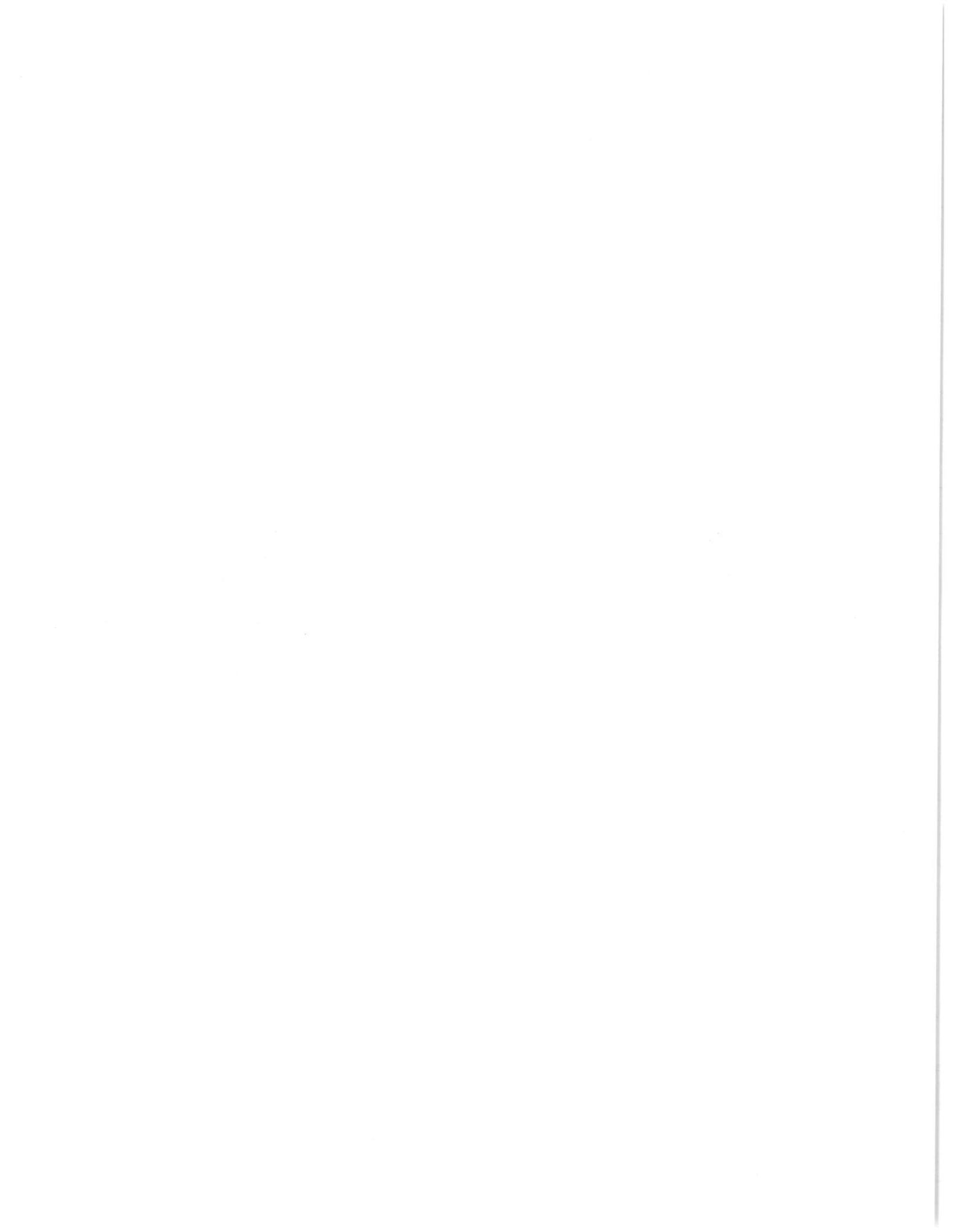


BASIC FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

YEAR ENDED JUNE 30, 2016



SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

BASIC FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
YEAR ENDED JUNE 30, 2016

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SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

BASIC FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
YEAR ENDED JUNE 30, 2016
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Board of Trustees,
School District No. 58
Aberdeen, Idaho

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 58 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion on Statement of Net Position & Statement of Activities

Retired District employees pay their own health insurance. Premiums for retired and active employees are the same. The District believes that the future cost of the implicit rate subsidy built into current health care premiums is not material to the financial statements and that the cost of adopting GASB 45 cannot be justified at the present time. The amount by which this GAAP departure would affect the liabilities and net position in the Statement of Net Position is not determinable.

Qualified Opinion

In my opinion, except for the effects of not providing information regarding Other Post-employment Benefit Obligations as described in the previous paragraph, the Statement of Net Position and the Statement of Activities, present fairly, in all material respects, the net position of School District No. 58, as of June 30, 2016, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In my opinion, the Governmental Fund Statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District No. 58, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

The District has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the schedules of employer's share of net pension liability and employer contributions, and major fund budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedules of student body and scholarship funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees,
School District No. 58
Page 4

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 2016, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Pocatello, Idaho
August 26, 2016

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

STATEMENT OF NET POSITION
 AT JUNE 30, 2016

	Governmental Activities
ASSETS:	
Current Assets:	
Pooled cash and cash equivalents	\$1,722,465
Cash restricted for debt service	551,057
Receivables:	
Property taxes	589,901
State	367,353
Other receivables	4,464
Non-current Assets:	
Capital assets:	
Land	36,474
Property and equipment, net of accumulated depreciation	6,041,253
Total assets	9,312,967
 DEFERRED OUTFLOWS:	
Deferred PERSI outflow of resources	622,193
 LIABILITIES:	
Current Liabilities:	
Accounts payable	177,960
Accrued salaries	472,346
Interest payable	13,000
Due within one year - bus leases	58,979
Due within one year - series 2011 bonds	640,000
Long-term Liabilities:	
Due in more than one year - bus leases	125,329
Due in more than one year - series 2011 bonds	660,000
Net PERSI unfunded pension liability	1,482,251
Total liabilities	3,629,865
 DEFERRED INFLOWS:	
Deferred PERSI inflow of resources	1,027,768
 NET POSITION:	
Net investment in capital assets	4,580,419
Restricted	704,130
Unrestricted	(7,022)
Total net position	\$5,277,527

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instructional services				
Regular instruction	\$2,816,931	\$3,811	\$175,110	(\$2,638,010)
Special education	428,068		189,498	(238,570)
Support services				
Pupil support	549,812	43,864	335,133	(170,815)
Staff support	98,470		159,705	61,235
Tech services	107,227		50,652	(56,575)
Board of education	15,419			(15,419)
District administration	232,346			(232,346)
School administration	381,992			(381,992)
Business operation	79,486			(79,486)
Operation and maintenance	590,381		103,498	(486,883)
Transportation	372,210	23,299		(348,911)
Capital outlay	85,114			(85,114)
Non-instructional	365,972	26,449	281,639	(57,884)
Interest on long-term debt	55,428			(55,428)
Total governmental activities	<u>\$6,178,856</u>	<u>\$97,423</u>	<u>\$1,295,235</u>	<u>(4,786,198)</u>
General revenues				
Taxes:				
Property taxes levied for general purposes				982,126
Property taxes levied for debt services				441,059
Property taxes levied for plant facilities				274,447
Federal and State aid				
State foundation program				3,887,378
State other				153,829
Interest and investment earnings				7,106
Total general revenues				<u>5,745,945</u>
Excess revenues before special items				959,747
Sale of assets				3,701
Change in net position				963,448
Net assets, June 30, 2015				4,314,079
Net assets, June 30, 2016				<u>\$5,277,527</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

BALANCE SHEET
 GOVERNMENTAL FUNDS

AT JUNE 30, 2016

	Major Funds				Totals (Memorandum Only)
	General	Debt Service	Title I Fund	Non-major Funds	
ASSETS:					
Cash	\$1,240,211			\$482,254	\$1,722,465
Cash restricted for debt service		\$551,057			551,057
Receivables:					
Property taxes	342,512	153,073		94,316	589,901
State of Idaho	78,784		\$113,231	175,338	367,353
Other receivables				4,464	4,464
Due from other funds	108,053				108,053
Total assets	<u>\$1,769,560</u>	<u>\$704,130</u>	<u>\$113,231</u>	<u>\$756,372</u>	<u>\$3,343,293</u>
LIABILITIES:					
Accounts payable	\$143,675		\$2,733	\$31,552	\$177,960
Salaries payable	386,833		29,260	56,253	472,346
Due to other funds			48,741	59,312	108,053
Total liabilities	<u>530,508</u>	<u>\$0</u>	<u>80,734</u>	<u>147,117</u>	<u>758,359</u>
DEFERRED RESOURCES:					
Unavailable property taxes	<u>37,722</u>	<u>19,873</u>		<u>11,620</u>	<u>69,215</u>
FUND BALANCE:					
Restricted		684,257			684,257
Committed			32,497	597,635	630,132
Unassigned	1,201,330				1,201,330
Total fund balance	<u>1,201,330</u>	<u>684,257</u>	<u>32,497</u>	<u>597,635</u>	<u>2,515,719</u>
Total liabilities and fund balance	<u>\$1,769,560</u>	<u>\$704,130</u>	<u>\$113,231</u>	<u>\$756,372</u>	<u>\$3,343,293</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 AT JUNE 30, 2016

Total fund balances - Governmental Funds		\$2,515,719
<p>Total net assets reported for governmental activities in the Statement of Net Assets is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.</p>		
Cost of capital assets	\$11,285,933	
Depreciation expense to date	<u>(5,208,206)</u>	6,077,727
<p>Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the governmental funds.</p>		
		69,215
<p>Deferred amounts are not current financial resources/uses. Therefore, they are not reported in the Governmental funds.</p>		
Deferred PERSI outflows	622,193	
Deferred PERSI inflows	<u>(1,027,768)</u>	(405,575)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.</p>		
Lease purchase payable	(184,308)	
Bonds payable	(1,300,000)	
Accrued interest on bonds	(13,000)	
District's share of PERSI unfunded pension liability	<u>(1,482,251)</u>	<u>(2,979,559)</u>
Total Net Position		<u><u>\$5,277,527</u></u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Fund	Title I Fund	Non-major Funds	Total Governmental Funds
REVENUES:					
Local:					
Property taxes (net of cancellations)	\$976,226	\$445,913		\$274,770	\$1,696,909
Earnings on investments	7,106				7,106
Other local	56,099			45,025	101,124
State:					
Base support	3,247,139				3,247,139
Transportation	209,071				209,071
State paid benefits	431,168				431,168
Other	274,400	92,836		166,532	533,768
Federal assistance			\$268,008	647,288	915,296
Total revenues	<u>5,201,209</u>	<u>538,749</u>	<u>268,008</u>	<u>1,133,615</u>	<u>7,141,581</u>
EXPENDITURES:					
Instructional services	2,732,548		199,835	274,020	3,206,403
Support Services:					
Pupil support	261,805		61,114	116,851	439,770
Staff support	101,159				101,159
Technology	59,292			49,337	108,629
Board of education	15,419				15,419
District administration	237,377				237,377
School administration	391,934				391,934
Business operation	79,954				79,954
Operation and maintenance	543,985			255,581	799,566
Transportation	328,867				328,867
Other non-instructional				355,305	355,305
Debt Service:					
Principal		630,000			630,000
Interest		50,119			50,119
Capital Assets				85,114	85,114
Total expenditures	<u>4,752,340</u>	<u>680,119</u>	<u>260,949</u>	<u>1,136,208</u>	<u>6,829,616</u>
EXCESS REVENUES (EXPENDITURES)	448,869	(141,370)	7,059	(2,593)	311,965
OTHER FINANCING SOURCES (USES):					
Transfers (to) from other funds	<u>(42,916)</u>		<u>(7,504)</u>	50,420	0
NET CHANGE IN FUND BALANCES	405,953	(141,370)	(445)	47,827	311,965
FUND EQUITY - JUNE 30, 2015	<u>795,377</u>	<u>825,627</u>	<u>32,942</u>	<u>549,808</u>	<u>2,203,754</u>
FUND EQUITY - JUNE 30, 2016	<u>\$1,201,330</u>	<u>\$684,257</u>	<u>\$32,497</u>	<u>\$597,635</u>	<u>\$2,515,719</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 AT JUNE 30, 2016

Total net change in fund balances - Governmental Funds \$311,965

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

Governmental funds report capital outlays as expenditures. However, in the
 Statement of Activities, assets with an initial, individual cost of more than \$5,000
 are capitalized and the cost is allocated over estimated useful lives as depreciation
 expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense this year	(\$321,736)	
Current year capital outlays	<u>162,585</u>	(159,151)

Governmental funds report debt proceeds as financing sources, while repayment
 of debt principal is reported as an expenditure. In the Statement of Net Assets,
 debt increases liabilities and does not effect the Statement of Activities. Repayment
 of debt reduces the liability.

Current year repayment of bond principal	630,000	
Current year bus lease payments	<u>74,500</u>	704,500

Because some property taxes will not be collected for several months after the
 District's year end, they are not considered as available revenue in the
 Governmental funds. They are recorded as current revenue in the Statement
 of Activities.

723

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 governmental funds

100,161

Interest on long-term debt in the Statement of Activities differs from amounts
 reported in the Governmental Funds because interest is recorded as an
 expenditure in the funds when it is due

5,250

Total Change in Net Position

\$963,448

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES

AT JUNE 30, 2016

ASSETS:

Cash and equivalents		<u>\$215,413</u>
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LIABILITIES

Due to High School Student groups	\$79,117	
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Due to Middle School Student groups	75,797	
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Due to Elementary School Student groups	50,377	
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Due to Rapha Brown Scholarships	<u>10,122</u>	
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		<u>\$215,413</u>
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SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements of Aberdeen School District No. 58 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity - For financial reporting purposes, management has considered potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic criterion for including a potential component unit within the reporting entity is the governing body's responsibility for financial accountability. Financial accountability is defined as the level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that fiscally dependent on it. Based upon the application of these criteria, the District has no potential component units.

Government-wide and fund financial statements - The Statement of Net Position and the Statement of changes in net position display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expenses for capital assets that can specifically be identified with a function are included in its direct expenses.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation expense for shared assets (are ratably included in the direct expenses for the appropriate functions. Interest on general long term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line item. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The fund financial statements provide information about the District's funds, including its fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major funds:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for resources accumulated and payments to retire long term bonds.

The **Title I Fund** is a federally funded program to increase reading proficiency in the elementary school.

Additionally the District reports the following fund type:

The **Student Activity Accounts** (fiduciary funds) account for monies held on behalf of student groups.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement focus, basis of accounting, and financial statement presentation –

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental fund financial statements are reported using the financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost reimbursement grants, block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to finance the program, followed by block grants, and then general revenues.

Budgetary Data - Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS – (CONTINUED)
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During May of each year, the Superintendent submits to the School Board a proposed operating budget for the next fiscal year commencing on July 1st. This budget includes proposed expenditures and the means of financing them.

Copies of the proposed budget are made available for public inspection and review by the patrons of the District.

After considering patron input at a public hearing in June, the Board adopts the budget.

Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent, can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget.

Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrances are not liabilities and they are not recorded as expenditures until receipt of material or services. For budgetary purposes, appropriations lapse at year end and are rebudgeted the following year. The District does not reserve fund balance for outstanding encumbrances at year end.

Deposits and investments – The cash balances of substantially all funds are pooled and invested by the District for purposes of increasing earnings through investment activities. The District's investments are reported at fair value at year end. The Idaho State Treasurer's Local Government Pool operates in accordance with appropriate state laws and regulations. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned to the funds based on the average balance of each participating fund.

Cash and Cash Equivalents – The District considers investments with an original maturity of three months or less to be cash equivalent.

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year end are referred to as due to/due from other funds.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventories – Inventories of governmental funds are recorded as expenditures when purchased. Financial statements for the school lunch program do not show the value of donated commodities.

Capital Assets – Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation is recorded using the straight-line method over the estimated useful lives as follows: Buildings and improvements: 20-40 years. Buses: 10 years. Furniture and equipment: 3-15 years.

Compensated Absences – Employees are granted vacation and sick leave in varying amounts. Accumulated vacation must be used prior to the employee's anniversary date. The District does not compensate employees for unused sick leave. When a teacher retires an amount equal to one half of the accumulated sick leave is reported to the State Retirement Board. The amount is used to pay the retiree's health insurance.

Long-term obligations – In the government wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows/Inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so it will not be recognized as an outflow of resources (expenditure) until then. The District does have items that qualify for reporting in this category. They are the deferred outflows of resources related to the PERSI pension base plan. See note 13 for details on the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of these items, which arise under the government-wide accrual basis of accounting that qualifies for reporting in this category and one item, which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source; property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The other item (reported in the government-wide statements) is an amount related to the pension base plan. See note 13 for details on the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity – Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classifications can be used.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance Flow Assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumptions – Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations or other governments.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Pensions – For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public employee Retirement System Of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan’s fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. **DEPOSITS AND INVESTMENTS**

The District invests its idle cash in the Idaho State Treasurer's local government investment pool. The deposits are stated at cash which approximates market. The State Treasurer combines deposits from all government entities in Idaho, who participate in the pool, and purchases the following types of investments: Local Certificates of Deposit, Repurchase Agreements, and U.S. Government Securities.

The Entities participating in the pool own a percentage of each investment held. This percentage is calculated by dividing the individual entity's deposits by the total deposits held in the pool. The purpose of this is to: increase overall the rate of return, reduce risk of default, and place each entity under the FDIC and FSLIC limits of \$250,000.

Under Idaho Code Section 67-1210 the District is authorized to invest surplus or idle moneys in investments subject to the following standards, guidelines and restrictions:

- a. District moneys shall not be made in any depository of financial institution in an amount, which exceeds ten (10%) of said entity's capital and surplus. Any investments to be made above Federal Deposit Insurance require the depository to have a current "Moody's Bank Credit Report Service" rating of "A" or better.
- b. No demand deposits or investment in time deposits or certificates of deposit shall be made in financial institutions insured in whole or in part by the Federal Savings and Loan Insurance Corporation or in any State or Federal credit unions insurance programs in an amount in excess of the insurance available.

Investments allowable under "Idaho Code Section 67-1210" are:

- a. Bonds, Treasury bills, interest bearing notes, or other obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- b. General obligation or revenue bonds of this State, or those for which the faith and credit of this State are pledged for payment of principal and interest.
- c. General obligation or revenue bonds of any county, city, metropolitan water district, municipal utility district, school district or other taxing district of this State.
- d. Notes, bonds, debentures, or other similar obligations issued by the Farm Credit System or institutions forming a part thereof under the Farm Credit act of 1971.
- e. Bonds, notes or other similar obligations issued by public corporations of the State of Idaho including, but not limited to, the Idaho State Building Authority, the Idaho Housing Authority and the Idaho Water Resource Board. These investments shall not extend beyond seven (7) days.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. **DEPOSITS AND INVESTMENTS (CONTINUED)**

- f. Repurchase agreements covered by any legal investment for the State of Idaho.
- g. Tax anticipation notes and registered warrants of the State of Idaho.
- h. Tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing District's of the State of Idaho.
- i. Time deposits and savings accounts in state depositories including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transactions accounts.
- j. Time deposit accounts and savings accounts of federal savings and loan associations located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the Federal Savings and Loan Insurance Corporation including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
- k. Revenue bonds of institutions of higher education of the State of Idaho.
- l. Share, savings and deposit accounts of state and federal credit unions located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the National Credit Union Share Insurance Fund and/or any other authorized deposit guaranty corporation, including but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.

3. **PROPERTY TAXES**

Taxes are levied by the second Monday on September on assessed valuations as of June 30. Taxes on real property are payable in two equal installments on December 20, and June 30, of the following year. Personal property taxes are due December 20. Delinquent payments bear simple interest of 1% per month plus a 2% penalty. Due to the small amount of taxes not collected no adjustment is made for delinquent taxes.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

4. **CAPITAL ASSETS**

Governmental Activities:	<u>7/1/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/16</u>
Capital Assets not being depreciated:				
Land	<u>\$36,474</u>	<u> </u>	<u> </u>	<u>\$36,474</u>
Capital Assets being depreciated:				
Buildings & improvements	9,333,891	132,654		9,466,545
Furniture & equipment	660,097			660,097
Vehicles	<u>1,217,039</u>	<u>29,931</u>	<u>(\$124,153)</u>	<u>1,122,817</u>
	<u>11,211,027</u>	<u>162,585</u>	<u>(124,153)</u>	<u>11,249,459</u>
Accumulated Depreciation:				
Buildings & improvements	3,715,141	207,317		3,922,458
Furniture & equipment	463,219	33,567		496,786
Vehicles	<u>832,263</u>	<u>80,852</u>	<u>(124,153)</u>	<u>788,962</u>
	<u>5,010,623</u>	<u>321,736</u>	<u>(124,153)</u>	<u>5,208,206</u>
 Total Capital Assets-Net of Depreciation	 <u>\$6,236,878</u>			 <u>\$6,077,727</u>

Depreciation was charged to functions as follows:

Non-instructional	\$13,525
Transportation	77,058
Operation & maintenance	12,480
Regular instruction	<u>218,673</u>
	<u>\$321,736</u>

5. **DEFICIT FUND BALANCE**

For most of these Federal and State programs the District spends its own money and then requests reimbursement from the various funding agencies. For those funds with deficits, reimbursement has not yet been received.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

6. DUE TO/ DUE FROM

Federal program funds are temporarily overspent while waiting for Federal Reimbursements. The Debt Service Fund tax levy was not sufficient. Deficit cash is shown as due to other funds as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$108,053	
Title I Fund		\$48,741
Title I Migrant Fund		10,041
Title VI-B Fund		19,542
Preschool Fund		750
Small Rural Grant Fund		1,621
C Perkins Vocational Education Fund		9,705
Title III LEP Fund		1,111
Title II Teacher Quality Fund		16,542

7. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Debt Service Fund exceeded budget by \$244.
School Lunch Fund exceeded budget by \$1,807
Bus Depreciation Fund exceeded budget by \$54

8. RISK MANAGEMENT

The District is exposed to various risks of loss, related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee health and injuries, and natural disasters. All risks are insured by commercial insurance.

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
 YEAR ENDED JUNE 30, 2016

9. **LONG-TERM DEBT**

The District has financed the purchase of the following school buses:

2015 72 Passenger School Bus @ 4.5% interest:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
August 2016	\$16,932	\$2,390	\$19,322
August 2017	17,694	1,628	19,322
August 2018	<u>18,491</u>	<u>831</u>	<u>19,322</u>
	<u>\$53,117</u>	<u>\$4,849</u>	<u>\$57,966</u>

2015 18 Passenger School Bus @ 4.5% interest:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
August 2016	\$12,537	\$1,770	\$14,307
August 2017	13,101	1,206	14,307
August 2018	<u>13,690</u>	<u>617</u>	<u>14,307</u>
	<u>\$39,328</u>	<u>\$3,593</u>	<u>\$42,921</u>

2016 72 Passenger School Bus @ 3.75% interest:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Jun 2016	\$17,333	\$2,024	\$19,357
Jun 2016	17,983	1,374	19,357
Jun 2016	<u>18,657</u>	<u>700</u>	<u>19,357</u>
	<u>\$53,973</u>	<u>\$4,098</u>	<u>\$58,071</u>

2016 24 Passenger School Bus @ 3.65% interest:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Jun 2016	\$12,177	\$1,383	\$13,560
Jun 2016	12,622	938	13,560
Jun 2016	<u>13,090</u>	<u>470</u>	<u>13,560</u>
	<u>\$37,889</u>	<u>\$2,791</u>	<u>\$40,680</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. **LONG-TERM DEBT (CONTINUED)**

General Obligation Refunding Bond Series 2011 were issued August 2011 in the amount of \$3,170,000. Proceeds were placed in escrow at Zion's Bank. In August of 2012, the proceeds of the 2011 series bonds were used to retire the outstanding 2002 bonds.

Scheduled payments due on the Series 2011 bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
8/1/2016	\$640,000	\$19,500	\$659,500
2/1/2017		9,900	9,900
8/1/2017	<u>660,000</u>	<u>9,900</u>	<u>669,900</u>
	<u>\$1,300,000</u>	<u>\$39,300</u>	<u>\$1,339,300</u>

Beginning in the fiscal year ended June 30, 2015, GASB 68 requires the District to record its share of PERSI's unfunded pension liability. The June 30, 2016 liability amount is not available at this time. The District's share of PERSI's unfunded liability at June 30, 2015 was \$1,593,362. That amount has been recorded as a long-term liability on the statement of net assets.

The following is a summary of long-term debt transactions for the year ended June 30, 2016:

	Balance <u>7/1/15</u>	Debt <u>Acquired</u>	Debt <u>Retired</u>	<u>6/30/16</u>	Due within <u>one year</u>
Bus lease purchases	\$258,808		(\$74,500)	\$184,308	\$58,979
2011 Series Bonds	1,930,000		(630,000)	1,300,000	640,000
District's share of PERSI unfunded liability	<u>866,838</u>	<u>615,413</u>		<u>1,482,251</u>	<u>0</u>
	<u>\$3,055,646</u>	<u>\$615,413</u>	<u>(\$704,500)</u>	<u>\$2,966,559</u>	<u>\$698,979</u>

10. **CONTINGENT LIABILITIES**

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

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

11. **CREDIT RISK, CONCENTRATION OF CREDIT RISK,
AND INTEREST RATE RISK**

As of June 30, 2016 the District's investments were as follows: All of the districts investments are in an internal investment pool.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Statutes authorize the District to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued from the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or any taxing district in the State, time deposits, saving deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool. The District does not have an investment policy that would further limit its investment choices.

Concentration Credit Risk. The District does not place a limit on the amount that the District may invest in any one issuer. Most of the District's investments are in Local Government Investment Pool which by its nature is a diversified account. As of June 30, 2016 the fund consisted of U.S. Treasury Notes, Government Agency Notes, Idaho Bank Deposits, Repurchase Agreements, Corporate Bonds and Commercial Paper, Government Agency Notes, and Idaho Bank Deposits.

12. **FUND BALANCE**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

12. **FUND BALANCE (CONTINUED)**

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling Board action.

Committed – The committed fund balance classification includes amounts that can be used for only the specific purposes imposed by formal action of the Board. The committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use of taking the same type of action it employed to previously commit those amounts. In contrast to fund balance which is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

13. PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Aberdeen School District #58 contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Active Plan Members	67,008
Terminated employees entitled to but not yet receiving benefits	11,859
Retirees and beneficiaries currently receiving benefits	<u>42,657</u>
	<u>124,524</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. Amounts in parenthesis represent police/firefighters.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

13. PUBLIC EMPLOYEES RETIREMENT SYSTEM -CONTINUED

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and established as a percent of covered compensation. 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 that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute as 60% of 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% general employees and 11.66% for police & firefighters. The employer's contributions were \$379,601 for the year ended June 30, 2016.

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

At June 30, 2016 the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participation PERSI Base Plan employers. At June 30, 2015, the District's proportion was .1125614 percent.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

13. PUBLIC EMPLOYEES RETIREMENT SYSTEM -CONTINUED

For the year ended June 30, 2016, District recognized pension pension of \$279,440. At June 30, 2016, the District reported deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$177,690
Changes in assumptions or other inputs	\$72,157	0
Net difference between projected and actual earnings on pension plan investments	170,435	850,078
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	0	0
Aberdeen School District #58 contributions subsequent to the measurement date	379,601	0
Total	\$622,193	\$1,027,768

\$379,601 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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, 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 June 30:

2016	\$(152,048)
2017	\$(152,048)
2018	\$(152,048)
2018	\$ 110,360
2020	\$ (10,799)
Thereafter	\$ 0

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)
YEAR ENDED JUNE 30, 2016

13. PUBLIC EMPLOYEES RETIREMENT SYSTEM -CONTINUED

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 June 30, 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 for that date.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2016

13. PUBLIC EMPLOYEES RETIREMENT SYSTEM -CONTINUED

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

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

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2016

13. PUBLIC EMPLOYEES RETIREMENT SYSTEM -CONTINUED

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 plan's 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 met of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$3,610,224	\$1,482,251	(\$286,877)

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.gov.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

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

	<u>2015</u>
Employer's portion of net the pension liability	.1125614%
Employer's proportionate share of the net pension liability	\$1,482,251
Employer's covered employee payroll	\$3,353,363
Employer's proportional share of the net pension as a percentage of its covered employee payroll	44.2%
Plan fiduciary net position as a percentage of the total pension liability	91.38%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Aberdeen School District No. 58 will present information for those years for which information is available.

Data reported is measured as of June 30, 2015.

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

	<u>2015</u>
Statutorily required contribution	\$368,191
Contributions in relation to the statutorily required contribution	\$361,593
Contribution (deficiency) excess	(\$6,598)
Employer's covered-employee payroll	\$3,353,363
Contributions as a percentage of covered-employee payroll	11.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Aberdeen School District No. 58 will present information for those years for which information is available. Data reported is measured as of June 30,2016.

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Property taxes	\$983,323	\$976,226	(\$7,097)
Investment interest	1,597	7,106	5,509
Other local	39,499	56,099	16,600
State base support	3,194,179	3,247,139	52,960
State transportation	189,149	209,071	19,922
State paid benefits	419,834	431,168	11,334
Other State	265,894	274,400	8,506
Total General Fund Revenues	<u>\$5,093,475</u>	<u>\$5,201,209</u>	<u>\$107,734</u>
EXPENDITURES:			
INSTRUCTION:			
Elementary Programs:			
Salaries	\$705,330	\$758,044	(\$52,714)
Benefits	251,499	269,344	(17,845)
Purchased services			0
Materials and supplies	75,491	37,322	38,169
	<u>1,032,320</u>	<u>1,064,710</u>	<u>(32,390)</u>
Secondary Programs:			
Salaries	924,029	907,224	16,805
Benefits	324,280	314,172	10,108
Purchased services	64,632	7,730	56,902
Materials and supplies	84,400	3,317	81,083
	<u>1,397,341</u>	<u>1,232,443</u>	<u>164,898</u>
Special Programs:			
Salaries	233,644	229,695	3,949
Benefits	90,466	82,187	8,279
Purchased services	3,594	2,156	1,438
Materials and supplies	3,940	4,904	(964)
	<u>331,644</u>	<u>318,942</u>	<u>12,702</u>
Activity Programs:			
Salaries	55,850	55,782	68
Benefits	7,821	7,875	(54)
Purchased services	45,096	43,298	1,798
Materials and supplies	1,000	2,066	(1,066)
Insurance	1,238		1,238
	<u>111,005</u>	<u>109,021</u>	<u>1,984</u>
Summer/After School Programs:			
Salaries	3,600	6,158	(2,558)
Benefits	766	1,232	(466)
Materials and supplies	500	42	458
	<u>4,866</u>	<u>7,432</u>	<u>(2,566)</u>
Total instruction	<u>2,877,176</u>	<u>2,732,548</u>	<u>144,628</u>
SUPPORT SERVICES:			
Guidance/Health			
Salaries	101,700	101,732	(32)
Benefits	34,641	34,302	339
Purchased services	1,200	640	560
Materials and supplies	400	216	184
	<u>137,941</u>	<u>136,890</u>	<u>1,051</u>
Special Services			
Salaries	68,440	68,473	(33)
Benefits	27,527	26,783	744
Purchased services	18,440	28,683	(10,243)
Materials and supplies	1,000	976	24
	<u>115,407</u>	<u>124,915</u>	<u>(9,508)</u>
Instructional Improvement:			
Salaries		473	(473)
Benefits	13	93	(80)
Purchased services	37,931	1,790	36,141
Materials and supplies	500		500
	<u>38,444</u>	<u>2,356</u>	<u>36,088</u>
Media Program:			
Salaries	61,535	61,531	4
Benefits	29,527	27,910	1,617
Purchased services	2,247	2,100	147
Materials and supplies	7,181	7,262	(81)
	<u>100,490</u>	<u>98,803</u>	<u>1,687</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND - (CONTINUED)

YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Technology:			
Salaries	\$34,771	\$34,771	\$0
Benefits	12,308	12,629	(321)
Purchased services	28,128	11,892	16,236
Materials and supplies	3,000		3,000
	<u>78,207</u>	<u>59,292</u>	<u>18,915</u>
Board of Education:			
Benefits	26	26	0
Purchased services	15,500	10,912	4,588
Materials and supplies	4,700	4,375	325
Insurance	106	106	0
	<u>20,332</u>	<u>15,419</u>	<u>4,913</u>
District Administration:			
Salaries	165,553	167,908	(2,355)
Benefits	62,772	61,924	848
Purchased services	8,250	6,130	2,120
Materials and supplies	2,000	1,415	585
	<u>238,575</u>	<u>237,377</u>	<u>1,198</u>
School Administration:			
Salaries	262,476	263,681	(1,205)
Benefits	114,924	114,586	338
Purchased services	14,150	10,252	3,898
Materials and supplies	4,400	3,415	985
	<u>395,950</u>	<u>391,934</u>	<u>4,016</u>
Business Operation:			
Salaries	20,000	15,487	4,513
Benefits	1,530	2,524	(994)
Purchased services	44,550	42,930	1,620
Materials and supplies	33,500	19,013	14,487
	<u>99,580</u>	<u>79,954</u>	<u>19,626</u>
Operation and Maintenance:			
Salaries	181,726	172,990	8,736
Benefits	69,279	64,767	4,512
Purchased services	268,950	196,508	72,442
Materials and supplies	69,000	62,648	6,352
Capital outlay	0	0	0
Insurance	49,366	47,072	2,294
	<u>638,321</u>	<u>543,985</u>	<u>94,336</u>
Transportation:			
Salaries	110,652	137,979	(27,327)
Benefits	81,673	91,881	(10,208)
Purchased services	18,250	9,977	8,273
Materials and supplies	109,150	46,280	62,870
Capital outlay	40,000	29,931	10,069
Insurance/Judgments	9,931	12,819	(2,888)
	<u>369,656</u>	<u>328,867</u>	<u>40,789</u>
Capital outlay/Contingency	0	0	0
School Lunch	1,500	0	119,113
Total support services	<u>2,234,403</u>	<u>2,019,792</u>	<u>332,224</u>
Total General Fund Expenditures	<u>5,111,579</u>	<u>4,752,340</u>	<u>476,852</u>
Excess Revenues over Expenditures	(18,104)	448,869	466,973
Transfers (to) from other funds	(48,072)	(42,916)	5,156
Excess revenues and other financing sources over expenditures and other financing uses	<u>(\$66,176)</u>	405,953	<u>\$472,129</u>
FUND EQUITY - JUNE 30, 2015		<u>795,377</u>	
FUND EQUITY - JUNE 30, 2016		<u>\$1,201,330</u>	

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Property taxes	\$441,897	\$445,913	\$4,016
State	86,089	92,836	(6,747)
	527,986	538,749	(2,731)
EXPENDITURES:			
Principal	630,000	630,000	0
Interest	49,875	50,119	(244)
	679,875	680,119	(244)
Excess revenues over expenditures	(151,889)	(141,370)	10,519
FUND EQUITY - JUNE 30, 2015	825,627	825,627	0
FUND EQUITY - JUNE 30, 2016	\$673,738	\$684,257	\$10,519

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - TITLE I FUND

YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Federal assistance	\$268,283	\$268,008	(\$275)
Other			0
	268,283	268,008	(275)
EXPENDITURES:			
Instruction:			
Salaries	135,262	128,341	6,921
Benefits	47,963	44,982	2,981
Purchased services	42,670	18,739	23,931
Materials and supplies	11,777	7,773	4,004
Support Services:			
Salaries	45,751	45,751	0
Benefits	14,991	14,591	400
Materials and supplies	2,770	772	1,998
	301,184	260,949	40,235
Excess revenues over expenditures	(32,901)	7,059	39,960
Transfers (to) from other funds	(7,300)	(7,504)	204
Excess revenues and other financing sources over expenditures and other financing uses	(\$40,201)	(445)	\$40,164
FUND EQUITY - JUNE 30, 2015		32,942	
FUND EQUITY - JUNE 30, 2016		\$32,497	

OTHER INFORMATION

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

COMBINING BALANCE SHEET
 NON-MAJOR FUNDS

AT JUNE 30, 2016

	Gear Up Grant Fund	HS/MS/ Elem Local Grants Fund	Driver Education Fund	State Professional Technical Fund
ASSETS:				
Cash	\$1,078	\$668	\$10,582	\$9,962
Federal and State receivable				
Other receivables	4,464	_____	_____	_____
Total assets	\$5,542	\$668	\$10,582	\$9,962
 LIABILITIES:				
Accounts payable	\$470			\$7,295
Salaries payable	2,334			1,568
Due to other funds				
	_____	_____	_____	_____
Total liabilities	2,804	\$0	\$0	8,863
 DEFERRED RESOURCES:				
Unavailable property taxes	0	0	0	0
 FUND BALANCE:				
Committed	2,738	668	10,582	1,099
Total liabilities and fund balance	\$5,542	\$668	\$10,582	\$9,962

State Technology Fund	State Substance Abuse Fund	Title I Migrant Fund	Title Title V1B Fund	Preschool Fund	Small Rural Grant Fund
\$24,632	\$12,184				
		\$47,778	\$58,465	\$2,056	\$4,347
<u>\$24,632</u>	<u>\$12,184</u>	<u>\$47,778</u>	<u>\$58,465</u>	<u>\$2,056</u>	<u>\$4,347</u>
\$1,800		\$5,205	\$5,969	\$131	\$549
		15,620	17,258	665	1,297
		10,041	19,542	750	1,621
<u>\$1,800</u>	<u>\$0</u>	<u>30,866</u>	<u>42,769</u>	<u>1,546</u>	<u>3,467</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>22,832</u>	<u>12,184</u>	<u>16,912</u>	<u>15,696</u>	<u>510</u>	<u>880</u>
<u>\$24,632</u>	<u>\$12,184</u>	<u>\$47,778</u>	<u>\$58,465</u>	<u>\$2,056</u>	<u>\$4,347</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

COMBINING BALANCE SHEET
NON-MAJOR FUNDS - (CONTINUED)

AT JUNE 30, 2016

	C. Perkins Vocational Education Fund	Title III LEP Fund	Title II Teacher Quality Fund	Medicaid Fund
ASSETS:				
Cash				\$15,301
Federal and State receivable	\$10,534	\$4,910	\$35,704	
Other receivables				
Total assets	\$10,534	\$4,910	\$35,704	\$15,301
LIABILITIES:				
Accounts payable		\$625		\$1,482
Salaries payable		883	\$1,693	1,928
Due to other funds	\$9,705	1,111	16,542	
Total liabilities	9,705	2,619	18,235	3,410
DEFERRED RESOURCES:				
Unavailable property taxes				
FUND BALANCE:				
Committed	829	2,291	17,469	11,891
Total liabilities and fund balance	\$10,534	\$4,910	\$35,704	\$15,301

School Lunch Fund	Bus Depreciation Fund	Lottery Fund	Plant Facilities Fund	2016 Totals
\$79,991	\$105,290	\$74,077	\$148,489	\$482,254
11,544			94,316	175,338
				98,780
<u>\$91,535</u>	<u>\$105,290</u>	<u>\$74,077</u>	<u>\$242,805</u>	<u>\$756,372</u>
\$8,026				\$31,552
13,007				56,253
				59,312
<u>21,033</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>147,117</u>
			11,620	11,620
<u>70,502</u>	<u>105,290</u>	<u>74,077</u>	<u>231,185</u>	<u>597,635</u>
<u>\$91,535</u>	<u>\$105,290</u>	<u>\$74,077</u>	<u>\$242,805</u>	<u>\$756,372</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR FUNDS

YEAR ENDED JUNE 30, 2016

	Gear Up Grant Fund	HS/MS Elem Local Grants Fund	Driver Education Fund	State Professional Technical Fund
REVENUES:				
Local income			\$3,811	
Federal and State assistance	\$27,963		3,812	\$23,055
Total revenues	27,963	\$0	7,623	23,055
EXPENDITURES:				
Instructional services	21,870	440	7,177	23,113
Support services	6,592			
Non-instructional services				
Capital outlay				
Total expenditures	28,462	440	7,177	23,113
EXCESS REVENUES (EXPENDITURES)	(499)	(440)	446	(58)
TRANSFERS (TO) FROM OTHER FUNDS				
EXCESS FINANCING SOURCES (USES)	(499)	(440)	446	(58)
FUND BALANCE - JUNE 30, 2015	3,237	1,108	10,136	1,157
FUND BALANCE - JUNE 30, 2016	\$2,738	\$668	\$10,582	\$1,099

State Technology Fund	State Substance Abuse Fund	Title I Migrant Fund	Title VI B Fund	Preschool Fund	Small Rural Grant Fund
<u>\$50,652</u>	<u>\$11,625</u>	<u>\$92,813</u>	<u>\$151,049</u>	<u>\$5,850</u>	<u>\$14,654</u>
50,652	11,625	92,813	151,049	5,850	14,654
	2,534	36,696	81,166	5,547	14,089
49,337		44,208	66,051		
<u>49,337</u>	<u>2,534</u>	<u>80,904</u>	<u>147,217</u>	<u>5,547</u>	<u>14,089</u>
1,315	9,091	11,909	3,832	303	565
		<u>(2,599)</u>	<u>(4,229)</u>	<u>(164)</u>	<u>(410)</u>
1,315	9,091	9,310	(397)	139	155
<u>21,517</u>	<u>3,093</u>	<u>7,602</u>	<u>16,093</u>	<u>371</u>	<u>725</u>
<u>\$22,832</u>	<u>\$12,184</u>	<u>\$16,912</u>	<u>\$15,696</u>	<u>\$510</u>	<u>\$880</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR FUNDS - (CONTINUED)

YEAR ENDED JUNE 30, 2016

	C. Perkins Vocational Education Fund	Title III LEP Fund	Title II Teacher Quality Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUES:			
Local income			
Federal and State assistance	\$10,534	\$13,709	\$49,077
Total revenues	<u>10,534</u>	<u>13,709</u>	<u>49,077</u>
EXPENDITURES:			
Instructional services	10,534	11,034	39,112
Support services			
Non-instructional services			
Capital outlay			
Total expenditures	<u>10,534</u>	<u>11,034</u>	<u>39,112</u>
EXCESS REVENUES (EXPENDITURES)	0	2,675	9,965
TRANSFERS (TO) FROM OTHER FUNDS	<u> </u>	<u>(384)</u>	<u>(1,375)</u>
EXCESS FINANCING SOURCES (USES)	0	2,291	8,590
FUND BALANCE - JUNE 30, 2015	<u>829</u>	<u>0</u>	<u>8,879</u>
FUND BALANCE - JUNE 30, 2016	<u><u>\$829</u></u>	<u><u>\$2,291</u></u>	<u><u>\$17,469</u></u>

Medicaid Fund	School Lunch Fund	Bus Depreciation Fund	Lottery Fund	Plant Facilities Fund	2016 Totals
	\$26,449	\$14,765		\$274,770	\$319,795
\$32,599	281,639		\$44,789		813,820
<u>32,599</u>	<u>308,088</u>	<u>14,765</u>	<u>44,789</u>	<u>274,770</u>	<u>1,133,615</u>
20,708					274,020
	355,305			255,581	421,769
		85,114			355,305
		<u>85,114</u>			<u>85,114</u>
<u>20,708</u>	<u>355,305</u>	<u>85,114</u>	<u>0</u>	<u>255,581</u>	<u>1,136,208</u>
11,891	(47,217)	(70,349)	44,789	19,189	(2,593)
	<u>2,980</u>	<u>56,601</u>			<u>50,420</u>
11,891	(44,237)	(13,748)	44,789	19,189	47,827
<u>0</u>	<u>114,739</u>	<u>119,038</u>	<u>29,288</u>	<u>211,996</u>	<u>549,808</u>
<u>\$11,891</u>	<u>\$70,502</u>	<u>\$105,290</u>	<u>\$74,077</u>	<u>\$231,185</u>	<u>\$597,635</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

SCHEDULE OF NON-MAJOR FUND REVENUE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016

	<u>Estimated</u> <u>Revenues</u>	<u>Actual</u> <u>Revenues</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
GEAR UP GRANT FUND:			
Federal assistance	<u>\$44,780</u>	<u>\$27,963</u>	<u>(\$16,817)</u>
DRIVER EDUCATION FUND:			
Local revenue	\$7,112	\$3,811	(\$3,301)
State assistance	<u>14,362</u>	<u>3,812</u>	<u>(10,550)</u>
	<u>\$21,474</u>	<u>\$7,623</u>	<u>(\$13,851)</u>
STATE PROFESSIONAL TECHNICAL FUND:			
State assistance	<u>\$23,978</u>	<u>\$23,055</u>	<u>(\$923)</u>
STATE TECHNOLOGY FUND:			
State assistance	<u>\$49,426</u>	<u>\$50,652</u>	<u>\$1,226</u>
STATE SUBSTANCE ABUSE FUND:			
State revenue	<u>\$11,164</u>	<u>\$11,625</u>	<u>\$461</u>
TITLE I MIGRANT FUND:			
Federal assistance	<u>\$92,813</u>	<u>\$92,813</u>	<u>\$0</u>
TITLE VI-B FUND:			
Federal assistance	<u>\$151,049</u>	<u>\$151,049</u>	<u>\$0</u>
PRESCHOOL FUND:			
Federal assistance	<u>\$5,744</u>	<u>\$5,850</u>	<u>(\$106)</u>
SMALL RURAL GRANT FUND:			
Federal assistance	<u>\$14,655</u>	<u>\$14,654</u>	<u>\$1</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

SCHEDULE OF NON-MAJOR FUND REVENUE - BUDGET AND ACTUAL - (CONTINUED)
 YEAR ENDED JUNE 30, 2016

	Estimated Revenues	Actual Revenues	Variance Favorable (Unfavorable)
C. PERKINS VOCATIONAL EDUCATION FUND:			
Federal assistance	<u>\$10,534</u>	<u>\$10,534</u>	<u>\$0</u>
TITLE III LEP FUND:			
Federal assistance	<u>\$13,709</u>	<u>\$13,709</u>	<u>\$0</u>
TITLE II TEACHER QUALITY FUND:			
Federal assistance	<u>\$49,068</u>	<u>\$49,077</u>	<u>\$9</u>
MEDICAID FUND:			
State assistance	<u>\$21,480</u>	<u>\$32,599</u>	<u>\$11,119</u>
SCHOOL LUNCH FUND:			
Other local	\$27,000	\$26,449	(\$551)
Federal assistance	<u>275,000</u>	<u>281,639</u>	<u>6,639</u>
	<u>\$302,000</u>	<u>\$308,088</u>	<u>\$6,088</u>
BUS DEPRECIATION FUND:			
Other local	<u>\$11,000</u>	<u>\$14,765</u>	<u>\$3,765</u>
LOTTERY FUND:			
State assistance	<u>\$0</u>	<u>\$44,789</u>	<u>\$44,789</u>
PLANT FACILITIES FUND:			
Property taxes	<u>\$268,510</u>	<u>\$274,770</u>	<u>\$6,260</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE OF NON-MAJOR EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	<u>Appropriated</u>	<u>Expended</u>	Variance Favorable (Unfavorable)
GEAR UP GRANT FUND:			
Instruction:			
Salaries	\$20,957	\$15,960	\$4,997
Benefits	4,170	3,174	996
Materials and supplies	7,853	2,096	5,757
Insurance	2,200	640	1,560
Support Services:			
Purchased services	7,450	6,035	1,415
Materials and supplies	2,150	557	1,593
	<u>\$44,780</u>	<u>\$28,462</u>	<u>\$16,318</u>
HS/MS/ELEM LOCAL GRANT:			
Instruction:			
Materials and supplies	<u>\$1,245</u>	<u>\$440</u>	<u>\$0</u>
DRIVER EDUCATION FUND:			
Instruction:			
Salaries	\$8,580	\$5,717	\$2,863
Benefits	764	509	255
Materials and supplies	4,792	725	4,067
Capital outlay	7,004		7,004
Insurance	226	226	0
	<u>\$21,366</u>	<u>\$7,177</u>	<u>\$14,189</u>
STATE ORIFRESSIONAL TECHNOLOGY FUND:			
Instruction:			
Salaries	\$8,118	\$9,408	(\$1,290)
Benefits	1,642	1,970	(328)
Purchased services	4,980	372	4,608
Materials and supplies	9,238	11,363	(2,125)
	<u>\$23,978</u>	<u>\$23,113</u>	<u>\$865</u>
STATE TECHNOLOGY FUND:			
Support Services:			
Salaries	\$11,253	\$11,590	(\$337)
Benefits	3,879	4,053	(174)
Purchased services	\$12,057	14,424	(2,367)
Materials and supplies	29,400	19,270	10,130
	<u>\$56,589</u>	<u>\$49,337</u>	<u>\$7,252</u>
STATE SUBSTANCE ABUSE FUND:			
Instruction:			
Purchased services	\$5,582	\$1,767	\$3,815
Materials and supplies	5,582	767	4,815
	<u>\$11,164</u>	<u>\$2,534</u>	<u>\$8,630</u>
TITLE I MIGRANT FUND:			
Instruction:			
Salaries	\$25,718	\$24,989	\$729
Benefits	11,038	10,724	314
Purchased services	2,200	645	1,555
Materials and supplies	4,857	338	4,519
Support Services:			
Salaries	29,254	29,384	(130)
Benefits	15,159	14,617	542
Purchased services	4,688	207	4,481
Materials and supplies	7,370		7,370
	<u>\$100,284</u>	<u>\$80,904</u>	<u>\$19,380</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE OF NON-MAJOR EXPENDITURES - BUDGET AND ACTUAL - (CONTINUED)
YEAR ENDED JUNE 30, 2016

	<u>Appropriated</u>	<u>Expended</u>	Variance Favorable (Unfavorable)
TITLE VI-B FUND:			
Instruction:			
Salaries	\$82,263	\$57,403	\$24,860
Benefits	20,092	20,755	(663)
Purchased services		552	(552)
Materials and supplies	5266	2456	2,810
Support Services:			
Salaries	41,715	41,780	(65)
Benefits	21,546	21,326	220
Purchased services			0
Materials and supplies	3,000	2,945	55
	<u>\$173,882</u>	<u>\$147,217</u>	<u>\$26,665</u>
PRESCHOOL FUND:			
Instruction:			
Salaries	\$4,476	\$4,131	\$345
Benefits	843	851	(8)
Purchased services	495		495
Materials and supplies	458	565	-107
	<u>\$6,272</u>	<u>\$5,547</u>	<u>\$725</u>
SMALL RURAL GRANT FUND:			
Instruction:			
Salaries	\$7,633	\$7,786	(\$153)
Benefits	3,292	3,343	(51)
Purchased services	4,038	2,960	1,078
Materials and supplies			
	<u>\$14,963</u>	<u>\$14,089</u>	<u>\$874</u>
C. PERKINS VOCATIONAL EDUCATION FUND:			
Instruction:			
Salaries	\$501	\$437	\$64
Benefits	101	88	13
Purchased services	3,500	3,958	(458)
Materials and supplies	7,261	6,051	1,210
	<u>\$11,363</u>	<u>\$10,534</u>	<u>\$829</u>
TITLE III LEP FUND:			
Support Services:			
Salaries	\$7,294	\$6,058	\$1,236
Benefits	4,529	3,980	549
Purchased services	2,000		2,000
Materials and supplies	1,157	996	161
	<u>\$14,980</u>	<u>\$11,034</u>	<u>\$3,946</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE OF NON-MAJOR EXPENDITURES - BUDGET AND ACTUAL - (CONTINUED)
YEAR ENDED JUNE 30, 2016

	<u>Appropriated</u>	<u>Expended</u>	Variance Favorable (Unfavorable)
TITLE II TEACHER QUALITY FUND:			
Support Services:			
Salaries	\$32,425	\$27,588	\$4,837
Benefits	7,457	6,714	743
Purchased services	11,000	2,400	8,600
Materials and supplies	4,534	2,410	2,124
	<u>\$55,416</u>	<u>\$39,112</u>	<u>\$16,304</u>
MEDICAID FUND:			
Instruction:			
Salaries	\$11,566	\$11,675	(\$109)
Benefits	9,329	9,033	296
	<u>\$20,895</u>	<u>\$20,708</u>	<u>\$187</u>
SCHOOL LUNCH FUND:			
Non-Instruction:			
Salaries	\$94,834	\$96,155	(\$1,321)
Benefits	52,938	52,548	390
Purchased services	43,192	43,164	28
Materials and supplies	161,534	162,588	(1,054)
Capital outlay	1,000	850	150
	<u>\$353,498</u>	<u>\$355,305</u>	<u>(\$1,807)</u>
BUS DEPRECIATION FUND:			
Capital outlay	<u>\$85,060</u>	<u>\$85,114</u>	<u>(\$54)</u>
LOTTERY FUND:			
Capital outlay	<u>\$10,000</u>	<u>\$0</u>	<u>\$10,000</u>
PLANT FACILITIES FUND:			
Support Services:			
Salaries	\$53,011	\$54,862	(\$1,851)
Benefits	17,251	18,169	(918)
Purchased services	93,000	142,332	(49,332)
Materials and supplies	109,000	40,218	68,782
Capital outlay			0
	<u>\$272,262</u>	<u>\$255,581</u>	<u>\$16,681</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE OF HIGH SCHOOL STUDENT BODY FUNDS

YEAR ENDED JUNE 30, 2016

FUND:	Balance 6/30/15	Receipts	Disbursements	Transfers	Balance 6/30/16
Academic Decathlon	(\$1,391)			\$100	(\$1,291)
College Prep	300		(\$300)		0
BPA	841	\$639	(\$797)		683
IDLA	310	4,450	(5,150)	150	(240)
Duel Credit -Social	781	400			1,181
Krehbiel	100				100
FFA - Booth	2,955	13,400	(15,910)		445
Office Teacher	202	449	(1,215)	600	36
FFA	295	2,890	(3,037)		148
Duel Credit -English	700	400	(727)		373
AG	548	915	(765)	50	748
FCCLA	100			(100)	0
Scholarships	460	558		(150)	868
National Honor Society	297	1,798	(1,995)		100
Ind Alt HS	55	275	(250)		80
Sunshine Club	0	249	(114)		135
Student Body	(20)	1,555	(2,056)		(521)
Tiger Club	17				17
Class of 2015	2,172		(1,737)		435
Class of 2016	1,053	2,272	(908)		2,417
Class of 2017	506	1,059	(393)		1,172
Class of 2018	268	491			759
Class of 2019	0	375	(32)		343
Track Resurfacing	2,642		(407)	(444)	1,791
Pop Machine	104	602	(446)		260
Music	0	1,071	(822)	(211)	38
Music Supplies	54	88	(277)	211	76
Band Rental & Repair	262	1,015	(1,266)		11
Pep Band	1,882	18,697	(20,161)		418
Jazz Band	475		(475)		0
Musical	1,358	5,717	(6,758)		317
First Aid A	637		(137)		500
First Aid B	3,571	726	(3,009)		1,288
Weight Room	22	716		(25)	713
Athletics	11,817	34,674	(29,677)	(3,970)	12,844
Athletic Equip - direct	500				500
Plato	398				398

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE OF HIGH SCHOOL STUDENT BODY FUNDS - (CONTINUED)

YEAR ENDED JUNE 30, 2016

FUND:	Balance 6/30/15	Receipts	Disbursements	Transfers	Balance 6/30/16
Extra/Trans	\$17,145	\$6,964	(\$955)		\$23,154
District Tournaments	2,025				2,025
ACT	60				60
Annual	7,349	6,654	(6,754)		7,249
Chemistry	273	151			424
Art	(26)	1,870	(1,670)	\$100	274
Art Equipment	183				183
Computer Lab	3,250	1,250	(2,855)	50	1,695
Counselor	37	130			167
Drivers Ed	3,828	4,785	(6,243)		2,370
Faculty Pop	83	147	(46)	(81)	103
Gear Up 2	(444)	3,906	(4,207)	444	(301)
Interest	2,974	223	(886)		2,311
Library	253	156	(193)		216
Math	20				20
Lockers	81			81	162
Sales Tax	93	2,141	(2,226)		8
Telescope	683				683
Textbook Fines	1,686	53	(93)		1,646
Teacher Accounts	1,069	1,300	(432)	(800)	1,137
Savings	5,457		(39)		5,418
Football	860	3,426	(4,469)		(183)
Volleyball	(618)	1,306	(1,116)		(428)
Girls Soccer	10	120	(81)		49
Boys Soccer	0	455	(356)		99
Soccer	702	1,909	(1,960)		651
Girls Basketball	(743)	2,618	(2,748)	25	(848)
Boys Basketball	881	240	(4,209)	3,482	394
Wrestling	239	12,920	(11,722)	488	1,925
Golf	276	42			318
Track	336	547	(451)		432
Cheerleading	633	2,254	(2,325)		562
	<u>\$82,926</u>	<u>\$151,048</u>	<u>(\$154,857)</u>	<u>\$0</u>	<u>\$79,117</u>
Checking					\$17,819
Savings					6,002
Investments					55,296
					<u>\$79,117</u>

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE MIDDLE SCHOOL STUDENT BODY FUNDS

YEAR ENDED JUNE 30, 2016

FUND:	Balance 6/30/15	Receipts	Disbursements	Transfers	Balance 6/30/16
Annual	\$475	\$1,566	(\$2,051)		(\$10)
Accelerated Reader	3,964	2,666	(5,384)		1,246
Art	758	390	(742)		406
Athletics - Gen	126	203	(52)		277
Athletics - VB	1,794	940	(550)		2,184
Athletics - W	993	732	(466)		1,259
Athletics - GBB	3,335	2,052	(1,806)		3,581
Athletics -BBB	7,222	2,564	(1,586)		8,200
Athletics - CC	297				297
Athletics - Track	3,189	525	(30)		3,684
CD Certificate	11,865				11,865
Cheer/Drill	858	80	(80)		858
Custodial	203	44	(100)		147
Computers	2,656	815	(21)		3,450
Cool to be Kind	188	79	(79)		188
Credit Recovery	125				125
Exploratory	48	1,135	(844)	(\$15)	324
Fundraiser	1,199	2,557	(2,734)		1,022
Health/PE	(936)	1,103	(24)		143
Health Fair	56	192	(179)		69
General	11,455	2,821	(2,635)		11,641
Grade 6	383	680	(671)		392
Grade 7	830	660	(592)		898
Grade 8	436	478	(984)		(70)
Grants	198				198
Locks	20				20
Media Center	2,490		(18)		2,472
Migrant	5				5
Milk Machine/ Health	19	732	(734)		17
Multi-media	357	224	(89)		492
Music - Millett	1,331	2,281	(2,479)		1,133
Postage	119		(36)	15	98
Special Services	84				84
Student Govt	1,078	1,390	(1,437)		1,031
Ski-skate	5,793	4,623	(3,065)		7,351
Stem	250		(183)		67
Sunshine	314	149	(27)		436
Teachers	4,093	1,627	(450)		5,270
PTSA	1,797		(27)		1,770
Vending	2,720	4,973	(5,201)		2,492
Yellowstone	685				685
	<u>\$72,872</u>	<u>\$38,281</u>	<u>(\$35,356)</u>	<u>\$0</u>	<u>\$75,797</u>
Cash in bank - Checking					\$63,927
Cash in bank - Savings					11,870
					<u>\$75,797</u>

SCHOOL DISTRICT NO. 58
 ABERDEEN, IDAHO

SCHEDULE OF ELEMENTARY STUDENT BODY FUNDS

YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>6/30/15</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/16</u>
FUND:					
General	\$33,297	\$5,405	(\$3,465)		\$35,237
Vending	11,715	5,490	(3,965)		13,240
Teachers	1,704	199	(50)		1,853
Library	55	462	(470)		47
	<u>\$46,771</u>	<u>\$11,556</u>	<u>(\$7,950)</u>	<u>\$0</u>	<u>\$50,377</u>
Cash in bank - checking					<u>\$50,377</u>

SINGLE AUDIT SECTION

Morgan J Hatt CPA PC

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Board of Trustees,
School District No. 58
Aberdeen, Idaho

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

I 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 School District No 58, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued my report thereon dated August 26, 2016.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pocatello, Idaho
August 26, 2016

Morgan J Hatt CPA PC

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Board of Trustees,
School District No. 58
Aberdeen, Idaho

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance

Report on Compliance for Each Major Federal Program

I have audited School District No. 58's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2016. Major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, School District No. 58, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pocatello, Idaho
August 26, 2016

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Title	Catalogue of Federal Domestic Assistance Number	Expenditures
<u>Department of Education (State Dept. of Education Pass Thru Funding):</u>		
Title I - Remedial	84.010	\$260,949
Title I - Migrant	84.011	80,904
Title VI-B	84.027	\$147,217
Title VI-B Preschool	84.173	5,447
Total special education cluster		<u>152,664</u>
Vocational Education (Perkins)	84.048	10,534
Gear Up	84.334	28,462
Rural Education	84.358	14,089
Title III LEP	84.365	11,034
Improving Teacher Quality	84.367	39,112
Total Department of Education		<u>597,748</u>
<u>Department of Agriculture (State Dept. of Education Pass Thru Funding):</u>		
School Breakfast Program	10.553	\$54,344
School Lunch Program	10.555	206,056
School Lunch Commodities - Non-cash	10.555	37,000
Summer Food Service Program for Children	10.559	11,544
Total child nutrition cluster		<u>308,944</u>
Fruit and Vegetables	10.582	12,668
Total Department of Agriculture		<u>321,612</u>
Total		<u><u>\$919,360</u></u>

Note 1: Basis of Presentation -The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of School District #58 under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the *financial position, changes in net assets, or cash flows of School District #58*.

Note 2: Summary of Significant Accounting Policies -Expenditures reported on the Schedule are on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 Indirect Cost Rate - Joint School District # 58 has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.

SCHOOL DISTRICT NO. 58
ABERDEEN, IDAHO

SUMMARY OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

The auditor's report is qualified due to the lack of GASB 45 required information about post-employment benefits.

Internal control over financial reporting:

There are no material weaknesses identified.

There are no reportable conditions identified that are not considered to be a material weakness.

There are no instances of non-compliance material to financial statements identified.

FEDERAL AWARDS

There are no material weaknesses identified.

There are no reportable conditions identified that are not considered to be material weaknesses.

The auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with Uniform Guidance is unqualified.

There are no audit findings required to be reported in accordance with Uniform Guidance.

IDENTIFICATION OF MAJOR PROGRAMS

The programs tested as major programs include:

Department of Agriculture	84.010	84.027	84.173
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The threshold for distinguishing Types A and B programs was \$750,000

Because of the GASB 45 opinion qualification, Aberdeen School District #58 does not qualify as a low-risk auditee.

Morgan J Hatt CPA PC

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 26, 2016

Board of Education
Aberdeen School District #58
Aberdeen, Idaho

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Aberdeen School district #58** (the "District") as of and for the year ended June 30, 2016, and have issued my report thereon dated August 26, 2016. Professional standards require that I advise you of the following matters relating to the audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in the engagement letter dated April 21, 2016, my responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. My audit of the financial statements does not relieve you or management of your respective responsibilities. My responsibility, as prescribed by professional standards, is to plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, I considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

I am also responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures for the purpose of identifying other matters to communicate to you. I noted no other matters regarding internal control that need to be addressed.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 21, 2016.

Compliance with All Ethics Requirements Regarding Independence

I have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. No matters have come to my attention that would require me, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. No matters have come to my attention that would require me, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated.

I evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension liability and other pension-related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

Significant Difficulties Encountered During the Audit

I encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that I believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require me to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require me to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

I have requested certain written representations from management, which are included in an Attachment to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed me that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of my professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to my retention as the District's auditors.

Other Information in Documents Containing Audited Financial Statements

My responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the governing body and management of Aberdeen School District #58 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Morgan J Hatt CPA PC

