

NOTUS SCHOOL DISTRICT NO. 135

FINANCIAL STATEMENTS

Year Ended June 30, 2016

NOTUS SCHOOL DISTRICT NO. 135

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FINANCIAL SECTION

Audits
Taxes
Special Services



11501 Highway 95
Payette, Idaho 83661
www.qcpas.com
info@qcpas.com
P: 208-642-1417
F: 208-642-1582

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, 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 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 31, 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
August 31, 2016

BASIC FINANCIAL STATEMENTS

NOTUS SCHOOL DISTRICT NO. 135

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$4,427,472
Receivables:	
Local Sources	131,428
State Sources	64,272
Federal Sources	73,363
Total Current Assets	<u>4,696,535</u>
Noncurrent Assets	
Nondepreciable Capital Assets	1,646,151
Depreciable Net Capital Assets	1,261,788
Total Noncurrent Assets	<u>2,907,939</u>
Total Assets	<u>7,604,474</u>
Deferred Outflows of Resources	
Pension Sources	496,349
Total Deferred Outflows of Resources	<u>496,349</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$8,100,823</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$249,845
Salaries & Benefits Payable	303,252
Unspent Grant Allocation	20,492
Accrued Interest	49,307
Long-Term Debt, Current	196,749
Total Current Liabilities	<u>819,645</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	5,017,589
Net Pension Liability	749,758
Total Noncurrent Liabilities	<u>5,767,347</u>
Total Liabilities	<u>6,586,992</u>
Deferred Inflows of Resources	
Pension Sources	483,605
Total Deferred Inflows of Resources	<u>483,605</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,070,597</u>
Net Position	
Net Investment in Capital Assets	(2,355,706)
Restricted:	
Special Programs	132,907
Debt Service	281,204
Capital Projects	3,321,042
Unrestricted	<u>(349,221)</u>
Total Net Position	<u>1,030,226</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$8,100,823</u></u>

See Accompanying Notes

NOTUS SCHOOL DISTRICT NO. 135

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	
Governmental Activities				
Instructional Programs				
Elementary School	\$829,972		\$212,608	(\$617,364)
Secondary School	1,024,534	\$3,450	69,010	(952,074)
Special Education	180,146			(180,146)
Interscholastic	2,000		2,000	0
School Activity	60,557			(60,557)
Summer School	2,751			(2,751)
Support Service Programs				
Attendance - Guidance - Health	121			(121)
Instruction Improvement	52,381		37,333	(15,048)
Board of Education	8,893			(8,893)
District Administration	294,945			(294,945)
School Administration	106,760			(106,760)
Business Operation	66,189			(66,189)
Buildings - Care	190,775			(190,775)
Maintenance - Student Occupied	138,783			(138,783)
Pupil-To-School Transportation	136,075			(136,075)
Pupil-Activity Transportation	8,853			(8,853)
Non-Instructional Programs				
Child Nutrition	211,977	38,116	173,861	0
Capital Assets - Student Occupied	103,491			(103,491)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	136,034			(136,034)
Total	<u>\$3,555,237</u>	<u>\$41,566</u>	<u>\$494,812</u>	<u>\$0</u>
General Revenues				
Local Taxes				461,876
Other Local Revenues				45,144
State Revenues				2,722,610
Federal Revenues				
Total				<u>3,229,630</u>
Change in Net Position				210,771
Net Position - Beginning				<u>819,455</u>
Net Position - Ending				<u>\$1,030,226</u>

NOTUS SCHOOL DISTRICT NO. 135

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Child Nutrition Fund	Debt Service Fund
Assets			
Cash & Investments	\$517,497	\$88,622	\$226,957
Receivables:			
Local Sources	26,228		65,802
State Sources	54,059		
Federal Sources			
Due From Other Funds	19,108		
Total Assets	<u>\$616,892</u>	<u>\$88,622</u>	<u>\$292,759</u>
Liabilities			
Accounts Payable			
Due To Other Funds			
Salaries & Benefits Payable	\$249,430	\$17,285	
Unspent Grant Allocation			
Total Liabilities	<u>249,430</u>	<u>17,285</u>	<u>\$0</u>
Deferred Inflows of Resources			
Unavailable Tax Revenues	5,034		11,555
Total Deferred Inflows of Resources	<u>5,034</u>	<u>0</u>	<u>11,555</u>
Fund Balances			
Restricted:			
Special Programs		71,337	
Debt Service			281,204
Capital Projects			
Unassigned	362,428		
Total Fund Balances	<u>362,428</u>	<u>71,337</u>	<u>281,204</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$616,892</u>	<u>\$88,622</u>	<u>\$292,759</u>

NOTUS SCHOOL DISTRICT NO. 135

Balance Sheet - Governmental Funds

June 30, 2016

	Capital Construction Fund	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash & Investments	\$3,429,336	\$93,895	\$71,165	\$4,427,472
Receivables:				
Local Sources		39,398	0	131,428
State Sources			10,213	64,272
Federal Sources			73,363	73,363
Due From Other Funds			0	19,108
Total Assets	<u>\$3,429,336</u>	<u>\$133,293</u>	<u>\$154,741</u>	<u>\$4,715,643</u>
Liabilities				
Accounts Payable	\$245,156		\$4,689	\$249,845
Due To Other Funds			19,108	19,108
Salaries & Benefits Payable			36,537	303,252
Unspent Grant Allocation			20,492	20,492
Total Liabilities	<u>245,156</u>	<u>\$0</u>	<u>80,826</u>	<u>592,697</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues		8,776	0	25,365
Total Deferred Inflows of Resources	<u>0</u>	<u>8,776</u>	<u>0</u>	<u>25,365</u>
Fund Balances				
Restricted:				
Special Programs			61,570	132,907
Debt Service			0	281,204
Capital Projects	3,184,180	124,517	12,345	3,321,042
Unassigned			0	362,428
Total Fund Balances	<u>3,184,180</u>	<u>124,517</u>	<u>73,915</u>	<u>4,097,581</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$3,429,336</u>	<u>\$133,293</u>	<u>\$154,741</u>	<u>\$4,715,643</u>

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

Total Governmental Fund Balances	\$4,097,581
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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.	2,907,939
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	25,365
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(5,263,645)
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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.	(737,014)
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Net Position of Governmental Activities	<u><u>\$1,030,226</u></u>
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NOTUS SCHOOL DISTRICT NO. 135

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2016

	General Fund	Child Nutrition Fund	Debt Service Fund
Revenues			
Local Taxes	\$95,077		\$231,021
Other Local Revenue	7,434	\$38,116	1,648
State Revenue	2,662,699		
Federal Revenue		186,862	
Total Revenues	<u>2,765,210</u>	<u>224,978</u>	<u>232,669</u>
Expenditures			
Instructional Programs			
Elementary School	641,669		
Secondary School	986,328		
Special Education	180,146		
Interscholastic			
School Activity	60,557		
Summer School	2,751		
Support Service Programs			
Attendance - Guidance - Health	121		
Instruction Improvement			
Board of Education	8,893		
District Administration	198,013		
School Administration	106,760		
Business Operation	66,189		
Buildings - Care	190,775		
Maintenance - Student Occupied			
Pupil-To-School Transportation	115,921		
Pupil-Activity Transportation	8,853		
Non-Instructional Programs			
Child Nutrition	4,314	207,663	
Capital Assets - Student Occupied			
Capital Assets - Non-Student Occupied			
Debt Service - Principal			125,000
Debt Service - Interest			98,840
Total Expenditures	<u>2,571,290</u>	<u>207,663</u>	<u>223,840</u>
Excess (Deficiency) of Revenues Over Expenditures	193,920	17,315	8,829
Other Financing Sources (Uses)			
Proceeds from Bond Issuance			
Proceeds from Bond Premium			
Transfers In			
Transfers Out	(32,237)		
Total Other Financing Sources (Uses)	<u>(32,237)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	161,683	17,315	8,829
Fund Balances - Beginning	200,745	54,022	272,375
Fund Balances - Ending	<u>\$362,428</u>	<u>\$71,337</u>	<u>\$281,204</u>

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2016

	Capital Construction Fund	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local Taxes		\$132,374	\$0	\$458,472
Other Local Revenue	\$20,331	15,731	3,450	86,710
State Revenue		46,910	71,943	2,781,552
Federal Revenue			249,008	435,870
Total Revenues	<u>20,331</u>	<u>195,015</u>	<u>324,401</u>	<u>3,762,604</u>
Expenditures				
Instructional Programs				
Elementary School			212,608	854,277
Secondary School			68,209	1,054,537
Special Education			0	180,146
Interscholastic			2,000	2,000
School Activity			0	60,557
Summer School			0	2,751
Support Service Programs				
Attendance - Guidance - Health			0	121
Instruction Improvement			52,381	52,381
Board of Education			0	8,893
District Administration	96,467		465	294,945
School Administration			0	106,760
Business Operation			0	66,189
Buildings - Care			0	190,775
Maintenance - Student Occupied		138,783	0	138,783
Pupil-To-School Transportation			15,075	130,996
Pupil-Activity Transportation			0	8,853
Non-Instructional Programs				
Child Nutrition			0	211,977
Capital Assets - Student Occupied		46,845	0	46,845
Capital Assets - Non-Student Occupied	1,636,151		0	1,636,151
Debt Service - Principal			0	125,000
Debt Service - Interest			0	98,840
Total Expenditures	<u>1,732,618</u>	<u>185,628</u>	<u>350,738</u>	<u>5,271,777</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,712,287)	9,387	(26,337)	(1,509,173)
Other Financing Sources (Uses)				
Proceeds from Bond Issuance	4,705,000		0	4,705,000
Proceeds from Bond Premium	191,467		0	191,467
Transfers In			32,237	32,237
Transfers Out			0	(32,237)
Total Other Financing Sources (Uses)	<u>4,896,467</u>	<u>0</u>	<u>32,237</u>	<u>4,896,467</u>
Net Change in Fund Balances	3,184,180	9,387	5,900	3,387,294
Fund Balances - Beginning	0	115,130	68,015	710,287
Fund Balances - Ending	<u>\$3,184,180</u>	<u>\$124,517</u>	<u>\$73,915</u>	<u>\$4,097,581</u>

NOTUS SCHOOL DISTRICT NO. 135
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 \$3,387,294

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. 1,562,316

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 3,404

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 136,387

Receipt of bond principal and related premium is a financing source in the governmental funds, but such receipt increases long-term debt and obligations in the statement of net position. (4,705,000)

Receipt of bond premium is a financing source in the governmental funds in the year received. However, the bond premium is amortized over the bond's life in the statement of activities. (191,467)

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. (36,471)

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. 54,308

Change in Net Position of Governmental Activities \$210,771

NOTUS SCHOOL DISTRICT NO. 135

Statement of Fiduciary Net Position

June 30, 2016

	Agency Funds - Student Activity
Assets	
Cash & Investments	\$87,786
Total Assets	<u>\$87,786</u>
Liabilities	
Due to Student Groups	\$87,786
Total Liabilities	<u>87,786</u>
Net Position	
Total Net Position	<u>0</u>
Total Liabilities and Net Position	<u>\$87,786</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.

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).

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 construction fund, used to account for bond proceeds and related construction costs, and 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:

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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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.

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.

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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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.

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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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

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

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

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

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$158,127
Investments - Local Government Investment Pool	4,357,131
Total	<u><u>\$4,515,258</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$158,127 and the bank balances were \$157,557. 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. 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 are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements.

NOTUS SCHOOL DISTRICT NO. 135

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	\$26,228		\$65,802	\$39,398	\$131,428
Total	<u>\$26,228</u>		<u>\$65,802</u>	<u>\$39,398</u>	<u>\$131,428</u>
State Sources					
Foundation Program	\$54,059				\$54,059
Special Programs		\$10,213			10,213
Total	<u>\$54,059</u>	<u>\$10,213</u>			<u>\$64,272</u>
Federal Sources					
Special Programs		\$73,363			\$73,363
Total		<u>\$73,363</u>			<u>\$73,363</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
Construction in Progress		\$1,636,151		1,636,151
Total	<u>10,000</u>	<u>1,636,151</u>	<u>\$0</u>	<u>1,646,151</u>
Depreciable Capital Assets				
Buildings	2,832,278			2,832,278
Equipment	567,258			567,258
Transportation	571,126			571,126
Subtotal	<u>3,970,662</u>	<u>0</u>	<u>0</u>	<u>3,970,662</u>
Accumulated Depreciation				
Buildings	1,620,866	56,646		1,677,512
Equipment	567,258			567,258
Transportation	446,915	17,189		464,104
Subtotal	<u>2,635,039</u>	<u>73,835</u>	<u>0</u>	<u>2,708,874</u>
Total	<u>1,335,623</u>	<u>(73,835)</u>	<u>0</u>	<u>1,261,788</u>
Net Capital Assets	<u>\$1,345,623</u>	<u>\$1,562,316</u>	<u>\$0</u>	<u>\$2,907,939</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$56,646
Pupil-To-School Transportation	17,189
Total	<u>\$73,835</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	\$265,000
2015 - \$4,705,000 - general obligation bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 2.00% - 3.30% through 2035/36, secured by future taxes, paid through the debt service fund	4,705,000
Total	<u><u>\$4,970,000</u></u>

Maturities on the bonds are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/17	\$175,000	\$149,051
6/30/18	195,000	140,268
6/30/19	200,000	133,685
6/30/20	205,000	129,635
6/30/21	210,000	125,485
6/30/22-26	1,135,000	533,750
6/30/27-31	1,320,000	349,925
6/30/32-36	1,530,000	127,588
Total	<u><u>\$4,970,000</u></u>	<u><u>\$1,689,387</u></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 \$23,145.

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	52,871
Total	<u><u>\$52,871</u></u>

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

Maturities on the capital lease are estimated as follows:

<u>Year Ended</u>	
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	60,300
Amount Representing Interest	<u>(7,429)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$52,871</u></u>

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	\$390,000		\$125,000	\$265,000	\$130,000
2015 G.O. Bonds		\$4,705,000		4,705,000	45,000
Bond Premium		191,467		191,467	9,573
Capital Lease	64,258		11,387	52,871	12,176
Total	<u><u>\$454,258</u></u>	<u><u>\$4,896,467</u></u>	<u><u>\$136,387</u></u>	<u><u>\$5,214,338</u></u>	<u><u>\$196,749</u></u>

Interest and related costs during the year amounted to \$138,999 of which \$136,034 was charged to the debt service – interest program and \$2,965 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.

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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>121,524</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.

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 \$193,112 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

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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 .0569363 percent.

For the year ended June 30, 2016, the School recognized pension expense (revenue) of \$138,804. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$89,880
Changes in assumptions or other inputs	\$27,305	
Net difference between projected and actual earnings on pension plan investments	275,932	393,725
Employer contributions subsequent to the measurement date	193,112	
Total	<u>\$496,349</u>	<u>\$483,605</u>

\$193,112 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.

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	
6/30/17	(\$76,909)
6/30/18	(76,909)
6/30/19	(76,909)
6/30/20	55,823
6/30/21	(5,462)
Total	<u>(\$180,366)</u>

NOTUS SCHOOL DISTRICT NO. 135
Notes to Financial Statements

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

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

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

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

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:

NOTUS SCHOOL DISTRICT NO. 135

Notes to Financial Statements

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
School's proportionate share of the net pension liability (asset)	\$1,826,139	\$749,758	(\$145,109)

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:

<u>Due To Fund</u>	<u>Due From Fund</u>	
	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$19,108	\$19,108
Total	\$19,108	\$19,108

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		\$32,237	Depreciation, Support
Nonmajor Governmental	\$32,237		Depreciation, Support
Total	\$32,237	\$32,237	

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 \$228,953 for instruction of School students served by COSSA.

REQUIRED SUPPLEMENTARY INFORMATION

NOTUS SCHOOL DISTRICT NO. 135
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2016

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Local Taxes	\$96,432	\$96,932	\$95,077	(\$1,855)
Other Local Revenue	19,100	6,600	7,434	834
State Revenue	2,422,636	2,697,097	2,662,699	(34,398)
Federal Revenue	0	0	0	0
Total Revenues	2,538,168	2,800,629	2,765,210	(35,419)
Expenditures				
Instructional Programs				
Elementary School	560,326	628,531	641,669	(13,138)
Secondary School	925,483	990,191	986,328	3,863
Special Education	173,682	180,146	180,146	0
Interscholastic	0	0	0	0
School Activity	64,370	64,370	60,557	3,813
Summer School	3,195	3,095	2,751	344
Support Service Programs				
Attendance - Guidance - Health	5,533	125	121	4
Instruction Improvement	0	0	0	0
Board of Education	12,300	8,950	8,893	57
District Administration	205,783	208,541	198,013	10,528
School Administration	122,108	126,943	106,760	20,183
Business Operation	63,280	63,280	66,189	(2,909)
Buildings - Care	233,296	236,329	190,775	45,554
Maintenance - Student Occupied	0	0	0	0
Pupil-To-School Transportation	128,881	123,599	115,921	7,678
Pupil-Activity Transportation	8,612	8,612	8,853	(241)
Non-Instructional Programs				
Child Nutrition	4,415	4,329	4,314	15
Capital Assets - Student Occupied	10,492	338,221	0	338,221
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	2,521,756	2,985,262	2,571,290	413,972 *
Excess (Deficiency) of Revenues				
Over Expenditures	16,412	(184,633)	193,920	378,553
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(16,112)	(16,112)	(32,237)	(16,125) *
Total Other Financing Sources (Uses)	(16,112)	(16,112)	(32,237)	(16,125)
Net Change in Fund Balances	300	(200,745)	161,683	362,428
Fund Balances - Beginning	0	200,745	200,745	0
Fund Balances - Ending	\$300	\$0	\$362,428	\$362,428
				*Total expenditures (over) under appropriations are: \$397,847

NOTUS SCHOOL DISTRICT NO. 135
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2016

Child Nutrition Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Other Local Revenue	\$28,200	\$28,200	\$38,116	\$9,916
Federal Revenue	160,270	160,270	186,862	26,592
Total Revenues	<u>188,470</u>	<u>188,470</u>	<u>224,978</u>	<u>36,508</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	239,630	239,630	207,663	31,967
Total Expenditures	<u>239,630</u>	<u>239,630</u>	<u>207,663</u>	<u>31,967</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(51,160)	(51,160)	17,315	68,475
Other Financing Sources (Uses)				
Transfers In	0		0	0
Transfers Out	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	(51,160)	(51,160)	17,315	68,475
Fund Balances - Beginning	51,160	51,160	54,022	2,862
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$71,337</u>	<u>\$71,337</u>
				<u>\$31,967</u>

**Total expenditures (over) under appropriations are:*

NOTUS SCHOOL DISTRICT NO. 135
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	0.0569363%	0.0573290%
School's proportionate share of the net pension liability	\$749,758	\$422,031
School's covered-employee payroll	\$1,705,936	\$1,559,664
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	43.95%	27.06%
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).

NOTUS SCHOOL DISTRICT NO. 135

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$193,112	\$176,554
Contributions in relation to the statutorily required contribution	\$193,112	\$176,554
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
School's covered-employee payroll	\$1,705,936	\$1,559,664
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

NOTUS SCHOOL DISTRICT NO. 135
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Albertsons	Driver Education	Professional Technical	Technology
Assets				
Cash & Investments	\$51,790	\$2,046		
Receivables:				
Local Sources				
State Sources		2,750	\$7,463	
Federal Sources				
Due From Other Funds				
Total Assets	\$51,790	\$4,796	\$7,463	\$0
Liabilities				
Accounts Payable			\$4,689	
Due To Other Funds				
Salaries & Benefits Payable			2,774	
Unspent Grant Allocation				
Total Liabilities	\$0	\$0	7,463	\$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	51,790	4,796		
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	51,790	4,796	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$51,790	\$4,796	\$7,463	\$0

NOTUS SCHOOL DISTRICT NO. 135
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Substance Abuse	Title I-A ESEA IBP	Title VI-B ESEA REAP	Title II-A Improving Teacher Quality
Assets				
Cash & Investments	\$4,984			
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$39,542		\$13,791
Due From Other Funds				
Total Assets	<u>\$4,984</u>	<u>\$39,542</u>	<u>\$0</u>	<u>\$13,791</u>
Liabilities				
Accounts Payable				
Due To Other Funds		\$5,779		\$1,286
Salaries & Benefits Payable		33,763		
Unspent Grant Allocation				12,505
Total Liabilities	<u>\$0</u>	<u>39,542</u>	<u>\$0</u>	<u>13,791</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	4,984			
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	<u>4,984</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$4,984</u>	<u>\$39,542</u>	<u>\$0</u>	<u>\$13,791</u>

NOTUS SCHOOL DISTRICT NO. 135
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Gear Up</u>	<u>Bus Depreciation</u>	<u>Total</u>
Assets			
Cash & Investments		\$12,345	\$71,165
Receivables:			
Local Sources			0
State Sources			10,213
Federal Sources	\$20,030		73,363
Due From Other Funds			0
Total Assets	<u>\$20,030</u>	<u>\$12,345</u>	<u>\$154,741</u>
Liabilities			
Accounts Payable			\$4,689
Due To Other Funds	\$12,043		19,108
Salaries & Benefits Payable			36,537
Unspent Grant Allocation	7,987		20,492
Total Liabilities	<u>20,030</u>	<u>\$0</u>	<u>80,826</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			61,570
Debt Service			0
Capital Projects		12,345	12,345
Unassigned			0
Total Fund Balances	<u>0</u>	<u>12,345</u>	<u>73,915</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$20,030</u>	<u>\$12,345</u>	<u>\$154,741</u>

NOTUS SCHOOL DISTRICT NO. 135

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			
	<u>Albertsons</u>	<u>Driver Education</u>	<u>Professional Technical</u>	<u>Technology</u>
Revenues				
Local Taxes				
Other Local Revenue		\$3,450		
State Revenue		2,750	\$24,876	\$37,333
Federal Revenue				
Total Revenues	<u>\$0</u>	<u>6,200</u>	<u>24,876</u>	<u>37,333</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School	1,500	5,433	24,876	
Special Education				
Interscholastic				
School Activity				
Summer School				
Support Service Programs				
Attendance - Guidance - Health				
Instruction Improvement				52,381
Board of Education				
District Administration	465			
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>1,965</u>	<u>5,433</u>	<u>24,876</u>	<u>52,381</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,965)	767	0	(15,048)
Other Financing Sources (Uses)				
Proceeds from Bond Issuance				
Proceeds from Bond Premium				
Transfers In				15,048
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,048</u>
Net Change in Fund Balances	<u>(1,965)</u>	<u>767</u>	<u>0</u>	<u>0</u>
	53,755	4,029	0	0
Fund Balances - Ending	<u>\$51,790</u>	<u>\$4,796</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, 2016

	Special Revenue Funds			
	Substance Abuse	Title I-A ESEA IBP	Title VI-B ESEA REAP	Title II-A Improving Teacher Quality
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue	\$6,984			
Federal Revenue		\$168,645	\$21,337	\$26,645
Total Revenues	<u>6,984</u>	<u>168,645</u>	<u>21,337</u>	<u>26,645</u>
Expenditures				
Instructional Programs				
Elementary School		164,626	21,337	26,645
Secondary School		4,019		
Special Education				
Interscholastic	2,000			
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>2,000</u>	<u>168,645</u>	<u>21,337</u>	<u>26,645</u>
Excess (Deficiency) of Revenues Over Expenditures	4,984	0	0	0
Other Financing Sources (Uses)				
Proceeds from Bond Issuance				
Proceeds from Bond Premium				
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	4,984	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$4,984</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, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Gear Up</u>	<u>Bus Depreciation</u>	
Revenues			
Local Taxes			\$0
Other Local Revenue			3,450
State Revenue			71,943
Federal Revenue	\$32,381		249,008
Total Revenues	<u>32,381</u>	<u>\$0</u>	<u>324,401</u>
Expenditures			
Instructional Programs			
Elementary School			212,608
Secondary School	32,381		68,209
Special Education			0
Interscholastic			2,000
School Activity			0
Summer School			0
Support Service Programs			
Attendance - Guidance - Health			0
Instruction Improvement			52,381
Board of Education			0
District Administration			465
School Administration			0
Business Operation			0
Buildings - Care			0
Maintenance - Student Occupied			0
Pupil-To-School Transportation		15,075	15,075
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>32,381</u>	<u>15,075</u>	<u>350,738</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(15,075)	(26,337)
Other Financing Sources (Uses)			
Proceeds from Bond Issuance			0
Proceeds from Bond Premium			0
Transfers In		17,189	32,237
Transfers Out			0
Total Other Financing Sources (Uses)	<u>0</u>	<u>17,189</u>	<u>32,237</u>
Net Change in Fund Balances	0	2,114	5,900
Fund Balances - Beginning	0	10,231	68,015
Fund Balances - Ending	<u>\$0</u>	<u>\$12,345</u>	<u>\$73,915</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, 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 August 31, 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
August 31, 2016