

Report of Audit

Shelley Joint School District #60

Shelley, Idaho

June 30, 2015

Shelley Joint School District #60

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June 30, 2015

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INDEPENDENT AUDITORS' 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, 2015, 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 of America; 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension- an amendment of GASB Statements No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 4 through 10 and pages 34 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. The combining and individual nonmajor fund financial statements, the agency fund 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 9, 2015, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
October 9, 2015

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2015*

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, 2015. 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 2015 are as follows:

In total, net position increased \$1,535,598 which represents a 40 percent increase from 2014. This was largely due to a \$1,537,999 pension change.

General revenues accounted for \$11,097,494 in revenue, or 77.3 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 \$3,259,363 or 22.7 percent of total revenues of \$14,356,857.

Total assets of governmental activities decreased by \$421,943 as cash and cash equivalents increased by \$419,939, receivables decreased by \$8,697, and capital assets decreased by \$833,185.

The District had \$12,821,259 in expenses; only \$3,259,363 of these expenses were offset by program specific charges for services, grants, or contributions. These expenses were decreased by \$1,537,999 from the pension gain. General revenues (primarily taxes and state aid) of \$11,097,494 in addition to the use of net position, were adequate to provide for these programs.

Among major funds, the General Fund had \$10,618,287 in revenues and \$10,224,950 in expenditures. The General Fund's balance increased \$284,016 from 2014. State support in the General Fund is broken down as follows: Base Support - \$7,885,026 which includes state salary and benefits apportionment of \$1,054,162 and Transportation of \$395,804; 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 \$326,978 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, 2015

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 2015?" 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 13. 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, 2015

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 \$5,346,458 at the close of the most recent fiscal year. The following table provides a summary of the District's net position for 2015 compared to 2014:

| | <u>2015</u> | 2014 (as restated) |
|----------------------------------|--------------------|-----------------------|
| Assets | | |
| Current and other assets | 4,656,332 | 4,245,090 |
| Capital assets | 16,860,426 | 17,693,611 |
| Total assets | 21,516,758 | 21,938,701 |
| Deferred outflows of resources | 1,839,987 | 879,529 |
| Liabilities | | |
| Long-term liabilities | 13,491,140 | 17,415,664 |
| Other liabilities | 1,612,731 | 1,591,706 |
| Total liabilities | 15,103,871 | 19,007,370 |
| Deferred inflows of resources | 2,906,416 | 0 |
| Net position | | |
| Net investment in capital assets | 5,715,426 | 5,823,611 |
| Restricted | 1,861,498 | 2,187,706 |
| Unrestricted | (2,609,927) | (4,200,457) |
| Total net position | 5,346,458 | 3,810,860 |

Total assets of governmental activities decreased by \$421,943 as cash and cash equivalents increased by \$419,939, receivables decreased by \$8,697, and capital assets decreased by \$833,185. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,346,458 at the close of the most recent fiscal year. 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 increased by \$1,590,530 after the prior year was restated for the net pension liability and the deferred outflows related to the pension.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2015

The following table shows the changes in net position for fiscal year 2015 and 2014.

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------------|-------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | 229,723 | 320,065 |
| Operating grants and contributions | 3,029,640 | 2,910,658 |
| General revenues | | |
| Property taxes | 1,767,345 | 1,555,398 |
| State aid | 9,261,506 | 8,590,962 |
| Other | 68,643 | 27,963 |
| Total revenues | <u>14,356,857</u> | <u>13,405,046</u> |
| Program Expenses | | |
| Instruction | 7,604,555 | 8,482,609 |
| Support services | 652,508 | 775,168 |
| Administrative | 1,212,208 | 1,363,850 |
| Operations | 1,050,109 | 1,043,134 |
| Transportation | 559,884 | 619,705 |
| Noninstructional | 718,841 | 768,237 |
| Interest and fiscal charges | 589,991 | 521,525 |
| Capital improvements | 433,163 | 330,295 |
| Total expenses | <u>12,821,259</u> | <u>13,904,523</u> |
| Increase (decrease) in net position | <u>1,535,598</u> | <u>(499,477)</u> |

GOVERNMENTAL ACTIVITIES

State aid of \$10,787,326 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 75 percent of revenues from governmental activities. Federal grants and assistance of \$1,482,908 makes up 10.3 percent of total revenues from governmental activities. Property taxes of \$1,767,345 make up 12.3 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 86 percent of District expenses.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2015

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 2015 | Net cost of services 2015 |
|-----------------------------|-----------------------------------|---------------------------------|
| Instruction | 7,604,555 | 6,199,665 |
| Support services | 652,508 | 475,446 |
| Administrative | 1,212,208 | 1,173,945 |
| Operations | 1,050,109 | 997,692 |
| Transportation | 559,884 | 138,893 |
| Noninstructional | 718,841 | (24,135) |
| Interest and fiscal charges | 589,991 | 263,013 |
| Capital improvements | 433,163 | 337,377 |
| Total expenses | <u>12,821,259</u> | <u>9,561,896</u> |

Instruction: Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. The pension gain reduced expenditures by \$1,070,214 in 2015.

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. The pension gain reduced expenditures by \$115,455 in 2015.

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. The pension gain reduced expenditures by \$188,049 in 2015.

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. The pension gain reduced expenditures by \$85,861 in 2015.

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. The pension gain reduced expenditures by \$26,510 in 2015.

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. The pension gain reduced expenditures by \$51,909 in 2015.

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, 2015

THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,361,978 and expenditures of \$14,161,690. The net change in fund balance for the year in the General Fund, Debt Service and the Capital Projects Fund was an increase of \$284,016, a decrease of \$8,606 and an increase of \$55,754, respectively.

At year's end, the General Fund balance increased by \$284,016 resulting in a fund balance of \$884,402 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 \$10,478,542.

CAPITAL ASSETS

At the end of the fiscal year 2015, the District had \$16,860,426 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

| | <u>2015</u> | <u>2014</u> |
|----------------------------|-------------------|-------------------|
| Land | 402,635 | 402,635 |
| Construction in progress | | |
| Buildings and improvements | 15,682,482 | 16,548,902 |
| Equipment | 258,847 | 254,895 |
| Vehicles | 516,462 | 487,179 |
| Total capital assets, net | <u>16,860,426</u> | <u>17,693,611</u> |

Overall capital assets decreased \$833,185 from fiscal year 2014 to fiscal year 2015. Increases in capital assets (primarily land, equipment, and vehicles) were offset by depreciation expense for the year.

DEBT ADMINISTRATION

At June 30, 2015, the District had two general obligation bond issues. The outstanding bonds are as follows:

| | Total | Due within one year |
|------------------|-------------------|------------------------|
| 2007 Series Bond | 3,565,000 | 655,000 |
| 2015 Series Bond | 7,580,000 | 60,000 |
| Total | <u>11,145,000</u> | <u>715,000</u> |

At June 30, 2015, the District's overall legal debt margin was \$ 20,981,108.

Shelley Joint School District #60

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

CURRENT FINANCIAL ISSUES AND CONCERNS

The significant change in the District's financial net position from June 20, 2014 to June 30, 2015, was in large part due to the governmental accounting requirements under GASB68 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.

The State Department of Education significantly increased funding to school districts in FY15 and shows a strong desire to continue this trend. Discretionary funding was increased, giving the District some flexibility for the future. An area of concern is technology, both in hardware and in software. The demand of keeping students on the cutting edge of education and competing with larger districts requires Shelley School District to continue its investment in technology to support students and faculty in the classroom. State and Federal reporting also drives our commitment to software which helps us fulfill these demanding requirements. As we have in the past, the District is committed to delivering the best educational experience to our students and will make sound financial decisions to accomplish this mission.

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.

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Shelley Joint School District #60

Statement of Net Position

June 30, 2015

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and investments | 3,385,260 |
| Property taxes receivable, net | 687,929 |
| Other receivables | 583,143 |
| Capital assets, non depreciable | 402,635 |
| Capital assets, net of depreciation | 16,457,791 |
| Total assets | <u>21,516,758</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on refunding | 770,924 |
| Related to pensions | 1,069,063 |
| Total deferred outflows of resources | <u>1,839,987</u> |
| LIABILITIES | |
| Accounts payable | 77,403 |
| Accrued wages | 1,061,541 |
| Accrued employee benefits | 373,338 |
| Interest payable | 100,449 |
| Long term liabilities | |
| Premium on bonds payable | 1,054,328 |
| Portion due or payable within one year | |
| General obligation bonds | 715,000 |
| Portion due or payable after one year | |
| General obligation bonds | 10,430,000 |
| Net pension liability | 1,228,742 |
| Other liabilities | 63,070 |
| Total liabilities | <u>15,103,871</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pensions | 2,906,416 |
| Total deferred inflows of resources | <u>2,906,416</u> |
| NET POSITION | |
| Net investment in capital assets | 5,715,426 |
| Restricted for | |
| Capital improvements | 238,675 |
| Debt service | 1,463,368 |
| Child nutrition | 159,455 |
| Other | 379,461 |
| Unrestricted | <u>(2,609,927)</u> |
| Total net position | <u>5,346,458</u> |

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Statement of Activities
Fiscal Year Ended June 30, 2015

| Functions / Programs | Expenses | Charges for services | Program Revenues | | Net (expense) revenue and changes in net position |
|--|------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Operating grants and contributions | Capital grants and contributions | Total governmental activities |
| Governmental activities | | | | | |
| Instruction | 7,604,555 | 22,630 | 1,382,260 | | (6,199,665) |
| Support services | 652,508 | | 177,062 | | (475,446) |
| Administrative | 1,212,208 | | 38,263 | | (1,173,945) |
| Operations | 1,050,109 | | 52,417 | | (997,692) |
| Transportation | 559,884 | 25,187 | 395,804 | | (138,893) |
| Noninstructional | 718,841 | 181,906 | 561,070 | | 24,135 |
| Interest on long-term debt | 589,991 | | 326,978 | | (263,013) |
| Capital improvements | 433,163 | | 95,786 | | (337,377) |
| Total governmental activities | 12,821,259 | 229,723 | 3,029,640 | 0 | (9,561,896) |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes | | | | | 1,767,345 |
| Property tax replacement | | | | | 39,428 |
| State aid - formula grants | | | | | 8,939,188 |
| Other state revenue | | | | | 282,890 |
| Unrestricted investments earnings | | | | | 10,374 |
| Unrestricted federal funds | | | | | 876 |
| Other local | | | | | 62,893 |
| Loss on disposition of fixed assets | | | | | (5,500) |
| Total general revenues | | | | | 11,097,494 |
| Change in net position | | | | | 1,535,598 |
| Net position - beginning (as restated) | | | | | 3,810,860 |
| Net position - ending | | | | | 5,346,458 |

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet
Governmental Funds
June 30, 2015

| | General Fund | Debt Service | Capital Projects | All Nonmajor Funds | Total Governmental Funds |
|--|-----------------|-----------------|---------------------|--------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and investments | 1,528,235 | 1,163,934 | 90,051 | 603,048 | 3,385,268 |
| Receivables | | | | | |
| Taxes - current | 215,824 | 278,840 | 143,158 | | 637,822 |
| Taxes - delinquent | 18,689 | 20,594 | 10,824 | | 50,107 |
| State apportionment | 302,745 | | | | 302,745 |
| Federal grants | | | | 193,875 | 193,875 |
| State agencies | 30,426 | | | 56,097 | 86,523 |
| Interfund receivable | 71,794 | | | | 71,794 |
| | | | | | |
| Total assets | 2,167,713 | 1,463,368 | 244,033 | 853,020 | 4,728,134 |
| LIABILITIES | | | | | |
| Accounts payable | 40,903 | | 5,358 | 31,142 | 77,403 |
| Accrued wages | 913,268 | | | 148,273 | 1,061,541 |
| Accrued employee benefits | 310,444 | | | 62,895 | 373,339 |
| Interfund payable | | | | 71,794 | 71,794 |
| | | | | | |
| Total liabilities | 1,264,615 | 0 | 5,358 | 314,104 | 1,584,077 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | 18,689 | 20,594 | 10,824 | | 50,107 |
| | | | | | |
| FUND BALANCES | | | | | |
| Restricted for | | | | | |
| Debt service | | 1,442,774 | | | 1,442,774 |
| Child nutrition | | | | 159,455 | 159,455 |
| Other fund activities | | | 227,851 | 379,461 | 607,312 |
| Unassigned | 884,409 | | | | 884,409 |
| | | | | | |
| Total fund balances | 884,409 | 1,442,774 | 227,851 | 538,916 | 3,093,950 |
| | | | | | |
| Total liabilities, deferred inflows of resources, and fund balances | 2,167,713 | 1,463,368 | 244,033 | 853,020 | 4,728,134 |

The accompanying notes are 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, 2015

| | |
|--|-------------------------|
| Total fund balances - governmental funds | 3,093,950 |
| Amounts reported for governmental activities in the statement of net assets 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. | (283,411) |
| 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: | (3,066,095) |
| 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 \$33,580,007, and the accumulated depreciation is \$16,719,581. | 16,860,426 |
| 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. | 50,107 |
| 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 consist of: | |
| Bonds payable | (11,145,000) |
| Accrued interest on the bonds | (100,449) |
| GASB 45/Compensated absences | <u>(63,070)</u> |
| | <u>(11,308,519)</u> |
| Total net position - governmental activities | <u><u>5,346,458</u></u> |

The accompanying notes are 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, 2015

| | General Fund | Debt Service | Capital Projects | All Nonmajor Funds | Total Governmental Funds |
|--|-------------------|------------------|---------------------|--------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | 593,185 | 768,337 | 395,579 | | 1,757,101 |
| Penalties and interest on delinquent taxes | 2,826 | 4,503 | 2,536 | | 9,865 |
| Earnings on investments | 10,374 | | | | 10,374 |
| Food service | | | | 181,906 | 181,906 |
| Other local | 86,677 | | 15,917 | 29,904 | 132,498 |
| State apportionment | | | | | |
| Base | 7,885,026 | | | | 7,885,026 |
| Transportation | 395,804 | | | | 395,804 |
| Benefits | 1,054,162 | | | | 1,054,162 |
| Property tax replacement | 39,428 | | | | 39,428 |
| Other state revenue | 550,805 | 326,978 | | 535,123 | 1,412,906 |
| Federal grants and assistance | | | | 1,482,908 | 1,482,908 |
| | 10,618,287 | 1,099,818 | 414,032 | 2,229,841 | 14,361,978 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 6,561,275 | | | 1,192,018 | 7,753,293 |
| Support services | 678,137 | | | 89,826 | 767,963 |
| Administration | 1,354,981 | | | 41,533 | 1,396,514 |
| Operations | 1,120,553 | | | 15,367 | 1,135,920 |
| Transportation | 509,764 | | | | 509,764 |
| Noninstructional | | | | 770,748 | 770,748 |
| Debt service | | 1,241,830 | | | 1,241,830 |
| Facility acquisition | | | 446,718 | 139,513 | 586,231 |
| | 10,224,710 | 1,241,830 | 446,718 | 2,249,005 | 14,162,263 |
| Revenues over (under) expenditures | 393,577 | (142,012) | (32,686) | (19,164) | 199,715 |

The accompanying notes are 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, 2015

| | General Fund | Debt Service | Capital Projects | All Nonmajor Funds | Total Governmental Funds |
|---|-----------------|-----------------|---------------------|--------------------------|--------------------------------|
| OTHER FINANCING SOURCES (USES) | | | | | |
| Refunding bonds issued | | 7,580,000 | | | 7,580,000 |
| Premium on refunding bonds issued | | 1,054,328 | | | 1,054,328 |
| Payment to refunded bond escrow agent | | (8,500,924) | | | (8,500,924) |
| Operating transfers, net | (109,321) | | 88,438 | 20,883 | 0 |
| Total other financing sources (uses) | (109,321) | 133,404 | 88,438 | 20,883 | 133,404 |
| Revenues and other financing sources over (under) expenditures | 284,256 | (8,608) | 55,752 | 1,719 | 333,119 |
| Fund balance - July 1, 2014 | 600,153 | 1,451,382 | 172,099 | 537,197 | 2,760,831 |
| Fund balance - June 30, 2015 | 884,409 | 1,442,774 | 227,851 | 538,916 | 3,093,950 |

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
Fiscal Year Ended June 30, 2015

| | |
|---|-------------------------|
| Total net change in fund balances - governmental funds: | 333,119 |
| 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, \$979,942, exceeds capital outlays, \$152,257, in the period. | (827,685) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 575,000 |
| 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. Unavailable tax revenues increased by this amount this year. | 379 |
| 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. | (112,721) |
| 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 (\$17,977). 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 (\$3,743). | 1,516,279 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets. | (5,500) |
| 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 interest expense is decreased in the statement of activities as the result of the decrease in accrued interest on bonds of \$56,727. | <u>56,727</u> |
| Change in net position of governmental activities | <u><u>1,535,598</u></u> |

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2015

| | <u>Agency Funds</u> |
|-----------------------|-------------------------|
| ASSETS | |
| Cash | <u>209,199</u> |
| Total assets | <u>209,199</u> |
| LIABILITIES | |
| Due to student groups | <u>209,199</u> |
| Total liabilities | <u>209,199</u> |
| NET POSITION | <u><u>0</u></u> |

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

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. New Accounting Pronouncement. Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension—an amendment of GASB Statement No. 27*. The statement establishes new requirements for the District to report a "net pension liability (asset) for the unfunded (overfunded) portion of its pension plan and deferred outflows of resources and deferred inflows of resources related to pension plans. See Note O for the restatement of the beginning net position.

The District has not evaluated the potential impact of these changes.

4. 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.

5. 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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

6. **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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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). Expenditures-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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. 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 reserved 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.

8. 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.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

9. 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.

10. 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.
11. 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 an 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.

The 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 |

12. Compensated Absences. Employees are entitled to certain compensated absences based on their length of employment. The entire compensated absences are not reported in the governmental-wide financial statement, as they are not significant to the financial position of the District.
13. 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, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

14. 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.

15. 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.

16. 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.
17. 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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

18. 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.

19. 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.
20. 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.
21. Reclassification. Certain prior period balances have been reclassified to conform with current period presentation.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE B CASH AND INVESTMENTS

At June 30, 2015, the carrying amount of the District's deposits was \$3,594,459 and the bank balance was as follows:

| | |
|---|-------------------------|
| Insured by Federal Depository Insurance | 483,820 |
| Uninsured and uncollateralized | <u>3,193,781</u> |
| Total | <u><u>3,677,601</u></u> |

At June 30, 2015, 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>571,059</u> | <u>569,316</u> |
| Total investments | <u><u>571,059</u></u> | <u><u>569,316</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, 2015, \$3,193,781 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$569,316 was held in the Zion's Bank Liquid Asset Management account which is not insured or guaranteed by the FDIC.

The District has elected to invest in the LGIP through the Idaho State Treasurer at times although there is no money invested there at June 30, 2015. The Idaho State Treasurer provides oversight for investments by or through any department or institute of the State of Idaho. Amounts held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and interest rate fluctuations.

The State Investment Pool is audited annually and the related financial statements and note disclosures are included in the State of Idaho's Comprehensive Annual Financial Report, a copy of which can be downloaded from www.sco.idaho.gov.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

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 \$20,883 to the Child Nutrition Fund as required by state law. The District also transferred \$88,438 from the General Fund to the Capital Projects Fund as required for depreciation.

To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2015, were as follows:

| | <u>Receivable</u> | <u>Payable</u> |
|----------------|-------------------|----------------|
| General Fund | 71,794 | |
| Nonmajor Funds | | 71,794 |
| Total | <u>71,794</u> | <u>71,794</u> |

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 \$67,622 in USDA Commodities during the 2014-2015 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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE F CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2015:

| | Balance July 1, 2014 | Additions | Deductions | Balance June 30, 2015 |
|---|-------------------------|------------------|-----------------|--------------------------|
| Capital assets, not being depreciated | | | | |
| Land | | | | |
| Elementary | 52,635 | | | 52,635 |
| Secondary | 350,000 | | | 350,000 |
| Total capital assets, not being depreciated | <u>402,635</u> | <u>0</u> | <u>0</u> | <u>402,635</u> |
| Capital assets, being depreciated | | | | |
| Buildings | | | | |
| Elementary | 20,807,667 | | | 20,807,667 |
| Secondary | 9,242,382 | | | 9,242,382 |
| Administration | 454,840 | | | 454,840 |
| Total buildings | <u>30,504,889</u> | | <u>0</u> | <u>30,504,889</u> |
| Equipment | | | | |
| Elementary | 550,690 | 34,365 | (10,000) | 575,055 |
| Secondary | 196,794 | 11,978 | | 208,772 |
| Administration | 109,241 | | | 109,241 |
| Total equipment | <u>856,725</u> | <u>46,343</u> | <u>(10,000)</u> | <u>893,068</u> |
| Vehicles | <u>1,673,501</u> | <u>105,914</u> | <u>0</u> | <u>1,779,415</u> |
| Total capital assets, being depreciated | <u>33,035,115</u> | <u>152,257</u> | <u>(10,000)</u> | <u>33,177,372</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (13,955,987) | (866,420) | | (14,822,407) |
| Equipment | (601,830) | (36,891) | 4,500 | (634,221) |
| Vehicles | (1,186,322) | (76,631) | | (1,262,953) |
| Total accumulated depreciation | <u>(15,744,139)</u> | <u>(979,942)</u> | <u>4,500</u> | <u>(16,719,581)</u> |
| Total capital assets being depreciated, net | <u>17,290,976</u> | <u>(827,685)</u> | <u>(5,500)</u> | <u>16,457,791</u> |
| Governmental activities capital assets, net | <u>17,693,611</u> | <u>(827,685)</u> | <u>(5,500)</u> | <u>16,860,426</u> |

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

| | |
|--|----------------|
| Governmental activities | |
| Instruction | 903,261 |
| Operations | 50 |
| Transportation | <u>76,631</u> |
| Total depreciation expense – governmental activities | <u>979,942</u> |

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE G PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period of September 1, 2014, through May 31, 2015, to be paid over the twelve months of September 1, 2014, through August 31, 2015. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

NOTE H GENERAL OBLIGATION BOND ISSUES

The District has one general obligation bond issue and one refunding bond series (2011 and 2015 Series) outstanding with interest rates ranging from 2.5 to 5.0 percent. The scheduled maturity dates for the 2011 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 |
|----------------------------|-------------------|------------------|-------------------|
| 2016 | 1,021,886 | 306,886 | 715,000 |
| 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 |
| 2021-2025 | 5,348,274 | 918,274 | 4,430,000 |
| 2026-2028 | 3,214,963 | 124,963 | 3,090,000 |
| Total | <u>13,929,174</u> | <u>2,784,174</u> | <u>11,145,000</u> |

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

| Principal | 2007 Series | 2011 Series | 2015 Series | Combined Total |
|--------------------------------|------------------|----------------|------------------|-------------------|
| Balances at July 1, | 11,465,000 | 405,000 | | 11,870,000 |
| Additions | | | 7,580,000 | 7,580,000 |
| Reductions | 7,900,000 | 405,000 | | 8,305,000 |
| Balances at June 30, | <u>3,565,000</u> | <u>0</u> | <u>7,580,000</u> | <u>11,145,000</u> |
| <u>Interest to be provided</u> | | | | |
| Balances at July 1, 2014 | 4,294,620 | 4,050 | | 4,298,670 |
| Additions | | | 2,346,017 | 2,346,017 |
| Reductions | 3,856,463 | 4,050 | | 3,860,513 |
| Balances at June 30, | <u>438,157</u> | <u>0</u> | <u>2,346,017</u> | <u>2,784,174</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, 2015, the limit for the District was \$30,683,334. The Debt Service Fund had \$1,442,774 available and general obligation debt of \$11,145,000 leaving a legal debt margin of \$20,981,108.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE J LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2015:

| | Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 |
|-----------------------|-------------------------|------------------|-------------------|--------------------------|
| Bonds payable | 11,870,000 | 7,580,000 | 8,305,000 | 11,145,000 |
| Premium on issuance | 17,691 | 1,054,328 | 17,691 | 1,054,328 |
| Net pension liability | 5,486,623 | | 4,254,881 | 1,228,742 |
| Employee benefits | 41,350 | 21,720 | | 63,070 |
| Total | <u>17,415,664</u> | <u>8,656,048</u> | <u>12,577,572</u> | <u>13,491,140</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.

On May 15, 2015, the District issued \$7,580,000 in general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7,730,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$770,924. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,131,971 and resulted in an economic gain of \$1,014,279.

NOTE K 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 2015 the District contributed approximately \$62,826 of the annual required contribution of \$80,743. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE K RETIREMENT HEALTHCARE PLAN, continued

Monthly contribution rates in effect for the retirees as of the end of fiscal year 2015 were as follows:

| Medical with Vision Coverage | \$2,000 Deductible | \$3,000 Deductible (Catastrophe) |
|---------------------------------|-----------------------|-------------------------------------|
| Single | \$450.10 | \$373.60 |
| No Spouse W/Child | \$692.10 | \$574.20 |
| No Spouse W/Children | \$810.55 | \$673.55 |
| W/Spouse | \$984.30 | \$815.90 |
| W/Spouse + Children | \$1,146.95 | \$951.85 |
| | | |
| Dental Coverage | Delta Dental | Willamette Dental |
| Single | \$ 36.01 | \$ 31.67 |
| No Spouse W/Child | \$ 77.83 | \$ 68.48 |
| No Spouse W/Children | \$115.62 | \$ 101.74 |
| W/Spouse | \$ 77.78 | \$ 68.44 |
| W/Spouse + Children | \$ 151.11 | \$ 132.91 |
| | | |
| Life Coverage | Retiree Life | Dependent Life |
| Single | \$2.00 | \$ 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 | 80,743 |
| Interest on net OPEB obligation | 1,030 |
| Adjustment to annual required contribution | (970) |
| Annual OPEB cost (expense) | 80,803 |
| Contributions made | (62,826) |
| | |
| Increase in net OPEB obligation | 17,977 |
| | |
| Net OPEB obligation – beginning of year | 24,240 |
| | |
| Net OPEB obligation - end of year | 42,217 |

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE K RETIREMENT HEALTHCARE PLAN, continued

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, 2013 | 75,383 | 85% | 11,523 |
| June 30, 2014 | 73,028 | 83% | 24,240 |
| June 30, 2015 | 80,804 | 78% | 42,217 |

*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.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE K RETIREMENT HEALTHCARE PLAN, continued

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 L 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.

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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2014, was as follows:

| | |
|---|-----------------------|
| Active system members | 66,223 |
| Inactive system members entitled to but not yet receiving benefits | 11,504 |
| Inactive system members or beneficiaries currently receiving benefits | <u>40,776</u> |
| Total system members | <u><u>118,503</u></u> |

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE L **PENSION PLAN**, continued

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. As of June 30, 2014 it was 6.79%. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were \$879,529 for the year ended June 30, 2014.

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 July 1, 2014, the District's proportion was .2867965 percent.

For the year ended June 30, 2015, the District recognized pension revenue of \$644,681. At June 30, 2015, 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 | | 262,082 |
| Changes in assumptions or other inputs | 175,745 | |
| Net difference between projected and actual earnings on pension plan investments | | 2,644,334 |
| District contributions subsequent to the measurement date | 893,318 | |
| Total | 1,069,063 | 2,906,416 |

\$893,318 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, 2015.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE L PENSION PLAN, continued

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, 2013, the beginning of the measurement period ended June 30, 2014, is 5.6 years.

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:

| <u>Year ended June 30:</u> | |
|----------------------------|-----------|
| 2015 | (679,852) |
| 2016 | (679,852) |
| 2017 | (679,852) |
| 2018 | (679,852) |
| 2019 | (11,261) |

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.

The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--------------------------------|
| Inflation | 3.25% |
| Salary increases | 4.5 – 10.25% |
| 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, 2014, is based on the results of an actuarial valuation date of July 1, 2014.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE L PENSION PLAN, continued

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 | Wilshire 5000 / Russell 3000 | 55.00% | 6.90% |
| Developed Foreign Equities | MSCI EAFE | 15.00% | 7.55% |
| Assumed Inflation – Mean | | | 3.25% |
| Assumed Inflation – Standard Deviation | | | 2.00% |
| Portfolio Arithmetic Mean Return | | | 8.42% |
| Portfolio Standard Deviation | | | 13.34% |
| Portfolio Long-Term Expected Rate of Return | | | 7.50% |
| Assumed Investment Expenses | | | 0.40% |
| Long-Term Expected Rate of Return, Net of Investment Expenses | | | 7.10% |

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2015

NOTE L PENSION PLAN, continued

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) | 7,331,828 | 2,111,271 | (2,228,534) |

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.

NOTE M POST RETIREMENT BENEFITS

The District funds post-retirement benefits on a current basis through PERSI. The District paid 1.16% of the wages covered by PERSI to the state for the 2014-2015 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 N EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED IN THE MAJOR FUNDS

Actual expenditures for the fiscal year ended June 30, 2015, exceeded the budgeted expenditures in the Debt Service Fund due to refunding the debt and in the Capital Projects Fund.

NOTE O PRIOR YEAR RESTATEMENT

As a result of the implementation of GASB Statement No. 68, the governmental activities beginning net position was restated to subtract the beginning net pension liability for PERSI by \$5,486,623 and to add deferred outflows of resources – contributions after the measurement date resulting in a restated balance of \$3,810,860.

NOTE P SUBSEQUENT EVENTS

Management of the District evaluated subsequent events through October 9, 2015, 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, 2015

| | Original and Final Budget | Actual | Favorable (Unfavorable) Variance |
|--|------------------------------|-------------------|--|
| REVENUES | | | |
| Property taxes | 588,818 | 593,185 | 4,367 |
| Penalties and interest on delinquent taxes | 2,000 | 2,826 | 826 |
| Earnings on investments | 3,000 | 10,374 | 7,374 |
| Other local | 59,500 | 86,677 | 27,177 |
| State apportionment | | | |
| Base | 7,935,975 | 7,885,026 | (50,949) |
| Transportation | 375,000 | 395,804 | 20,804 |
| Benefits | 1,059,682 | 1,054,162 | (5,520) |
| Property tax replacement | 39,428 | 39,428 | 0 |
| Other state revenue | 415,139 | 550,805 | 135,666 |
| | 10,478,542 | 10,618,287 | 139,745 |
| EXPENDITURES | | | |
| Instruction | | | |
| Elementary | 2,887,388 | 2,824,545 | 62,843 |
| Secondary | 2,731,167 | 2,684,696 | 46,471 |
| Exceptional child | 795,351 | 770,632 | 24,719 |
| Gifted and talented | 75,049 | 75,031 | 18 |
| Interscholastic program | 186,970 | 206,371 | (19,401) |
| Total instruction | 6,675,925 | 6,561,275 | 114,650 |
| Support services | | | |
| Attendance, guidance, and health | 316,272 | 290,794 | 25,478 |
| Special services | 222,266 | 221,762 | 504 |
| Instructional improvement | | 9,241 | (9,241) |
| Educational media | 148,703 | 156,340 | (7,637) |
| Total support services | 687,241 | 678,137 | 9,104 |

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, 2015

| | Original and Final Budget | Actual | Favorable (Unfavorable) Variance |
|---|------------------------------|------------|--|
| EXPENDITURES, continued | | | |
| Administration | | | |
| Board of Education | 53,884 | 39,941 | 13,943 |
| District administration | 480,438 | 525,392 | (44,954) |
| School administration | 796,759 | 789,648 | 7,111 |
| Total administration | 1,331,081 | 1,354,981 | (23,900) |
| Operations | | | |
| Building care (custodial) | 781,787 | 738,759 | 43,028 |
| Maintenance | 298,234 | 337,036 | (38,802) |
| Security | 44,580 | 44,758 | (178) |
| Total operations | 1,124,601 | 1,120,553 | 4,048 |
| Transportation | 562,085 | 509,764 | 52,321 |
| Noninstructional | 0 | 0 | 0 |
| Total expenditures | 10,380,933 | 10,224,710 | 156,223 |
| Revenues over (under) expenditures | 97,609 | 393,577 | 295,968 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers, net | (97,609) | (109,321) | (11,712) |
| Revenues and other financing sources over (under) expenditures | 0 | 284,256 | 284,256 |
| Fund balance - July 1, 2014 | | 600,153 | |
| Fund balance - June 30, 2015 | | 884,409 | |

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, 2015

| | Original and Final Budget | Actual | Favorable (Unfavorable) Variance |
|---|------------------------------|-------------|--|
| REVENUES | | | |
| Property taxes | 760,000 | 768,337 | 8,337 |
| Penalties and interest on delinquent taxes | 5,000 | 4,503 | (497) |
| Other state revenue | 315,000 | 326,978 | 11,978 |
| Total revenues | 1,080,000 | 1,099,818 | 19,818 |
| EXPENDITURES | | | |
| Debt service | 1,080,000 | 1,241,830 | (161,830) |
| Total expenditures | 1,080,000 | 1,241,830 | (161,830) |
| Revenues over (under) expenditures | | (142,012) | (142,012) |
| OTHER FINANCING SOURCES (USES) | | | |
| Refunding bonds issued | | 7,580,000 | (7,580,000) |
| Premium on refunding bonds issued | | 1,054,328 | (1,054,328) |
| Payment to refunded bond escrow agent | | (8,500,924) | 8,500,924 |
| Total other financing sources (uses) | 0 | 133,404 | 133,404 |
| Revenues and other financing sources over (under) expenditures | 0 | (8,608) | (8,608) |
| Fund balance - July 1, 2014 | | 1,451,382 | |
| Fund balance - June 30, 2015 | | 1,442,774 | |

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, 2015

| | Original and Final Budget | Actual | Favorable (Unfavorable) Variance |
|---|------------------------------|--------------|--|
| REVENUES | | | |
| Property taxes | 390,000 | 395,579 | 5,579 |
| Penalties and interest on delinquent taxes | 1,000 | 2,536 | 1,536 |
| Other local revenue | 2,000 | 15,917 | 13,917 |
| Total revenues | 393,000 | 414,032 | 21,032 |
| EXPENDITURES | | | |
| Facility acquisition | 393,000 | 446,718 | (53,718) |
| Total expenditures | 393,000 | 446,718 | (53,718) |
| Revenues over (under) expenditures | | (32,686) | (32,686) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers, net | 73,609 | 88,438 | 14,829 |
| Revenues and other financing sources over (under) expenditures | 73,609 | 55,752 | (17,857) |
| Fund balance - July 1, 2014 | | 172,099 | |
| Fund balance - June 30, 2015 | | 227,851 | |

See Independent Auditor's Report.

Shelley Joint School District #60

Required Supplementary Information

Fiscal Year Ended June 30, 2015

General Employees' Other Postemployment Benefits Plan Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | 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] |
|--------------------------------|--|--|--|------------------------------|-----------------------------|---|
| 6/30/2013 | - | 667,624 | 667,624 | - | 7,899,175 | 8.45% |
| 6/30/2014 | - | 679,778 | 679,778 | - | 7,667,308 | 8.87% |
| 6/30/2015 | - | 684,256 | 684,256 | - | 7,687,331 | 8.90% |

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

| | <u>2015</u> |
|--|--------------|
| Employer's portion of net pension liability | 0.286796500% |
| Employers proportionate share of the net pension liability | 2,111,271 |
| Employer's covered-employee payroll | 7,891,503 |
| Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll | 26.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 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.

Data reported is measured as of July 1, 2014 (measurement date)

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

| | <u>2015</u> |
|--|-------------|
| Statutorily required contribution | 932,089 |
| Contributions in relation to the statutorily required contribution | 891,937 |
| Contribution (deficiency) excess | (40,152) |
| Employer's covered-employee payroll | 7,891,503 |
| Contributions as a percentage of covered-employee payroll | 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.

Data reported is measured as of June 30, 2015.

Shelley Joint School District #60

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

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.

OTHER FINANCIAL INFORMATION

Shelley Joint School District #60

All Nonmajor Funds
Combining Balance Sheet
June 30, 2015

| | Federal Forest | Driver's Education | Common Core | Professional Technical | State Technology | Idaho Substance Abuse | Title I | Migrant Education | IDEA School Age | IDEA Preschool | Carl Perkins | Title II - A Teacher Quality | Child Nutrition | Medicaid | Building Maintenance | All Nonmajor Funds |
|--------------------------------------|----------------|--------------------|--------------|------------------------|------------------|-----------------------|---------------|-------------------|-----------------|----------------|---------------|------------------------------|-----------------|---------------|----------------------|--------------------|
| ASSETS | | | | | | | | | | | | | | | | |
| Cash | 7,879 | 10,454 | 9,068 | | 123,066 | 12,365 | | | 17,675 | | | | 195,667 | 12,428 | 214,446 | 603,048 |
| Receivables | | | | | | | | | | | | | | | | |
| Federal grants | 761 | | | | | | 47,988 | 14,934 | 40,151 | 7,976 | 47,287 | 13,793 | 20,985 | | | 193,875 |
| State agencies | | 7,324 | | 14,829 | | | | | | | | | | 33,944 | | 56,097 |
| Total assets | <u>8,640</u> | <u>17,778</u> | <u>9,068</u> | <u>14,829</u> | <u>123,066</u> | <u>12,365</u> | <u>47,988</u> | <u>14,934</u> | <u>57,826</u> | <u>7,976</u> | <u>47,287</u> | <u>13,793</u> | <u>216,652</u> | <u>46,372</u> | <u>214,446</u> | <u>853,020</u> |
| LIABILITIES | | | | | | | | | | | | | | | | |
| Accounts payable | | 948 | | 302 | 95 | | | | | | 27,133 | 2,580 | 84 | | | 31,142 |
| Accrued wages | | 5,781 | 3,600 | | 1,204 | | 24,717 | 2,186 | 40,722 | 2,617 | 83 | 428 | 38,279 | 28,656 | | 148,273 |
| Accrued employee benefits | | 1,113 | 686 | | 765 | | 9,641 | 1,473 | 17,104 | 709 | 15 | 80 | 18,834 | 12,475 | | 62,895 |
| Interfund payable | | | | 11,869 | | | 13,630 | 11,275 | | 4,650 | 20,056 | 10,314 | | | | 71,794 |
| Total liabilities | <u>0</u> | <u>7,842</u> | <u>4,286</u> | <u>12,171</u> | <u>2,064</u> | | <u>47,988</u> | <u>14,934</u> | <u>57,826</u> | <u>7,976</u> | <u>47,287</u> | <u>13,402</u> | <u>57,197</u> | <u>41,131</u> | <u>0</u> | <u>314,104</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | | | | | | | |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND EQUITY | | | | | | | | | | | | | | | | |
| Restricted | <u>8,640</u> | <u>9,936</u> | <u>4,782</u> | <u>2,658</u> | <u>121,002</u> | <u>12,365</u> | | | | | | 391 | 159,455 | 5,241 | 214,446 | 538,916 |
| Total fund equity | <u>8,640</u> | <u>9,936</u> | <u>4,782</u> | <u>2,658</u> | <u>121,002</u> | <u>12,365</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>391</u> | <u>159,455</u> | <u>5,241</u> | <u>214,446</u> | <u>538,916</u> |
| Total liabilities and fund equity | <u>8,640</u> | <u>17,778</u> | <u>9,068</u> | <u>14,829</u> | <u>123,066</u> | <u>12,365</u> | <u>47,988</u> | <u>14,934</u> | <u>57,826</u> | <u>7,976</u> | <u>47,287</u> | <u>13,793</u> | <u>216,652</u> | <u>46,372</u> | <u>214,446</u> | <u>853,020</u> |

See Independent Auditor's Report.

Shelley Joint School District #60

All Nonmajor Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Fiscal Year Ended June 30, 2015

| | Federal Forest | Driver's Education | Common Core | Professional Technical | State Technology | Idaho Substance Abuse | Title I | Migrant Education | IDEA School Age | IDEA Preschool | Carl Perkins | Title III Language Acquisition | Title II - A Teacher Quality | Child Nutrition | Medicaid | Building Maintenance | All Nonmajor Funds |
|---|-------------------|-----------------------|----------------|---------------------------|---------------------|-----------------------------|----------------|----------------------|--------------------|-------------------|-----------------|--------------------------------------|------------------------------------|--------------------|----------------|-------------------------|-----------------------|
| REVENUES | | | | | | | | | | | | | | | | | |
| Other local | | 22,630 | | | 150 | | | | | | | | | | | 7,124 | 29,904 |
| Other state revenue | | 14,572 | | 53,441 | 87,921 | 16,085 | | | | | | | | | 267,318 | 95,786 | 535,123 |
| Food service | | | | | | | | | | | | | | 181,906 | | | 181,906 |
| Federal grants and assistance | 876 | | | | | | 298,714 | 38,165 | 439,413 | 21,669 | 47,644 | 310 | 75,047 | 561,070 | | | 1,482,908 |
| Total revenues | 876 | 37,202 | 0 | 53,441 | 88,071 | 16,085 | 298,714 | 38,165 | 439,413 | 21,669 | 47,644 | 310 | 75,047 | 742,976 | 267,318 | 102,910 | 2,229,841 |
| EXPENDITURES | | | | | | | | | | | | | | | | | |
| Instruction | | | | | | | | | | | | | | | | | |
| Elementary | | | | | 1,702 | | 247,986 | 38,165 | | | | | 20,114 | | 70,895 | | 378,862 |
| Secondary | | | | 53,743 | 12,820 | 450 | 44,808 | | | | 47,644 | 310 | 17,752 | | 208,409 | | 385,936 |
| Exceptional child | | | | | | | | | 380,990 | | | | | | | | 380,990 |
| Preschool | | | | | | | | | | 5,388 | | | | | | | 5,388 |
| Driver's education | | 40,842 | | | | | | | | | | | | | | | 40,842 |
| Support services | | | | | | | | | | | | | | | | | |
| Special services | | | | | 66 | | | | 53,183 | 16,281 | | | | | | | 69,530 |
| Instructional improvement | | | 10,218 | | | | 4,628 | | 5,240 | | | | 210 | | | | 20,296 |
| School administration | | | | | | 3,270 | 1,292 | | | | | | 36,971 | | | | 41,533 |
| Maintenance | | | | | 15,367 | | | | | | | | | | | | 15,367 |
| Noninstructional | | | | | | | | | | | | | | 770,748 | | | 770,748 |
| Facility acquisition | | | | | | | | | | | | | | | | 139,513 | 139,513 |
| Total expenditures | 0 | 40,842 | 10,218 | 53,743 | 29,955 | 3,720 | 298,714 | 38,165 | 439,413 | 21,669 | 47,644 | 310 | 75,047 | 770,748 | 279,304 | 139,513 | 2,249,005 |
| Revenues over (under) expenditures | 876 | (3,640) | (10,218) | (302) | 58,116 | 12,365 | | | | | | | | (27,772) | (11,986) | (36,603) | (19,164) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | | | | | |
| Net transfers | | | | | | | | | | | | | | 20,883 | | | 20,883 |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,883 | 0 | 0 | 20,883 |
| Revenues and other financing sources over (under) expenditures | 876 | (3,640) | (10,218) | (302) | 58,116 | 12,365 | | | | | | | | (6,889) | (11,986) | (36,603) | 1,719 |
| Fund balance - July 1, 2014 | 7,764 | 13,576 | 15,000 | 2,960 | 62,886 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 391 | 166,344 | 17,227 | 251,049 | 537,197 |
| Fund balance - June 30, 2015 | 8,640 | 9,936 | 4,782 | 2,658 | 121,002 | 12,365 | 0 | 0 | 0 | 0 | 0 | 0 | 391 | 159,455 | 5,241 | 214,446 | 538,916 |

See Independent Auditor's Report.

Shelley Joint School District #60

All Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Fiscal Year Ended June 30, 2015

| | Balance July 1, 2013 | Receipts | Disbursements | Balance June 30, 2014 |
|-------------------------------|-------------------------|----------|---------------|--------------------------|
| ASSETS | | | | |
| Cash | | | | |
| Shelley High School | 149,792 | 629,327 | 632,204 | 146,915 |
| Donald J. Hobbs Middle School | 38,410 | 70,480 | 71,829 | 37,061 |
| Riverview Elementary School | 4,574 | 22,489 | 22,085 | 4,978 |
| Sunrise Elementary School | 5,894 | 36,389 | 37,130 | 5,153 |
| Stuart Elementary School | 20,016 | 28,130 | 33,054 | 15,092 |
| Total assets | 218,686 | 786,815 | 796,302 | 209,199 |
| LIABILITIES | | | | |
| Due to student groups | | | | |
| Shelley High School | 149,792 | 629,327 | 632,204 | 146,915 |
| Donald J. Hobbs Middle School | 38,410 | 70,480 | 71,829 | 37,061 |
| Riverview Elementary School | 4,574 | 22,489 | 22,085 | 4,978 |
| Sunrise Elementary School | 5,894 | 36,389 | 37,130 | 5,153 |
| Stuart Elementary School | 20,016 | 28,130 | 33,054 | 15,092 |
| Total liabilities | 218,686 | 786,815 | 796,302 | 209,199 |

See Independent Auditor's Report.

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2015

| | General Fund | | |
|---|--------------|---------|----------------|
| | Total | 2014 | 2013 and Prior |
| Delinquent balance at July 1, 2014 | 14,937 | | 14,937 |
| ADDITIONS | | | |
| Roll charges applicable to 2014 | 603,117 | 603,117 | |
| Subsequent additions and cancellations | (6,301) | (6,644) | 343 |
| Total additions | 596,816 | 596,473 | 343 |
| DEDUCTIONS | | | |
| Collections received | 377,240 | 368,036 | 9,204 |
| Current amount due on taxes collected by the counties | 215,824 | 214,689 | 1,135 |
| Total deductions | 593,064 | 582,725 | 10,339 |
| Delinquent balance at June 30, 2015 | 18,689 | 13,748 | 4,941 |

See Independent Auditor's Report.

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2015

| Debt Service Fund | | | Capital Projects Fund | | |
|-------------------|----------|----------------|-----------------------|---------|----------------|
| Total | 2014 | 2013 and Prior | Total | 2014 | 2013 and Prior |
| 22,408 | | 22,408 | 12,383 | | 12,383 |
| 778,457 | 778,457 | | 399,472 | 399,472 | |
| (11,615) | (11,661) | 44 | (5,696) | (5,985) | 289 |
| 766,842 | 766,796 | 44 | 393,776 | 393,487 | 289 |
| 489,815 | 475,033 | 14,782 | 252,177 | 243,767 | 8,410 |
| 278,841 | 277,104 | 1,737 | 143,159 | 142,198 | 961 |
| 768,656 | 752,137 | 16,519 | 395,336 | 385,965 | 9,371 |
| 20,594 | 14,659 | 5,933 | 10,824 | 7,522 | 3,301 |

See Independent Auditor's Report.

Single Audit Section

Shelley Joint School District #60

June 30, 2015

**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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60 as of and for the year ended June 30, 2015, 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 9, 2015.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 9, 2015

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

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) Circular A-133 *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 its 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2015.

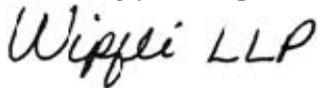
Report on Internal Control over Compliance

Management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the types 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 as a basis for designing 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
October 9, 2015

Shelley Joint School District #60

Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2015

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified.

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 None reported

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? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)

84.027/84.173
10.553/10.555/10.556/10.559

Name of Federal Program or Cluster

Special Education Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X _____ No

Shelley Joint School District #60

Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2015

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

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

None

Shelley Joint School District #60

Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2015

| Federal Grantor / Pass-through Grantor / Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Disbursements/ Expenditures |
|--|---------------------------|--|--------------------------------|
| United States Department of Agriculture | | | |
| Passed through State Department of Education | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | 2015IN109947 | 98,393 |
| National School Lunch Program – cash | 10.555 | 2015IN109947 | 358,823 |
| National School Lunch Program – commodities | 10.555 | 2015IN109947 | 67,622 |
| Special Milk Program for Children | 10.556 | 2015IN109947 | 3,802 |
| Summer Food Service Program for Children | 10.559 | 2015IN109947 | 32,430 |
| Total Child Nutrition Cluster | | | <u>561,070</u> |
| Total United States Department of Agriculture | | | <u>561,070</u> |
| United States Department of Education | | | |
| Passed through State Department of Education | | | |
| Title I Grants to Local Educational Agencies | 84.010 | S010A140012 | 298,714 |
| Migrant Education - Basic State Grant Program | 84.011 | S011A140012 | 38,165 |
| English Language Acquisition | 84.365 | S365A120012 | 310 |
| Improving Teacher Quality | 84.367 | S367A140011 | <u>75,047</u> |
| Subtotal | | | <u>412,236</u> |
| Special Education Cluster | | | |
| Special Education - School-age | 84.027 | H027A140088 | 439,413 |
| Special Education - Preschool | 84.173 | H173A140030 | 21,669 |
| Total Special Education Cluster | | | <u>461,082</u> |
| Total Passed through State Department of Education | | | <u>873,318</u> |
| Passed through Eastern Idaho Tech Prep Consortium | | | |
| Vocational Education – Basic Grants to States | 84.048A | V048A140012 | <u>47,287</u> |
| Total United States Department of Education | | | <u>920,605</u> |
| Total Expenditures of Federal Awards | | | <u><u>1,481,675</u></u> |

Shelley Joint School District #60

Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2015*

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, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 accrual basis of accounting as described in Note A to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, 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, 2015.

NOTE D PAYMENT TO SUBRECIPIENTS

The District passed \$27,134 of federal funds for Vocational Education (84.048A) through to other districts in the High Desert Consortium for the 2014-2015 fiscal year.

Shelley Joint School District #60

Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2015

Audit Finding Reference: 2014-1

Status of Prior Audit Finding: Planned corrective action completed this fiscal year.