

NOTUS SCHOOL DISTRICT NO. 135

FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTUS SCHOOL DISTRICT NO. 135

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Notus School District No. 135

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 Notus School District No. 135 (the School) as of and for the year ended June 30, 2015, 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 has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the School's other post-employment benefit liability. 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, 2015, 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, 2015, 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 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 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 combining and individual nonmajor fund financial statements 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 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 August 19, 2015, 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
August 19, 2015

BASIC FINANCIAL STATEMENTS

NOTUS SCHOOL DISTRICT NO. 135

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$683,777
Receivables:	
Local Sources	117,113
State Sources	86,209
Federal Sources	151,291
Total Current Assets	<u>1,038,390</u>
Noncurrent Assets	
Nondepreciable Capital Assets	10,000
Depreciable Net Capital Assets	1,335,623
Total Noncurrent Assets	<u>1,345,623</u>
Total Assets	<u>2,384,013</u>
Deferred Outflows of Resources	
Pension Sources	211,684
Total Deferred Outflows of Resources	<u>211,684</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$2,595,697</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$0
Salaries & Benefits Payable	272,902
Unspent Grant Allocation	33,239
Accrued Interest	12,836
Long-Term Debt, Current	136,387
Total Current Liabilities	<u>455,364</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	317,871
Net Pension Liability	422,031
Total Noncurrent Liabilities	<u>739,902</u>
Total Liabilities	<u>1,195,266</u>
Deferred Inflows of Resources	
Pension Sources	580,976
Total Deferred Inflows of Resources	<u>580,976</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,776,242</u>
Net Position	
Net Investment in Capital Assets	878,529
Restricted:	
Special Programs	111,806
Debt Service	280,444
Capital Projects	135,214
Unrestricted	<u>(586,538)</u>
Total Net Position	<u>819,455</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$2,595,697</u></u>

See Accompanying Notes

NOTUS SCHOOL DISTRICT NO. 135

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	
Governmental Activities				
Instructional Programs				
Elementary School	\$731,576		\$206,286	(\$525,290)
Secondary School	957,331	\$4,195	64,117	(889,019)
Special Education	173,682			(173,682)
Interscholastic	4,503		4,503	0
School Activity	58,500			(58,500)
Summer School	3,075			(3,075)
Support Service Programs				
Attendance - Guidance - Health	90			(90)
Instruction Improvement	51,533		23,946	(27,587)
Board of Education	11,050			(11,050)
District Administration	175,415			(175,415)
School Administration	98,473			(98,473)
Business Operation	64,808			(64,808)
Buildings - Care	214,567			(214,567)
Maintenance - Student Occupied	122,109			(122,109)
Pupil-To-School Transportation	150,989			(150,989)
Pupil-Activity Transportation	9,692			(9,692)
Non-Instructional Programs				
Child Nutrition	220,020	152,158	61,841	(6,021)
Capital Assets - Student Occupied	105,739			(105,739)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	23,778			(23,778)
Total	<u>\$3,176,930</u>	<u>\$156,353</u>	<u>\$360,693</u>	<u>(\$2,659,884)</u>
General Revenues				
Local Taxes				414,723
Other Local Revenues				173,048
State Revenues				2,434,376
Federal Revenues				0
Total				<u>3,022,147</u>
Change in Net Position				362,263
Net Position - Beginning - As Previously Stated				1,378,124
Restatement - See Note I				(920,932)
Net Position - Beginning - As Restated				<u>457,192</u>
Net Position - Ending				<u><u>\$819,455</u></u>

NOTUS SCHOOL DISTRICT NO. 135

Balance Sheet - Governmental Funds

June 30, 2015

	General Fund	Albertsons Fund	Child Nutrition Fund	Debt Service Fund
Assets				
Cash & Investments	\$237,802	\$53,755	\$69,796	\$244,210
Receivables:				
Local Sources	22,660			36,234
State Sources	76,516			
Federal Sources				
Due From Other Funds	88,555			
Total Assets	<u>\$425,533</u>	<u>\$53,755</u>	<u>\$69,796</u>	<u>\$280,444</u>
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable	\$220,748		\$15,774	
Unspent Grant Allocation				
Total Liabilities	<u>220,748</u>	<u>\$0</u>	<u>15,774</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	4,040			8,069
Total Deferred Inflows of Resources	<u>4,040</u>	<u>0</u>	<u>0</u>	<u>8,069</u>
Fund Balances				
Restricted:				
Special Programs		53,755	54,022	
Debt Service				272,375
Capital Projects				
Unassigned	200,745			
Total Fund Balances	<u>200,745</u>	<u>53,755</u>	<u>54,022</u>	<u>272,375</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$425,533</u>	<u>\$53,755</u>	<u>\$69,796</u>	<u>\$280,444</u>

NOTUS SCHOOL DISTRICT NO. 135

Balance Sheet - Governmental Funds

June 30, 2015

	<u>Plant Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash & Investments	\$66,764	\$11,450	\$683,777
Receivables:			
Local Sources	58,219	0	117,113
State Sources		9,693	86,209
Federal Sources		151,291	151,291
Due From Other Funds		0	88,555
Total Assets	<u>\$124,983</u>	<u>\$172,434</u>	<u>\$1,126,945</u>
Liabilities			
Accounts Payable		\$0	\$0
Due To Other Funds		88,555	88,555
Salaries & Benefits Payable		36,380	272,902
Unspent Grant Allocation		33,239	33,239
Total Liabilities	<u>\$0</u>	<u>158,174</u>	<u>394,696</u>
Deferred Inflows of Resources			
Unavailable Tax Revenues	9,853	0	21,962
Total Deferred Inflows of Resources	<u>9,853</u>	<u>0</u>	<u>21,962</u>
Fund Balances			
Restricted:			
Special Programs		4,029	111,806
Debt Service		0	272,375
Capital Projects	115,130	10,231	125,361
Unassigned		0	200,745
Total Fund Balances	<u>115,130</u>	<u>14,260</u>	<u>710,287</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$124,983</u>	<u>\$172,434</u>	<u>\$1,126,945</u>

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

Total Governmental Fund Balances \$710,287

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. 1,345,623

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 21,962

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (467,094)

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. (791,323)

Net Position of Governmental Activities \$819,455

NOTUS SCHOOL DISTRICT NO. 135

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2015

	<u>General Fund</u>	<u>Albertsons Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>
Revenues				
Local Taxes	\$85,617			\$123,848
Other Local Revenue	36,843		\$152,158	1,663
State Revenue	2,408,305			
Federal Revenue			61,841	
Total Revenues	<u>2,530,765</u>	<u>\$0</u>	<u>213,999</u>	<u>125,511</u>
Expenditures				
Instructional Programs				
Elementary School	525,290			
Secondary School	891,714	1,500		
Special Education	173,682			
Interscholastic				
School Activity	58,500			
Summer School	3,075			
Support Service Programs				
Attendance - Guidance - Health	90			
Instruction Improvement				
Board of Education	11,050			
District Administration	174,824	591		
School Administration	98,473			
Business Operation	64,808			
Buildings - Care	214,567			
Maintenance - Student Occupied				
Pupil-To-School Transportation	126,981			
Pupil-Activity Transportation	9,692			
Non-Instructional Programs				
Child Nutrition	4,433		215,587	
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				120,000
Debt Service - Interest				26,628
Total Expenditures	<u>2,357,179</u>	<u>2,091</u>	<u>215,587</u>	<u>146,628</u>
Excess (Deficiency) of Revenues Over Expenditures	173,586	(2,091)	(1,588)	(21,117)
Other Financing Sources (Uses)				
Proceeds from Capital Lease				
Transfers In				
Transfers Out	(48,214)			
Total Other Financing Sources (Uses)	<u>(48,214)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	125,372	(2,091)	(1,588)	(21,117)
Fund Balances - Beginning	75,373	55,846	55,610	293,492
Fund Balances - Ending	<u>\$200,745</u>	<u>\$53,755</u>	<u>\$54,022</u>	<u>\$272,375</u>

NOTUS SCHOOL DISTRICT NO. 135

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2015

	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local Taxes	\$209,830	\$0	\$419,295
Other Local Revenue	4,933	4,195	199,792
State Revenue	30,890	54,173	2,493,368
Federal Revenue		239,860	301,701
Total Revenues	245,653	298,228	3,414,156
Expenditures			
Instructional Programs			
Elementary School		206,286	731,576
Secondary School		64,117	957,331
Special Education		0	173,682
Interscholastic		4,503	4,503
School Activity		0	58,500
Summer School		0	3,075
Support Service Programs			
Attendance - Guidance - Health		0	90
Instruction Improvement		51,533	51,533
Board of Education		0	11,050
District Administration		0	175,415
School Administration		0	98,473
Business Operation		0	64,808
Buildings - Care		0	214,567
Maintenance - Student Occupied	122,109	0	122,109
Pupil-To-School Transportation		94,258	221,239
Pupil-Activity Transportation		0	9,692
Non-Instructional Programs			
Child Nutrition		0	220,020
Capital Assets - Student Occupied	28,423	0	28,423
Capital Assets - Non-Student Occupied		0	0
Debt Service - Principal		0	120,000
Debt Service - Interest		0	26,628
Total Expenditures	150,532	420,697	3,292,714
Excess (Deficiency) of Revenues Over Expenditures	95,121	(122,469)	121,442
Other Financing Sources (Uses)			
Proceeds from Capital Lease		64,258	64,258
Transfers In		58,214	58,214
Transfers Out	(10,000)	0	(58,214)
Total Other Financing Sources (Uses)	(10,000)	122,472	64,258
Net Change in Fund Balances	85,121	3	185,700
Fund Balances - Beginning	30,009	14,257	524,587
Fund Balances - Ending	\$115,130	\$14,260	\$710,287

NOTUS SCHOOL DISTRICT NO. 135
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2015

**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 \$185,700

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. (3,685)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (4,572)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 120,000

Receipt of debt principal is a financing source in the governmental funds, but the receipt increases long-term debt in the statement of net position. (64,258)

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. (531)

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. 129,609

Change in Net Position of Governmental Activities \$362,263

NOTUS SCHOOL DISTRICT NO. 135

Statement of Fiduciary Net Position

June 30, 2015

	Agency Funds - Student Activity
Assets	
Cash & Investments	\$82,681
Total Assets	<u>\$82,681</u>
Liabilities	
Due to Student Groups	\$82,681
Total Liabilities	<u>82,681</u>
Net Position	
Total Net Position	<u>0</u>
Total Liabilities and Net Position	<u>\$82,681</u>

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Notus School District No. 135 (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 Canyon County.

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

NOTUS SCHOOL DISTRICT NO. 135

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. 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 the Albertsons fund, which is used to account for certain funding of general operations.

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:

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 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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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 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 – 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.

Pensions – For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (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 Inflows of Resources – The School’s governmental fund financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period. This situation occurs in instances where certain grant revenues or property tax revenues are not collected within thirty days after the end of the School’s fiscal year (thus not meeting the criteria for revenue recognition under the modified accrual basis of accounting). When such grant revenues or property tax revenues are later collected, they are recognized in the governmental fund financial statements by increasing revenue and decreasing the related deferred inflow of resources account.

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

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

subject to constraints on their use 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.

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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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	\$110,117
Investments - Local Government Investment Pool	656,341
Total	<u><u>\$766,458</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$110,117 and the bank balances were \$145,041. The bank balances were insured.

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 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.

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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>Debt Service Fund</u>	<u>Plant Facilities Fund</u>	<u>Total</u>
Local Sources					
Local Taxes	\$22,660		\$36,234	\$58,219	\$117,113
Total	<u>\$22,660</u>		<u>\$36,234</u>	<u>\$58,219</u>	<u>\$117,113</u>
State Sources					
Foundation Program	\$76,516				\$76,516
Special Programs		\$9,693			9,693
Total	<u>\$76,516</u>	<u>\$9,693</u>			<u>\$86,209</u>
Federal Sources					
Special Programs		\$151,291			\$151,291
Total		<u>\$151,291</u>			<u>\$151,291</u>

NOTUS SCHOOL DISTRICT NO. 135

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	\$10,000			\$10,000
Total	<u>10,000</u>	<u>\$0</u>	<u>\$0</u>	<u>10,000</u>
Depreciable Capital Assets				
Buildings	2,832,278			2,832,278
Equipment	567,258			567,258
Transportation	476,868	94,258		571,126
Subtotal	<u>3,876,404</u>	<u>94,258</u>	<u>0</u>	<u>3,970,662</u>
Accumulated Depreciation				
Buildings	1,564,221	56,645		1,620,866
Equipment	546,587	20,671		567,258
Transportation	426,288	20,627		446,915
Subtotal	<u>2,537,096</u>	<u>97,943</u>	<u>0</u>	<u>2,635,039</u>
Total	<u>1,339,308</u>	<u>(3,685)</u>	<u>0</u>	<u>1,335,623</u>
Net Capital Assets	<u>\$1,349,308</u>	<u>(\$3,685)</u>	<u>\$0</u>	<u>\$1,345,623</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$77,316
Pupil-To-School Transportation	<u>20,627</u>
Total	<u>\$97,943</u>

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

E. LONG-TERM DEBT

Bonded Debt – At year end, the School’s bonded debt was as follows:

	<u>Outstanding</u>
1999 - \$940,000 - general obligation bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 5.80% - 6.35% through 2017/18, secured by future taxes, paid through the debt service fund	\$390,000
Total	<u>\$390,000</u>

Maturities on the bonds are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/16	\$125,000	\$19,099
6/30/17	130,000	11,716
6/30/18	135,000	3,983
Total	<u>\$390,000</u>	<u>\$34,798</u>

Capital Lease – The School leases a bus that qualifies as a capital lease obligation. The bus cost \$94,258 and at year end, related accumulated depreciation was \$12,625.

Capital lease due in annual installments of \$15,075 with interest at 5.47% through 2019/20, secured by a bus, paid through the bus depreciation fund	<u>\$64,258</u>
Total	<u>\$64,258</u>

Maturities on the capital lease are estimated as follows:

<u>Year Ended</u>	
6/30/16	\$15,075
6/30/17	15,075
6/30/18	15,075
6/30/19	15,075
6/30/20	<u>15,075</u>
Total Future Minimum Lease Payments	75,375
Amount Representing Interest	<u>(11,117)</u>
Present Value of Future Minimum Lease Payments	<u>\$64,258</u>

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Notes to Financial Statements

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>
1999 G.O. Bonds	\$510,000		\$120,000	\$390,000	\$125,000
Capital Lease	0	\$64,258		64,258	11,387
Total	<u>\$510,000</u>	<u>\$64,258</u>	<u>\$120,000</u>	<u>\$454,258</u>	<u>\$136,387</u>

Interest and related costs during the year amounted to \$27,159 of which \$23,778 was charged to the debt service – interest program and \$3,381 was charged to the pupil-to-school transportation program.

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, 2014 was as follows:

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	<u>66,223</u>
Total	<u>118,503</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

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Notes to Financial Statements

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. Amounts in parenthesis represent police/firefighters.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2014 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The School's contributions were \$176,554 for the year ended June 30, 2015.

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

At June 30, 2015, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2014, the School's proportion was 0.0573290 percent.

For the year ended June 30, 2015, the School recognized pension expense (revenue) of (\$129,609). At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$52,389
Changes in assumptions or other inputs	\$35,130	
Net difference between projected and actual earnings on pension plan investments		528,587
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions		0
Employer contributions subsequent to the measurement date	<u>176,554</u>	
Total	<u>\$211,684</u>	<u>\$580,976</u>

\$176,554 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, 2016.

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

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

Year Ended	
6/30/16	(\$135,899)
6/30/17	(135,899)
6/30/18	(135,899)
6/30/19	(135,899)
6/30/20	<u>(2,251)</u>
Total	<u>(\$545,847)</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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net 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

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

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.

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Notes to Financial Statements

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			<u>7.10%</u>

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)	\$1,465,591	\$422,031	(\$445,471)

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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.

G. INTERFUND BALANCES

Interfund balances at year end consist of the following:

Due To Fund	Due From Fund	
	Nonmajor Governmental	Total
General	\$88,555	\$88,555
Total	\$88,555	\$88,555

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:

Fund	Transfer In	Transfer Out	Purpose
General		\$48,214	Depreciation, Support
Plant Facilities		10,000	Support
Nonmajor Governmental	\$58,214		Depreciation, Support
Total	\$58,214	\$58,214	

H. CANYON OWYHEE SCHOOL SERVICE AGENCY

The School is involved in a cooperative effort with the Homedale, Marsing, Parma, and Wilder School Districts to provide special and vocational education to the School's students through the Canyon Owyhee School Service Agency (COSSA). During the year, the School paid COSSA \$218,812 for instruction of School students served by COSSA.

I. PRIOR PERIOD ADJUSTMENT

During the year, the School implemented GASB No. 68 *Accounting and Financial Reporting for Pensions*. As required by GASB 68, the School's net position was restated by \$920,932 to reflect the prior year net pension liability and related deferred outflows from pension contributions made subsequent to the measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

NOTUS SCHOOL DISTRICT NO. 135

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2015

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$90,720	\$93,471	\$85,617	(\$7,854)
Other Local Revenue	17,100	7,300	36,843	29,543
State Revenue	2,373,770	2,390,443	2,408,305	17,862
Federal Revenue	0	0	0	0
Total Revenues	2,481,590	2,491,214	2,530,765	39,551
Expenditures				
Instructional Programs				
Elementary School	580,393	532,568	525,290	7,278
Secondary School	881,489	899,692	891,714	7,978
Special Education	155,926	173,682	173,682	0
Interscholastic	0	0	0	0
School Activity	59,638	56,038	58,500	(2,462)
Summer School	3,225	3,100	3,075	25
Support Service Programs				
Attendance - Guidance - Health	10,923	100	90	10
Instruction Improvement	0	0	0	0
Board of Education	10,125	10,980	11,050	(70)
District Administration	195,554	190,995	174,824	16,171
School Administration	103,020	103,232	98,473	4,759
Business Operation	61,510	61,510	64,808	(3,298)
Buildings - Care	238,329	221,756	214,567	7,189
Maintenance - Student Occupied	0	0	0	0
Pupil-To-School Transportation	129,864	137,250	126,981	10,269
Pupil-Activity Transportation	5,633	9,662	9,692	(30)
Non-Instructional Programs				
Child Nutrition	4,184	0	4,433	(4,433)
Capital Assets - Student Occupied	10,300	10,300	0	10,300
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	2,450,113	2,410,865	2,357,179	53,686 *
Excess (Deficiency) of Revenues Over Expenditures	31,477	80,349	173,586	93,237
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(31,477)	(28,056)	(48,214)	(20,158) *
Total Other Financing Sources (Uses)	(31,477)	(28,056)	(48,214)	(20,158)
Net Change in Fund Balances	0	52,293	125,372	73,079
Fund Balances - Beginning	0	75,373	75,373	0
Fund Balances - Ending	\$0	\$127,666	\$200,745	\$73,079
<i>*Total expenditures (over) under appropriations are:</i>				\$33,528

NOTUS SCHOOL DISTRICT NO. 135

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2015

Albertsons Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$0	\$0	\$0	\$0
Other Local Revenue	56,346	55,846	0	(55,846)
State Revenue	0	0	0	0
Federal Revenue	0	0	0	0
Total Revenues	<u>56,346</u>	<u>55,846</u>	<u>0</u>	<u>(55,846)</u>
Expenditures				
Instructional Programs				
Elementary School	0	0	0	0
Secondary School	56,346	55,846	1,500	54,346
Special Education	0	0	0	0
Interscholastic	0	0	0	0
School Activity	0	0	0	0
Summer School	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Instruction Improvement	0	0	0	0
Board of Education	0	0	0	0
District Administration	0	0	591	(591)
School Administration	0	0	0	0
Business Operation	0	0	0	0
Buildings - Care	0	0	0	0
Maintenance - Student Occupied	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
Pupil-Activity Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	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	<u>56,346</u>	<u>55,846</u>	<u>2,091</u>	<u>53,755</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	(2,091)	(2,091)
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	0	0	(2,091)	(2,091)
Fund Balances - Beginning	0	0	55,846	55,846
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$53,755</u>	<u>\$53,755</u>

*Total expenditures (over) under appropriations are: \$53,755

NOTUS SCHOOL DISTRICT NO. 135
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2015

Child Nutrition Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Other Local Revenue	\$38,800	\$38,653	\$152,158	\$113,505
Federal Revenue	150,500	150,500	61,841	(88,659)
Total Revenues	<u>189,300</u>	<u>189,153</u>	<u>213,999</u>	<u>24,846</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	256,733	244,763	215,587	29,176
Total Expenditures	<u>256,733</u>	<u>244,763</u>	<u>215,587</u>	<u>29,176</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(67,433)	(55,610)	(1,588)	54,022
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	(67,433)	(55,610)	(1,588)	54,022
Fund Balances - Beginning	<u>67,433</u>	<u>55,610</u>	<u>55,610</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$54,022</u>	<u>\$54,022</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$29,176</u>

NOTUS SCHOOL DISTRICT NO. 135
Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	2015
School's portion of the net pension liability	0.0573290%
School's proportionate share of the net pension liability	\$422,031
School's covered-employee payroll	\$1,559,664
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	27.06%
Plan fiduciary net position as a percentage of the total pension liability	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. 2015 data uses a July 1, 2014 measurement date).

NOTUS SCHOOL DISTRICT NO. 135

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2015</u>
Statutorily required contribution	\$186,343
Contributions in relation to the statutorily required contribution	\$178,285
Contribution deficiency (excess)	<u>\$8,058</u>
School's covered-employee payroll	<u>\$1,559,664</u>
Contributions as a percentage of covered-employee payroll	11.43%

*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 most recent fiscal year end.

SUPPLEMENTARY INFORMATION

NOTUS SCHOOL DISTRICT NO. 135
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Khan Academy Grant	Driver Education	Professional Technical	Technology
Assets				
Cash & Investments		\$1,219		
Receivables:				
Local Sources				
State Sources		2,823	\$6,870	
Federal Sources				
Due From Other Funds				
Total Assets	\$0	\$4,042	\$6,870	\$0
Liabilities				
Accounts Payable				
Due To Other Funds			\$4,296	
Salaries & Benefits Payable		\$13	2,574	
Unspent Grant Allocation				
Total Liabilities	\$0	13	6,870	\$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs		4,029		
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	0	4,029	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$0	\$4,042	\$6,870	\$0

NOTUS SCHOOL DISTRICT NO. 135
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Substance Abuse	Title I-A ESEA IBP	Title VI-B ESEA REAP	Title II-A Improving Teacher Quality
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$105,111	\$17,913	\$21,596
Due From Other Funds				
Total Assets	<u>\$0</u>	<u>\$105,111</u>	<u>\$17,913</u>	<u>\$21,596</u>
Liabilities				
Accounts Payable				
Due To Other Funds		\$66,346	\$17,913	
Salaries & Benefits Payable		33,763		\$30
Unspent Grant Allocation		5,002		21,566
Total Liabilities	<u>\$0</u>	<u>105,111</u>	<u>17,913</u>	<u>21,596</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				
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>\$0</u>	<u>\$105,111</u>	<u>\$17,913</u>	<u>\$21,596</u>

NOTUS SCHOOL DISTRICT NO. 135
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Gear Up</u>	<u>Bus Depreciation</u>	
Assets			
Cash & Investments		\$10,231	\$11,450
Receivables:			
Local Sources			0
State Sources			9,693
Federal Sources	\$6,671		151,291
Due From Other Funds			0
Total Assets	<u>\$6,671</u>	<u>\$10,231</u>	<u>\$172,434</u>
Liabilities			
Accounts Payable			\$0
Due To Other Funds			88,555
Salaries & Benefits Payable			36,380
Unspent Grant Allocation	\$6,671		33,239
Total Liabilities	<u>6,671</u>	<u>\$0</u>	<u>158,174</u>
Deferred Inflows of Resources			
Unavailable Tax Revenues			0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted:			
Special Programs			4,029
Debt Service			0
Capital Projects		10,231	10,231
Unassigned			0
Total Fund Balances	<u>0</u>	<u>10,231</u>	<u>14,260</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$6,671</u>	<u>\$10,231</u>	<u>\$172,434</u>

NOTUS SCHOOL DISTRICT NO. 135

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

	<u>Special Revenue Funds</u>			
	<u>Khan Academy Grant</u>	<u>Driver Education</u>	<u>Professional Technical</u>	<u>Technology</u>
Revenues				
Local Taxes				
Other Local Revenue		\$4,195		
State Revenue		2,823	\$22,901	\$23,946
Federal Revenue				
Total Revenues	<u>\$0</u>	<u>7,018</u>	<u>22,901</u>	<u>23,946</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School	1	7,641	22,901	
Special Education				
Interscholastic				
School Activity				
Summer School				
Support Service Programs				
Attendance - Guidance - Health				
Instruction Improvement				51,533
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Student Occupied				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>1</u>	<u>7,641</u>	<u>22,901</u>	<u>51,533</u>
Excess (Deficiency) of Revenues Over Expenditures	(1)	(623)	0	(27,587)
Other Financing Sources (Uses)				
Proceeds from Capital Lease				
Transfers In				27,587
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,587</u>
Net Change in Fund Balances	(1)	(623)	0	0
Fund Balances - Beginning	<u>1</u>	<u>4,652</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$4,029</u>	<u>\$0</u>	<u>\$0</u>

NOTUS SCHOOL DISTRICT NO. 135

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

	<u>Special Revenue Funds</u>			
	<u>Substance Abuse</u>	<u>Title I-A ESEA IBP</u>	<u>Title VI-B ESEA REAP</u>	<u>Title II-A Improving Teacher Quality</u>
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue	\$4,503			
Federal Revenue		\$172,100	\$23,764	\$15,511
Total Revenues	<u>4,503</u>	<u>172,100</u>	<u>23,764</u>	<u>15,511</u>
Expenditures				
Instructional Programs				
Elementary School		167,011	23,764	15,511
Secondary School		5,089		
Special Education				
Interscholastic	4,503			
School Activity				
Summer School				
Support Service Programs				
Attendance - Guidance - Health				
Instruction Improvement				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Student Occupied				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>4,503</u>	<u>172,100</u>	<u>23,764</u>	<u>15,511</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Proceeds from Capital Lease				
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>

NOTUS SCHOOL DISTRICT NO. 135

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Gear Up</u>	<u>Bus Depreciation</u>	
Revenues			
Local Taxes			\$0
Other Local Revenue			4,195
State Revenue			54,173
Federal Revenue	\$28,485		239,860
Total Revenues	<u>28,485</u>	<u>\$0</u>	<u>298,228</u>
Expenditures			
Instructional Programs			
Elementary School			206,286
Secondary School	28,485		64,117
Special Education			0
Interscholastic			4,503
School Activity			0
Summer School			0
Support Service Programs			
Attendance - Guidance - Health			0
Instruction Improvement			51,533
Board of Education			0
District Administration			0
School Administration			0
Business Operation			0
Buildings - Care			0
Maintenance - Student Occupied			0
Pupil-To-School Transportation		94,258	94,258
Pupil-Activity Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Capital Assets - Student Occupied			0
Capital Assets - Non-Student Occupied			0
Debt Service - Principal			0
Debt Service - Interest			0
Total Expenditures	<u>28,485</u>	<u>94,258</u>	<u>420,697</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(94,258)	(122,469)
Other Financing Sources (Uses)			
Proceeds from Capital Lease		64,258	64,258
Transfers In		30,627	58,214
Transfers Out			0
Total Other Financing Sources (Uses)	<u>0</u>	<u>94,885</u>	<u>122,472</u>
Net Change in Fund Balances	0	627	3
Fund Balances - Beginning	0	9,604	14,257
Fund Balances - Ending	<u>\$0</u>	<u>\$10,231</u>	<u>\$14,260</u>

OTHER REPORTS



**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
Notus School District No. 135

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 Notus School District No. 135 (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 19, 2015.

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
August 19, 2015