

PAYETTE JOINT SCHOOL DISTRICT NO. 371

FINANCIAL STATEMENTS

Year Ended June 30, 2016

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, 2016, 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.

Basis for Qualified Opinion on Governmental Activities

Management believes the costs of implementing GASB 45 (having actuarial calculations performed for other post-employment benefits) cannot be justified at this time. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2016, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2016, 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 schedules, schedule of employer’s share of net pension liability, and schedule of employer contributions 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 not included 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 information, although not 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 not including this 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual nonmajor 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 combining and individual nonmajor fund financial statements 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 July 19, 2016, 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 19, 2016

BASIC FINANCIAL STATEMENTS

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$2,978,269
Receivables:	
Local Sources	377,840
State Sources	186,467
Federal Sources	339,836
Inventory	75,202
Total Current Assets	<u>3,957,614</u>
Noncurrent Assets	
Nondepreciable Capital Assets	831,666
Depreciable Net Capital Assets	9,245,065
Total Noncurrent Assets	<u>10,076,731</u>
Total Assets	<u>14,034,345</u>
Deferred Outflows of Resources	
Pension Sources	1,800,941
Total Deferred Outflows of Resources	<u>1,800,941</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$15,835,286</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$2,000
Salaries & Benefits Payable	1,560,309
Unspent Grant Allocation	38,640
Total Current Liabilities	<u>1,600,949</u>
Noncurrent Liabilities	
Net Pension Liability	2,731,684
Total Noncurrent Liabilities	<u>2,731,684</u>
Total Liabilities	<u>4,332,633</u>
Deferred Inflows of Resources	
Pension Sources	1,761,975
Total Deferred Inflows of Resources	<u>1,761,975</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,094,608</u>
Net Position	
Net Investment in Capital Assets	10,076,731
Restricted:	
Special Programs	504,994
Debt Service	0
Capital Projects	1,552,557
Unrestricted	<u>(2,393,604)</u>
Total Net Position	<u>9,740,678</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$15,835,286</u></u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Activities
Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges For</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue And</u>
		<u>Services</u>	<u>Grants And</u>	<u>Grants And</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities					
Instructional Programs					
Elementary School	\$3,122,230		\$667,569		(\$2,454,661)
Secondary School	2,309,207	\$10,995	88,109	\$50,004	(2,160,099)
Alternative School	66,828				(66,828)
Special Education	794,493		334,513		(459,980)
Special Education Preschool	57,305		11,272		(46,033)
Gifted & Talented	0				0
Interscholastic	183,202				(183,202)
School Activity	0				0
Support Service Programs					
Attendance - Guidance - Health	296,283				(296,283)
Special Education Support Services	126,963		60,235		(66,728)
Instruction Improvement	343,858		200,634		(143,224)
Educational Media	159,348				(159,348)
Instruction-Related Technology	194,258		194,258		0
District Administration	314,916		4,600		(310,316)
School Administration	621,126				(621,126)
Administrative Technology	0				0
Buildings - Care	668,454				(668,454)
Maintenance - Non-Student Occupied	0				0
Maintenance - Student Occupied	346,289			281	(346,008)
Maintenance - Grounds	78,539				(78,539)
Security	21,403				(21,403)
Pupil-To-School Transportation	414,775				(414,775)
Pupil-Activity Transportation	6,323	44,755			38,432
General Transportation	56,037				(56,037)
Non-Instructional Programs					
Child Nutrition	860,310	9,654	871,993		21,337
Community Services	8,498				(8,498)
Capital Assets - Student Occupied	367,910				(367,910)
Capital Assets - Non-Student Occupied	74,074				(74,074)
Debt Service - Principal	0				0
Debt Service - Interest	9,457				(9,457)
Total	<u>\$11,502,086</u>	<u>\$65,404</u>	<u>\$2,433,183</u>	<u>\$50,285</u>	<u>(8,953,214)</u>
General Revenues					
Local Taxes					909,367
Other Local Revenues					36,225
State Revenues					8,088,125
Federal Revenues					0
Total					<u>9,033,717</u>
Change in Net Position					80,503
Net Position - Beginning					<u>9,660,175</u>
Net Position - Ending					<u>\$9,740,678</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	McCain Middle School	Child Nutrition Fund	Debt Service Fund
Assets				
Cash & Investments	\$861,194	\$355,259	\$136,257	
Receivables:				
Local Sources	352,633		12	
State Sources	173,671			
Federal Sources				
Due From Other Funds	105,568			
Inventory			75,202	
Total Assets	\$1,493,066	\$355,259	\$211,471	\$0
Liabilities				
Accounts Payable	\$2,000			
Due To Other Funds				
Salaries & Benefits Payable	1,289,878	\$6,619	\$45,930	
Unspent Grant Allocation				
Total Liabilities	1,291,878	6,619	45,930	\$0
Deferred Inflows of Resources				
Unavailable Tax Revenues	88,669			
Total Deferred Inflows of Resources	88,669	0	0	0
Fund Balances				
Restricted:				
Special Programs		348,640	90,339	
Debt Service				
Capital Projects				
Nonspendable			75,202	
Unassigned	112,519			
Total Fund Balances	112,519	348,640	165,541	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$1,493,066	\$355,259	\$211,471	\$0

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Balance Sheet - Governmental Funds

June 30, 2016

	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash & Investments	\$1,550,086	\$75,473	\$2,978,269
Receivables:			
Local Sources	25,195	0	377,840
State Sources		12,796	186,467
Federal Sources		339,836	339,836
Due From Other Funds		0	105,568
Inventory		0	75,202
Total Assets	<u>\$1,575,281</u>	<u>\$428,105</u>	<u>\$4,063,182</u>
 Liabilities			
Accounts Payable		\$0	\$2,000
Due To Other Funds		105,568	105,568
Salaries & Benefits Payable		217,882	1,560,309
Unspent Grant Allocation		38,640	38,640
Total Liabilities	<u>\$0</u>	<u>362,090</u>	<u>1,706,517</u>
 Deferred Inflows of Resources			
Unavailable Tax Revenues	22,724	0	111,393
Total Deferred Inflows of Resources	<u>22,724</u>	<u>0</u>	<u>111,393</u>
 Fund Balances			
Restricted:			
Special Programs		66,015	504,994
Debt Service		0	0
Capital Projects	1,552,557	0	1,552,557
Nonspendable		0	75,202
Unassigned		0	112,519
Total Fund Balances	<u>1,552,557</u>	<u>66,015</u>	<u>2,245,272</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$1,575,281</u>	<u>\$428,105</u>	<u>\$4,063,182</u>

Balance Sheet - Governmental Funds

June 30, 2016

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

Total Governmental Fund Balances	\$2,245,272
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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.	10,076,731
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	111,393
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(2,692,718)
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Net Position of Governmental Activities	<u><u>\$9,740,678</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, 2016

	<u>General Fund</u>	<u>McCain Middle School</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>
Revenues				
Local Taxes	\$868,102			\$40,520
Other Local Revenue	30,593	\$50,967	\$9,794	469
State Revenue	7,779,727			254,197
Federal Revenue	281		871,852	
Total Revenues	<u>8,678,703</u>	<u>50,967</u>	<u>881,646</u>	<u>295,186</u>
Expenditures				
Instructional Programs				
Elementary School	2,497,630			
Secondary School	2,206,756	46,126		
Alternative School	66,828			
Special Education	459,980			
Special Education Preschool	46,033			
Gifted & Talented				
Interscholastic	183,202			
School Activity				
Support Service Programs				
Attendance - Guidance - Health	296,283			
Special Education Support Services	66,728			
Instruction Improvement	143,224			
Educational Media	159,348			
Instruction-Related Technology				
District Administration	310,256			
School Administration	621,126			
Administrative Technology				
Buildings - Care	668,454			
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied	346,289			
Maintenance - Grounds	78,539			
Security	21,403			
Pupil-To-School Transportation	338,537			
Pupil-Activity Transportation	6,323			
General Transportation	56,037			
Non-Instructional Programs				
Child Nutrition	17,742		842,568	
Community Services	8,498			
Capital Assets - Student Occupied	20,678			
Capital Assets - Non-Student Occupied				
Debt Service - Principal				995,000
Debt Service - Interest				17,915
Total Expenditures	<u>8,619,894</u>	<u>46,126</u>	<u>842,568</u>	<u>1,012,915</u>
Excess (Deficiency) of Revenues Over Expenditures	58,809	4,841	39,078	(717,729)
Other Financing Sources (Uses)				
Transfers In	23,241			
Transfers Out	(120,660)		(12,920)	(299,975)
Total Other Financing Sources (Uses)	<u>(97,419)</u>	<u>0</u>	<u>(12,920)</u>	<u>(299,975)</u>
Net Change in Fund Balances	(38,610)	4,841	26,158	(1,017,704)
Fund Balances - Beginning	151,129	343,799	139,383	1,017,704
Fund Balances - Ending	<u>\$112,519</u>	<u>\$348,640</u>	<u>\$165,541</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2016

	<u>Plant Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local Taxes		\$0	\$908,622
Other Local Revenue	\$47,615	44,921	184,359
State Revenue	164,492	151,655	8,350,071
Federal Revenue		1,266,659	2,138,792
Total Revenues	<u>212,107</u>	<u>1,463,235</u>	<u>11,581,844</u>
Expenditures			
Instructional Programs			
Elementary School		667,569	3,165,199
Secondary School		88,109	2,340,991
Alternative School		0	66,828
Special Education		334,513	794,493
Special Education Preschool		11,272	57,305
Gifted & Talented		0	0
Interscholastic		0	183,202
School Activity		0	0
Support Service Programs			
Attendance - Guidance - Health		0	296,283
Special Education Support Services		60,235	126,963
Instruction Improvement		200,634	343,858
Educational Media		0	159,348
Instruction-Related Technology		194,258	194,258
District Administration		4,660	314,916
School Administration		0	621,126
Administrative Technology		0	0
Buildings - Care		0	668,454
Maintenance - Non-Student Occupied		0	0
Maintenance - Student Occupied		0	346,289
Maintenance - Grounds		0	78,539
Security		0	21,403
Pupil-To-School Transportation		0	338,537
Pupil-Activity Transportation		0	6,323
General Transportation		0	56,037
Non-Instructional Programs			
Child Nutrition		0	860,310
Community Services		0	8,498
Capital Assets - Student Occupied	41,254	0	61,932
Capital Assets - Non-Student Occupied	74,074	91,860	165,934
Debt Service - Principal		0	995,000
Debt Service - Interest		0	17,915
Total Expenditures	<u>115,328</u>	<u>1,653,110</u>	<u>12,289,941</u>
Excess (Deficiency) of Revenues Over Expenditures	96,779	(189,875)	(708,097)
Other Financing Sources (Uses)			
Transfers In	299,975	120,660	443,876
Transfers Out		(10,321)	(443,876)
Total Other Financing Sources (Uses)	<u>299,975</u>	<u>110,339</u>	<u>0</u>
Net Change in Fund Balances	396,754	(79,536)	(708,097)
Fund Balances - Beginning	1,155,803	145,551	2,953,369
Fund Balances - Ending	<u>\$1,552,557</u>	<u>\$66,015</u>	<u>\$2,245,272</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2016

**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 (\$708,097)

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. (290,356)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 745

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 995,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 8,458

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. 74,753

Change in Net Position of Governmental Activities \$80,503

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Fiduciary Net Position

June 30, 2016

	Employee Benefit Trust Fund	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets				
Cash & Investments	\$93,973	\$130,189	\$252,685	\$476,847
Total Assets	<u>\$93,973</u>	<u>\$130,189</u>	<u>\$252,685</u>	<u>\$476,847</u>
Liabilities				
Accounts Payable		\$1,296		\$1,296
Due to Student Groups			\$252,685	252,685
Total Liabilities	<u>\$0</u>	<u>1,296</u>	<u>252,685</u>	<u>253,981</u>
Net Position				
Restricted:				
Scholarships		128,893		128,893
Employees	93,973			93,973
Total Net Position	<u>93,973</u>	<u>128,893</u>	<u>0</u>	<u>222,866</u>
Total Liabilities and Net Position	<u>\$93,973</u>	<u>\$130,189</u>	<u>\$252,685</u>	<u>\$476,847</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2016

	Employee Benefit Trust Fund	Private Purpose Trust Funds - Scholarship	Total
Additions			
Contributions		\$2,850	\$2,850
Investment Income (Loss)	\$4,034	412	4,446
Total Additions	4,034	3,262	7,296
Deductions			
Distributions	5,715		5,715
Scholarships Awarded		1,500	1,500
Total Deductions	5,715	1,500	7,215
Change in Net Position	(1,681)	1,762	81
Net Position - Beginning	95,654	127,131	222,785
Net Position - Ending	\$93,973	\$128,893	\$222,866

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 are prepared in accordance with generally accepted accounting principles (GAAP) as applied to school districts. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed 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 position 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, deferred

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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), and McCain middle school fund which accounts for certain revenues and expenditures related to the middle school.

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 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 are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. 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.

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Notes to Financial Statements

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 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.

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 paid to the general fund unless Idaho Code specifies otherwise. Investments include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants. The reported value of the local government investment pool is materially the same as the fair value of its shares. Investments also include mutual funds in the deferred compensation plan and are stated at fair value using either quoted market prices (Level 1) or best available estimate.

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 – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for 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 – 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.

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Pensions – For purposes of measuring the net pension liability and pension expense/revenue, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the 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.

Deferred Outflows/Inflows of Resources – The School’s financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

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 cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. 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. 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.

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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.

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	\$1,178,585
Investments - Local Government Investment Pool	2,182,558
Investments - IRC 457 Deferred Compensation Plan	93,973
Total	<u><u>\$3,455,116</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$1,178,585 and the bank balances were \$1,500,167. Of the bank balances, \$247,774 was insured and \$1,252,393 was collateralized.

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Change in fair value of investments (for investments that are recorded at fair value) during the year consists of the following:

Fair value - ending	\$93,973
Plus proceeds from investments sold/distributed during the year	5,715
Less cost of investments purchased during the year	0
Less fair value - beginning	<u>(95,654)</u>
Total	<u><u>\$4,034</u></u>

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, 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. More information on the local governmental investment pool including regulatory information, restriction on withdrawals, and rating and risk information can be found at sto.idaho.gov. Government accounting standards board statements 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) are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements.

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Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Plant Facilities Fund</u>	<u>Total</u>
Local Sources				
Other Local Sources	\$55	\$12	\$25,195	\$25,262
Local Taxes	352,578			352,578
Total	<u>\$352,633</u>	<u>\$12</u>	<u>\$25,195</u>	<u>\$377,840</u>
State Sources				
Foundation Program	\$173,671			\$173,671
Special Programs		\$12,796		12,796
Total	<u>\$173,671</u>	<u>\$12,796</u>		<u>\$186,467</u>
Federal Sources				
Special Programs		\$339,836		\$339,836
Total		<u>\$339,836</u>		<u>\$339,836</u>

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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	16,966,422			16,966,422
Equipment	1,836,858			1,836,858
Transportation	<u>1,537,988</u>	<u>91,860</u>		<u>1,629,848</u>
Subtotal	<u>20,341,268</u>	<u>91,860</u>	<u>0</u>	<u>20,433,128</u>
Accumulated Depreciation				
Buildings	7,919,599	298,297		8,217,896
Equipment	1,769,204	7,681		1,776,885
Transportation	<u>1,117,044</u>	<u>76,238</u>		<u>1,193,282</u>
Subtotal	<u>10,805,847</u>	<u>382,216</u>	<u>0</u>	<u>11,188,063</u>
Total	<u>9,535,421</u>	<u>(290,356)</u>	<u>0</u>	<u>9,245,065</u>
Net Capital Assets	<u>\$10,367,087</u>	<u>(\$290,356)</u>	<u>\$0</u>	<u>\$10,076,731</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$305,978
Pupil-To-School Transportation	<u>76,238</u>
Total	<u>\$382,216</u>

E. LONG-TERM DEBT

Changes in long-term debt are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2003 G.O. Bonds	\$995,000		\$995,000	\$0	
Total	<u>\$995,000</u>	<u>\$0</u>	<u>\$995,000</u>	<u>\$0</u>	<u>\$0</u>

Interest and related costs during the year amounted to \$9,457 and were charged to the debt service – interest program.

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Notes to Financial Statements

F. PENSION PLAN

Plan Description

The School 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, 2015 was as follows:

Active participants	67,008
Terminated and vested	42,657
Retirees and beneficiaries	11,859
Total	<u><u>121,524</u></u>

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits 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% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

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Notes to Financial Statements

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 8.36% for police and firefighters. The School's contributions were \$696,122 for the year ended June 30, 2016.

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

At June 30, 2016, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School'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, 2015, the School's proportion was 0.2074428 percent.

For the year ended June 30, 2016, the School recognized pension expense (revenue) of \$621,369. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$327,470
Changes in assumptions or other inputs	\$99,483	
Net difference between projected and actual earnings on pension plan investments	1,005,336	1,434,505
Employer contributions subsequent to the measurement date	696,122	
Total	<u>\$1,800,941</u>	<u>\$1,761,975</u>

\$696,122 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2017.

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Notes to Financial Statements

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

Year Ended	
6/30/16	(\$280,213)
6/30/17	(280,213)
6/30/18	(280,213)
6/30/19	203,385
6/30/20	<u>(19,902)</u>
Total	<u><u>(\$657,156)</u></u>

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 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of 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

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Notes to Financial Statements

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

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 ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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 ACWI ex USA	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Geometric Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.10%

*Arithmetic Return

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Notes to Financial Statements

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 periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the School'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%)
School's proportionate share of the net pension liability (asset)	\$6,653,390	\$2,731,684	(\$528,694)

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.

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Notes to Financial Statements

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	\$105,568	\$105,568
Total	<u>\$105,568</u>	<u>\$105,568</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	\$23,241	\$120,660	Indirect costs; depreciation allowance; support
Child Nutrition		12,920	Indirect costs
Debt Services		299,975	Balance transfer
Plant Facilities	299,975		Balance transfer
Nonmajor Governmental	120,660	10,321	Indirect costs; support; depreciation allowance
Total	<u>\$443,876</u>	<u>\$443,876</u>	

H. DEFERRED COMPENSATION PLAN

The School has 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, 2016

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$895,000	\$888,371	\$868,102	(\$20,269)
Other Local Revenue	4,000	22,706	30,593	7,887
State Revenue	7,775,271	7,809,913	7,779,727	(30,186)
Federal Revenue	0	0	281	281
Total Revenues	8,674,271	8,720,990	8,678,703	(42,287)
Expenditures				
Instructional Programs				
Elementary School	2,457,109	2,576,809	2,497,630	79,179
Secondary School	2,202,859	2,237,675	2,206,756	30,919
Alternative School	84,400	79,712	66,828	12,884
Special Education	361,717	405,717	459,980	(54,263)
Special Education Preschool	70,727	51,874	46,033	5,841
Gifted & Talented	0	0	0	0
Interscholastic	183,200	183,200	183,202	(2)
School Activity	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	368,626	302,822	296,283	6,539
Special Education Support Services	67,067	67,856	66,728	1,128
Instruction Improvement	152,741	150,841	143,224	7,617
Educational Media	137,939	160,110	159,348	762
Instruction-Related Technology	0	0	0	0
District Administration	324,343	320,070	310,256	9,814
School Administration	708,256	663,600	621,126	42,474
Administrative Technology	0	0	0	0
Buildings - Care	672,725	686,700	668,454	18,246
Maintenance - Non-Student Occupied	2,500	2,500	0	2,500
Maintenance - Student Occupied	407,244	382,800	346,289	36,511
Maintenance - Grounds	106,100	91,100	78,539	12,561
Security	23,850	23,850	21,403	2,447
Pupil-To-School Transportation	397,339	363,677	338,537	25,140
Pupil-Activity Transportation	10,000	10,000	6,323	3,677
General Transportation	26,500	55,053	56,037	(984)
Non-Instructional Programs				
Child Nutrition	20,000	20,000	17,742	2,258
Community Services	6,000	8,000	8,498	(498)
Capital Assets - Student Occupied	1,000	21,300	20,678	622
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	8,792,242	8,865,266	8,619,894	245,372 *
Excess (Deficiency) of Revenues Over Expenditures				
	(117,971)	(144,276)	58,809	203,085
Other Financing Sources (Uses)				
Transfers In	13,131	26,051	23,241	(2,810)
Transfers Out	(30,000)	(30,000)	(120,660)	(90,660) *
Total Other Financing Sources (Uses)	(16,869)	(3,949)	(97,419)	(93,470)
Net Change in Fund Balances	(134,840)	(148,225)	(38,610)	109,615
Fund Balances - Beginning	135,205	151,129	151,129	0
Fund Balances - Ending	\$365	\$2,904	\$112,519	\$109,615

*Total expenditures (over) under appropriations are: \$154,712

Budgetary Comparison Schedule - General and Major Special Revenue Funds
Year Ended June 30, 2016

McCain Middle School Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$0	\$0	\$0	\$0
Other Local Revenue	44,300	50,504	50,967	463
State Revenue	0	0	0	0
Federal Revenue	0	0	0	0
Total Revenues	44,300	50,504	50,967	463
Expenditures				
Instructional Programs				
Elementary School	0	0	0	0
Secondary School	136,500	159,600	46,126	113,474
Alternative School	0	0	0	0
Special Education	0	0	0	0
Special Education Preschool	0	0	0	0
Gifted & Talented	0	0	0	0
Interscholastic	0	0	0	0
School Activity	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Special Education Support Services	0	0	0	0
Instruction Improvement	0	0	0	0
Educational Media	0	0	0	0
Instruction-Related Technology	0	0	0	0
District Administration	0	0	0	0
School Administration	0	0	0	0
Administrative Technology	0	0	0	0
Buildings - Care	0	0	0	0
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	0	0	0	0
Maintenance - Grounds	0	0	0	0
Security	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
Pupil-Activity Transportation	0	0	0	0
General Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Community Services	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
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	136,500	159,600	46,126	113,474 *
Excess (Deficiency) of Revenues Over Expenditures	(92,200)	(109,096)	4,841	113,937
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(92,200)	(109,096)	4,841	113,937
Fund Balances - Beginning	294,000	343,799	343,799	0
Fund Balances - Ending	\$201,800	\$234,703	\$348,640	\$113,937

*Total expenditures (over) under appropriations are: \$113,474

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2016

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Other Local Revenue	\$74,700	\$9,500	\$9,794	\$294
Federal Revenue	635,000	730,500	871,852	141,352
Total Revenues	<u>709,700</u>	<u>740,000</u>	<u>881,646</u>	<u>141,646</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	845,500	858,000	842,568	15,432
Total Expenditures	<u>845,500</u>	<u>858,000</u>	<u>842,568</u>	<u>15,432</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(135,800)	(118,000)	39,078	157,078
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	(12,920)	(12,920)	0 *
Total Other Financing Sources (Uses)	<u>0</u>	<u>(12,920)</u>	<u>(12,920)</u>	<u>0</u>
Net Change in Fund Balances	(135,800)	(130,920)	26,158	157,078
Fund Balances - Beginning	<u>180,000</u>	<u>139,383</u>	<u>139,383</u>	<u>0</u>
Fund Balances - Ending	<u>\$44,200</u>	<u>\$8,463</u>	<u>\$165,541</u>	<u>\$157,078</u>
				<u>\$15,432</u>

*Total expenditures (over) under appropriations are:

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
School's portion of the net pension liability	0.2074428%	0.2068734%
School's proportionate share of the net pension liability	\$2,731,684	\$1,522,912
School's covered-employee payroll	\$6,149,488	\$6,405,839
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	44.42%	23.77%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured using the beginning fiscal year measurement date (i.e. July 1).

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$696,122	\$725,141
Contributions in relation to the statutorily required contribution	\$696,122	\$725,141
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
School's covered-employee payroll	\$6,149,488	\$6,405,839
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

SUPPLEMENTARY INFORMATION

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Local Special Projects	Driver Education	Professional Technical	Technology
Assets				
Cash & Investments	\$9,218	\$470		\$40,583
Receivables:				
Local Sources				
State Sources			\$12,796	
Federal Sources				
Due From Other Funds				
Inventory				
Total Assets	<u>\$9,218</u>	<u>\$470</u>	<u>\$12,796</u>	<u>\$40,583</u>
Liabilities				
Accounts Payable				
Due To Other Funds			\$10,298	
Salaries & Benefits Payable	\$9,218		2,498	\$240
Unspent Grant Allocation				
Total Liabilities	<u>9,218</u>	<u>\$0</u>	<u>12,796</u>	<u>240</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs		470		40,343
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>470</u>	<u>0</u>	<u>40,343</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$9,218</u>	<u>\$470</u>	<u>\$12,796</u>	<u>\$40,583</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			Special Educ. IDEA Part B School-Age
	Substance Abuse	Title I-A ESEA IBP	Title I-C ESEA EMC	
Assets				
Cash & Investments	\$25,202			
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$198,104	\$9,897	\$66,206
Due From Other Funds				
Inventory				
Total Assets	<u>\$25,202</u>	<u>\$198,104</u>	<u>\$9,897</u>	<u>\$66,206</u>
Liabilities				
Accounts Payable				
Due To Other Funds		\$64,265	\$3,057	\$6,325
Salaries & Benefits Payable		104,482	5,460	59,881
Unspent Grant Allocation		29,357	1,380	
Total Liabilities	<u>\$0</u>	<u>198,104</u>	<u>9,897</u>	<u>66,206</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs	25,202			
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>25,202</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$25,202</u>	<u>\$198,104</u>	<u>\$9,897</u>	<u>\$66,206</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title III ESEA LILEP&I
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$11,014	\$6,603	\$12,615	\$7,930
Due From Other Funds				
Inventory				
Total Assets	<u>\$11,014</u>	<u>\$6,603</u>	<u>\$12,615</u>	<u>\$7,930</u>
Liabilities				
Accounts Payable				
Due To Other Funds	\$237	\$1,322	\$12,615	\$1,952
Salaries & Benefits Payable	10,251	5,024		3,960
Unspent Grant Allocation	526	257		2,018
Total Liabilities	<u>11,014</u>	<u>6,603</u>	<u>12,615</u>	<u>7,930</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</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>\$11,014</u>	<u>\$6,603</u>	<u>\$12,615</u>	<u>\$7,930</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total</u>
	<u>Title II-A Improving Teacher Quality</u>	<u>21st Century CLC</u>	<u>Bus Depreciation</u>	
Assets				
Cash & Investments				\$75,473
Receivables:				
Local Sources				0
State Sources				12,796
Federal Sources	\$10,286	\$17,181		339,836
Due From Other Funds				0
Inventory				0
Total Assets	<u>\$10,286</u>	<u>\$17,181</u>	<u>\$0</u>	<u>\$428,105</u>
Liabilities				
Accounts Payable				\$0
Due To Other Funds	\$3,181	\$2,316		105,568
Salaries & Benefits Payable	2,003	14,865		217,882
Unspent Grant Allocation	5,102			38,640
Total Liabilities	<u>10,286</u>	<u>17,181</u>	<u>\$0</u>	<u>362,090</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				66,015
Debt Service				0
Capital Projects				0
Nonspendable				0
Unassigned				0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,015</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$10,286</u>	<u>\$17,181</u>	<u>\$0</u>	<u>\$428,105</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2016

	Special Revenue Funds			
	Local Special Projects	Driver Education	Professional Technical	Technology
Revenues				
Local Taxes				
Other Local Revenue	\$32,726	\$10,995		
State Revenue		11,125	\$42,652	\$76,507
Federal Revenue				
Total Revenues	<u>32,726</u>	<u>22,120</u>	<u>42,652</u>	<u>76,507</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School		20,165	42,652	460
Alternative School				
Special Education	32,726			
Special Education Preschool				
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology				194,258
District Administration		4,660		
School Administration				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
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>32,726</u>	<u>24,825</u>	<u>42,652</u>	<u>194,718</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(2,705)	0	(118,211)
Other Financing Sources (Uses)				
Transfers In				30,000
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
Net Change in Fund Balances	0	(2,705)	0	(88,211)
Fund Balances - Beginning	0	3,175	0	128,554
Fund Balances - Ending	<u>\$0</u>	<u>\$470</u>	<u>\$0</u>	<u>\$40,343</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2016

	Special Revenue Funds				
	Substance	Title I-A	Title I-C		Special Educ.
	Abuse	ESEA IBP	ESEA EMC		IDEA Part B School-Age
Revenues					
Local Taxes					
Other Local Revenue					
State Revenue	\$21,371				
Federal Revenue		\$549,093	\$34,185	\$362,022	
Total Revenues	<u>21,371</u>	<u>549,093</u>	<u>34,185</u>	<u>362,022</u>	
Expenditures					
Instructional Programs					
Elementary School		484,570	34,185		
Secondary School		49			
Alternative School					
Special Education				301,787	
Special Education Preschool					
Gifted & Talented					
Interscholastic					
School Activity					
Support Service Programs					
Attendance - Guidance - Health					
Special Education Support Services				60,235	
Instruction Improvement	9,991	56,525			
Educational Media					
Instruction-Related Technology					
District Administration					
School Administration					
Administrative Technology					
Buildings - Care					
Maintenance - Non-Student Occupied					
Maintenance - Student Occupied					
Maintenance - Grounds					
Security					
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>9,991</u>	<u>541,144</u>	<u>34,185</u>	<u>362,022</u>	
Excess (Deficiency) of Revenues					
Over Expenditures	11,380	7,949	0	0	
Other Financing Sources (Uses)					
Transfers In					
Transfers Out		(7,949)			
Total Other Financing Sources (Uses)	<u>0</u>	<u>(7,949)</u>	<u>0</u>	<u>0</u>	
Net Change in Fund Balances	11,380	0	0	0	
Fund Balances - Beginning	13,822	0	0	0	
Fund Balances - Ending	<u>\$25,202</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, 2016

	Special Revenue Funds			
	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title III ESEA LILEP&I
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$11,272	\$38,357	\$24,783	\$23,458
Total Revenues	<u>11,272</u>	<u>38,357</u>	<u>24,783</u>	<u>23,458</u>
Expenditures				
Instructional Programs				
Elementary School		38,357		
Secondary School			24,783	
Alternative School				
Special Education				
Special Education Preschool	11,272			
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				23,458
Educational Media				
Instruction-Related Technology				
District Administration				
School Administration				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
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>11,272</u>	<u>38,357</u>	<u>24,783</u>	<u>23,458</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</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, 2016

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	
	<u>Title II-A Improving Teacher Quality</u>	<u>21st Century CLC</u>	<u>Bus Depreciation</u>	<u>Total</u>
Revenues				
Local Taxes				\$0
Other Local Revenue			\$1,200	44,921
State Revenue				151,655
Federal Revenue	\$94,116	\$129,373		1,266,659
Total Revenues	<u>94,116</u>	<u>129,373</u>	<u>1,200</u>	<u>1,463,235</u>
Expenditures				
Instructional Programs				
Elementary School	19,094	91,363		667,569
Secondary School				88,109
Alternative School				0
Special Education				334,513
Special Education Preschool				11,272
Gifted & Talented				0
Interscholastic				0
School Activity				0
Support Service Programs				
Attendance - Guidance - Health				0
Special Education Support Services				60,235
Instruction Improvement	75,022	35,638		200,634
Educational Media				0
Instruction-Related Technology				194,258
District Administration				4,660
School Administration				0
Administrative Technology				0
Buildings - Care				0
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Security				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			91,860	91,860
Debt Service - Principal				0
Debt Service - Interest				0
Total Expenditures	<u>94,116</u>	<u>127,001</u>	<u>91,860</u>	<u>1,653,110</u>
Excess (Deficiency) of Revenues Over Expenditures	0	2,372	(90,660)	(189,875)
Other Financing Sources (Uses)				
Transfers In			90,660	120,660
Transfers Out		(2,372)		(10,321)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(2,372)</u>	<u>90,660</u>	<u>110,339</u>
Net Change in Fund Balances	0	0	0	(79,536)
Fund Balances - Beginning	0	0	0	145,551
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$66,015</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

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>			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	None	\$281
Total Forest Service Schools and Roads Cluster			<u>281</u>
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553		227,930
National School Lunch Program*	10.555		584,817
Summer Food Service Program for Children	10.559		20,543
Total Child Nutrition Cluster			<u>833,290</u>
Fresh Fruit & Vegetable Program	10.582		38,562
Total US Dept of Agriculture			<u>872,133</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027		362,022
Special Education - Preschool Grants	84.173		11,272
Total Special Education Cluster			<u>373,294</u>
Title I Grants to Local Educational Agencies	84.010		549,093
Migrant Education - State Grant Program	84.011		34,185
Career & Technical Education - Basic Grants to States	84.048		24,783
Twenty-First Century Community Learning Centers	84.287		129,373
Rural Education	84.358		38,357
English Language Acquisition State Grants	84.365		23,458
Improving Teacher Quality State Grants	84.367		94,116
Total US Dept of Education			<u>1,266,659</u>
Total Expenditures of Federal Awards			<u>\$2,138,792</u>

NOTES:

A. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*. 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 assets, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

***C. Nonmonetary Assistance** - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of \$52,980.

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
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 the Payette Joint School District No. 371 (the School), as of and for the year ended June 30, 2016, 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 19, 2016.

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 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 that might be material weaknesses or significant deficiencies. 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.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or compliance. This 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. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
July 19, 2016



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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's (the School's) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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, 2016.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
July 19, 2016

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report being issued:	Unmodified
<i>Internal control over financial reporting:</i>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

<i>Internal control over major programs:</i>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Major program identification:	
a. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.559	
Dollar threshold used to distinguish between type A and B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes