

PAYETTE JOINT SCHOOL DISTRICT NO. 371

FINANCIAL STATEMENTS

Year Ended June 30, 2013

PAYETTE JOINT SCHOOL DISTRICT NO. 371

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Payette Joint School District No. 371

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 Payette Joint School District No. 371 (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining fund financial statements, and schedule of expenditures of federal awards (as required by Office

of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Schools*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs, P.C.

Payette, Idaho
July 16, 2013

BASIC FINANCIAL STATEMENTS

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$3,424,705
Receivables:	
Local Sources	341,615
State Sources	81,013
Federal Sources	458,997
Inventory	58,711
Total Current Assets	<u>4,365,041</u>
Noncurrent Assets	
Nondepreciable Capital Assets	831,666
Depreciable Net Capital Assets	9,905,500
Total Noncurrent Assets	<u>10,737,166</u>
Total Assets	<u><u>\$15,102,207</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$1,976
Salaries & Benefits Payable	1,346,803
Accrued Interest	24,557
Long-Term Debt, Current	930,000
Total Current Liabilities	<u>2,303,336</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	1,960,000
Total Noncurrent Liabilities	<u>1,960,000</u>
Total Liabilities	<u><u>4,263,336</u></u>
Deferred Inflows of Resources	
Current Deferred Inflows of Resources	
Unspent Grant Allocation	131,999
Total Current Deferred Inflows of Resources	<u>131,999</u>
Total Deferred Inflows of Resources	<u><u>131,999</u></u>
Net Position	
Net Investment in Capital Assets	7,822,609
Restricted:	
Special Programs	478,566
Debt Service	1,264,162
Capital Projects	889,130
Unrestricted	252,405
Total Net Position	<u>10,706,872</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$15,102,207</u></u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Activities Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue And Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instructional Programs					
Elementary School	\$2,563,453		\$476,726		(\$2,086,727)
Secondary School	1,893,011	\$9,645	110,231	\$46,335	(1,726,800)
Alternative School	26,686				(26,686)
Special Education	643,037		258,867		(384,170)
Special Education Preschool	74,864		24,253		(50,611)
Gifted & Talented	0				0
Interscholastic	166,223				(166,223)
Support Service Programs					
Attendance - Guidance - Health	354,145				(354,145)
Special Education Support Services	144,937				(144,937)
Instructional Improvement	427,326		374,974		(52,352)
Educational Media	133,879				(133,879)
Instruction-Related Technology	99,091		99,091		0
District Administration	297,462		4,961		(292,501)
School Administration	698,909				(698,909)
Administrative Technology	0				0
Buildings - Care	525,064		546		(524,518)
Maintenance - Non-Student Occupied	0				0
Maintenance - Student Occupied	203,923			173	(203,750)
Maintenance - Grounds	82,481				(82,481)
Pupil-To-School Transportation	427,095				(427,095)
Pupil-Activity Transportation	7,806	78,914			71,108
General Transportation	26,452				(26,452)
Non-Instructional Programs					
Child Nutrition	776,977	70,778	728,153		21,954
Community Services	4,560				(4,560)
Capital Assets - Student Occupied	566,339				(566,339)
Capital Assets - Non-Student Occupied	28,226				(28,226)
Debt Service - Principal	0				0
Debt Service - Interest	107,100				(107,100)
Total	<u>\$10,279,046</u>	<u>\$159,337</u>	<u>\$2,077,802</u>	<u>\$46,508</u>	<u>(7,995,399)</u>
General Revenues					
Local Taxes					789,053
Other Local Revenues					27,315
State Revenues					7,389,695
Federal Revenues					0
Total					<u>8,206,063</u>
Change in Net Position					
					210,664
Net Position - Beginning					
					10,496,208
Net Position - Ending					
					<u>\$10,706,872</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Balance Sheet - Governmental Funds

June 30, 2013

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$1,019,503	\$156,744	\$989,071	\$889,130
Receivables:				
Local Sources	18,064		323,551	
State Sources	68,044			
Federal Sources		11,770		
Due From Other Funds	181,951			
Inventory		58,711		
Total Assets	<u>\$1,287,562</u>	<u>\$227,225</u>	<u>\$1,312,622</u>	<u>\$889,130</u>
Liabilities				
Accounts Payable	\$1,700	\$276		
Due To Other Funds				
Salaries & Benefits Payable	1,140,628	38,200		
Total Liabilities	<u>1,142,328</u>	<u>38,476</u>	<u>\$0</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	1,357		48,460	
Unspent Grant Allocation				
Total Deferred Inflows of Resources	<u>1,357</u>	<u>0</u>	<u>48,460</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs		130,038		
Debt Service			1,264,162	
Capital Projects				889,130
Nonspendable		58,711		
Unassigned	143,877			
Total Fund Balances	<u>143,877</u>	<u>188,749</u>	<u>1,264,162</u>	<u>889,130</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$1,287,562</u>	<u>\$227,225</u>	<u>\$1,312,622</u>	<u>\$889,130</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Balance Sheet - Governmental Funds

June 30, 2013

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash & Investments	\$370,257	\$3,424,705
Receivables:		
Local Sources	0	341,615
State Sources	12,969	81,013
Federal Sources	447,227	458,997
Due From Other Funds	0	181,951
Inventory	0	58,711
Total Assets	<u>\$830,453</u>	<u>\$4,546,992</u>
 Liabilities		
Accounts Payable	\$0	\$1,976
Due To Other Funds	181,951	181,951
Salaries & Benefits Payable	167,975	1,346,803
Total Liabilities	<u>349,926</u>	<u>1,530,730</u>
 Deferred Inflows of Resources		
Unavailable Tax Revenues	0	49,817
Unspent Grant Allocation	131,999	131,999
Total Deferred Inflows of Resources	<u>131,999</u>	<u>181,816</u>
 Fund Balances		
Restricted:		
Special Programs	348,528	478,566
Debt Service	0	1,264,162
Capital Projects	0	889,130
Nonspendable	0	58,711
Unassigned	0	143,877
Total Fund Balances	<u>348,528</u>	<u>2,834,446</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$830,453</u>	<u>\$4,546,992</u>

Balance Sheet - Governmental Funds

June 30, 2013

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances	\$2,834,446
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,737,166
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	49,817
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(2,914,557)
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Net Position of Governmental Activities	<u><u>\$10,706,872</u></u>
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PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2013

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Revenues				
Local Taxes	\$20,792		\$782,264	
Other Local Revenue	37,338	\$70,922	1,577	\$79,920
State Revenue	7,140,018		249,677	
Federal Revenue	173	728,153		
Total Revenues	<u>7,198,321</u>	<u>799,075</u>	<u>1,033,518</u>	<u>79,920</u>
Expenditures				
Instructional Programs				
Elementary School	2,086,727			
Secondary School	1,782,780			
Alternative School	26,686			
Special Education	384,170			
Special Education Preschool	50,611			
Gifted & Talented				
Interscholastic	166,223			
Support Service Programs				
Attendance - Guidance - Health	354,145			
Special Education Support Services	62,813			
Instructional Improvement	52,352			
Educational Media	133,879			
Instruction-Related Technology				
District Administration	292,501			
School Administration	698,909			
Administrative Technology				
Buildings - Care	524,518			
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied	203,923			
Maintenance - Grounds	82,481			
Pupil-To-School Transportation	372,656			
Pupil-Activity Transportation	7,806			
General Transportation	26,452			
Non-Instructional Programs				
Child Nutrition	15,562	761,415		
Community Services	4,560			
Capital Assets - Student Occupied	6,452			136,864
Capital Assets - Non-Student Occupied				139,741
Debt Service - Principal			900,000	
Debt Service - Interest			114,975	
Total Expenditures	<u>7,336,206</u>	<u>761,415</u>	<u>1,014,975</u>	<u>276,605</u>
Excess (Deficiency) of Revenues Over Expenditures	(137,885)	37,660	18,543	(196,685)
Other Financing Sources (Uses)				
Transfers In	14,708	0	0	263,870
Transfers Out	(371,884)	0	0	0
Total Other Financing Sources (Uses)	<u>(357,176)</u>	<u>0</u>	<u>0</u>	<u>263,870</u>
Net Change in Fund Balances	(495,061)	37,660	18,543	67,185
Fund Balances - Beginning	<u>638,938</u>	<u>151,089</u>	<u>1,245,619</u>	<u>821,945</u>
Fund Balances - Ending	<u>\$143,877</u>	<u>\$188,749</u>	<u>\$1,264,162</u>	<u>\$889,130</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2013

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$803,056
Other Local Revenue	136,000	325,757
State Revenue	54,082	7,443,777
Federal Revenue	1,202,797	1,931,123
Total Revenues	1,392,879	10,503,713
Expenditures		
Instructional Programs		
Elementary School	476,726	2,563,453
Secondary School	110,231	1,893,011
Alternative School	0	26,686
Special Education	258,867	643,037
Special Education Preschool	24,253	74,864
Gifted & Talented	0	0
Interscholastic	0	166,223
Support Service Programs		
Attendance - Guidance - Health	0	354,145
Special Education Support Services	82,124	144,937
Instructional Improvement	374,974	427,326
Educational Media	0	133,879
Instruction-Related Technology	99,091	99,091
District Administration	4,961	297,462
School Administration	0	698,909
Administrative Technology	0	0
Buildings - Care	546	525,064
Maintenance - Non-Student Occupied	0	0
Maintenance - Student Occupied	0	203,923
Maintenance - Grounds	0	82,481
Pupil-To-School Transportation	0	372,656
Pupil-Activity Transportation	0	7,806
General Transportation	0	26,452
Non-Instructional Programs		
Child Nutrition	0	776,977
Community Services	0	4,560
Capital Assets - Student Occupied	0	143,316
Capital Assets - Non-Student Occupied	0	139,741
Debt Service - Principal	0	900,000
Debt Service - Interest	0	114,975
Total Expenditures	1,431,773	10,820,974
Excess (Deficiency) of Revenues Over Expenditures	(38,894)	(317,261)
Other Financing Sources (Uses)		
Transfers In	108,014	386,592
Transfers Out	(14,708)	(386,592)
Total Other Financing Sources (Uses)	93,306	0
Net Change in Fund Balances	54,412	(317,261)
Fund Balances - Beginning	294,116	3,151,707
Fund Balances - Ending	\$348,528	\$2,834,446

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2013

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**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds (\$317,261)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays 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 excess of capital outlays over (under) depreciation expense in the current period. (365,947)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (14,003)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 900,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 7,875

Change in Net Position of Governmental Activities \$210,664

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Fiduciary Net Position

June 30, 2013

	Employee Benefit Trust Fund	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets				
Cash & Investments	\$98,311	\$109,574	\$214,692	\$422,577
Total Assets	\$98,311	\$109,574	\$214,692	\$422,577
Liabilities				
Due to Student Groups			\$214,692	\$214,692
Total Liabilities	\$0	\$0	214,692	214,692
Net Position				
Restricted:				
Scholarships		109,574		109,574
Employees	98,311			98,311
Total Net Position	98,311	109,574	0	207,885
Total Liabilities and Net Position	\$98,311	\$109,574	\$214,692	\$422,577

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2013

	Employee Benefit Trust Fund	Private Purpose Trust Funds - Scholarship	Total
Additions			
Contributions			\$0
Investment Income (Loss)	\$4,203	\$220	4,423
Total Additions	<u>4,203</u>	<u>220</u>	<u>4,423</u>
Deductions			
Distributions	5,203		5,203
Scholarships Awarded		1,500	1,500
Total Deductions	<u>5,203</u>	<u>1,500</u>	<u>6,703</u>
Change in Net Position	(1,000)	(1,280)	(2,280)
Net Position - Beginning	<u>99,311</u>	<u>110,854</u>	<u>210,165</u>
Net Position - Ending	<u><u>\$98,311</u></u>	<u><u>\$109,574</u></u>	<u><u>\$207,885</u></u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Payette Joint School District No. 371 (the School) provides public school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for taxing and school enrollment purposes are located within Payette and Washington Counties.

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to school districts. The significant accounting policies of the School are described below.

Basic Financial Statements - Government-Wide Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures/expenses of the funds) for the determination of major funds. Major governmental funds of the School include:

General Fund – The general fund is the School’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of major capital assets. Major capital project funds include the plant facilities fund, used to account for the maintenance of facilities and other capital assets.

Fiduciary funds of the School include:

Private Purpose Trust Funds – Private purpose trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a scholarship trustee.

Employee Benefit Trust Funds – Employee benefit trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a trustee for certain benefits of its employees.

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

The School may report deferred inflows of resources on its financial statements. For the fund financial statements, deferred inflows of resources arise when assets (i.e. receivables) are recorded before the related revenues are available (i.e. before both the "measurable" and "available" criteria for revenue recognition in the current period are met). In subsequent periods, when both revenue recognition criteria are met, the revenue is recognized. For both the government-wide and fund financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures. At yearend, any unspent grant allocations are reported as receivables and offset by deferred inflows of resources in an account called unspent grant allocation.

Cash and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund's respective investment balance. Investments include monies invested in the local government investment pool and deferred compensation plan and are stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool is materially the same as the fair value of its shares.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method, except for certain transportation vehicles which use the declining balance method.

Compensated Absences and Post-Retirement Benefits – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer's government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

Net Position – Net position is assets plus deferred outflows of resources (when they exist) less liabilities less deferred inflows of resources (when they exist). The net investment in capital

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

assets component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt that are attributable to the acquisition, improvement, or construction of those assets and adjusted for any related deferred outflows or inflows of resources (when they exist). Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources (when they exist) related to those assets. Restricted assets are assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that are not expected to be converted into cash. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Assigned fund balance classifications are not actively used by the entity. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

Concentrations of Credit Risk – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

Risk Management – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Nonmonetary Transactions – Items received via food commodities programs are recognized at their stated fair market value.

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$779,927
Investments - Local Government Investment Pool	2,969,044
Investments - IRC 457 Deferred Compensation Plan	98,311
Total	<u><u>\$3,847,282</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$779,927 and the bank balances were \$1,067,676. Of the bank balances, \$431,427 was insured and \$636,249 was collateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool and deferred compensation plan (comprised of mutual funds and unrated collectively) are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. These investments include insured or registered investments or investments for which the securities are held by the School or its agent in the School's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>
Local Sources			
Other Local Sources	\$9,352		
Local Taxes	8,712		\$323,551
Total	<u>\$18,064</u>		<u>\$323,551</u>
State Sources			
Foundation Program	\$68,044		
Special Programs		\$12,969	
Total	<u>\$68,044</u>	<u>\$12,969</u>	
Federal Sources			
Special Programs		\$458,997	
Total		<u>\$458,997</u>	

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

D. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$831,666			\$831,666
Total	<u>831,666</u>	<u>\$0</u>	<u>\$0</u>	<u>831,666</u>
Depreciable Capital Assets				
Buildings	16,817,386			16,817,386
Equipment	1,760,040			1,760,040
Transportation	1,248,551	111,515		1,360,066
Subtotal	<u>19,825,977</u>	<u>111,515</u>	<u>0</u>	<u>19,937,492</u>
Accumulated Depreciation				
Buildings	6,881,528	420,435		7,301,963
Equipment	1,741,927	2,588		1,744,515
Transportation	931,075	54,439		985,514
Subtotal	<u>9,554,530</u>	<u>477,462</u>	<u>0</u>	<u>10,031,992</u>
Total	<u>10,271,447</u>	<u>(365,947)</u>	<u>0</u>	<u>9,905,500</u>
Net Capital Assets	<u>\$11,103,113</u>	<u>(\$365,947)</u>	<u>\$0</u>	<u>\$10,737,166</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$423,023
Pupil-To-School Transportation	54,439
Total	<u>\$477,462</u>

E. LONG-TERM DEBT

At year end, the School's bonded debt was as follows:

	<u>Outstanding</u>
2003 - \$8,300,000 - general obligation bonds for capital improvements due in annual installments with interest at 2.00% - 3.40% through 2015/16, secured by future taxes, paid through the debt service fund	\$2,890,000
Total	<u>\$2,890,000</u>

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Notes to Financial Statements

Maturities on the bonds are estimated as follows:

Year Ended	Principal	Interest
6/30/14	\$930,000	\$81,950
6/30/15	965,000	49,752
6/30/16	995,000	16,915
Total	\$2,890,000	\$148,617

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2003 G.O. Bonds	\$3,790,000		\$900,000	\$2,890,000	\$930,000
Total	\$3,790,000	\$0	\$900,000	\$2,890,000	\$930,000

Interest and related costs during the year amounted to \$107,100 and were charged to the debt service – interest program.

F. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available standalone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$663,844, \$668,277, and \$722,271, for the three years ended June 30, 2013, 2012, and 2011 respectively.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	
	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$181,951	\$181,951
Total	<u>\$181,951</u>	<u>\$181,951</u>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$14,708	\$371,884	Indirect costs; depreciation allowance; support
Plant Facilities	263,870		Depreciation allowance; support
Nonmajor Governmental	108,014	14,708	Indirect costs; support
Total	<u>\$386,592</u>	<u>\$386,592</u>	

H. DEFERRED COMPENSATION PLAN

The School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is funded with employee contributions only.

REQUIRED SUPPLEMENTARY INFORMATION

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Budgetary Comparison Schedule - General and Major Special Revenue Funds
Year Ended June 30, 2013

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Local Taxes	\$21,068	\$20,792	\$20,792	\$0
Other Local Revenue	25,200	67,225	37,338	(29,887)
State Revenue	6,795,406	6,625,295	7,140,018	514,723
Federal Revenue	0	0	173	173
Total Revenues	6,841,674	6,713,312	7,198,321	485,009
Expenditures				
Instructional Programs				
Elementary School	1,959,247	1,999,280	2,086,727	(87,447)
Secondary School	1,821,129	1,802,292	1,782,780	19,512
Alternative School	35,625	35,625	26,686	8,939
Special Education	392,203	385,853	384,170	1,683
Special Education Preschool	41,970	48,320	50,611	(2,291)
Gifted & Talented	0	0	0	0
Interscholastic	176,000	176,000	166,223	9,777
Support Service Programs				
Attendance - Guidance - Health	351,420	351,520	354,145	(2,625)
Special Education Support Services	63,327	63,327	62,813	514
Instructional Improvement	49,000	49,000	52,352	(3,352)
Educational Media	151,330	131,930	133,879	(1,949)
Instruction-Related Technology	0	0	0	0
District Administration	292,100	292,600	292,501	99
School Administration	702,392	694,992	698,909	(3,917)
Administrative Technology	0	0	0	0
Buildings - Care	571,700	571,700	524,518	47,182
Maintenance - Non-Student Occupied	2,500	2,500	0	2,500
Maintenance - Student Occupied	208,400	208,400	203,923	4,477
Maintenance - Grounds	69,000	69,000	82,481	(13,481)
Pupil-To-School Transportation	407,650	407,650	372,656	34,994
Pupil-Activity Transportation	9,055	9,055	7,806	1,249
General Transportation	19,000	19,000	26,452	(7,452)
Non-Instructional Programs				
Child Nutrition	18,500	18,500	15,562	2,938
Community Services	6,000	6,000	4,560	1,440
Capital Assets - Student Occupied	0	1,000	6,452	(5,452)
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	7,347,548	7,343,544	7,336,206	7,338 *
Excess (Deficiency) of Revenues				
Over Expenditures	(505,874)	(630,232)	(137,885)	492,347
Other Financing Sources (Uses)				
Transfers In	15,500	15,500	14,708	(792)
Transfers Out	(68,000)	(80,300)	(371,884)	(291,584)
Total Other Financing Sources (Uses)	(52,500)	(64,800)	(357,176)	(292,376)
Net Change in Fund Balances	(558,374)	(695,032)	(495,061)	199,971
Fund Balances - Beginning	558,615	638,938	638,938	0
Fund Balances - Ending	\$241	(\$56,094)	\$143,877	\$199,971

*Total expenditures (over) under appropriations.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2013

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Other Local Revenue	\$83,500	\$83,500	\$70,922	(\$12,578)
Federal Revenue	700,000	700,000	728,153	28,153
Total Revenues	<u>783,500</u>	<u>783,500</u>	<u>799,075</u>	<u>15,575</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	833,000	833,000	761,415	71,585
Total Expenditures	<u>833,000</u>	<u>833,000</u>	<u>761,415</u>	<u>71,585</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(49,500)	(49,500)	37,660	87,160
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(49,500)	(49,500)	37,660	87,160
Fund Balances - Beginning	<u>256,026</u>	<u>256,026</u>	<u>151,089</u>	<u>(104,937)</u>
Fund Balances - Ending	<u><u>\$206,526</u></u>	<u><u>\$206,526</u></u>	<u><u>\$188,749</u></u>	<u><u>(\$17,777)</u></u>

*Total expenditures (over) under appropriations.

SUPPLEMENTARY INFORMATION

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds			
	Local Special Projects	McCain Middle School	Driver Education	Professional Technical
Assets				
Cash & Investments	\$34,604	\$303,282	\$285	
Receivables:				
Local Sources				
State Sources				\$12,969
Federal Sources				
Due From Other Funds				
Inventory				
Total Assets	<u>\$34,604</u>	<u>\$303,282</u>	<u>\$285</u>	<u>\$12,969</u>
Liabilities				
Accounts Payable				
Due To Other Funds				\$9,874
Salaries & Benefits Payable	\$9,289			3,095
Total Liabilities	<u>9,289</u>	<u>\$0</u>	<u>\$0</u>	<u>12,969</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Unspent Grant Allocation				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs	25,315	303,282	285	
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>25,315</u>	<u>303,282</u>	<u>285</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$34,604</u>	<u>\$303,282</u>	<u>\$285</u>	<u>\$12,969</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			
	Technology	Substance Abuse	Title I-A ESEA IBP	Title I-C ESEA EMC
Assets				
Cash & Investments	\$30,000	\$2,086		
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$142,263	\$10,267
Due From Other Funds				
Inventory				
Total Assets	<u>\$30,000</u>	<u>\$2,086</u>	<u>\$142,263</u>	<u>\$10,267</u>
Liabilities				
Accounts Payable				
Due To Other Funds			\$51,428	\$2,882
Salaries & Benefits Payable	\$12,440		48,365	
Total Liabilities	<u>12,440</u>	<u>\$0</u>	<u>99,793</u>	<u>2,882</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Unspent Grant Allocation			42,470	7,385
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>42,470</u>	<u>7,385</u>
Fund Balances				
Restricted:				
Special Programs	17,560	2,086		
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>17,560</u>	<u>2,086</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$30,000</u>	<u>\$2,086</u>	<u>\$142,263</u>	<u>\$10,267</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$111,987	\$2,812	\$17,621	\$19,471
Due From Other Funds				
Inventory				
Total Assets	<u>\$111,987</u>	<u>\$2,812</u>	<u>\$17,621</u>	<u>\$19,471</u>
Liabilities				
Accounts Payable				
Due To Other Funds	\$27,902	\$1,664	\$1,981	\$19,471
Salaries & Benefits Payable	42,431		4,100	
Total Liabilities	<u>70,333</u>	<u>1,664</u>	<u>6,081</u>	<u>19,471</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Unspent Grant Allocation	41,654	1,148	11,540	
Total Deferred Inflows of Resources	<u>41,654</u>	<u>1,148</u>	<u>11,540</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$111,987</u>	<u>\$2,812</u>	<u>\$17,621</u>	<u>\$19,471</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds		
	Title III ESEA LILEP&I	Title II-A Improving Teacher Quality	21st Century CLC
Assets			
Cash & Investments			
Receivables:			
Local Sources			
State Sources			
Federal Sources	\$7,527	\$28,719	\$106,560
Due From Other Funds			
Inventory			
Total Assets	\$7,527	\$28,719	\$106,560
Liabilities			
Accounts Payable			
Due To Other Funds	\$2,220	\$7,446	\$57,083
Salaries & Benefits Payable	4,547	14,823	28,885
Total Liabilities	6,767	22,269	85,968
Deferred Inflows of Resources			
Unavailable Tax Revenues			
Unspent Grant Allocation	760	6,450	20,592
Total Deferred Inflows of Resources	760	6,450	20,592
Fund Balances			
Restricted:			
Special Programs			
Debt Service			
Capital Projects			
Nonspendable			
Unassigned			
Total Fund Balances	0	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$7,527	\$28,719	\$106,560

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2013

	Total
Assets	
Cash & Investments	\$370,257
Receivables:	
Local Sources	0
State Sources	12,969
Federal Sources	447,227
Due From Other Funds	0
Inventory	0
Total Assets	\$830,453
 Liabilities	
Accounts Payable	\$0
Due To Other Funds	181,951
Salaries & Benefits Payable	167,975
Total Liabilities	349,926
 Deferred Inflows of Resources	
Unavailable Tax Revenues	0
Unspent Grant Allocation	131,999
Total Deferred Inflows of Resources	131,999
 Fund Balances	
Restricted:	
Special Programs	348,528
Debt Service	0
Capital Projects	0
Nonspendable	0
Unassigned	0
Total Fund Balances	348,528
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$830,453

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2013

	<u>Special Revenue Funds</u>			
	<u>Local Special Projects</u>	<u>McCain Middle School</u>	<u>Driver Education</u>	<u>Professional Technical</u>
Revenues				
Local Taxes				
Other Local Revenue	\$79,472	\$46,883	\$9,645	
State Revenue			10,852	\$43,230
Federal Revenue				
Total Revenues	<u>79,472</u>	<u>46,883</u>	<u>20,497</u>	<u>43,230</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School		26,631	15,251	43,230
Alternative School				
Special Education	54,157			
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement				
Educational Media				
Instruction-Related Technology				
District Administration			4,961	
School Administration				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>54,157</u>	<u>26,631</u>	<u>20,212</u>	<u>43,230</u>
Excess (Deficiency) of Revenues Over Expenditures	25,315	20,252	285	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	25,315	20,252	285	0
Fund Balances - Beginning	0	283,030	0	0
Fund Balances - Ending	<u>\$25,315</u>	<u>\$303,282</u>	<u>\$285</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2013

	Special Revenue Funds			
	Technology	Substance Abuse	Title I-A ESEA IBP	Title I-C ESEA EMC
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue			\$401,145	\$34,043
Total Revenues	<u>\$0</u>	<u>\$0</u>	<u>401,145</u>	<u>34,043</u>
Expenditures				
Instructional Programs				
Elementary School			346,985	34,043
Secondary School	363			
Alternative School				
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement			47,685	
Educational Media				
Instruction-Related Technology	99,091			
District Administration				
School Administration				
Administrative Technology				
Buildings - Care			546	
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>99,454</u>	<u>0</u>	<u>395,216</u>	<u>34,043</u>
Excess (Deficiency) of Revenues Over Expenditures	(99,454)	0	5,929	0
Other Financing Sources (Uses)				
Transfers In	108,014	0	0	0
Transfers Out	0	0	(5,929)	0
Total Other Financing Sources (Uses)	<u>108,014</u>	<u>0</u>	<u>(5,929)</u>	<u>0</u>
Net Change in Fund Balances	8,560	0	0	0
Fund Balances - Beginning	9,000	2,086	0	0
Fund Balances - Ending	<u>\$17,560</u>	<u>\$2,086</u>	<u>\$0</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2013

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$291,421	\$24,253	\$18,672	\$24,756
Total Revenues	<u>291,421</u>	<u>24,253</u>	<u>18,672</u>	<u>24,756</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School				24,756
Alternative School				
Special Education	204,710			
Special Education Preschool		24,253		
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services	82,124			
Instructional Improvement			18,672	
Educational Media				
Instruction-Related Technology				
District Administration				
School Administration				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>286,834</u>	<u>24,253</u>	<u>18,672</u>	<u>24,756</u>
Excess (Deficiency) of Revenues Over Expenditures	4,587	0	0	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(4,587)	0	0	0
Total Other Financing Sources (Uses)	<u>(4,587)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2013

	<u>Special Revenue Funds</u>		
	<u>Title III</u>	<u>Title II-A</u>	
	<u>ESEA LILEP&I</u>	<u>Improving Teacher Quality</u>	<u>21st Century CLC</u>
Revenues			
Local Taxes			
Other Local Revenue			
State Revenue			
Federal Revenue	\$26,991	\$95,698	\$285,818
Total Revenues	<u>26,991</u>	<u>95,698</u>	<u>285,818</u>
Expenditures			
Instructional Programs			
Elementary School		95,698	
Secondary School			
Alternative School			
Special Education			
Special Education Preschool			
Gifted & Talented			
Interscholastic			
Support Service Programs			
Attendance - Guidance - Health			
Special Education Support Services			
Instructional Improvement	26,991		281,626
Educational Media			
Instruction-Related Technology			
District Administration			
School Administration			
Administrative Technology			
Buildings - Care			
Maintenance - Non-Student Occupied			
Maintenance - Student Occupied			
Maintenance - Grounds			
Pupil-To-School Transportation			
Pupil-Activity Transportation			
General Transportation			
Non-Instructional Programs			
Child Nutrition			
Community Services			
Capital Assets - Student Occupied			
Capital Assets - Non-Student Occupied			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>26,991</u>	<u>95,698</u>	<u>281,626</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	4,192
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	0	0	(4,192)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(4,192)</u>
Net Change in Fund Balances	0	0	0
Fund Balances - Beginning	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2013

	Total
Revenues	
Local Taxes	\$0
Other Local Revenue	136,000
State Revenue	54,082
Federal Revenue	1,202,797
Total Revenues	1,392,879
Expenditures	
Instructional Programs	
Elementary School	476,726
Secondary School	110,231
Alternative School	0
Special Education	258,867
Special Education Preschool	24,253
Gifted & Talented	0
Interscholastic	0
Support Service Programs	
Attendance - Guidance - Health	0
Special Education Support Services	82,124
Instructional Improvement	374,974
Educational Media	0
Instruction-Related Technology	99,091
District Administration	4,961
School Administration	0
Administrative Technology	0
Buildings - Care	546
Maintenance - Non-Student Occupied	0
Maintenance - Student Occupied	0
Maintenance - Grounds	0
Pupil-To-School Transportation	0
Pupil-Activity Transportation	0
General Transportation	0
Non-Instructional Programs	
Child Nutrition	0
Community Services	0
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	0
Debt Service - Principal	0
Debt Service - Interest	0
Total Expenditures	1,431,773
Excess (Deficiency) of Revenues Over Expenditures	(38,894)
Other Financing Sources (Uses)	
Transfers In	108,014
Transfers Out	(14,708)
Total Other Financing Sources (Uses)	93,306
Net Change in Fund Balances	54,412
Fund Balances - Beginning	294,116
Fund Balances - Ending	\$348,528

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture			
<i>Passed Through Washington County:</i>			
Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	10.666	None	173
Total Schools and Roads Cluster			<u>173</u>
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10.553	192,559
National School Lunch Program	10.555	10.555	452,675
Summer Food Service Program for Children	10.559	10.559	45,202
Total Child Nutrition Cluster			<u>690,436</u>
Fresh Fruit & Vegetable Program	10.582	10.582	37,717
Total US Dept of Agriculture			<u>728,326</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	84.010	401,145
Total Title I, Part A Cluster			<u>401,145</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	84.027	291,421
Special Education - Preschool Grants	84.173	84.173	24,253
Total Special Education Cluster			<u>315,674</u>
Migrant Education - State Grant Program	84.011	84.011	34,043
Career & Technical Education - Basic Grants to States	84.048	84.048	24,756
Twenty-First Century Community Learning Centers	84.287	84.287	285,818
Rural Education	84.358	84.358	18,672
English Language Acquisition State Grants	84.365	84.365	26,991
Improving Teacher Quality State Grants	84.367	84.367	95,698
Total US Dept of Education			<u>1,202,797</u>
Total Expenditures of Federal Awards			<u>\$1,931,123</u>

NOTES:

A. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

B. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

C. Nonmonetary Assistance - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of \$48,813.

OTHER REPORTS AND SCHEDULES

Audits
Taxes
Special Services



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

Board of Trustees
Payette Joint School District No. 371

We have audited, in accordance with the 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 Payette Joint School District No. 371 (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 16, 2013.

Internal Control Over Financial Reporting

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

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

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

deficiency in internal control, described in the accompanying schedule of findings and questioned costs as B-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Quest CPAs, P.C.

Payette, Idaho
July 16, 2013

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**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

Board of Trustees
Payette Joint School District No. 371

Report on Compliance for Each Major Federal Program

We have audited Payette Joint School District No. 371 (the School's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School'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 the School'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 the School'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 the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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, 2013.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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 the School'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 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 in 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.

Quest CPAs, P.C.

Payette, Idaho
July 16, 2013

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the School.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs disclosed during the audit are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. Due to additional monitoring and other oversight by the board, management, and others, the significant deficiency relating to segregation of duties does not extend to, or include, major federal programs.
5. The auditor's report on compliance for the major federal award programs for the School expresses an unqualified opinion on all major federal programs.
6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in part C. of this schedule.
7. The programs tested as major programs include:
 - a. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.559
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The School did qualify as a low-risk auditee.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. *Segregation of Duties*

Condition – Although the School has implemented various checks and balances in internal control to the degree possible given available staff, it does not have a complete segregation of duties over assets.

Criteria – Inherent in an ideal internal control structure is a complete segregation of duties over assets.

Cause – This situation is due to staffing limitations common to an entity this size.

Effect – The lack of a complete segregation of duties may increase the risk that a loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

Recommendation and Response – It is requested that the School take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with an entity this size. However, substantial changes cannot be expected until the benefits are deemed to outweigh the costs of hiring additional staff.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.