Financial Statements
June 30, 2015

Mountain Home School District #193

Independent Auditor's Report

The Board of Trustees
Mountain Home School District #193
Mountain Home, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountain Home School District #193 (the District) as of and for the year ended June 30, 2015, 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
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 and Note 11 to the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 12 to the financial statements, the District has retroactively restated the previously reported net position to account for the net pension liability and contributions made during fiscal year 2014, recorded as deferred outflows of resources, in accordance with this Statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability – PERSI, schedule of employer's contributions - PERSI and budgetary comparison information listed in the table of contents 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 on our consideration of the District's internal control over financial reporting and on our 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 our 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 the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 15, 2015

The discussion and analysis of the Mountain Home School District's financial performance provides an overall review of financial activities, with the focus on the District's financial activities for the 2014-2015 fiscal year, ending on June 30, 2015. Efforts have been made to provide comparison to prior years' data, when such data is available.

FINANCIAL HIGHLIGHTS

- The District ended the fiscal year with general fund revenues exceeding expenses by $185,648 or .8% of revenue. Total General Fund revenue was over budget by $850,092 or 3.9% of budget. Revenue from Medicaid billings exceeded budget by $313,487 or 150.7%. Impact Aid was $33,429 under budget or 2.2%. State revenue was over budget by $161,988 or .9%. Total expenses were over budget by $563,474 or 2.6% of budget.

- Federal revenue from Impact Aid was $1,516,571 which is $330,021 more than last year. This program supplements educational expenses for children affiliated with the military. General Fund payments received in FY 2015 included $1,266,152 from FY 2015 voucher #1, $90,640 from FY 2013-Final voucher, and $159,779 from FY 2012-Final voucher. On the FY 2015 application, students whose parents live and work on the base decreased from 393 students to 379 for a decrease of 14 students or 3.6%. Uniformed services living off the base were 551 on October 2013 and decreased by 42 to 509 in October of 2014. Civilians working on Federal Property were 384 on the FY 2014 application and dropped to 366 on the FY 2015 application. Impact Aid revenue in FY 2015 is 35.3% of what the District received in FY 2008 of $4,298,396.

- District enrollment as of the middle of May decreased by 99 students to 3,758 in fiscal year 2014-2015 from the previous year's end of school enrollment of 3,857. This is a decrease over the prior fiscal year of 2.6%. The Mountain Home High School and East Elementary had the largest declines of 57 and 34 students respectively. West had an increase of 43 students over the prior school year for a total of 485 students. Bennett Mountain High School showed an increase of 15 students for a total of 76. The junior class showed the largest decrease by grade, decreasing 40 students from the previous year. The fifth grade class increased 41 students from the prior year's class. Total elementary enrollment was 2,215 and secondary enrollment was 1,543 for a total of 3,758 for FY 2015.

Condensed Financial Statements

The following tables on pages 6 through 8 presented for the year ended June 30, 2014, have not been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the annual financial report consists of three parts: management's discussion and analysis, basic financial statements, and other required supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

Government-Wide Financial Statements (GWFS)

The *GWFS* (i.e. statement of net assets and statement of activities) provides readers with a broad overview of the District's finances. The Statement of Net Assets and the Statement of Activities displays information about the reporting entity as a whole. The GWFS report information about the District as a whole, using accounting methods similar to those used by private-sector companies.

The *Statement of Net Assets* provides information on all of the assets and liabilities of the District, with the difference between the two providing the *net assets*. Increases or decreases in the net assets may indicate whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* shows how the net assets of the District have changed throughout the fiscal year. Changes in the net assets occur as soon as the underlying events give rise.

The statements present an aggregate view of the District's finances. GWFS contain useful long-term information as well as information for the just-completed fiscal year. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings, and other facilities, should be considered.

In the GWFS, the District's activities are all classified as government activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation, and food services. Funding for these services come from property taxes, the State of Idaho, and Federal Impact Aid.

The GWFS can be found on pages 12-13 of this report.

Fund Financial Statements

Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund Financial Statements focus on individual parts of the District. Fund Statements generally report operation in more detail than the government-wide statements. This statement focuses on its most significant or "major" funds and not on the District as a whole.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. Plant Facility Funds). The District has two types of funds: Governmental and Fiduciary.

Governmental Funds – Governmental Funds account for nearly the same functions as the Governmental Activities. However, unlike the GWFS, Governmental Funds focus on near-term inflows and outflows, as well as the balances left at year-end that are available for funding future basic services.

It is useful to compare information found in the Governmental Funds with that of the Governmental Activities. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Fiduciary Funds – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

Notes – The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the District's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year as well as the District's share of the net pension liability and employer contributions related to PERSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	2015	2014	Change
Current and Other Assets	$ 5,548,011	$ 4,645,053	$ 902,958
Capital Assets	11,707,670	12,337,791	(630,121)
Total Assets	17,255,681	16,982,844	272,837
Deferred Outflow of Resources	1,903,896	- *	1,903,896
Long-Term Liabilities Outstanding	2,191,087	670,000	1,521,087
Other Liabilities	5,976,990	5,151,799 *	825,191
Total Liabilities	8,168,077	5,821,799	2,346,278
Deferred Inflow of Resources	5,170,084	- *	(5,170,084)
Net Position			
Invested in Capital Assets, Net of Related Debt	11,037,670	10,752,791	284,879
Restricted	927,920	1,295,633	(367,713)
Unrestricted	(6,144,174)	(887,379)	(5,256,795)
Total Net Position	$ 5,821,416	$ 11,161,045	$ (5,339,629)

* The 2015 net pension liabilities, deferred outflow of resources, and deferred inflow of resources in the schedule above reflects the effect of the implementation of GASB 68/71. Information for the 2014 year was not available, and accordingly, do not include a restatement of the impact of implementation.

Net position may serve as a useful indicator of a District's financial position. In the case of the District, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5,821,416 at the close of the most recent fiscal year. This represents an overall decrease of $5,339,629 from the prior year. This is due to the new GASB 68 pronouncement which reflects the impact from the FY 2014 statements due to the PERSI reporting requirements.

The largest portion of the District's net position reflect investments in capital assets (i.e. land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending. The District calculation of net position uses a historical cost of school buildings that does not accurately reflect current replacement value.

Restricted net position decreased $367,713 from the prior year. These resources are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to students, employees, and creditors.

Unrestricted net position decreased from the prior fiscal year amount of $5,256,795 to a current year balance in FY 2015 of ($6,144,174). This decline was a result of the recognition of the unfunded PERSI liability recognized by GASB 68. It is not expected that the District will ever actually have to make an immediate payment, it is for reporting purposes only.

The following statement for Changes in Net Position from Operating Results reflects fund level activity and includes all funds. Total revenue has increased in FY 2015 over FY 2014 by $650,538. The majority of this increase is in State Revenue. The majority of this increase is in dedicated use funds for other programs as mandated by the State Department of Education. Undepreciated loss on the disposal of assets is the largest change between years due to the destruction of the unused buildings on the base. Elementary services showed a decrease of $589,458 over the prior year. Secondary/alternative services reflected the next largest decrease of $519,227 from FY 2014 because of staffing adjustments. In FY 2015, the District spent $3,329,586 from the General Fund for the 448 special needs students in our district in adherence to federally mandated requirements. Of this, we were reimbursed $521,487 from Medicaid for a net cost of $2,808,099.

Mountain Home School District 193
Changes in Net Position from Operating Results
Government Activities

	2015	2014	Change
REVENUES			
Program Revenues			
Program Revenues	$ 300,393	$ 330,032	$ (29,639)
Operating Grants and Contributions	4,599,791	4,577,502	22,289
General Revenues			
Property Taxes levied for General Purposes	2,778,979	3,197,269	(418,290)
Property Taxes levied for Debt Services	658,978	860,294	(201,316)
Property Taxes levied for Capital Outlay	109	4,988	(4,879)
Revenue in Lieu of Taxes	37,098	43,504	(6,406)
State Revenues	15,668,292	15,018,044	650,248
Grants and Contributions not Restricted to Specific Purposes			
Federal Impact Aid	1,516,571	1,186,550	330,021
Other Federal Revenue	344,460	428,282	(83,822)
Interest and Investment Earnings	4,909	3,959	950
Other Funds	-	-	-
Miscellaneous	754,310	362,928	391,382
Total Revenue	26,663,890	26,013,352	650,538
EXPENSES			
Instructional Services			
Elementary Programs	5,369,357	5,958,815	(589,458)
Secondary/Alternative Programs	4,922,181	5,441,408	(519,227)
Exceptional Child Programs	1,981,501	2,447,248	(465,747)
Other Programs	401,477	520,927	(119,450)
Support Services			
Student Services	2,344,208	2,464,767	(120,559)
Instructional Improvement	287,123	462,816	(175,693)
Educational Media	212,541	259,509	(46,968)
District Administration	1,708,985	1,760,173	(51,188)
School Administration	1,451,198	1,553,256	(102,058)
Plan Services	1,976,031	2,021,779	(45,748)
Pupil Transportation Services	1,229,730	1,177,072	52,658
Non-Instructional Services			
School Lunch	1,066,486	1,296,695	(230,209)
Capital Improvements	143,506	676,345	(532,839)
Capital Outlays	-	212,244	(212,244)
Interest/Bond Issuance Cost on Long-Term Debt	(6,265)	38,654	(44,919)
Depreciation	720,121	791,153	(71,032)
Total Expenses	23,808,180	27,082,861	(3,274,681)
Changes in Net Position	$ 2,855,710	$ (1,069,509)	$ 3,925,219

The 2015 pension expense included in the above schedule reflects the effect of the implementation of GASB 68/71. Information for the 2014 year was not available, and accordingly the expense was not restated to conform with GASB 68/71 for comparability in the 2014 presentation above.

DISTRICT'S FUNDS FINANCIAL ANALYSIS

As noted earlier, the District uses funds to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

General Fund – The General Fund is the general operating fund for the District. At the end of the 2014-2015 fiscal year, this fund balance was ($459,379), which is an increase of $185,648 from the fiscal year 2013-2014 ending balance of ($645,027). In the General Fund in FY 2015, 77.5% of the revenue comes from the State of Idaho, down from 77.8% in FY 2014. Federal sources provided 6.7% of revenue (5.6% in FY 2014), and support from the local community provides 12.5% of the revenue. The remainder of the revenue comes from other sources. General Fund expenses were 99.1% of revenue resulting in an increase of the fund balance.

Actual revenues for General Fund totaled $22,468,092. Total revenue funding was $850,092 over the budgeted projection of $21,618,000. Total Federal revenue was under budget by $33,429 due to timing of past years Impact Aid payments. State revenue was over budget by $161,988 due to appropriations for specific programs and an increase in legislative appropriations.

Expenditures for general District purposes totaled $22,256,474, an increase of $563,474 or 2.6% from the 2014-2015 fiscal year budget of $21,693,000. The instructional expenditures in FY 2015 of $12,826,698 increased from FY 2014 by $458,593. This category accounts for 57.6% of all general fund expenditures this year. Support services constitute 42.4% of general fund expenditures, with 22.3% or $2,099,099 of the Support Service area being maintenance and building improvement related. This category increased from the FY 2014 level of $1,974,843 by $124,256.

Purchases for capital assets in the general fund were $3,974. Total General Fund outlays for capital in FY 2014 were $837. Most capital outlays are paid from the Federal Forest fund.

Federal Forest Fund – This fund can be used for technology and textbook purchases. The main expenditures in the current year were for computer software licenses and internet. Revenues of $344,460 from the Department of Defense and Federal Forest funding exceeded budget of $250,000 by $94,460. There is discussion about Federal Forest revenue legislation sun setting and the Department of Defense is appropriately annually. Revenue in this fund is not considered stable or dependable. Federal Forest revenue in FY 2014 was $428,282.

Plant Facility Fund – The Plant Facility Fund is the fund used to pay for capital construction and building repair and remodeling throughout the District. On May 25th 2015, the patrons of Mountain Home generously approved a $1,000,000 Plant Facility levy each year for five years. We have begun the necessary steps to remove the old fabric on the roof of Hacker Middle School and replace it with a new 20 year membrane. Other student safety and asset preservation projects are being finalized.

GENERAL FUND BUDGETARY HIGHLIGHTS

In June, the District adopted an original budget for the subsequent year. The budget for the FY 2014-2015 was approved by the Board of Trustees on June 17, 2014. The budget was not amended.

CAPITAL ASSETS

The capital projects fund is used primarily to account for the costs incurred while acquiring and improving sites, constructing and remodeling facilities, and producing equipment necessary for providing educational programs for all students within the District. The Mountain Home School District has invested $31,057,763 in a broad range of capital assets over the years. The total accumulated depreciation on these assets at June 30, 2015 amounts to $19,350,093.

- Asset additions for governmental activities totaled $90,000 for the current fiscal year.

LONG-TERM DEBT

At year-end, the District had $670,000 in general obligation bonds, exclusive of deferred interest. This amount, $670,000, will be retired within the next year paying off the debt on the Junior High School. The District retired $915,000 of outstanding bonds in fiscal year 2015. This retirement was the result of the District's payment on the 1995 bonds. The debt of the District is secured by an annual tax levy authorized by the patrons of the District by a two-thirds majority vote.

Additional information regarding the District's long-term debt can be found in Note #9 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District continues to balance current need versus available resources. Mandatory requirements by the State and Federal Government have increased the administrative burden to the District. Student achievement and academic growth will continue to be the focus of resource allocation in FY 2016. The District continues to face difficult choices over the allocation of available resources.

The District has seen an overall decline in enrollment for nine of the past fourteen years and FY 2015 reflected a decline of 99 students over FY 2014. Since fiscal year 2000-2001, enrollment has dropped from a high of 4,454 enrolled students to 3,758 at the end of fiscal year 2014-2015. In FY 2017, there will be a new Charter Montessori elementary school open. This will take approximately 30-35 children out of our district each year for the following six years as that school is phased in. The student enrollment on the air base has fallen from 1,022 students in fiscal year 2000-2001 to a current enrollment of 270. Housing reconstruction has stabilized but there are no indications of any significant increase of student enrollment.

In May of 2014, the voters of Mountain Home approved a supplemental levy of $2.7 million dollars per year for two years to stabilize the funding for the district during the revenue cutbacks from the state and federal governments. This levy saved employee layoffs, service cutbacks, and athletic opportunities in the district which would have resulted in significant operational changes. In FY 2015, this levy accounts for 12.4% of total funding for the District General fund.

For the fiscal year 2015 budget, staffing was adjusted to reflect the student enrollment needs. Salary scales reflected a slight increase due to increased funding by the State Department of Education. This was the first raise for staff in many years. Educational and experience advances were implemented due to funding by the State Legislature. Total salary funding from the State however remained behind with several areas of funding not reinstated from prior year cuts. There were several positions not filled and positions re-defined to need student needs in a more economical means.

The budget for FY 2015 reflects anticipated stabilization of student enrollment. We have budgeted a constant certified staff in FY 2015 as in FY 2014. Funds from the State are becoming more available but still lag behind the funding from FY 2009. There was a change in funding from the State from an experience and education level to that of a career ladder placement for its salary based apportionment allocation.

State funding continues to attempt to reach the levels of 2009 funding. Funding in FY 2015 for discretionary spending per support unit increased $2,401 per support unit from $20,000 to $22,401. This was a 12% increase but is still $3,295 short of the 2009 support unit payment of $25,696. Fiscal year 2015 saw cuts for selected Federal programs. The General Fund, fund balance is in a deficit position for FY 2015 by $492,970.

Insurance continues to be a major expense for the District. The District pays for healthcare, vision, and dental for all eligible employees. Effective 9-1-2015, the FY 2016 insurance premiums increased 18% over the FY 2015 rates. The District changed carriers in order to obtain a more favorable rate on the premiums. This is an increase of approximately $316,000 in costs that are not specifically reimbursed by any revenue source.

Base occupancy rates have stabilized and there is no expectation of any increase in base housed student enrollment. There continues to be a drop in students of civilians working on Federal property, if this trend continues; this will have a significant impact for funding from the Federal government. The Department of Defense is attempting to reduce the number of civilian contractors it employees.

Federal funding is uncertain from year to year especially with the recent sequestration, federal shutdown, and future legislative priorities. Federal posturing on issues such as the debt ceiling, continuing resolutions, and federal programs will continue to raise concerns with adequate sustained Federal funds. One bill in particular that is in jeopardy or reauthorization is the Craig-Wyden Act that provides funding for the Federal Forest fund. In FY 2015, this Act provided $180,977, $37,767 less than FY 2014, for the Mountain Home School District that has been restricted by the Board of Trustees for technology upgrades.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Cliff Ogborn
Mountain Home School District #193
470 North 3rd East
Mountain Home ID 83647
(208) 587-2580
ogborn_ca@mtnhomesd.org

	Governmental Activities
Assets	
Cash and cash equivalents	$ 849,486
Restricted cash and cash equivalents	571,234
Investments	1,653,297
Property taxes receivable	1,493,724
State and federal receivables	927,854
Other receivables	23,816
Inventories	28,600
Capital assets (not subject to depreciation)	481,372
Capital assets (net of depreciation)	11,226,298
Total assets	17,255,681
Deferred Outflows of Resources	
Pension obligations	1,903,896
Liabilities	
Accounts payable	615,415
Bank overdraft	801,809
Accrued payroll and related liabilities	3,044,535
Interest payable	10,050
Other post employment benefits obligation	830,548
Premium on bonds	4,633
Long-term liabilities	
Due within one year	670,000
Due in more than one year - pension liabilities	2,191,087
Total liabilities	8,168,077
Deferred Inflows of Resources	
Employer pension assumption	5,170,084
Net Position	
Net investment in capital assets	11,037,670
Restricted for debt services and special purposes	927,920
Unrestricted	(6,144,174)
Total net position	$ 5,821,416

	Expenses	Program Revenues	Operating Grants and Contributions	Capital Grants and Contributions	Net (expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs					
Governmental activities					
Instruction					
Elementary programs	$ 5,369,357	$ -	$ 622,120	$ -	$ (4,747,237)
Secondary/alternative programs	4,922,181	-	370,507	-	(4,551,674)
Exceptional/preschool programs	1,981,501	-	728,527	-	(1,252,974)
Other instructional programs	401,477	-	1,199	-	(400,278)
Support services					
Student services	2,344,208	-	701,363	-	(1,642,845)
Instructional improvement	287,123	-	388,692	-	101,569
Educational media	212,541	-	-	-	(212,541)
District administration	1,708,985	-	-	-	(1,708,985)
School administration	1,451,198	-	54,667	-	(1,396,531)
Maintenance and improvements	1,976,031	-	-	-	(1,976,031)
Pupil transportation services	1,229,730	-	853,472	-	(376,258)
Food services	1,066,486	300,393	872,515	-	106,422
Capital improvements	143,506	-	6,729	-	(136,777)
Loss on disposal of capital assets	-				-
Interest on long-term debt	(6,265)	-	-	-	6,265
Depreciation-unallocated	720,121	-	-	-	(720,121)
Total Governmental Activities	$ 23,808,180	$ 300,393	$ 4,599,791	$ -	(18,907,996)

General revenues	
State revenue	15,668,292
Taxes	
Property taxes, levied for general purposes	2,778,979
Property taxes, levied for debt services	658,978
Property taxes, levied for capital outlay	109
State revenue in lieu of taxes	37,098
Grants and contributions not restricted to specific programs	
Federal impact aid	1,516,571
Other federal revenue	344,460
Interest and investment earnings	4,909
Miscellaneous	754,310
Total general revenues	21,763,706
Changes in Net Position	2,855,710
Net Position, Beginning of Year, as restated	2,965,706
Net Position, End of Year	$ 5,821,416

Assets	General	Forest Fees	Debt Service	Non Major Funds	Total Governmental Funds
Cash and cash equivalents	$ -	$ 486,579	$ -	$ 362,907	$ 849,486
Restricted cash and cash equivalents	-	-	423,386	147,848	571,234
Investments	1,649,688	-	3,609	-	1,653,297
Property taxes receivable	1,204,485	-	289,239	-	1,493,724
State and federal receivables	642,725	143,050	-	142,079	927,854
Other receivables	17,777	-	-	6,039	23,816
Inventories	28,600	-	-	-	28,600
	$ 3,543,275	$ 629,629	$ 716,234	$ 658,873	$ 5,548,011
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 517,311	$ 18,457	$ -	$ 79,647	$ 615,415
Cash overdraft	801,809	-	-	-	801,809
Accrued payroll and related liabilities	2,563,149	-	-	336,825	2,899,974
Total liabilities	3,882,269	18,457	-	416,472	4,317,198
Deferred Inflows of Resources					
Property taxes	120,385	-	30,715	-	151,100
Fund Balance					
Nonspendable	28,600	-	-	-	28,600
Restricted	-	-	685,519	242,401	927,920
Unassigned	(487,979)	611,172	-	-	123,193
Total fund (deficit) balance	(459,379)	611,172	685,519	242,401	1,079,713
	$ 3,543,275	$ 629,629	$ 716,234	$ 658,873	$ 5,548,011

Total fund balances - governmental funds		$ 1,079,713
The cost of capital assets purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.		
Costs of capital assets	31,057,763	
Depreciation expense to date	(19,350,093)	11,707,670
Property taxes receivable, as recorded in the Statement of Net Position, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are reported as deferred inflow of resources in the Governmental Fund Statements.		151,100
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items. Balances at June 30, 2015 are:		
Premium on bonds issued	(395,391)	
Amortization of bond premium to date	390,758	(4,633)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at June 30, 2015 are:		
Bonds payable in less than one year	(670,000)	
Bonds payable in more than one year	-	
Interest payable	(10,050)	
Compensated absences payable	(144,561)	
Other post employment benefits obligation	(830,548)	
Due in more than one year - pension liabilities	(2,191,087)	(3,846,246)
Deferred outflows of resources related to pension obligations		(5,170,084)
Deferred inflows of resrouces related to pension obligations		1,903,896
Net Position		$ 5,821,416

	Governmental Fund Types				
	General	Forest Fees	Debt Service	Non Major Funds	Total Governmental Funds
Revenues					
Local Revenues					
Property taxes	$ 2,819,464	$ -	$ 672,974	$ 109	$ 3,492,547
Earnings on investments	4,909	-	-	-	4,909
Other	197,673	-	-	335,543	533,216
State revenue	17,407,988	-	-	102,927	17,510,915
Federal revenue					-
Impact aid	1,516,571	-	-	88,994	1,605,565
Other	-	344,460	-	2,705,272	3,049,732
Other revenue	521,487	-	-	-	521,487
Total revenue	22,468,092	344,460	672,974	3,232,845	26,718,371
Expenditures					
Instructional					
Elementary school program	5,601,855	-	-	595,813	6,197,668
Secondary/alternative school program	5,313,493	3,324	-	359,755	5,676,572
Exceptional school program	1,339,960	-	-	737,352	2,077,312
Preschool school program	131,532	-	-	52,211	183,743
Gifted and talented school program	76,275	-	-	-	76,275
Interscholastic school program	362,583	-	-	-	362,583
School activity program	1,000	-	-	-	1,000
Summer school program	-	-	-	-	-
Total instructional	12,826,698	3,324	-	1,745,131	14,575,153
Support Services					
Attendance-guidance	517,714	-	-	-	517,714
Educational services	1,858,094	-	-	110,883	1,968,977
Instructional improvement program	178,226	-	-	131,334	309,560
Educational media program	237,660	-	-	-	237,660
District administration program	1,580,579	253,197	-	-	1,833,776
School administration program	1,725,702	-	-	52,237	1,777,939
Maintenance and improvements buildings, grounds, and equipment	2,099,099	-	-	4,374	2,103,473
Pupil transportation	1,228,728	-	-	1,003	1,229,731
Total support services	9,425,802	253,197	-	299,831	9,978,830

	General	Forest Fees	Debt Service	Non Major Funds	Total Governmental Funds
Community services program	-	-	-	-	-
Food services program	-	-	-	1,117,117	1,117,117
Capital assets program	3,974	22,170	-	207,362	233,506
Debt services program					
Principal	-	-	915,000	-	915,000
Interest	-	-	42,812	-	42,812
Total debt service program	-	-	957,812	-	957,812
Total expenditures	22,256,474	278,691	957,812	3,369,441	26,862,418
Excess of (Deficiency) Revenues over Expenditures	211,618	65,769	(284,838)	(136,596)	(144,047)
Other Financing Sources (Uses)					
Interfund transfers in	35,530	-	-	61,500	97,030
Interfund transfers out	(61,500)	-	-	(35,530)	(97,030)
Total other financing sources (uses)	(25,970)	-	-	25,970	-
Changes in Fund Balance	185,648	65,769	(284,838)	(110,626)	(144,047)
Fund (Deficit) Balance, Beginning of Year	(645,027)	545,403	970,357	353,027	1,223,760
Fund (Deficit) Balance, End of Year	$ (459,379)	$ 611,172	$ 685,519	$ 242,401	$ 1,079,713

Total net change in fund balances - governmental funds		$	(144,047)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the fiscal year:			
Depreciation expense	(720,121)		
Capital outlays	90,000		(630,121)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Bond repayment	915,000		
Amortization of premium	37,068		952,068
Because some property taxes will not be collected for several months after the District's fiscal year end they are not considered available revenues in the governmental funds, but are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.			(54,481)
Benefits paid on behalf of retirees for other post employment benefits (OPEB) in the Statement of Activities differs from the amount reported in the governmental funds because these costs are recognized as an expenditure in the governmental funds when they are paid, thus requiring the use of current financial resources. In the Statement of Activities, however, the OPEB obligation is recognized based on the actuarial valuation, regardless of when it is paid.			(103,222)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, thus requiring the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			12,010
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, vacation amounts earned is more than the amounts used.			85,439
In the Governmental Funds, benefits earned net of employee contributions is not recognized as revenue			1,146,792
In the Governmental Funds, pension contributions are considered an expense, while on the Statement of Activities the contributions are considered a deferred outflow.			1,591,272
Change in Net Position		$	2,855,710

	Agency Funds
Assets	
Cash and cash equivalents	$ 230,850
Investments	264,372
Total assets	$ 495,222
Liabilities	
Due to student groups	$ 495,222
Total liabilities	$ 495,222

Note 1 - Summary of Significant Accounting Policies

Mountain Home School District #193 of Mountain Home, Idaho (the District) operates under a School Board form of government and provides education to students as authorized under Title 33 of the Idaho Code.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units and to state laws applicable to school districts. 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:

Financial Reporting Entity

The District follows GASB in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by the District's Board of Trustees. Control or dependence on the District was determined on the basis of appointment authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District and legal standing.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The general fund and the capital projects fund are considered major funds while the remaining governmental funds are considered non-major. Governmental funds include:

General fund – the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt service funds – account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital project fund – accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Agency funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School activity fund – accounts for assets held by the District as an agent for the individual schools and school organizations.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Funds at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions.*

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include charges to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions is not allocated to those functions but is reported separately in the Statement of Activities. Depreciation is not specifically identified by function and is considered an unallocated indirect expense. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual, defined as measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current position. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are susceptible to accrual.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and when resources are available and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are accrued at June 30.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Cash and Cash Equivalents

The District pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho.

Restricted Cash

The restricted cash is comprised of debt service and school lunch funds that are restricted for use on specifically identified debt service payments and school lunch programs.

Investments

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

- Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.
- Time deposit accounts, tax anticipation and interest-bearing notes.
- Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.
- Repurchase agreements secured by the above.

The District has adopted an investment policy that further specifies that the following investments are allowed following types of securities:

1. United States Securities
2. United States Governmental Agencies
3. Federal Instrumentalities
4. Certificates of Deposit
5. Repurchase Agreements of Governmental Securities
6. Bankers' Acceptance
7. Registered Investment Companies (Money Market Mutual Funds)
8. Investment Pools composed entirely of instruments that are legal for direct investment by an intermediate school district (Idaho State Investment Pool)

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Pool is managed by the State of Idaho Treasurer's office. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

The annual audit of the Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Inventories

School operating supplies and maintenance supplies are stated at the lower of cost (first-in, first-out) or market.

Inventories on hand at year end are reflected as assets and are fully reserved in the fund financial statements indicating the inventories are unavailable for appropriation even though they are a component of reported assets.

Elimination and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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.

Property Taxes

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year end, they are accrued on the government fund financial statements. Property tax revenues are recognized when levied with appropriate accrual made at year end on the government-wide financial statements. The District's property taxes, levied on the second Monday in September on a market value basis, are billed to the taxpayers in November. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Other property taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year.

Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion that meets the revenue recognition criteria is recognized as revenue on the fund financial statements.

Under State law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Elmore County bills and collects property taxes for the District.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no allowance for uncollectible taxes.

Capital Assets

The District's policy is to capitalize capital assets in excess of $20,000. Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	15-40 years
Furniture and equipment	3-15 years

The costs of land and buildings acquired before 1994 are recorded at estimated historical cost. Land and buildings acquired after 1994 are recorded at historical cost. The cost of equipment and vehicles is based on historical cost.

The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

The District does not possess any material amounts of infrastructure capital assets (e.g. roads, bridges, parking lots, and sewer). Amounts expended for such items prior to June 30, 2002 were considered part of the cost of the buildings or other immovable property. From July 1, 2002 forward, such items that are built or constructed, and appear to be material in cost compared to all capital assets, are capitalized and depreciated over their estimated useful lives.

Long-Term Liabilities

For government-wide reporting, the costs associated with the bonds are recognized over the lives of the bonds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest 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.

For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualify for reporting in this category. The item is as follows the pension obligation and is reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category reported on the government-wide statement of net position. It is the employer pension assumption.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either:

> Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
>
> Imposed by law through constitutional provisions or enabling legislation.

Fund Balances of Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- <u>Nonspendable:</u> This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- <u>Restricted:</u> This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified debt service resources as restricted as they are to be used for future servicing of the general obligation bond and are restricted through debt covenants. The Local Specific Grants and the Food Service Fund resources are restricted for their respective purpose.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of June 30, 2015.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Trustees or through the Trustees delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District did not have any assigned resources within the General Fund as of June 30, 2015.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers.

Compensated Absences

All 12-month or full-time employees earn vacation and sick leave in amounts varying with tenure and classification. Upon retirement, unused vacation leave is paid to employees. No reimbursement or accrual is made for unused sick leave.

The District's recognition and measurement criteria for compensated absences follow:

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

1. The employees' right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "Accrued payroll and related liabilities" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

Grants and Other Intergovernmental Revenues

Federal and State reimbursement-type grants are recorded as intergovernmental revenues when the related expenditures/expenses are incurred and, in the governmental funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies and other restricted sources are applied to expenditures first.

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.

Recently Issued Accounting Pronouncements

In June 2012, the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by the state and local government employers about support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Note 2 - Cash and Cash Equivalents

At June 30, 2015, the District's cash and cash equivalents consisted of the following:

	Governmental Funds	Agency Funds
Bank balance		
Insured	$ 250,000	$ 252,002
Uninsured	970,104	-
Bank deposit balance	$ 1,220,104	$ 252,002
Carrying amount	$ 618,911	$ 230,850

Note 3 - Investments

At June 30, 2015, the District's investments consisted of the following:

	Fair Value	Cost
State Treasurer's investment pool	$ 1,653,297	$ 1,652,152
State Treasurer's investment pool - Agency	$ 264,372	$ 263,976

For purposes of efficient cash flow management and the management of temporary investments, the District utilizes the Investment Pool for its cash.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party.

The District's investment policy only allows securities to be purchased from the following institutions organized in the United State that have $500,000,000. The following is a list of the authorized institutions:

1. Primary and regional dealers who qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), and
2. Capital of no less than $10,000,000, and
3. Registered as a dealer under the Securities Exchange Act of 1934, and
4. A member of the National Association of Securities Dealers (NASD), and
5. Registered to sell securities in the State of Idaho, and
6. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five consecutive years or,
7. Any Public Depository qualified in accordance with Idaho Code (I.C.) 67-1210.

The securities must be registered and collateralized in the District's name. The District was in compliance with their policy at June 30, 2015.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The District's policy only allows for investments that have an AAA or AA rating as prescribed by S&P and Moody's. Investments in the State Treasurer's Pool are not required to be rated. The District was in compliance with the policy at June 30, 2015.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The District's policy is not to purchase investments with maturities greater than 185 calendar days, and repurchase agreements cannot exceed one business day. The District's investment in the State Treasurer's Investment Pool has a weighted average maturity of 118 days as of June 30, 2015. The District was in compliance with this policy at June 30, 2015.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when 5% of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District's policy is to not allow more than 50% of the total portfolio in Certificate of Deposits, Bankers Acceptance, non-governmental money market mutual funds, or any combination thereof. As of June 30, 2015, the amounts in the Wells Fargo Bank repurchase agreements represented more than 5% of the investments.

Note 4 - Due from Other Agencies and Units of Government

Amounts due from other agencies and units of government were as follows as of June 30, 2015:

State Agencies	$ 360,201
Federal Agencies	567,653
	927,854
County Agencies	1,493,724
	$ 2,421,578

Note 5 - Interfund Transfers

During the year ended June 30, 2015, the General Fund transferred $61,500 to the Non Major Funds in compliance with Federal mandates to supplement support services to students requiring and qualifying for certain benefits to cover costs in excess of federal awards. The Non Major Funds transferred $35,530 to the General Fund for indirect cost reimbursement in relation to the administration of State and Federal funded programs.

Note 6 - Capital Assets

A summary of activity in the capital assets is as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015
Governmental activities				
Capital assets				
Land (non-depreciable)	$ 481,372	$ -	$ -	$ 481,372
Land improvements	1,827,622	-	-	1,827,622
Buildings	24,785,506	-	-	24,785,506
Furniture and equipment	3,873,263	90,000	-	3,963,263
Total capital assets	30,967,763	90,000	-	31,057,763
Less accumulated depreciation for				
Land improvements	(1,649,684)	(50,711)	-	(1,700,395)
Buildings	(13,809,266)	(571,769)	-	(14,381,035)
Furniture and equipment	(3,171,022)	(97,641)	-	(3,268,663)
Total accumulated depreciation	(18,629,972)	(720,121)	-	(19,350,093)
Total capital assets, net	$ 12,337,791	$ (630,121)	$ -	$ 11,707,670

Note 7 - Unavailable and Advanced Revenues

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements and are reported as deferred inflows of resources. The following revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2015:

	General Fund	Debt Service Fund
Delinquent Taxes	$ 120,385	$ 30,715
	$ 120,385	$ 30,715

Note 8 - Post-Retirement Healthcare Plan

Plan Description. The District provides comprehensive medical, vision and dental benefits to all District employees who retire and satisfy the eligibility requirements. This is a single employer defined benefit healthcare plan administered by Regence Blue Shield, Willamette, and VSP. To be eligible for the District's retiree group medical, dental and vision plans, a retiree must satisfy the PERSI retirement eligibility requirements of 55 years of age (or disability) and 5 years of service. Once a retiree becomes eligible for Medicare, the spouse can continue medical and dental coverage until the spouse is eligible for Medicare. Retirees and spouses are eligible for vision benefits for life. Disabled members and their dependents can receive medical, dental, and vision benefits until they qualify for SSDI and Medicare. Surviving spouses are eligible for medical and dental benefits until the survivor is 65 and vision benefits for life.

Funding Policy. The contribution requirement of plan members is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the District contributed approximately $159,312 to the plan or approximately 38 percent of estimated retiree costs. Plan members receiving benefits contributed approximately $262,534 or approximately 62 percent of estimated retiree costs. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool. Monthly contribution rates in effect for retirees under age 65 during fiscal year 2015, which represents the blending of the September 1, 2013 and September 1, 2014 rates, were as follows:

Pre-65 rates	Medical Regence Premium	Dental Delta Dental Premium	Dental Willamette Premium	Vision LifeMap Premium*
Retiree Only	$ 445.17	$ 40.31	$ 41.42	$ 6.53
Retiree + Spouse	976.08	76.57	70.89	13.05
Retiree + Child	683.67	76.57	70.89	13.81
Retiree + Children	792.50	112.85	103.38	15.23
Retiree + Family	1,126.67	112.85	103.38	22.10

* The vision plan is also for post 65 retirees.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the District's post-retirement healthcare plan:

Annual required contribution	$ 263,334
Interest on net OPEB obligation	23,274
Adjustment to annual required contribution	(24,074)
Annual OPEB cost (expense)	262,534
Contributions made the District	(159,312)
Increase in net OPEB obligation	103,222
Net OPEB obligation—beginning of year	727,326
Net OPEB obligation—end of year	$ 830,548

The three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is shown below:

Fiscal Year Ending	Annual OPEB Expense (AOE)	Estimated Contribution as a Percentage of AOE *	Net OPEB Obligation at End of Year **
June 30, 2013	$ 265,406	65%	$ 608,930
June 30, 2014	276,729	57%	727,326
June 30, 2015	262,534	62%	830,548

* Equals estimated actual incurred claims plus administration less retiree contributions as a percentage of AOE.

** Equals prior year Net OPEB obligation plus current year AOE less estimated current year contributions.

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $2,854,396. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was $14,129,343 and the ratio of the UAAL to the covered payroll was 20 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	$ -	$2,852,210	$2,852,210	0%	$15,373,251	19%
July 1, 2012	$ -	$2,967,519	$2,967,519	0%	$13,821,703	21%
July 1, 2014	$ -	$2,854,396	$2,854,396	0%	$14,129,343	20%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 3.2 percent discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. This is calculated based on the expected long-term rate of return on the District's general funds at the valuation date. A 2.75 percent implied inflation rate assumption (CPI) is used. The valuation assumes that the probability of initial enrollment upon retirement of medical, dental, and vision is 60 percent, 60 percent, and 70 percent, respectively. The valuation also assumes that the percent of retirees who will enroll dependents in medical, dental, and vision is 15 percent, 20 percent, and 25 percent, respectively. Annual medical healthcare cost trend rates of 17.7 percent in the first year, 8.1 percent in the second year, 6.0 percent in the third year and decreasing gradually per year until an ultimate rate of 4.7 percent by 2090, are used. Annual dental trend rates of 1.2 percent in the first year, 4.2 percent in the second year, and 5.0 percent thereafter are used. Annual vision trend rates of 4.8 percent in the first year, 5.4 percent in the second year, and 5.0 percent thereafter are used. It was assumed salary increases will be 3.25 percent per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling thirty year time period.

Note 9 - Long-Term Debt

A summary of activity in the long-term debt is as follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015	Due within one year
Governmental activities					
Bonds payable					
2004 Refunding bond	$ 1,585,000	$ -	$ (915,000)	$ 670,000	$ 670,000

General obligation bonds payable as of June 30, 2015, consist of the following:

$6,905,000 2005 refunding bonds maturing August 15, 2015. Principal payments are due annually on August 15, and interest is payable semiannually on February 15 and August 15 of each year. Interest ranges from 3.0% to 5.0%.	$ 670,000
Total	$ 670,000

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows:

Fiscal Year Ending June 30	Series 2004 Refunding Bond Principal	Interest	Total
2016	$ 670,000	$ 13,400	$ 683,400
	$ 670,000	$ 13,400	$ 683,400

Total interest costs incurred was $42,813 for the year ended June 30, 2015.

Note 10 - Deficit Fund Balances

In addition to a deficit fund balances in the general fund reported at June 30, 2015, in the following non-major funds also had deficit balances:

Professional Tech	Title II
Title I-B	Title IV
Title I-C	Rural and Low Income School
Title I-D	Perkins III Professional Tech
Title VI – B	

The District intends to reduce expenses and/or transfer funds to remediate deficit fund balances.

Note 11 - Pension Plan

Plan Description

The District 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) 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.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or benefices. 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% of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by stature at 60% of the employer rate. As of June 30, 2014 it was 6.79%. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were $1,591,272 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 participating PERSI Base Plan employers. At July 1, 2014, the District's portion was .5101686 percent.

For the year ended June 30, 2015, the District recognized a negative pension of -$1,146,792. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	312,624	
Net difference between projected and actual earnings on pension plan investments	-	4,703,879
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	466,205
District contributions subsequent to the measurement date	1,591,272	-
Total	$ 1,903,896	$ 5,170,084

$1,591,272 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, 2015.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2013 the beginning of the measurement period ended June 30, 2014 is 5.6 years.

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

Year ended June 30:	
2016	$ 1,209,357
2017	1,209,357
2018	1,209,357
2019	1,209,357
2020	20,032

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 individuals between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

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

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

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

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are development 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%
Borad 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%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 the assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District'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)	$ 13,042,238	$ 2,191,087	$ (3,964,232)

Pension plan fiduciary net position

Detailed information about the pension's plan fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements that the required supplement information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 12 - Adoption of New Standard

As of July 1, 2014, the District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position at June 30, 2014, as previously reported	$ 11,161,045
Net pension liability at June 30, 2014	
Deferred outflows of resources related to contributions	(9,759,891)
made during the year ended June 30, 2014	1,564,552
Net position at July 1, 2014, as restated	$ 2,965,706

Required Supplementary Information
June 30, 2015

Mountain Home School District #193

	Budgeted Amounts			Variance with Final Budget - Positive (negative)
	Original	Final	Actual Amounts	
Revenues				
Local revenues				
Property taxes	$ 2,780,000	$ 2,780,000	$ 2,819,464	$ 39,464
Earnings on investments	7,500	7,500	4,909	(2,591)
Other	34,000	34,000	197,673	163,673
State revenue	17,246,000	17,246,000	17,407,988	161,988
Federal revenue				
Other federal revenue	-	-	-	-
Impact aid	1,550,000	1,550,000	1,516,571	(33,429)
Other revenue	500	500	521,487	520,987
Total revenue	21,618,000	21,618,000	22,468,092	850,092
Expenditures				
Instructional				
Elementary school program	5,661,598	5,661,598	5,601,855	59,743
Secondary/alternative school program	5,342,125	5,342,125	5,313,493	28,632
Exceptional school program	1,388,226	1,388,226	1,339,960	48,266
Preschool school program	175,049	175,049	131,532	43,517
Gifted and talented school program	78,487	78,487	76,275	2,212
Interscholastic school program	342,229	342,229	362,583	(20,354)
School activity program	1,000	1,000	1,000	-
Summer school program	3,000	3,000	-	3,000
Total instructional	12,991,714	12,991,714	12,826,698	165,016

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (negative)
Support Services				
Attendance-Guidance	555,880	555,880	517,714	38,166
Educational services	1,347,373	1,347,373	1,858,094	(510,721)
Instructional improvement program	256,259	256,259	178,226	78,033
Educational media program	239,837	239,837	237,660	2,177
District administration program	1,672,192	1,672,192	1,580,579	91,613
School administration program	1,283,050	1,283,050	1,725,702	(442,652)
Maintenance and improvements buildings, grounds, and equipment	2,127,695	2,127,695	2,099,099	28,596
Pupil transportation	1,205,000	1,205,000	1,228,728	(23,728)
Total support services	8,687,286	8,687,286	9,425,802	(738,516)
Capital assets program	14,000	14,000	3,974	10,026
Total expenditures	21,693,000	21,693,000	22,256,474	(563,474)
Excess of (Deficiency) Revenues over Expenditures	(75,000)	(75,000)	211,618	286,618
Other Financing Sources (Uses)				
Operating transfer in	35,000	35,000	35,530	530
Operating transfer out	(45,000)	(45,000)	(61,500)	(16,500)
Changes in Fund Balance	$ (85,000)	$ (85,000)	185,648	$ 270,648
Fund Balance, Beginning of Year			(645,027)	
Fund (Deficit), End of Year			$ (459,379)	

Note 1 - Basis of Budgeting

Basis of Budgeting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures by department, fund or service as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.

2. The proposed budget is published in the local newspaper.

3. A public hearing is conducted to obtain citizen comments.

4. The budget is formally adopted through approval by the Board of Trustees and published in the local newspaper.

5. The District may, after school starts and actual enrollments figures are known, amend the budget using the same procedure that was used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was not amended for the fiscal year ended June 30, 2015.

6. Formal budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.

7. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The level of control (level at which expenditures may not exceed budget) is the fund.

8. All annual appropriations lapse at fiscal year-end.

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

		2015
Employer's portion of net pension liability		0.5101686%
Employer's proportionate share of the net pension liability	$	2,191,087
Employer's covered-employee payroll	$	14,129,343
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll		15.51%
Plan fiduciary net position as a percentage of the total pension liability		94.95%

* 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 District will present information for those use for which information is available.

Data reported is measured as of July 1, 2014 (measurement date)

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

		2015
Statutorily required contribution	$	1,564,552
Contributions in relation to the statutorily required contribution		(1,564,552)
Contribution (deficiency) excess		-
Employer's covered-employee payroll		14,009,719
Contributions as a pcercentage of covered-employee payroll		11.17%

*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 District will present information for those use for which information is available.

Data is reported is measured as of June 30, 2015.

Single Audit
June 30, 2015

Mountain Home School District #193

EideBailly
CPAs & BUSINESS ADVISORS

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*

To the Board of Trustees
Mountain Home School District #193
Meridian, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountain Home School District #193 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Boise, Idaho
October 15, 2015

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

To the Board of Trustees
Mountain Home School District #193
Meridian, Idaho

Report on Compliance for Each Major Federal Program

We have audited the Mountain Home School District #193's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District 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, 2015.

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
October 15, 2015

	Federal CFDA Number	Pass-through Number	Expenditures
U.S. Department of Education			
Direct Grants			
Impact Aid - Elementary and Secondary Education Act (ESEA) Section 8003(d)	84.041		$ 88,994
Career and Technical Education	84.048		55,510
Passed through the State of Idaho Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A130012	12,530
Title I Grants to Local Educational Agencies	84.010	S010A140012	781,668
Total			794,198
Migrant Education, State Grant Program	84.011	S011A130012	11,389
Migrant Education, State Grant Program	84.011	S011A140012	11,824
Total			23,213
Special Education Cluster			
Special Education, Grants to States	84.027	H027A130133	7,349
Special Education, Grants to States	84.027	H027A130133	786,840
Total			794,189
Special Education, Preschool Grants	84.173	H173A130030	5,277
Special Education, Preschool Grants	84.173	H173A140030	40,903
			46,180
Cluster total			840,369
English Language Acquisition State Grants	84.365	S365A140012	15,986
Improving Teacher Quality, State Grants	84.367	S367A130011	48,990
Rural Education	84.358		47,762
Total U.S. Department of Education			1,915,022
U. S. Department of Agriculture			
Passed through the State of Idaho Department of Education			
Child Nutrition Cluster			
School Breakfast Program (Commodoties)	10.553	2014IN109947	23,818
School Breakfast Program (Commodoties)	10.553	2015IN109947	115,112
Total			138,930
National School Lunch Program	10.555	2014IN109947	200,259
National School Lunch Program	10.555	2015IN109947	540,055
Total			740,314
Cluster total			879,244
Total U. S. Department of Agriculture			879,244
Total Federal Financial Assistance			$ 2,794,266

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The District received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Significant Accounting Policies

Governmental fund types account for the District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The District's summary of significant accounting policies is presented in Note 1 in the District's basic financial statements.

Note 3 - Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed, which was approximately $86,000 for the year ended June 30, 2015.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	None Reported
Type of auditor's report issued on compliance for major programs	
Child Nutrition Cluster	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)(3 or 4)	No
Identification of major programs:	CFDA Number
Child Nutrition Cluster	10.553, 10.555
Title VI - B Special Education	84.027, 84.173
Dollar threshold used to distinguish between Type A and Type B programs	$ 300,000
Auditee qualified as low-risk auditee	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

<u>2014-001 Eligibility</u>

Child Nutrition Cluster CFDA #10.553 and #10.555

Condition: During the fiscal year, the District did not always accurately determine eligibility for free and reduced-cost meals.

Status: This finding has been resolved.