrative	1,342,871	1,320,114
Operations	1,215,329	1,099,378
Transportation	490,220	575,096
Noninstructional	784,917	748,627
Interest and fiscal charges	393,124	589,991
Capital improvements	474,096	433,163
Total expenses	<u>14,273,310</u>	<u>13,703,788</u>
Increase (decrease) in net position	<u>362,154</u>	<u>653,069</u>

### GOVERNMENTAL ACTIVITIES

State aid of \$11,143,129 included in program and general revenues that consists of the Idaho base support, salary based apportionment, transportation, bond levy equalization, revenue in lieu of taxes, other state revenue, and benefit apportionment, makes up 76 percent of revenues from governmental activities. Federal grants and assistance of \$1,357,610 makes up 9.3 percent of total revenues from governmental activities. Property taxes of \$1,768,513 make up 9.3 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 88 percent of District expenses.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2016

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

	Total cost of services 2016	Net cost of services 2016
Instruction	8,617,835	7,302,771
Support services	954,918	787,973
Administrative	1,342,871	1,325,391
Operations	1,215,329	1,142,787
Transportation	490,220	68,388
Noninstructional	784,917	33,336
Interest and fiscal charges	393,124	178,607
Capital improvements	474,096	425,018
Total expenses	14,273,310	11,264,271

**Instruction:** Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

**Support Services:** Support services provide personnel services, activities, and programs for the administration, management, technical, and logistical support to facilitate and enhance the function of instruction and shall provide for the general operation of the schools.

**Administration:** The personnel, activities, and services for directing and managing the operation of the schools in the District. (Principals, assistant principals, secretaries, and clerks charged with responsibility for a school's administration.) Board of Education, administration, fiscal, and business includes expenses associated with administrative and financial supervision of the District.

**Business Operations:** The program concerned with the fiscal operations of the District. This program may include budgeting, receiving and disbursing, purchasing, financial and property accounting, payroll, internal auditing, and the prudent management of District resources.

**Operations:** Operations and maintenance includes the personnel, activities, and programs concerned with keeping the physical plant operational and keeping the grounds, buildings, and equipment in effective working condition and in an adequate and safe state of repair.

**Transportation:** Transportation includes the personnel, activities, and services for providing student transportation to school and to activities and to provide for the general administrative and maintenance needs of school district vehicles.

**Non-instructional:** Non-instructional services include the preparation, delivery and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

**Interest and Fiscal Charges:** Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to the debt of the District.

**Capital Improvements:** Capital improvements include capital expenditures for the schools that are not capitalized under the District's capitalization policy.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2016

### THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,624,689 and expenditures of \$14,369,842. The net change in fund balance for the year in the General Fund, Debt Service and the Capital Projects Fund was an increase of \$320,693, a decrease of \$115,327 and a decrease of \$48,055, respectively.

At year's end, the General Fund balance increased by \$320,693 resulting in a fund balance of \$1,205,102 at the end of FY15. The majority of the increase was due to carryover of General Fund revenues that were non-discretionary in nature, such as professional development and LEP. All other funds ended the year in sound financial shape. Our District is positioned well financially to meet the needs of students for the foreseeable future.

### GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Idaho Law and is based on accounting for certain transactions on the modified basis of accounting. The most significant budgeted fund is the General Fund.

For the General Fund, the budget basis revenue estimate was \$10,882,057.

### CAPITAL ASSETS

At the end of the fiscal year 2016, the District had \$16,054,811 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	<u>2016</u>	<u>2015</u>
Land	402,635	402,635
Buildings and improvements	14,847,522	15,682,482
Equipment	257,092	258,847
Vehicles	547,562	516,462
Total capital assets, net	<u>16,054,811</u>	<u>16,860,426</u>

Overall capital assets decreased \$805,615 from fiscal year 2015 to fiscal year 2016. Increases in capital assets (primarily land, equipment, and vehicles) were offset by depreciation expense for the year.

### DEBT ADMINISTRATION

At June 30, 2016, the District had two general obligation bond issues. The outstanding bonds are as follows:

	<u>Total</u>	<u>Due within one year</u>
2007 Series Bond	2,910,000	680,000
2015 Series Bond	7,520,000	
Total	<u>10,430,000</u>	<u>680,000</u>

At June 30, 2016, the District's overall legal debt margin was \$ 25,047,564.

# **Shelley Joint School District #60**

Management's Discussion and Analysis  
*Fiscal Year Ended June 30, 2016*

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## **CURRENT FINANCIAL ISSUES AND CONCERNS**

The significant change in the District's financial net position from June 30, 2015 to June 30, 2016, was in large part due to the governmental accounting requirements under GASB 68 to report financial support for pensions. Since PERSI, the Idaho public employee retirement system, is affected by the ups and downs of the stock market, future audits could show fluctuations to the District's net position, something not within the control of the District.

Again this year, the State Department of Education significantly increased funding to school districts. Its commitment to funding the new career ladder and increasing maintenance and operations funding was a significant reason for the District's financial position at the end of FY16. The next challenge for the District is to deal with the increased need to fund extra services for students with special needs, migrant and English language learners, and bringing elementary students up to grade level in reading and mathematics. Personnel needs are outstripping funding sources, whether in numbers of employees or increases in salaries and benefits. As the State works on a new funding formula for education, it is the District's hope that these issues will be addressed. Shelley School District #60 is committed to helping all students acquire the skills and knowledge necessary to meet the challenges of today's world.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Dixon, Business Manager at Shelley Joint School District #60, 545 Seminary Avenue, Shelley, Idaho 83274 or email at [tdixon@shelleyschools.org](mailto:tdixon@shelleyschools.org).

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# Shelley Joint School District #60

## Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	3,727,559
Property tax receivable, net	664,040
Other receivables	526,836
Capital assets, non depreciable	402,635
Capital assets, net of depreciation	<u>15,652,176</u>
Total assets	<u>20,973,246</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	715,858
Related to pensions	<u>2,428,158</u>
Total deferred outflows of resources	<u>3,144,016</u>
<b>LIABILITIES</b>	
Accounts payable	59,051
Accrued wages	1,067,233
Accrued employee benefits	382,476
Interest payable	118,052
Long-term liabilities	
Premium on bonds payable	973,226
Portion due or payable within one year	
General obligation bonds	680,000
Portion due or payable after one year	
General obligation bonds	9,750,000
Net pension liability	3,710,079
Other liabilities	88,185
Total liabilities	<u>16,828,302</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	<u>2,462,877</u>
Total deferred inflows of resources	<u>2,462,877</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,651,585
Restricted for	
Capital improvements	193,465
Debt service	1,351,932
Child nutrition	141,083
Other	719,704
Unrestricted	<u>(2,231,686)</u>
Total net position	<u><u>4,826,083</u></u>

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Statement of Activities  
Fiscal Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Total governmental activities
Governmental activities					
Instruction	8,617,835	13,050	1,302,014		(7,302,771)
Support services	954,918		166,945		(787,973)
Administrative	1,342,871		17,480		(1,325,391)
Operations	1,215,329		72,542		(1,142,787)
Transportation	490,220	41,077	380,755		(68,388)
Noninstructional	784,917	195,421	556,160		(33,336)
Interest on long-term debt	393,124		214,517		(178,607)
Capital improvements	474,096		49,078		(425,018)
Total governmental activities	14,273,310	249,548	2,759,491	0	(11,264,271)
General revenues					
Taxes					
Property taxes					1,768,513
Property tax replacement					39,428
State aid - formula grants					9,446,313
Other state revenues					290,577
Unrestricted investments earnings					14,097
Other local					67,497
Total general revenues					11,626,425
Change in net position					362,154
Net position - beginning (as restated)					4,463,929
Net position - ending					4,826,083

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Combined Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	1,924,959	1,066,409	27,457	708,734	3,727,559
Receivables					
Taxes - current	206,392	261,038	135,732		603,162
Taxes - delinquent	22,724	24,485	13,669		60,878
State apportionment	232,582				232,582
Federal grants			20,000	204,621	224,621
Other				69,633	69,633
Interfund receivable	117,170				117,170
 Total assets	<u>2,503,827</u>	<u>1,351,932</u>	<u>196,858</u>	<u>982,988</u>	<u>5,035,605</u>
<b>LIABILITIES</b>					
Accounts payable	26,827		3,393	28,831	59,051
Accrued wages	928,865			138,368	1,067,233
Accrued employee benefits	320,309			62,167	382,476
Interfund payable				117,170	117,170
 Total liabilities	<u>1,276,001</u>	<u>0</u>	<u>3,393</u>	<u>346,536</u>	<u>1,625,930</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	22,724	24,485	13,669	0	60,878
<b>FUND BALANCES</b>					
Restricted for					
Debt service		1,327,447			1,327,447
Child nutrition				141,083	141,083
Other fund activities	44,539		179,796	495,369	719,704
Assigned	40,000				40,000
Unassigned	1,120,563				1,120,563
 Total fund balances	<u>1,205,102</u>	<u>1,327,447</u>	<u>179,796</u>	<u>636,452</u>	<u>3,348,797</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>2,503,827</u>	<u>1,351,932</u>	<u>196,858</u>	<u>982,988</u>	<u>5,035,605</u>

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
*June 30, 2016*

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Total fund balances - governmental funds	3,348,797
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Governmental funds report the effect of premiums, discounts and similar items when the bonds are first issued by the District whereas these amounts are deferred and amortized in the statement of activities.	
	(257,368)
 The net pension liability (asset) and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position.	
	(3,744,798)
 Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$33,767,002, and the accumulated depreciation is \$17,712,191.	
	16,054,811
 Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
	60,878
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consisted of:	
Bonds payable	(10,430,000)
Accrued interest on the bonds	(118,052)
Compensated absences	(88,185)
	<u>(10,636,237)</u>
 Total net position - governmental activities	 <u><u>4,826,083</u></u>

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Governmental Fund Types  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Fiscal Year Ended June 30, 2016

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	598,141	756,963	393,526		1,748,630
Penalties and interest on delinquent taxes	3,164	3,714	2,230		9,108
Earnings on investments	14,044			53	14,097
Food service				195,421	195,421
Other local	138,848		4,796	13,050	156,694
State apportionment					
Base	8,341,706				8,341,706
Transportation	380,755				380,755
Benefits	1,104,607				1,104,607
Property tax replacement	39,428				39,428
Other state revenue	474,527	214,517		587,589	1,276,633
Federal grants and assistance			20,000	1,337,610	1,357,610
<b>Total revenues</b>	<b>11,095,220</b>	<b>975,194</b>	<b>420,552</b>	<b>2,133,723</b>	<b>14,624,689</b>
<b>EXPENDITURES</b>					
Current					
Instruction	6,796,480			1,033,377	7,829,857
Support services	789,950			179,156	969,106
Administration	1,344,710			17,652	1,362,362
Operations	1,189,780			37,472	1,227,252
Transportation	525,156				525,156
Noninstructional				791,862	791,862
Debt service		1,090,521			1,090,521
Facility acquisition			544,648	29,078	573,726
<b>Total expenditures</b>	<b>10,646,076</b>	<b>1,090,521</b>	<b>544,648</b>	<b>2,088,597</b>	<b>14,369,842</b>
Revenues over (under) expenditures	449,144	(115,327)	(124,096)	45,126	254,847

The accompanying notes are and integral part of these statements.

## Shelley Joint School District #60

Governmental Fund Types  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
*Fiscal Year Ended June 30, 2015*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	(128,451)		76,041	52,410	0
Total other financing sources (uses)	(128,451)	0	76,041	52,410	0
Revenues and other financing sources over (under) expenditures	320,693	(115,327)	(48,055)	97,536	254,847
Fund balance - July 1, 2015	884,409	1,442,774	227,851	538,916	3,093,950
Fund balance - June 30, 2016	<u>1,205,102</u>	<u>1,327,447</u>	<u>179,796</u>	<u>636,452</u>	<u>3,348,797</u>

The accompanying notes are and integral part of these statements.

## Shelley Joint School District #60

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities  
*For Fiscal Year Ended June 30, 2016*

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Total net change in fund balances - governmental funds:	254,847
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense, \$992,610, exceeds capital outlays, \$186,995, in the period.	(805,615)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	715,000
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues in the governmental funds. Unearned tax revenues increased by \$10,771 this year.	10,771
Governmental funds report the effect of premiums, discounts, and similar items when debt is issued whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	26,043
Vested employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year. Change in OPEB obligation (\$20,019). Change in net pension liability \$4,254,881. Change in deferred outflows of resources related to pensions \$189,534. Change in deferred inflows of resources related to pensions (\$2,906,416). Change in compensated absences (\$5,096).	178,711
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. The increase in interest expense reported in the Statement of Activities is the net result of the increase in accrued interest on bonds by \$17,603.	<u>(17,603)</u>
Change in net position of governmental activities	<u><u>362,154</u></u>

The accompanying notes are and integral part of these statements.

# Shelley Joint School District #60

Fiduciary Funds  
Statement of Fiduciary Net Position  
*June 30, 2016*

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>247,575</u>
Total assets	<u><u>247,575</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>247,575</u>
Total liabilities	<u><u>247,575</u></u>

The accompanying notes are and integral part of these statements.

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# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General. The basic financial statements listed in the table of contents have been prepared in accordance with the American Institute of Certified Public Accountants' Industry Audit Guide for Audits of State and Local Government Units.
2. Reporting Entity. The Shelley Joint School District #60 (the District) is the basic level of government, which has financial accountability and control over all activities related to the public school education in the area served. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncement, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 that should be included in the District's reporting entity.
3. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

4. Fund Accounting. The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds, each reported in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources and for the repayment of general long term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used to acquire school facilities, renovate existing facilities, or as otherwise provided in the Idaho Code.

Additionally, the District reports the following fund types:

Special Revenue Fund - The purpose of the Special Revenue Fund is to account for federal, state, and locally funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the Grant Awards. Special Revenue Fund types include the Child Nutrition Fund. The purpose of the Child Nutrition Fund is to account for all federal support and student charges which are received by the District for the purpose of providing students with a nutritional, inexpensive meal.

### Fiduciary Fund Types

Agency Fund (School Activity Funds) - Activity Funds are monies collected principally through fund raising efforts of the individual schools or school sponsored groups. The school principal is responsible, under the authority of the Board of Trustees, for collecting, controlling, disbursing, and accounting for all school activity funds.

5. Basis of Accounting. The District applies the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the District's financial outlook.

### *Government-wide Financial Statements*

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for its fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation has been allocated specifically to functional areas with the majority of it being allocated to instructional. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### *Governmental Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

6. Budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year-end. The District did not amend its budgets in the current fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as assigned fund balance to indicate an obligation to the District.

The District budgets transfers from the General Fund to other funds to cover the costs incurred by these funds in excess of the revenues generated. Certain indirect costs are charged to several Special Revenue Funds through budgeted transfers from the Special Revenue Funds to the General Fund.

7. Cash and Investments. Cash includes amounts in demand as well as short-term investments with a maturity date within three months of the date acquired by the District. The District pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Idaho Law, and national banks having their principal offices in Idaho.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, Idaho municipal bonds, and repurchase agreements. The District has elected to deposit cash in excess of immediate needs into the Local Government Investment Pool (LGIP). The Local Government Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. An annual audit of the LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP. All other cash is deposited with local banks in checking or savings accounts.

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk outside of the deposit and investment agreements. The District is authorized to invest in the State of Idaho Local Government Investment Pool. This pooling is intended to improve administrative efficiency and increase investment yield.

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The investments of the District are not rated and the District's policy does not restrict them to rated investments.

8. Short-term Interfund Receivables / Payables. During the course of operations, numerous transactions occur between individual funds and the General Fund for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' or 'due to other funds' on the balance sheet.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

9. Inventories. Supplies inventory consists of paper and other supplies and equipment received at the end of the fiscal year, which had not yet been consumed. The cost is recorded as an expenditure at the time the item is consumed. Other supplies inventory on hand at year end has not been recorded as inventory and was treated as expended when purchased.
10. Compensated Absences. Employees are entitled to certain compensated absences based on their length of employment. The entire compensated absences owed are reported in the governmental-wide financial statements.
11. Pensions. For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

12. Capital Assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment assets are depreciated using straight-line and accelerated depreciation methods over the following estimated useful lives:

Assets	Years
Buildings	20-30
Equipment	5-20
Vehicles	3-16

13. Long-term Obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.
14. Deferred Outflows / Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category and both occur on the government-wide statement of net position. The first item is a deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

15. Net Position Flow Assumption. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

16. Fund Balance Flow Assumptions. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

17. Fund Balance Policies. Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The School Board is the highest level of decision-making authority for the District that can, by board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The School Board has by resolution authorized management to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

18. Risk Management. The District is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies, transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
19. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

## NOTE B CASH AND INVESTMENTS

At June 30, 2016, the carrying amount of the District's deposits was \$3,726,235 and the bank balance was as follows:

Insured by Federal Depository Insurance	500,000
Uninsured and uncollateralized	<u>3,662,161</u>
Total	<u><u>4,162,161</u></u>

At June 30, 2016, the cost and fair market value of the District's investments were as follows:

	Cost	Fair Market Value
Zion's Bank Liquid Asset Management	<u>577,483</u>	<u>574,413</u>
Total investments	<u><u>577,483</u></u>	<u><u>574,413</u></u>

Interest rate risk - The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk - The District's deposits and investments at year end are limited to the U.S. Treasury, commercial paper, corporate bonds, bank deposits, Idaho municipal bonds, and certificates of deposits with various banks located in Idaho. The District has reduced its concentration of credit risk by using several financial institutions at times.

Custodial credit risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$3,662,161 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$574,413 was held in the Zion's Bank Liquid Asset Management account which is not insured or guaranteed by the FDIC.

## NOTE C INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the District had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. The District transferred \$21,856 to the Child Nutrition Fund as required by state law. The District also transferred \$76,041 from the General Fund to the Capital Projects Fund as required for depreciation. The District also transferred \$30,554 from the General Fund to Medicaid.

To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2016, were as follows:

	Receivable	Payable
General Fund	117,170	
Nonmajor Funds		<u>117,170</u>
Total	<u><u>117,170</u></u>	<u><u>117,170</u></u>

# Shelley Joint School District #60

Notes to Financial Statements  
*June 30, 2016*

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## **NOTE D      PROPERTY TAXES**

In accordance with Idaho State Law, ad valorem property tax is levied in dollars in September for each calendar year. Taxes are recorded by the District using the modified accrual basis of accounting. Levies are made on the second Monday of September. All of the personal property tax and one-half of the real property tax are due on or before December 20. The remaining one-half of the real property tax is due on or before June 20 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year.

Bingham and Bonneville counties act as agents for the District in both the assessment and collection areas. The counties remit tax revenues to the District periodically, with the majority of the collections being remitted in January and July.

## **NOTE E      NONMONETARY TRANSACTIONS**

The District received \$77,723 in USDA Commodities during the 2015- 2016 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and expense of the fund receiving the commodities.

## **NOTE F      PAYROLL EXPENDITURES AND RELATED LIABILITIES**

Teacher contracts were signed for the nine-month period of September 1, 2015, through May 31, 2016, to be paid over the twelve months of September 1, 2015, through August 31, 2016. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

### NOTE G CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2016:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets, not being depreciated				
Land				
Elementary	52,635			52,635
Secondary	350,000			350,000
Total capital assets, not being depreciated	402,635	0	0	402,635
Capital assets, being depreciated				
Buildings				
Elementary	20,807,667			20,807,667
Secondary	9,242,382	34,203		9,276,585
Administration	454,840			454,840
Total buildings	30,504,889	34,203	0	30,539,092
Equipment				
Elementary	575,055			575,055
Secondary	208,772	11,623		220,395
Administration	109,241	27,765		137,006
Total equipment	893,068	39,388	0	932,456
Vehicles	1,779,415	113,404	0	1,892,819
Total capital assets, being depreciated	33,177,372	186,995	0	33,364,367
Less accumulated depreciation for:				
Buildings	(14,822,407)	(869,163)		(15,691,570)
Equipment	(634,221)	(41,143)		(675,364)
Vehicles	(1,262,953)	(82,304)		(1,345,257)
Total accumulated depreciation	(16,719,581)	(992,610)	0	(17,712,191)
Total capital assets being depreciated, net	16,457,791	(805,615)	0	15,652,176
Governmental activities capital assets, net	16,860,426	(805,615)	0	16,054,811

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities	
Instruction	909,956
Operations	350
Transportation	82,304
Total depreciation expense – governmental activities	992,610

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

## NOTE H GENERAL OBLIGATION BOND ISSUES

The District has one general obligation bond issue and one refunding bond series (2007 and 2015 Series) outstanding with interest rates ranging from 2.5 to 5.0 percent. The scheduled maturity dates for the 2007 and 2015 Series bonds are September 2019 and September 2027, respectively.

Future debt service requirements are as follows:

Fiscal Year Ended June 30,	Total	Interest	Principal
2017	1,084,751	404,751	680,000
2018	1,085,550	375,550	710,000
2019	1,085,375	345,375	740,000
2020	1,088,375	308,375	780,000
2021	1,068,075	253,075	815,000
2022-2026	5,347,474	737,474	4,610,000
2027-2028	2,147,688	52,688	2,095,000
Total	<u>12,907,288</u>	<u>2,477,288</u>	<u>10,430,000</u>

Changes to bond principal payable and future interest payable are summarized as follows:

Principal	2007 Series	2015 Series	Combined Total
Balances at July 1, 2015	3,565,000	7,580,000	11,145,000
Reductions	<u>655,000</u>	<u>60,000</u>	<u>715,000</u>
Balances at June 30, 2016	<u>2,910,000</u>	<u>7,520,000</u>	<u>10,430,000</u>
Interest to be provided			
Balances at July 1, 2015	438,157	2,346,017	2,784,174
Reductions	<u>81,606</u>	<u>225,280</u>	<u>306,886</u>
Balances at June 30, 2016	<u>356,551</u>	<u>2,120,737</u>	<u>2,477,288</u>

## NOTE I LEGAL DEBT MARGIN

The District is subject to a statutory limitation by the Idaho Code for bonded indebtedness payable principally from property taxes. The limit of bonded indebtedness is 5% of property market value for assessment purposes less the aggregate outstanding debt. At June 30, 2016, the limit for the District was \$34,150,117. The Debt Service Fund had \$1,351,932 available and general obligation debt of \$10,430,000 leaving a legal debt margin of \$25,047,564.

## NOTE J DEFEASED DEBT

The District purchased U.S. Securities and deposited \$8,500,920 to an irrevocable trust with an escrow agent to provide for all future debt service payments on \$7,730,000 of the 2007 Series bonds. As a result, \$7,730,000 of the 2007 Series bonds are defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The 2007 Series will be paid off in 2017.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

## NOTE K LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Bonds payable	11,145,000		715,000	10,430,000
Premium on issuance	1,054,328		81,102	973,226
Net pension liability	2,111,271	1,598,808		3,710,079
Employee benefits	63,070	25,115		88,185
Total	<u>14,373,669</u>	<u>1,623,923</u>	<u>796,102</u>	<u>15,201,490</u>

Payment on the general obligation bonds are made by the debt service fund from property taxes and state bond levy equalization funds. Payment on the employment benefits is from the fund in which the employee works.

## NOTE L RETIREMENT HEALTHCARE PLAN

*Plan Description.* Shelley Joint School District #60's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross of Idaho, Delta Dental, Willamette Dental, and LifeMap Life Insurance Company. Blue Cross provides medical, prescription drug, and vision insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents.

A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and vision insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Dental and life benefits continue for life. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership with a PERSI employer. The retiree is on the same medical with vision and dental plan as the District's active employees.

*Funding Policy.* The contribution requirement of plan members is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016 the District contributed approximately \$58,587 of the annual required contribution of \$78,500. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool.

Monthly contribution rates in effect for the retirees as of the end of fiscal year 2016 were as follows:

Medical with Vision Coverage	\$2,000 Deductible	\$3,000 Deductible (Catastrophe)
Single	\$498.5	\$413.65
No Spouse W/Child	\$766.65	\$635.85
No Spouse W/Children	\$897.20	\$745.20
W/Spouse	\$1,090.80	\$903.95
W/Spouse + Children	\$1,270.40	\$1,053.95

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

**NOTE L RETIREMENT HEALTHCARE PLAN, continued**

Dental Coverage	Delta Dental	Willamette Dental
Single	\$ 30.62	\$ 33.92
No Spouse W/Child	\$ 65.96	\$ 73.34
No Spouse W/Children	\$101.16	\$ 108.95
W/Spouse	\$ 61.24	\$ 73.30
W/Spouse + Children	\$ 129.98	\$ 142.35
Life Coverage	Retiree Life	Dependent Life
Single	\$19.82	\$ 4.80

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty-five years.

The following table shows the components of the District's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the District's net OPEB obligation to Shelley Joint School District #60's Post-Retirement Healthcare Plan:

Annual required contribution	78,500
Interest on net OPEB obligation	1,794
Adjustment to annual required contribution	(1,688)
Annual OPEB cost (expense)	78,606
Contributions made	(58,587)
Increase in net OPEB obligation	20,019
Net OPEB obligation – beginning of year	42,217
Net OPEB obligation - end of year	62,236

The three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation is shown in the table below.

Fiscal Year Ending	Annual OPEB Expenses (AOE)	Estimated Contribution as a Percentage of AOE*	Net OPEB Obligation at End of Year**
June 30, 2014	73,028	83%	24,240
June 30, 2015	80,804	78%	42,217
June 30, 2016	78,606	75%	62,236

\*Equals estimated actual incurred claims plus administration less retiree contributions as a percentage of AOE.

\*\*Equals prior year net OPEB obligation this current year AOE less estimated current contributions.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## **NOTE L      RETIREMENT HEALTHCARE PLAN, continued**

*Funded Status and Funding Progress.* As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$684,256. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$7,687,331 and the ratio of the UAAL to the covered payroll was 8.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.25% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 45.0% of future retirees will elect medical with vision coverage, 30.7% of future retirees will elect dental coverage and 70% of future retirees are married and their spouses will participate in the plan.

The annual healthcare cost trend rate for medical is 3.1% for the fiscal year ending 2015, 7% for the fiscal year ending 2016, gradually decreasing to 4.5% on a projected long term trend. The annual dental healthcare cost is 1% for the fiscal year ending 2015, 7.0% for the fiscal year ending 2016, and will gradually decrease to 4.5% on a projected long term trend. It was assumed salary increases will be 2.50% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling twenty-five year time period.

## **NOTE M      PENSION PLAN**

### *Plan Description*

The District contributes to the Base Plan which is a cost sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

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## NOTE M PENSION PLAN, continued

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

### *Pension Benefits*

The Base Plan provides retirement, disability, death, and survivors of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were \$1,654,423 for the year ended June 30, 2016.

### *Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the District's proportion was .2817416 percent.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

**NOTE M PENSION PLAN, continued**

For the year ended June 30, 2016, the District recognized pension expense of \$723,805. At June 30, 2016, the 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
Differences between expected and actual experience		444,759
Changes in assumptions or other inputs	135,115	
Net difference between projected and actual earnings on pension plan investments	1,365,412	1,948,295
Changes in the employer's proportion and difference between the employer's contributions and the employer's proportionate contributions		69,823
District contributions subsequent to the measurement date	927,631	
Total	2,428,158	2,462,877

\$927,631 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determine at July 1, 2014, the beginning of the measurement period ended June 30, 2015, is 5.5 years and 5.6 years for the measurement period ended June 30, 2014.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:	
2016	(396,09)
2017	(396,092)
2018	(396,092)
2019	260,714
2020	(34,788)

*Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 50-1322, Idaho Code, is 25 years.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

## NOTE M PENSION PLAN, continued

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

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015, is based on the results of an actuarial valuation date for that date.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate rates or 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.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	ACWI ex USA	15.00%	7.55%

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2016

**NOTE M PENSION PLAN, continued**

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
*Arithmetic return			
<b>Actuarial Assumptions</b>			
Assumed Inflation – Mean			3.25%
Assumed Inflation – Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Geometric Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	9,036,403	3,710,079	(718,054)

*Pension plan fiduciary net position*

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

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

At June 30, 2016, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

# Shelley Joint School District #60

Notes to Financial Statements  
*June 30, 2016*

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## **NOTE N POST RETIREMENT BENEFITS**

The District funds post-retirement benefits on a current basis through PERSI. The District paid 1.15% of the wages covered by PERSI to the state for the 2015-2016 school year. At the time of retirement, a sum equal to one-half of the monetary value of unused sick leave, calculated at the rate of pay at that time, is transferred from the sick leave account to the employee's retirement account. This money shall then be used to pay premiums for health, dental, and life insurance.

## **NOTE O PRIOR YEAR RESTATEMENT**

As a result of an error in the amount of net pension liability included at June 30, 2015, the governmental activities beginning net position was restated to subtract the increased net pension liability for PERSI of \$2,111,271. The restated beginning net position at July 1, 2015 after this adjustment is \$4,463,929.

## **NOTE P SUBSEQUENT EVENTS**

Management of the District evaluated subsequent events through October 20, 2016, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the District, that are required to be disclosed.

**REQUIRED FINANCIAL INFORMATION**

## Shelley Joint School District #60

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
Fiscal Year Ended June 30, 2016

<b>REVENUES</b>	Budget	Actual	Favorable (Unfavorable) Variance
Property taxes	593,046	598,141	5,095
Penalties and interest on delinquent taxes	2,500	3,164	664
Earnings on investments	4,000	14,044	10,044
Other local	54,700	138,848	84,148
State apportionment			
Base	8,286,097	8,341,706	55,609
Transportation	380,000	380,755	755
Benefits	1,096,277	1,104,607	8,330
Property tax replacement	39,428	39,428	
Other state revenue	426,009	474,527	48,518
<b>Total revenues</b>	<b>10,882,057</b>	<b>11,095,220</b>	<b>213,163</b>
<b>EXPENDITURES</b>			
Instruction			
Elementary	3,026,817	3,004,490	22,327
Secondary	2,698,415	2,708,953	(10,538)
Exceptional child	779,679	799,775	(20,096)
Gifted and talented	77,867	62,309	15,558
Interscholastic program	204,653	220,953	(16,300)
<b>Total instruction</b>	<b>6,787,431</b>	<b>6,796,480</b>	<b>(9,049)</b>
Support services			
Attendance, guidance, and health	354,959	354,324	635
Special education support services	284,517	214,812	69,705
Instructional improvement		57,377	(57,377)
Educational media	154,235	163,437	(9,202)
<b>Total support services</b>	<b>793,711</b>	<b>789,950</b>	<b>3,761</b>

See Independent Auditor's Report.

## Shelley Joint School District #60

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
Fiscal Year Ended June 30, 2016

<b>EXPENDITURES</b> , continued	Budget	Actual	Favorable (Unfavorable) Variance
Administration			
Board of Education	52,275	75,918	(23,643)
District administration	514,230	450,392	63,838
School administration	824,812	818,400	6,412
Total administration	1,391,317	1,344,710	46,607
Operations			
Business administrative services		540	(540)
Building care (custodial)	802,957	755,415	47,542
Maintenance	340,430	395,576	(55,146)
Security	45,711	38,249	7,462
Total operations	1,189,098	1,189,780	(682)
Transportation	567,369	525,156	42,213
Contingency reserve	55,769		55,769
Total expenditures	10,784,695	10,646,076	138,619
Revenues over (under) expenditures	97,362	449,144	351,782
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	(97,362)	(128,451)	(31,089)
Revenues and other financing sources over (under) expenditures	0	320,693	320,693
Fund balance - July 1, 2015		884,409	
Fund balance - June 30, 2016		1,205,102	

See Independent Auditor's Report.

# Shelley Joint School District #60

Debt Service Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES</b>			
Property taxes	750,000	756,963	6,963
Penalty and interest on delinquent taxes	4,000	3,714	(286)
Other state revenue	200,000	214,517	14,517
Total revenues	<u>954,000</u>	<u>975,194</u>	<u>21,194</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	579,000	715,000	(136,000)
Interest	375,000	374,571	429
Fees		950	(950)
Total expenditures	<u>954,000</u>	<u>1,090,521</u>	<u>(136,521)</u>
Revenues over (under) expenditures		(115,327)	157,715
Revenues and other financing sources over (under) expenditures	<u>0</u>	(115,327)	<u>(115,327)</u>
Fund balance - July 1, 2015		<u>1,442,774</u>	
Fund balance - June 30, 2016		<u>1,327,447</u>	

See Independent Auditor's Report.

## Shelley Joint School District #60

Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 -Budget to Actual-  
 Fiscal Year Ended June 30, 2016

	Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	390,000	393,526	3,526
Penalties and interest on delinquent taxes	2,000	2,230	230
Other local	5,000	4,796	(204)
Federal grants and assistance		20,000	20,000
	397,000	420,552	23,552
<b>EXPENDITURES</b>			
Facility acquisition	471,362	544,648	(73,286)
	471,362	544,648	(73,286)
Revenues over (under) expenditures	(74,362)	(124,096)	(49,734)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	74,362	76,041	1,679
Revenues and other financing sources over (under) expenditures	0	(48,055)	(48,055)
Fund balance - July 1, 2015		227,851	
Fund balance - June 30, 2016		179,796	

See Independent Auditor's Report.

## Shelley Joint School District #60

Required Supplementary Information

*Fiscal Year Ended June 30, 2016*

### General Employees' Other Postemployment Benefits Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Projected Unit Credit ( b )	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [(b - a) / c]
6/30/2016	-	702,866	702,866	-	8,092,472	8.69%
6/30/2015	-	684,256	684,256	-	7,687,331	8.90%
6/30/2014	-	679,778	679,778	-	7,667,308	8.87%

### Schedule of Employer's Share of Net Pension Liability PERSI-Base Plan Last 10-Fiscal Years \*

	<u>2016</u>	<u>2015</u>
Employer's portion of net pension liability	0.2817416%	0.2867965%
Employers proportionate share of the net pension liability	3,710,079	2,111,271
Employer's covered-employee payroll	8,194,628	7,891,503
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	45.27%	26.75%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

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

2016 Data reported is measured as of June 30, 2015 (measurement date).

### Schedule of Employer Contributions PERSI-Base Plan Last 10-Fiscal Years \*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	927,632	932,089
Contributions in relation to the statutorily required contribution	927,632	891,937
Contribution (deficiency) excess	0	(40,152)
Employer's covered-employee payroll	8,194,628	7,891,503
Contributions as a percentage of covered-employee payroll	11.3200%	11.3025%

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

2016 Data reported is measured as of June 30, 2016.

See Independent Auditor's Report.

# Shelley Joint School District #60

Notes to Required Supplementary Information  
*Fiscal Year Ended June 30, 2016*

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## **NOTE A BUDGET ADOPTION**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year end.

## **NOTE B EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED IN THE MAJOR FUNDS**

Actual expenditures for the fiscal year ended June 30, 2016, exceeded the budgeted expenditures in the Debt Service Fund and in the Capital Projects Fund.

See Independent Auditor's Report.

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## **OTHER FINANCIAL INFORMATION**

**Shelley Joint School District #60**

All Nonmajor Funds  
Combining Balance Sheet  
June 30, 2016

	Federal Forest	Driver's Ed	Common Core	Professional Technical	State Technology	Idaho Substance Abuse	Title I	Migrant Education	IDEA School Age	IDEA Preschool	Perkins III Professional Technical	Title II Teacher Quality	Child Nutrition	Medicaid	Building Maintenance	All Nonmajor Funds
<b>ASSETS</b>																
Cash and investments	1,424	14,462	1,515		140,334	25,417		3,277	22,260	58	2,902		180,008		317,077	708,734
Receivables																
Federal grants receivable							63,870	12,578	25,882	8,027	45,365	28,032	20,867			204,621
State agencies		3,000		16,907										49,726		69,633
<b>Total assets</b>	<b>1,424</b>	<b>17,462</b>	<b>1,515</b>	<b>16,907</b>	<b>140,334</b>	<b>25,417</b>	<b>63,870</b>	<b>15,855</b>	<b>48,142</b>	<b>8,085</b>	<b>48,267</b>	<b>28,032</b>	<b>200,875</b>	<b>49,726</b>	<b>317,077</b>	<b>982,988</b>
<b>LIABILITIES AND FUND EQUITY</b>																
<b>LIABILITIES</b>																
Accounts payable		288		276	41			107			27,934	60	125			28,831
Accrued wages		5,449			3,351		25,106	2,806	32,338	2,695	234		39,747	26,642		138,368
Accrued employee benefits		1,059		1	620		9,240	1,667	15,804	740	43		19,920	13,073		62,167
Interfund payable				14,073			29,524	11,275		4,650	20,056	27,581		10,011		117,170
<b>Total liabilities</b>	<b>0</b>	<b>6,796</b>	<b>0</b>	<b>14,350</b>	<b>4,012</b>	<b>0</b>	<b>63,870</b>	<b>15,855</b>	<b>48,142</b>	<b>8,085</b>	<b>48,267</b>	<b>27,641</b>	<b>59,792</b>	<b>49,726</b>	<b>0</b>	<b>346,536</b>
<b>FUND EQUITY</b>																
Restricted	1,424	10,666	1,515	2,557	136,322	25,417						391	141,083		317,077	636,452
<b>Total fund equity</b>	<b>1,424</b>	<b>10,666</b>	<b>1,515</b>	<b>2,557</b>	<b>136,322</b>	<b>25,417</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>391</b>	<b>141,083</b>	<b>0</b>	<b>317,077</b>	<b>636,452</b>
<b>Total liabilities and fund equity</b>	<b>1,424</b>	<b>17,462</b>	<b>1,515</b>	<b>16,907</b>	<b>140,334</b>	<b>25,417</b>	<b>63,870</b>	<b>15,855</b>	<b>48,142</b>	<b>8,085</b>	<b>48,267</b>	<b>28,032</b>	<b>200,875</b>	<b>49,726</b>	<b>317,077</b>	<b>982,988</b>

See Independent Auditor's Report.

**Shelley Joint School District #60**

All Nonmajor Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Fiscal Year Ended June 30, 2016

	Federal Forest	Driver's Ed	Common Core	Professional Technical	State Technology	Idaho Substance Abuse	Title I	Migrant Education	IDEA School Age	IDEA Preschool	Perkins III Professional Technical	Title II Teacher Quality	Child Nutrition	Medicaid	Building Maintenance	All Nonmajor Funds
<b>REVENUES</b>																
Earnings on investments													53			53
Food service													195,421			195,421
Other local		13,050														13,050
Other state revenue		13,612		56,650	132,798	30,224								222,596	131,709	587,589
Federal grants and assistance	884						278,378	36,892	316,008	23,610	45,365	80,313	556,160			1,337,610
<b>Total revenues</b>	<b>884</b>	<b>26,662</b>	<b>0</b>	<b>56,650</b>	<b>132,798</b>	<b>30,224</b>	<b>278,378</b>	<b>36,892</b>	<b>316,008</b>	<b>23,610</b>	<b>45,365</b>	<b>80,313</b>	<b>751,634</b>	<b>222,596</b>	<b>131,709</b>	<b>2,133,723</b>
<b>EXPENDITURES</b>																
Instruction																
Elementary					4,331		186,990	36,892				20,625		217,629		466,467
Secondary		67		56,751	21,653	10,975	54,430				45,365	11,297		38,862		239,400
Exceptional Child									295,234							295,234
Special educ preschool program										6,411						6,411
Driver's education		25,865														25,865
Support services																
Attendance, guidance, and health	8,100															8,100
Special educ support services									18,230	17,199				1,088		36,517
Instructional improvement			3,267			197	31,068		2,544			36,801		640		74,517
Instructional related technology					60,022											60,022
School administration							5,890					11,590		172		17,652
Business administrative services					14,490											14,490
Operations					16,982	6,000										22,982
Noninstructional services													791,862			791,862
Facility acquisition															29,078	29,078
<b>Total expenditures</b>	<b>8,100</b>	<b>25,932</b>	<b>3,267</b>	<b>56,751</b>	<b>117,478</b>	<b>17,172</b>	<b>278,378</b>	<b>36,892</b>	<b>316,008</b>	<b>23,610</b>	<b>45,365</b>	<b>80,313</b>	<b>791,862</b>	<b>258,391</b>	<b>29,078</b>	<b>2,088,597</b>
Revenues over (under) expenditures	(7,216)	730	(3,267)	(101)	15,320	13,052							(40,228)	(35,795)	102,631	45,126
<b>OTHER FINANCING SOURCES (USES)</b>																
Net transfers																
													21,856	30,554		52,410
<b>Total other financing sources</b>													<b>21,856</b>	<b>30,554</b>		<b>52,410</b>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(7,216)	730	(3,267)	(101)	15,320	13,052							(18,372)	(5,241)	102,631	97,536
Fund balance - July 1, 2015	8,640	9,936	4,782	2,658	121,002	12,365						391	159,455	5,241	214,446	538,916
Fund balance - June 30, 2016	1,424	10,666	1,515	2,557	136,322	25,417	0	0	0	0	0	391	141,083	0	317,077	636,452

See Independent Auditor's Report.

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# Shelley Joint School District #60

All Agency Funds  
Combining Schedule of Changes in Assets and Liabilities  
*Fiscal Year Ended June 30, 2016*

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	Balance			Balance
<b>ASSETS</b>	June 30, 2015	Receipts	Disbursements	June 30, 2016
Cash				
Shelley High School	146,915	539,197	501,939	184,173
Donald J. Hobbs Middle School	37,061	58,094	52,427	42,728
Riverview Elementary School	4,978	24,364	24,993	4,349
Sunrise Elementary School	5,153	30,641	32,825	2,969
Stuart Elementary School	15,092	28,358	30,094	13,356
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	209,199	680,654	642,278	247,575
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>				
Due to student groups				
Shelley High School	146,915	539,197	501,939	184,173
Donald J. Hobbs Middle School	37,061	58,094	52,427	42,728
Riverview Elementary School	4,978	24,364	24,993	4,349
Sunrise Elementary School	5,153	30,641	32,825	2,969
Stuart Elementary School	15,092	28,358	30,094	13,356
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	209,199	680,654	642,278	247,575
	<hr/>	<hr/>	<hr/>	<hr/>

See Independent Auditor's Report.

# Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2016

	General Fund		
	Total	2015	2014 and prior
Unearned balance at July 1, 2015	18,689	0	18,689
<b>ADDITIONS</b>			
Roll charges applicable to 2015	595,295	595,295	
Subsequent additions and cancellations	7,069	3,774	3,295
Total additions	602,364	599,069	3,295
<b>DEDUCTIONS</b>			
Collections received	391,937	382,023	9,914
Current amount due on taxes collected by the counties	206,392	205,535	857
Total deductions	598,329	587,558	10,771
Unearned balance at June 30, 2016	22,724	11,511	11,213

See Independent Auditor's Report.

## Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2016

Debt Service Fund			Capital Projects Fund		
Total	2015	2014 and prior	Total	2015	2014 and prior
20,594	0	20,594	10,824	0	10,824
752,844	752,844		391,479	391,479	
8,011	4,774	3,237	4,892	2,482	2,410
760,855	757,618	3,237	396,371	393,961	2,410
495,926	483,129	12,797	257,794	251,227	6,567
261,038	259,931	1,107	135,732	135,164	568
756,964	743,060	13,904	393,526	386,391	7,135
24,485	14,558	9,927	13,669	7,570	6,099

See Independent Auditor's Report.

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Single Audit Section

**Shelley Joint School District #60**

*June 30, 2016*



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

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Shelley Joint School District #60's basic financial statements, and have issued our report thereon dated October 20, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Shelley Joint School District #60'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 Shelley Joint School District #60's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelley Joint School District #60's internal control.

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

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shelley Joint School District #60'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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
CPAs and Consultants

Idaho Falls, Idaho  
October 20, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

**Report on Compliance for Each Major Federal Program**

We have audited Shelley Joint School District #60's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Shelley Joint School District #60's major federal programs for the year ended June 30, 2015. Shelley Joint School District #60's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Shelley Joint School District #60's major federal programs 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelley Joint School District #60'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 each major federal program. However, our audit does not provide a legal determination of Shelley Joint School District #60's compliance.

***Basis for Qualified Opinion on Title I Grants to Local Education Agencies (Title I, Part A of ESEA)***

As described in the accompanying schedule of findings and questioned costs, Shelley Joint School District #60 did not comply with requirements regarding CFDA 84.010 as described in item 2016-001 for Time and Effort Reporting. Compliance with such requirements is necessary, in our opinion, for Shelley Joint School District #60 to comply with the requirements applicable to that program.

## ***Qualified Opinion on Title I Grants to Local Education Agencies (Title I, Part A of ESEA)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Shelley Joint School District #60 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 programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shelley Joint School District #60's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelley Joint School District #60'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, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2016-001.

Shelley Joint School District #60's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Shelley Joint School District #60's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP  
CPAs and Consultants

Idaho Falls, Idaho  
October 20, 2016

# Shelley Joint School District #60

Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

Type of auditor's report issued: Unmodified Opinion.

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

### Federal Awards

Internal control over major programs:

- Material weakness (es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  X  Yes \_\_\_\_\_ No

Type of auditor's report issued on compliance for major programs: Modified Opinion.

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?

\_\_\_\_\_  X  Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

# Shelley Joint School District #60

## Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2016

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### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None.

### SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

#### **Finding 2016-001** Time and Effort Reporting in Title I

*Funding Agency:* Department of Education

*Title:* Title I Grants to Local Education Agencies (Title I, Part A of ESEA)

*CFDA Number:* 84.010

*Criteria or Specific Requirement:* Time and Effort required documentation is not being completed timely.

*Condition:* Time and Effort PARs were completed in May 2016 for the period August 2015 – May 2016.

*Context:* This issue was discovered as part of the internal control testing for single audit.

*Questioned Costs:* Determined by grantor.

*Effect:* The potential loss of federal funding due to lack of compliance with funding requirements.

*Cause:* A change in program directors, and lack of understanding of the time and effort requirements, meant that the missing documentation was not noticed until year end.

*Recommendation:* Although we believe that the new director is now aware and working on compliance with this requirement, we would recommend that time and effort be reviewed or at the minimum seen by another person within the district staff. Specifically, the district could turn in time and effort PARs with month end time records to the Payroll Clerk. As she codes split-time employees she would then be able to verify that the reports have been generated timely.

## Shelley Joint School District #60

### Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2016

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<b>United States Department of Agriculture</b>			
Passed through Idaho State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	2016IN109947	99,586
National School Lunch Program – cash	10.555	2016IN109947	353,390
Special Milk Program for Children	10.556	2016IN109947	202
Summer Food Service Program for Children	10.559	2015IN109947	25,259
			478,437
Non-Cash Assistance (Commodities)			
National School Lunch Program-commodities	10.555		77,723
Total Child Nutrition Cluster			556,160
Total Passed Through Idaho State Department of Education			556,160
Passed Through Bonneville County			
Federal Forest	10.665		8,100
Total U. S. Department of Agriculture			564,260
<b>United States Department of Education</b>			
Passed through Idaho State Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A150012	278,378
Migrant Education - Basic State Grant Program	84.011	S011A150012	36,892
Improving Teacher Quality	84.367	S367A150011	80,313
Special Education Cluster			
Special Education - School-age	84.027	H027A150088	316,008
Special Education - Preschool	84.173	H173A150030	23,610
Total Passed through Idaho State Department of Education			735,201
Passed through Idaho State Division of Professional Technical Vocational Education			
	84.048A	V048A140012	45,365
Total U. S. Department of Education			780,566
<b>Environmental Protection Agency</b>			
Direct Program			
National Clean Diesel Rebate Program	66.039		20,000
Total Expenditures of Federal Awards			1,364,826

# Shelley Joint School District #60

## Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2016*

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### **NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance issued by the Office of Management and Budget (OMB). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

### **NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified basis of accounting as described in Note A to the District's financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### **NOTE C NONMONETARY TRANSACTIONS**

Nonmonetary assistance is reported for the Food Distribution Program at fair market value of commodities received which is established by the State Department of Education. The District held an undetermined amount of those commodities in inventory at June 30, 2016.

### **NOTE D PAYMENT TO SUBRECIPIENTS**

The District passed \$27,724 of federal funds for Vocational Education (84.048A) through to other districts in the High Desert Consortium for the 2015-2016 fiscal year.

**Shelley Joint School District #60**

Summary Schedule of Prior Audit Findings  
*Fiscal Year Ended June 30, 2016*

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**None**