

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2017

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Hagerman Joint School District No. 233

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 Hagerman Joint School District No. 233 (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on Governmental Activities

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2017, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has not included the management’s discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic,

and historical context. Our opinion on the basic financial statements is not affected by not including this information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 10, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs PLLC

Payette, Idaho
October 10, 2017

BASIC FINANCIAL STATEMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$1,276,052
Receivables:	
Local Sources	170,918
State Sources	68,687
Federal Sources	132,258
Inventory	8,470
Total Current Assets	<u>1,656,385</u>
Noncurrent Assets	
Nondepreciable Capital Assets	401,181
Depreciable Net Capital Assets	2,029,556
Total Noncurrent Assets	<u>2,430,737</u>
Total Assets	<u>4,087,122</u>
Deferred Outflows of Resources	
Pension Sources	759,696
Total Deferred Outflows of Resources	<u>759,696</u>
Total Assets and Deferred Outflows of Resources	<u>\$4,846,818</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$116,155
Salaries & Benefits Payable	303,310
Unspent Grant Allocation	75,116
Accrued Interest	6,636
Long-Term Debt, Current	240,000
Total Current Liabilities	<u>741,217</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	250,000
Net Pension Liability	1,136,311
Total Noncurrent Liabilities	<u>1,386,311</u>
Total Liabilities	<u>2,127,528</u>
Deferred Inflows of Resources	
Pension Sources	371,643
Total Deferred Inflows of Resources	<u>371,643</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,499,171</u>
Net Position	
Net Investment in Capital Assets	1,934,101
Restricted:	
Special Programs	95,339
Debt Service	334,299
Capital Projects	239,561
Unrestricted (Deficit)	(255,653)
Total Net Position	<u>2,347,647</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$4,846,818</u>

See Accompanying Notes

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Activities Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue And Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instructional Programs					
Elementary School	\$929,170		\$101,080	(\$828,090)	
Secondary School	912,631	\$3,600	109,485	(799,546)	
Special Education	157,194		49,681	(107,513)	
Special Education Preschool	3,530		3,530	0	
Gifted & Talented	0			0	
Interscholastic	39,520			(39,520)	
Support Service Programs					
Attendance - Guidance - Health	61,853			(61,853)	
Special Education Support Services	24,600			(24,600)	
Instruction Improvement	52,221		24,063	(28,158)	
Educational Media	11,803			(11,803)	
Instruction-Related Technology	55,616		36,726	(18,890)	
Board of Education	11,672			(11,672)	
District Administration	96,205			(96,205)	
School Administration	150,871			(150,871)	
Business Operations	59,023			(59,023)	
Central Service Program	18,570			(18,570)	
Buildings - Care	159,213			(159,213)	
Maintenance - Non-Student Occupied	0			0	
Maintenance - Student Occupied	117,609			(117,609)	
Maintenance - Grounds	2,296			(2,296)	
Security Program	2,107			(2,107)	
Pupil-To-School Transportation	98,826			(98,826)	
Pupil-Activity Transportation	14,862			(14,862)	
General Transportation	280			(280)	
Non-Instructional Programs					
Child Nutrition	151,179	22,749	119,467	(8,963)	
Capital Assets - Student Occupied	76,629			(76,629)	
Capital Assets - Non-Student Occupied	0			0	
Debt Service - Principal	0			0	
Debt Service - Interest	17,066			(17,066)	
Total Governmental Activities	\$3,224,546	\$26,349	\$444,032	\$0	(2,754,165)
Changes in Net Position					
Net (Expense) Revenue				Total	
General Revenues				(2,754,165)	
Local Taxes				431,502	
Other Local Revenues				184,207	
State Revenues				2,380,932	
Federal Revenues				0	
Total				2,996,641	
Change in Net Position				242,476	
Net Position - Beginning				2,105,171	
Net Position - Ending				\$2,347,647	

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2017

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facility Fund</u>
Assets				
Cash & Investments	\$692,309	\$20,144	\$258,304	\$249,824
Receivables:				
Local Sources	74,223	1,044	88,608	7,043
State Sources	55,493			
Federal Sources				
Due From Other Funds	58,648			
Inventory		8,470		
Total Assets	<u>\$880,673</u>	<u>\$29,658</u>	<u>\$346,912</u>	<u>\$256,867</u>
Liabilities				
Accounts Payable	\$59,885	\$1,616		\$16,319
Due To Other Funds	44,102	46,912		
Salaries & Benefits Payable	274,840	3,971		
Unspent Grant Allocation				
Total Liabilities	<u>378,827</u>	<u>52,499</u>	<u>\$0</u>	<u>16,319</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	7,600		12,613	987
Total Deferred Inflows of Resources	<u>7,600</u>	<u>0</u>	<u>12,613</u>	<u>987</u>
Fund Balances				
Restricted:				
Special Programs				
Debt Service			334,299	
Capital Projects				239,561
Nonspendable		8,470		
Unassigned	494,246	(31,311)		
Total Fund Balances	<u>494,246</u>	<u>(22,841)</u>	<u>334,299</u>	<u>239,561</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$880,673</u>	<u>\$29,658</u>	<u>\$346,912</u>	<u>\$256,867</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2017

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$55,471	\$1,276,052
Receivables:		
Local Sources	0	170,918
State Sources	13,194	68,687
Federal Sources	132,258	132,258
Due From Other Funds	44,102	102,750
Inventory	0	8,470
Total Assets	\$245,025	\$1,759,135
Liabilities		
Accounts Payable	\$38,335	\$116,155
Due To Other Funds	11,736	102,750
Salaries & Benefits Payable	24,499	303,310
Unspent Grant Allocation	75,116	75,116
Total Liabilities	149,686	597,331
Deferred Inflows of Resources		
Unavailable Tax Revenues	0	21,200
Total Deferred Inflows of Resources	0	21,200
Fund Balances		
Restricted:		
Special Programs	95,339	95,339
Debt Service	0	334,299
Capital Projects	0	239,561
Nonspendable	0	8,470
Unassigned	0	462,935
Total Fund Balances	95,339	1,140,604
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$245,025	\$1,759,135

Balance Sheet - Governmental Funds

June 30, 2017

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

Total Governmental Fund Balances	\$1,140,604
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,430,737
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	21,200
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(496,636)
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(748,258)
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Net Position of Governmental Activities	<u><u>\$2,347,647</u></u>
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Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2017

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facility Fund
Revenues				
Local Taxes	\$156,065		\$253,190	\$19,777
Other Local Revenue	178,959	\$22,749	545	4,638
State Revenue	2,359,753			21,179
Federal Revenue	7,652	119,467		
Total Revenues	<u>2,702,429</u>	<u>142,216</u>	<u>253,735</u>	<u>45,594</u>
Expenditures				
Instructional Programs				
Elementary School	744,516			
Secondary School	711,095			
Special Education	107,513			
Special Education Preschool				
Gifted & Talented				
Interscholastic	39,520			
Support Service Programs				
Attendance - Guidance - Health	61,853			
Special Education Support Services	24,600			
Instruction Improvement	28,158			
Educational Media	11,803			
Instruction-Related Technology	40,191			
Board of Education	11,672			
District Administration	96,205			
School Administration	150,871			
Business Operations	59,023			
Central Service Program	18,570			
Buildings - Care	159,213			
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied	117,609			
Maintenance - Grounds	2,296			
Security Program	2,107			
Pupil-To-School Transportation	98,826			
Pupil-Activity Transportation	14,862			
General Transportation	280			
Non-Instructional Programs				
Child Nutrition	15,319	135,860		
Capital Assets - Student Occupied	8,870			20,502
Capital Assets - Non-Student Occupied				
Debt Service - Principal			235,000	
Debt Service - Interest			19,950	
Total Expenditures	<u>2,524,972</u>	<u>135,860</u>	<u>254,950</u>	<u>20,502</u>
Excess (Deficiency) of Revenues Over Expenditures	177,457	6,356	(1,215)	25,092
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(57,427)			
Total Other Financing Sources (Uses)	<u>(57,427)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	120,030	6,356	(1,215)	25,092
Fund Balances - Beginning	374,216	(29,197)	335,514	214,469
Fund Balances - Ending	<u>\$494,246</u>	<u>(\$22,841)</u>	<u>\$334,299</u>	<u>\$239,561</u>

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2017

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$429,032
Other Local Revenue	3,665	210,556
State Revenue	81,639	2,462,571
Federal Revenue	235,274	362,393
Total Revenues	320,578	3,464,552
Expenditures		
Instructional Programs		
Elementary School	93,428	837,944
Secondary School	113,085	824,180
Special Education	49,681	157,194
Special Education Preschool	3,530	3,530
Gifted & Talented	0	0
Interscholastic	0	39,520
Support Service Programs		
Attendance - Guidance - Health	0	61,853
Special Education Support Services	0	24,600
Instruction Improvement	24,063	52,221
Educational Media	0	11,803
Instruction-Related Technology	15,425	55,616
Board of Education	0	11,672
District Administration	0	96,205
School Administration	0	150,871
Business Operations	0	59,023
Central Service Program	0	18,570
Buildings - Care	0	159,213
Maintenance - Non-Student Occupied	0	0
Maintenance - Student Occupied	0	117,609
Maintenance - Grounds	0	2,296
Security Program	0	2,107
Pupil-To-School Transportation	0	98,826
Pupil-Activity Transportation	0	14,862
General Transportation	0	280
Non-Instructional Programs		
Child Nutrition	0	151,179
Capital Assets - Student Occupied	0	29,372
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	235,000
Debt Service - Interest	0	19,950
Total Expenditures	299,212	3,235,496
Excess (Deficiency) of Revenues Over Expenditures	21,366	229,056
Other Financing Sources (Uses)		
Transfers In	57,427	57,427
Transfers Out	0	(57,427)
Total Other Financing Sources (Uses)	57,427	0
Net Change in Fund Balances	78,793	229,056
Fund Balances - Beginning	16,546	911,548
Fund Balances - Ending	\$95,339	\$1,140,604

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2017

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$229,056

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. (47,257)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 2,470

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 235,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 2,884

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. (179,677)

Change in Net Position of Governmental Activities \$242,476

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Fiduciary Net Position

June 30, 2017

	Private Purpose Trust Funds	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	\$74,612	\$116,397	\$191,009
Receivables:			
Local Sources	58		58
Total Assets	<u>\$74,670</u>	<u>\$116,397</u>	<u>\$191,067</u>
Liabilities			
Due to Student Groups		\$116,397	\$116,397
Accounts Payable	\$18,500		18,500
Total Liabilities	<u>18,500</u>	<u>116,397</u>	<u>134,897</u>
Net Position			
Restricted:			
Scholarships	56,170		56,170
Total Net Position	<u>56,170</u>	<u>0</u>	<u>56,170</u>
Total Liabilities and Net Position	<u>\$74,670</u>	<u>\$116,397</u>	<u>\$191,067</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2017

	<u>Private Purpose Trust Funds</u>
Additions	
Contributions & Donations	\$3,350
Investment Income (Loss)	<u>527</u>
Total Additions	<u>3,877</u>
Deductions	
Scholarships Awarded	<u>18,500</u>
Total Deductions	<u>18,500</u>
Change in Net Position	(14,623)
Net Position - Beginning	<u>70,793</u>
Net Position - Ending	<u><u>\$56,170</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Hagerman Joint School District No. 233 (the School) provides public school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for taxing and school enrollment purposes are located within Gooding and Twin Falls Counties.

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

Basic Financial Statements - Government-Wide Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

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

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the School include:

General Fund – The general fund is the School's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of capital assets. Major capital project funds include the plant facilities fund, used to account for the maintenance of facilities and other capital assets.

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

Private Purpose Trust Funds – Private purpose trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a scholarship trustee.

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is paid to the general fund unless Idaho Code specifies otherwise. Investments include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method, except for certain transportation vehicles which use the declining balance method.

Compensated Absences – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded.

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

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

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

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity’s governing body. Assigned portions represent amounts that are constrained by the government’s intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

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

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

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

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

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

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

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

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$490,940
Investments - Local Government Investment Pool	976,121
Total	<u><u>\$1,467,061</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$490,940 and the bank balances were \$519,770. Of the bank balances, \$464,958 was insured, and the remainder was uninsured and uncollateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. More information on the local governmental investment pool including regulatory information, restriction on withdrawals, and rating and risk information can be found at sto.idaho.gov. Government accounting standards board statements requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are,

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements.

C. RECEIVABLES

Receivables consist of the following at year end:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Local Sources					
Local Taxes	\$53,425		\$88,608	\$6,917	\$148,950
Other Local Sources	20,798	\$1,044		126	21,968
Total	<u>\$74,223</u>	<u>\$1,044</u>	<u>\$88,608</u>	<u>\$7,043</u>	<u>\$170,918</u>
State Sources					
Foundation Program	\$55,493				\$55,493
Special Programs		\$13,194			13,194
Total	<u>\$55,493</u>	<u>\$13,194</u>			<u>\$68,687</u>
Federal Sources					
Special Programs		\$132,258			\$132,258
Total		<u>\$132,258</u>			<u>\$132,258</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

D. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$385,181			\$385,181
Construction in Progress	0	\$16,000		16,000
Total	<u>385,181</u>	<u>16,000</u>	<u>0</u>	<u>401,181</u>
Depreciable Capital Assets				
Buildings	4,934,205			4,934,205
Equipment	1,804,397	6,960		1,811,357
Subtotal	<u>6,738,602</u>	<u>6,960</u>	<u>0</u>	<u>6,745,562</u>
Accumulated Depreciation				
Buildings	2,852,521	67,471		2,919,992
Equipment	1,793,268	2,746		1,796,014
Subtotal	<u>4,645,789</u>	<u>70,217</u>	<u>0</u>	<u>4,716,006</u>
Total	<u>2,092,813</u>	<u>(63,257)</u>	<u>0</u>	<u>2,029,556</u>
Net Capital Assets	<u>\$2,477,994</u>	<u>(\$47,257)</u>	<u>\$0</u>	<u>\$2,430,737</u>

Depreciation expense of \$70,217 was charged to the capital assets – student occupied program

E. LONG-TERM DEBT

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

2009 - \$2,185,000 - general obligation refunding bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 3.00% - 3.25% through 2018/19, secured by future taxes, paid through the debt service fund	<u>Outstanding</u>
	\$490,000
Total	<u>\$490,000</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Maturities on the bonds are estimated as follows:

Year Ended	Principal	Interest
6/30/18	\$240,000	\$12,025
6/30/19	250,000	4,063
Total	\$490,000	\$16,088

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2009 G.O.R. Bonds	\$725,000		\$235,000	\$490,000	\$240,000
Total	\$725,000	\$0	\$235,000	\$490,000	\$240,000

Interest and related costs during the year amounted to \$17,066 and were charged to the debt service – interest program.

F. PENSION PLAN

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The School's contributions were \$181,371 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the School's proportion was 0.0560545 percent.

For the year ended June 30, 2017, the School recognized pension expense (revenue) of \$174,802. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$113,225
Changes in assumptions or other inputs	\$25,259	
Net difference between projected and actual earnings on pension plan investments	553,066	258,418
Employer contributions subsequent to the measurement date	<u>181,371</u>	
Total	<u><u>\$759,696</u></u>	<u><u>\$371,643</u></u>

\$181,371 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2018.

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, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

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:

<u>Year Ended</u>	
6/30/18	\$1,155
6/30/19	1,155
6/30/20	131,831
6/30/21	<u>72,541</u>
Total	<u><u>\$206,682</u></u>

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 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, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equities	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			Expected	
Total Fund	Expected Return*	Expected Inflation	Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
School's proportionate share of the net pension liability (asset)	\$2,229,039	\$1,136,311	\$227,587

Pension plan fiduciary net position

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

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

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund			Total
	General	Child Nutrition	Nonmajor Governmental	
Due To Fund				
General		\$46,912	\$11,736	\$58,648
Nonmajor Governmental	\$44,102			44,102
Total	\$44,102	\$46,912	\$11,736	\$102,750

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

Fund	Transfer In	Transfer Out	Purpose
General		\$57,427	Maintenance
Nonmajor Governmental	\$57,427		Maintenance
Total	\$57,427	\$57,427	

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2017

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$154,566	\$154,566	\$156,065	\$1,499
Other Local Revenue	117,000	117,000	178,959	61,959
State Revenue	2,338,428	2,338,428	2,359,753	21,325
Federal Revenue	100	100	7,652	7,552
Total Revenues	<u>2,610,094</u>	<u>2,610,094</u>	<u>2,702,429</u>	<u>92,335</u>
Expenditures				
Instructional Programs				
Elementary School	744,844	744,844	744,516	328
Secondary School	738,423	738,423	711,095	27,328
Special Education	108,695	108,695	107,513	1,182
Special Education Preschool	0	0	0	0
Gifted & Talented	0	0	0	0
Interscholastic	41,727	41,727	39,520	2,207
Support Service Programs				
Attendance - Guidance - Health	62,391	62,391	61,853	538
Special Education Support Services	14,200	14,200	24,600	(10,400)
Instruction Improvement	29,725	29,725	28,158	1,567
Educational Media	11,994	11,994	11,803	191
Instruction-Related Technology	42,288	42,288	40,191	2,097
Board of Education	10,730	10,730	11,672	(942)
District Administration	97,626	97,626	96,205	1,421
School Administration	151,786	151,786	150,871	915
Business Operations	63,284	63,284	59,023	4,261
Central Service Program	19,317	19,317	18,570	747
Buildings - Care	166,581	166,581	159,213	7,368
Maintenance - Non-Student Occupied	250	250	0	250
Maintenance - Student Occupied	95,758	95,758	117,609	(21,851)
Maintenance - Grounds	6,742	6,742	2,296	4,446
Security Program	9,044	9,044	2,107	6,937
Pupil-To-School Transportation	101,300	101,300	98,826	2,474
Pupil-Activity Transportation	21,000	21,000	14,862	6,138
General Transportation	350	350	280	70
Non-Instructional Programs				
Child Nutrition	12,039	12,039	15,319	(3,280)
Capital Assets - Student Occupied	60,000	60,000	8,870	51,130
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	<u>2,610,094</u>	<u>2,610,094</u>	<u>2,524,972</u>	<u>85,122 *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	177,457	177,457
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	(57,427)	(57,427) *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(57,427)</u>	<u>(57,427)</u>
Net Change in Fund Balances	0	0	120,030	120,030
Fund Balances - Beginning	266,438	266,438	374,216	107,778
Fund Balances - Ending	<u>\$266,438</u>	<u>\$266,438</u>	<u>\$494,246</u>	<u>\$227,808</u>

*Total expenditures (over) under appropriations are: \$27,695

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2017

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Other Local Revenue	\$22,601	\$22,601	\$22,749	\$148
Federal Revenue	135,000	135,000	119,467	(15,533)
Total Revenues	<u>157,601</u>	<u>157,601</u>	<u>142,216</u>	<u>(15,385)</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	157,601	157,601	135,860	21,741
Total Expenditures	<u>157,601</u>	<u>157,601</u>	<u>135,860</u>	<u>21,741</u> *
Excess (Deficiency) of Revenues Over Expenditures	0	0	6,356	6,356
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	6,356	6,356
Fund Balances - Beginning	<u>(31,372)</u>	<u>(31,372)</u>	<u>(29,197)</u>	<u>2,175</u>
Fund Balances - Ending	<u><u>(\$31,372)</u></u>	<u><u>(\$31,372)</u></u>	<u><u>(\$22,841)</u></u>	<u><u>\$8,531</u></u>
				<u>\$21,741</u>

*Total expenditures (over) under appropriations are:

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's portion of the net pension liability	0.0560545%	0.0575753%	0.0630221%
School's proportionate share of the net pension liability	\$1,136,311	\$758,173	\$294,232
School's covered payroll	\$1,640,794	\$1,612,668	\$1,707,350
School's proportional share of the net pension liability as a percentage of its covered payroll	69.25%	47.01%	17.23%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

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

Data reported is measured as of June 30.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$181,371	\$185,738	\$182,554
Contributions in relation to the statutorily required contribution	\$181,371	\$185,738	\$182,554
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School's covered payroll	<u>\$1,602,217</u>	<u>\$1,640,794</u>	<u>\$1,612,668</u>
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%

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

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

SUPPLEMENTARY INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds			
	School Building Maintenance	Driver Education	Professional Technical	Technology
Assets				
Cash & Investments	\$13,325		\$1,598	\$40,548
Receivables:				
Local Sources				
State Sources		\$2,313	10,881	
Federal Sources				
Due From Other Funds	44,102			
Inventory				
Total Assets	\$57,427	\$2,313	\$12,479	\$40,548
Liabilities				
Accounts Payable			\$9,899	\$854
Due To Other Funds		\$2,313		
Salaries & Benefits Payable			2,580	1,782
Unspent Grant Allocation				
Total Liabilities	\$0	2,313	12,479	2,636
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	57,427			37,912
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	57,427	0	0	37,912
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$57,427	\$2,313	\$12,479	\$40,548

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds			
	Substance Abuse	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$18,025	\$46,124	\$3,633
Due From Other Funds				
Inventory				
Total Assets	\$0	\$18,025	\$46,124	\$3,633
Liabilities				
Accounts Payable		\$252	\$123	
Due To Other Funds				
Salaries & Benefits Payable		13,043	6,069	
Unspent Grant Allocation		4,730	39,932	\$3,633
Total Liabilities	\$0	18,025	46,124	3,633
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$0	\$18,025	\$46,124	\$3,633

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds			Total
	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title II-A Improving Teacher Quality	
Assets				
Cash & Investments				\$55,471
Receivables:				
Local Sources				0
State Sources				13,194
Federal Sources	\$27,913	\$31,759	\$4,804	132,258
Due From Other Funds				44,102
Inventory				0
Total Assets	<u>\$27,913</u>	<u>\$31,759</u>	<u>\$4,804</u>	<u>\$245,025</u>
Liabilities				
Accounts Payable		\$23,941	\$3,266	\$38,335
Due To Other Funds	\$1,605	7,818		11,736
Salaries & Benefits Payable	1,025			24,499
Unspent Grant Allocation	25,283		1,538	75,116
Total Liabilities	<u>27,913</u>	<u>31,759</u>	<u>4,804</u>	<u>149,686</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				95,339
Debt Service				0
Capital Projects				0
Nonspendable				0
Unassigned				0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,339</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$27,913</u>	<u>\$31,759</u>	<u>\$4,804</u>	<u>\$245,025</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2017

	Special Revenue Funds			
	School Building Maintenance	Driver Education	Professional Technical	Technology
Revenues				
Local Taxes				
Other Local Revenue		\$3,600		\$65
State Revenue		2,313	\$36,270	36,726
Federal Revenue				
Total Revenues	\$0	5,913	36,270	36,791
Expenditures				
Instructional Programs				
Elementary School				
Secondary School		5,913	36,270	
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology				15,425
Board of Education				
District Administration				
School Administration				
Business Operations				
Central Service Program				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security Program				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	0	5,913	36,270	15,425
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	21,366
Other Financing Sources (Uses)				
Transfers In	57,427			
Transfers Out				
Total Other Financing Sources (Uses)	57,427	0	0	0
Net Change in Fund Balances	57,427	0	0	21,366
Fund Balances - Beginning	0	0	0	16,546
Fund Balances - Ending	\$57,427	\$0	\$0	\$37,912

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2017

	Special Revenue Funds			
	Substance Abuse	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue	\$6,330			
Federal Revenue		\$85,720	\$49,681	\$3,530
Total Revenues	<u>6,330</u>	<u>85,720</u>	<u>49,681</u>	<u>3,530</u>
Expenditures				
Instructional Programs				
Elementary School		85,720		
Secondary School				
Special Education			49,681	
Special Education Preschool				3,530
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement	6,330			
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operations				
Central Service Program				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security Program				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>6,330</u>	<u>85,720</u>	<u>49,681</u>	<u>3,530</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2017

	Special Revenue Funds			Total
	Title VI-B	Perkins III	Title II-A	
	ESEA REAP	Professional Technical Act	Improving Teacher Quality	
Revenues				
Local Taxes				\$0
Other Local Revenue				3,665
State Revenue				81,639
Federal Revenue	\$7,708	\$70,902	\$17,733	235,274
Total Revenues	<u>7,708</u>	<u>70,902</u>	<u>17,733</u>	<u>320,578</u>
Expenditures				
Instructional Programs				
Elementary School	7,708			93,428
Secondary School		70,902		113,085
Special Education				49,681
Special Education Preschool				3,530
Gifted & Talented				0
Interscholastic				0
Support Service Programs				
Attendance - Guidance - Health				0
Special Education Support Services				0
Instruction Improvement			17,733	24,063
Educational Media				0
Instruction-Related Technology				15,425
Board of Education				0
District Administration				0
School Administration				0
Business Operations				0
Central Service Program				0
Buildings - Care				0
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Security Program				0
Pupil-To-School Transportation				0
Pupil-Activity Transportation				0
General Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal				0
Debt Service - Interest				0
Total Expenditures	<u>7,708</u>	<u>70,902</u>	<u>17,733</u>	<u>299,212</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	21,366
Other Financing Sources (Uses)				
Transfers In				57,427
Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,427</u>
Net Change in Fund Balances	0	0	0	78,793
Fund Balances - Beginning	0	0	0	16,546
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$95,339</u>

OTHER REPORTS AND SCHEDULES

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Hagerman Joint School District No. 233

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 Hagerman Joint School District No. 233 (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-001 to be a material weakness.

Compliance and Other Matters

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

School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs PLLC

Payette, Idaho
October 10, 2017

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Schedule of Findings and Responses
Year Ended June 30, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

2017-001 Segregation of Duties & Secondary Review Procedures

Condition – Although the School has implemented various checks and balances in internal control, it did not have a complete segregation of duties over assets.

Criteria – Inherent in an ideal internal control structure is a complete segregation of duties over cash. This includes, but is not limited to, monthly monitoring and review by a secondary person over cash deposits, disbursements, and reconciliations.

Cause – These monitoring and review procedures by secondary persons were not fully in place during the year.

Effect – The lack of a complete segregation of duties may increase the risk that errors and issues would not be detected and prevented in a timely manner and in the normal course of operations.

Recommendation – It is requested that the School take note that this situation exists and consider resolving it with the use of additional staff oversight and involvement in the review process.

Views of Responsible Officials and Planned Corrective Actions – Management has taken steps to improve in this area by requiring monthly reviews by a secondary person of cash deposits, disbursements, and reconciliations.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

2016-001 Segregation of Duties

Condition – Although the School has implemented various checks and balances in internal control, it did not have a complete segregation of duties over assets.

Recommendation – It is requested that the School take note that this situation exists and consider resolving it with the use of additional staff oversight and involvement in the review process.

Current Status – Management has taken steps to improve in this area by requiring monthly reviews by a secondary person of cash deposits, disbursements, and reconciliations.