

# Shelley Joint School District #60

Financial Statements and  
Supplementary Information

Year Ended June 30, 2019



**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants

# Shelley Joint School District #60

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June 30, 2019

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# Shelley Joint School District #60

## Management's Discussion and Analysis *Fiscal Year Ended June 30, 2019*

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The discussion and analysis of Shelley Joint School District #60's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2019 are as follows:

In total, net position increased \$891,674 which represents a 16.38 percent increase from the 2018-restated net position. This was largely due to the change in the pension liability.

General revenues accounted for \$13,333,178 in revenue, or 78.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,650,551 or 21.5 percent of total revenues of \$16,983,729.

Total assets of governmental activities decreased by \$99,058 as current assets increased by \$480,067 and capital assets decreased by \$579,125.

The District had \$16,092,055 in expenses; only \$3,650,551 of these expenses were offset by program specific charges for services, grants, or contributions. These expenses were decreased by \$283,300 from the pension adjustment. General revenues (primarily taxes and state aid) of \$13,333,178 were adequate to provide for these programs.

Among major funds, the General Fund had \$12,983,749 in revenues and \$12,561,257 in expenditures. The General Fund's balance increased \$235,850 from 2018. State support in the General Fund is broken down as follows: Base Support - \$9,832,886, state salary and benefits apportionment of \$1,292,272 and Transportation of \$447,141; and Revenue in Lieu of Taxes of \$39,428 from agriculture replacement and personal property tax replacement. There was also Bond Levy Equalization money received from the state in the Debt Service Fund of \$225,515 during the fiscal year.

### **USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shelley Joint School District #60 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Shelley Joint School District #60, the General Fund is by far the most significant fund.

# Shelley Joint School District #60

Management's Discussion and Analysis  
*Fiscal Year Ended June 30, 2019*

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## REPORTING THE DISTRICT AS A WHOLE

### Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Idaho restricting revenue growth, facility condition, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities. The District does not have any business-like activities.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General, Debt Service, and Capital Projects Funds.

### Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District serves as a trustee, or fiduciary, for student organizations and programs. The assets of these organizations and programs do not directly benefit nor are they under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

### THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,335,151 at the close of the most recent fiscal year. The following table provides a summary of the District's net position for 2019 compared to 2018:

	<u>2019</u>	<u>2018 - restated</u>
Assets		
Current and other assets	<b>6,646,863</b>	6,166,796
Capital assets	<b>13,827,055</b>	14,406,180
Total assets	<b>20,473,918</b>	20,572,976
Deferred outflows of resources	<b>2,509,411</b>	2,465,874
Liabilities		
Long-term liabilities	<b>13,897,316</b>	14,964,880
Other liabilities	<b>1,926,364</b>	1,891,285
Total liabilities	<b>15,823,680</b>	16,856,165
Deferred inflows of resources	<b>824,498</b>	739,210
Net position		
Net investment in capital assets	<b>4,937,151</b>	4,655,215
Restricted	<b>2,703,097</b>	2,540,048
Unrestricted	<b>(1,305,097)</b>	(1,751,788)
Total net position	<b>6,335,151</b>	5,443,475

Total assets of governmental activities decreased by \$99,058 as cash and other current assets increased by \$480,067 and capital assets decreased by \$579,125. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,335,151 at the close of the most recent fiscal year. The deficit in unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the District decreased by \$446,691 from the prior year as restated.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

The following table shows the changes in net position for fiscal year 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	262,437	308,709
Operating grants and contributions	3,388,114	3,335,694
General revenues		
Property taxes	1,899,589	1,847,687
State aid	11,358,398	10,952,462
Other	75,191	71,472
Total revenues	<u>16,983,729</u>	<u>16,516,024</u>
Program Expenses		
Instruction	9,697,887	9,664,043
Support services	1,415,861	1,176,960
Administrative	1,588,705	1,547,694
Operations	1,313,645	1,299,561
Transportation	705,854	679,729
Noninstructional	866,337	843,936
Interest and fiscal charges	296,115	293,797
Capital improvements	207,651	355,523
Total expenses	<u>16,092,055</u>	<u>15,861,243</u>
Increase (decrease) in net position	<u>891,674</u>	<u>654,781</u>

### GOVERNMENTAL ACTIVITIES

State aid of \$13,066,790 included in program and general revenues that consists of the Idaho base support, salary-based apportionment, transportation, bond levy equalization, revenue in lieu of taxes, other state revenue, and benefit apportionment, makes up 76.94 percent of revenues from governmental activities. Federal grants and contracts of \$1,670,703 makes up 9.84 percent of total revenues from governmental activities. Property taxes of \$1,860,161 make up 10.95 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 91.5 percent of District expenses.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

	Total cost of services 2019	Net cost of services 2019
Instruction	9,697,887	8,205,301
Support services	1,415,861	1,080,853
Administrative	1,588,705	1,539,743
Operations	1,313,645	1,165,076
Transportation	705,854	258,713
Noninstructional	866,337	19,921
Interest and fiscal charges	296,115	57,715
Capital improvements	207,651	114,182
Total expenses	16,092,055	12,441,504

**Instruction:** Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

**Support Services:** Support services provide personnel services, activities, and programs for the administration, management, technical, and logistical support to facilitate and enhance the function of instruction and shall provide for the general operation of the schools.

**Administration:** The personnel, activities, and services for directing and managing the operation of the schools in the District. (Principals, assistant principals, secretaries, and clerks charged with responsibility for a school's administration.) Board of Education, administration, fiscal, and business includes expenses associated with administrative and financial supervision of the District.

**Operations:** Operations and maintenance includes the personnel, activities, and programs concerned with keeping the physical plant operational and keeping the grounds, buildings, and equipment in effective working condition and in an adequate and safe state of repair.

**Transportation:** Transportation includes the personnel, activities, and services for providing student transportation to school and to activities and to provide for the general administrative and maintenance needs of school district vehicles.

**Non-instructional:** Non-instructional services include the preparation, delivery and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

**Interest and Fiscal Charges:** Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to the debt of the District.

**Capital Improvements:** Capital improvements include capital expenditures for the schools that are not capitalized under the District's capitalization policy.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

### THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,990,208 and expenditures of \$16,586,891. The net change in fund balance for the year in the General Fund, Debt Service and the Capital Projects Fund was an increase of \$235,850, an increase of \$33,937 and a decrease of \$39,403, respectively.

At year's end, the General Fund balance increased by \$235,850 resulting in a fund balance of \$1,532,708 at the end of FY19. The majority of the increase was due to decreased expenditures compared with the increases seen in state apportionment funds. All funds ended the year in sound financial shape. Our District is positioned well financially to meet the needs of students for the foreseeable future.

### GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Idaho Law and is based on accounting for certain transactions on the modified basis of accounting. The most significant budgeted fund is the General Fund.

For the General Fund, the budget basis revenue estimate was \$12,759,371.

### CAPITAL ASSETS

At the end of the fiscal year 2019, the District had \$13,827,055 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	<u>2019</u>	<u>2018</u>
Land	402,635	402,635
Buildings and improvements	12,558,574	13,103,398
Equipment	231,476	256,220
Vehicles	634,370	643,927
Total capital assets, net	<u>13,827,055</u>	<u>14,406,180</u>

Overall capital assets decreased \$579,125 from fiscal year 2018 to fiscal year 2019. Increases in capital assets (primarily land, equipment, and vehicles) were offset by depreciation expense for the year.

### DEBT ADMINISTRATION

At June 30, 2019, the District had two general obligation bond issues. The outstanding bonds are as follows:

	<u>Total</u>	<u>Due within one year</u>
2007 Series Bond	780,000	780,000
2015 Series Bond	7,520,000	
Total	<u>8,300,000</u>	<u>780,000</u>

At June 30, 2019, the District's overall legal debt margin was \$41,285,115.

# Shelley Joint School District #60

Management's Discussion and Analysis  
*Fiscal Year Ended June 30, 2019*

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## **CURRENT FINANCIAL ISSUES AND CONCERNS**

The Shelley Joint School District #60 continues to be financially stable. Fiscal Year 2019, the District funded operating expenditures in the General Fund without deficit spending. This was due in part to an increase in state funding for K-12 education as well as a slight increase in enrollment.

For 2018-19 the state legislature appropriated a 5.1% increase to the public education budget. This included support for the career ladder, an increase in the State Distribution Factor, and a significant increase in Literacy Proficiency funding.

One concern our district faces is the need to implement and practice internal controls at each of the schools in the district. It is challenging to practice separation of duties with limited resources. With some creative collaboration, we will take steps to implement it. We are also focusing on updating forms, protocols, and procedures as well as providing training to ensure better practices for handling finances.

We will be renewing our Supplemental Levy March 2020. We hope patrons will continue to support the district with this needed funding, which accounts for 4% of our general fund budget. This money will help maintain all programs at their current status along with curriculum adoption, continued increases to insurance costs, and classroom supplies.

As our district continues to grow, discussions with the Board will occur to determine the best path forward in regards to a bond vs plant facility levy and possible solutions to the challenges associated with growth.

Shelley School District #60 is committed to financial excellence and is implementing protocols and procedures to ensure sound fiscal planning, budgeting, and spending as it meets future challenges.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lanell Farmer, Business Manager at Shelley Joint School District #60, 545 Seminary Avenue, Shelley, Idaho 83274 or email at [lfarmer@shelleyschools.org](mailto:lfarmer@shelleyschools.org).

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**INDEPENDENT AUDITOR’S REPORT**

Board of Trustees  
 Shelley Joint School District #60  
 Shelley, 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 Shelley Joint School District #60 (the District), as of and for the year ended June 30, 2019, 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 the financial statements in accordance with accounting principles generally accepted in the United States; 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 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 unmodified and qualified audit opinions.

***Summary of Opinions***

<b><i>Opinion Unit</i></b>	<b><i>Type of Opinion</i></b>
Governmental Activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Qualified Opinion on Governmental Activities***

As discussed in Note K to the financial statements, management has not updated the actuarial study for GASB 75 to record the change in the obligation for post-employment benefits for the government-wide financial statements and the amount recorded is from the 2017 GASB 75 study. The amounts reflected in the financial statements have been updated to the 2019 projected numbers, but not all of the required disclosure information is available for these numbers which is a departure from accounting principles generally accepted in the United States.

### ***Qualified Opinion on Governmental Activities***

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph on the Governmental Activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of Shelley School District #60, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

### ***Unmodified Opinion on the Major Funds and Aggregate Remaining Fund Information***

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 Shelley School District #60, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of employer's share of net pension liability for the PERSI-Base plan, and schedule of employer contributions for the PERSI-Base plan as listed in the table of contents on pages 1 through 7 and pages 41 through 46 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, 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplementary information, such as the combining and individual nonmajor fund financial schedules, the agency funds combining schedule of changes in assets and liabilities, and other schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 schedules, the agency funds combining schedule of changes in assets and liabilities and other schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States.

In our opinion, the combining and individual nonmajor fund financial schedules, the agency funds combining schedule of changes in assets and liabilities and other schedules listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of Shelley Joint School District #60's internal control over financial reporting and 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 the effectiveness of Shelley Joint School District #60's 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.

*Wipfli LLP*

Wipfli LLP  
CPAs and Consultants

Idaho Falls, Idaho  
October 15, 2019

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# Shelley Joint School District #60

## Statement of Net Position June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	4,590,613
Property tax receivable	669,972
Other receivables	828,829
PERSI SL	557,449
Capital assets, non depreciable	402,635
Capital assets, net of depreciation	13,424,420
Total assets	<u>20,473,918</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Changes of assumptions and other inputs - OPEB	32,963
Changes of assumptions and other inputs - PERSI SL	179,350
Deferred charge on refunding	490,665
Related to pensions	1,806,433
Total deferred outflows of resources	<u>2,509,411</u>
<b>LIABILITIES</b>	
Accounts payable	115,852
Accrued wages	1,293,024
Accrued employee benefits	427,545
Interest payable	89,943
Long-term liabilities	
Portion due or payable within one year	
General obligation bonds/premium	901,060
Other liabilities	29,254
Portion due or payable after one year	
General obligation bonds/premium	7,988,844
Net pension liability	4,142,693
Other liabilities	835,465
Total liabilities	<u>15,823,680</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Differences between expected and actual experience - PERSI SL	33,113
Related to pensions	791,385
Total deferred inflows of resources	<u>824,498</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,937,151
Restricted for	
Capital improvements	370,138
Debt service	1,308,846
Child nutrition	153,395
Other	870,718
Unrestricted	<u>(1,305,097)</u>
Total net position	<u>6,335,151</u>

The accompanying notes and an integral part of these statements.

# Shelley Joint School District #60

Statement of Activities  
Fiscal Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Total governmental activities
Governmental activities					
Instruction	9,697,887	21,898	1,470,688		(8,205,301)
Support services	1,415,861		335,008		(1,080,853)
Administrative	1,588,705		48,962		(1,539,743)
Operations	1,313,645		148,569		(1,165,076)
Transportation	705,854		447,141		(258,713)
Noninstructional	866,337	240,539	605,877		(19,921)
Interest on long-term debt	296,115		238,400		(57,715)
Capital improvements	207,651		93,469		(114,182)
Total governmental activities	16,092,055	262,437	3,388,114	0	(12,441,504)
General revenues					
Taxes					
Property taxes					1,860,161
Property tax replacement					39,428
State aid - formula grants					11,125,158
Other state revenues					233,240
Federal					233
Unrestricted investments earnings					31,507
Other local					43,451
Total general revenues					13,333,178
Change in net position					891,674
Net position - beginning					4,818,564
Prior period adjustment					624,913
Net position - beginning (as restated)					5,443,477
Net position - ending					6,335,151

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Combined Balance Sheet  
Governmental Funds  
June 30, 2019

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	2,274,204	1,001,698	230,958	1,083,753	4,590,613
Receivables					
Taxes - current	203,252	288,621	132,426		624,299
Taxes - delinquent	17,188	18,527	9,958		45,673
State apportionment	442,574				442,574
Federal grants/contracts				373,407	373,407
Other				12,848	12,848
Interfund receivable	196,519				196,519
Total assets	<u>3,133,737</u>	<u>1,308,846</u>	<u>373,342</u>	<u>1,470,008</u>	<u>6,285,933</u>
<b>LIABILITIES</b>					
Accounts payable	90,445		3,204	22,203	115,852
Accrued wages	1,142,094			150,930	1,293,024
Accrued employee benefits	351,302			76,243	427,545
Interfund payable				196,519	196,519
Total liabilities	<u>1,583,841</u>	<u>0</u>	<u>3,204</u>	<u>445,895</u>	<u>2,032,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	17,188	18,527	9,958	0	45,673
<b>FUND BALANCES</b>					
Restricted for					
Debt service		1,290,319			1,290,319
Child nutrition				153,395	153,395
Other fund activities			360,180	870,718	1,230,898
Unassigned	1,532,708				1,532,708
Total fund balances	<u>1,532,708</u>	<u>1,290,319</u>	<u>360,180</u>	<u>1,024,113</u>	<u>4,207,320</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>3,133,737</u>	<u>1,308,846</u>	<u>373,342</u>	<u>1,470,008</u>	<u>6,285,933</u>

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
*June 30, 2019*

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Total fund balances - governmental funds	4,207,320
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Governmental funds report the effect of premiums, discounts, and similar items when the bonds are first issued by the District whereas these amounts are deferred and amortized in the statement of activities.</p>	(99,239)
<p>The net pension liability and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position: Net pension liability is \$4,142,693, deferred inflows of resources related to pensions is \$791,385 and deferred outflows of resources related to pensions is \$1,806,433.</p>	(3,127,645)
<p>The net PERSI sick leave asset and the deferred outflows of resources and deferred inflows of resources related to PERSI sick leave are only reported in the Statement of Net Position: Net PERSI asset is \$557,449, deferred inflows of resources related to PERSI sick leave is \$33,113 and deferred outflows of resources related to PERSI sick leave is \$179,350.</p>	703,686
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$402,635, and the accumulated depreciation is \$33,991,780.</p>	13,827,055
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	45,673
<p>Deferred outflows and inflows of resources related to other post employment benefits are not current financial resources and therefore are not reported in the fund financial statements, but are reported on the Statement of Net Position.</p>	32,963
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	
Long-term liabilities at year end consisted of:	
Bonds payable	(8,300,000)
Accrued interest on the bonds	(89,943)
Compensated absences	(29,254)
OPEB obligation	(835,465)
	(9,254,662)
 Total net position - governmental activities	 6,335,151

The accompanying notes and an integral part of these statements.

## Shelley Joint School District #60

Governmental Fund Types  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Fiscal Year Ended June 30, 2019

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	604,577	858,556	393,926		1,857,059
Penalties and interest on delinquent taxes	3,216	4,253	2,112		9,581
Earnings on investments	30,820			687	31,507
Food service				240,539	240,539
Other local	87,225			26,804	114,029
State apportionment					
Base	9,832,886				9,832,886
Transportation	447,141				447,141
Benefits	1,292,272				1,292,272
Property tax replacement	39,428				39,428
Other state revenue	646,184	238,400		570,479	1,455,063
Federal grants/contracts				1,670,703	1,670,703
<b>Total revenues</b>	<b>12,983,749</b>	<b>1,101,209</b>	<b>396,038</b>	<b>2,509,212</b>	<b>16,990,208</b>
<b>EXPENDITURES</b>					
Current					
Instruction	7,806,409			1,192,191	8,998,600
Support services	1,240,641			169,379	1,410,020
Administration	1,529,881			86,137	1,616,018
Operations	1,287,827			40,305	1,328,132
Transportation	599,609				599,609
Noninstructional				876,513	876,513
Debt service		1,067,272			1,067,272
Facility acquisition	57,500		500,368	93,469	651,337
Contingency	39,390				39,390
<b>Total expenditures</b>	<b>12,561,257</b>	<b>1,067,272</b>	<b>500,368</b>	<b>2,457,994</b>	<b>16,586,891</b>
Revenues over (under) expenditures	422,492	33,937	(104,330)	51,218	403,317

The accompanying notes are and integral part of these statements.

## Shelley Joint School District #60

Governmental Fund Types  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
*Fiscal Year Ended June 30, 2019*

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	(186,642)		64,927	121,715	0
Total other financing sources (uses)	(186,642)	0	64,927	121,715	0
Revenues and other financing sources over (under) expenditures	235,850	33,937	(39,403)	172,933	403,317
Fund balance - July 1, 2018	1,296,858	1,256,382	399,583	851,180	3,804,003
Fund balance - June 30, 2019	<u>1,532,708</u>	<u>1,290,319</u>	<u>360,180</u>	<u>1,024,113</u>	<u>4,207,320</u>

The accompanying notes are and integral part of these statements.

## Shelley Joint School District #60

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities  
*For Fiscal Year Ended June 30, 2019*

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Total net change in fund balances - governmental funds:	403,317
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 expense exceeds capital outlays in the period.	(579,125)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	740,000
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues in the governmental funds. Unearned tax revenues decreased by \$6,479 this year.	(6,479)
Governmental funds report the effect of premiums, discounts, and similar items when debt is issued whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	20,366
Vested employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year. The changes in the OPEB obligations, PERSI SL asset, net pension liability and the related deferred outflows and inflows in addition to the change in compensated absences are all differences.	302,804
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 fund when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. The decrease in interest expense reported in the Statement of Activities is the net result of the decrease in accrued interest on bonds by \$10,791.	<u>10,791</u>
Change in net position of governmental activities	<u><u>891,674</u></u>

The accompanying notes are and integral part of these statements.

# Shelley Joint School District #60

Fiduciary Funds  
Statement of Fiduciary Net Position  
*June 30, 2019*

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>184,607</u>
Total assets	<u><u>184,607</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>184,607</u>
Total liabilities	<u><u>184,607</u></u>

The accompanying notes are and integral part of these statements.

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# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General. The basic financial statements listed in the table of contents have been prepared in accordance with the American Institute of Certified Public Accountants' Industry Audit Guide for Audits of State and Local Government Units.
2. Reporting Entity. The Shelley Joint School District #60 (the District) is the basic level of government, which has financial accountability and control over all activities related to the public school education in the area served. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncement, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 that should be included in the District's reporting entity.
3. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

4. Fund Accounting. The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds, each reported in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources and for the repayment of general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used to acquire school facilities, renovate existing facilities, or as otherwise provided in the Idaho Code.

Additionally, the District reports the following fund types:

Special Revenue Fund - The purpose of the Special Revenue Funds is to account for federal, state, and locally funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the Grant Awards. Special Revenue Fund types include the Child Nutrition Fund. The purpose of the Child Nutrition Fund is to account for all federal support and student charges which are received by the District for the purpose of providing students with a nutritional, inexpensive meal.

### Fiduciary Fund Types

Agency Fund (School Activity Funds) - Activity Funds are monies collected principally through fund raising efforts of the individual schools or school sponsored groups. The school principal is responsible, under the authority of the Board of Trustees, for collecting, controlling, disbursing, and accounting for all school activity funds.

5. Basis of Accounting. The District applies the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the District's financial outlook.

### *Government-wide Financial Statements*

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for its fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation has been allocated specifically to functional areas with the majority of it being allocated to instructional. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### *Governmental Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

6. **Budgets.** Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year-end. The District did not amend its budgets in the current fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as assigned fund balance to indicate an obligation to the District.

The District budgets transfers from the General Fund to other funds to cover the costs incurred by these funds in excess of the revenues generated. Certain indirect costs are charged to several Special Revenue Funds through budgeted transfers from the Special Revenue Funds to the General Fund.

7. **Cash and Investments.** Cash includes amounts in demand as well as short-term investments with a maturity date within three months of the date acquired by the District. 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. 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.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, Idaho municipal bonds, and repurchase agreements. The District has elected to deposit cash in excess of immediate needs into United States Government Agency bonds. It also uses the Local Government Investment Pool (LGIP).

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Local Government 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 Local Government Investment Pool is managed by the State of Idaho Treasurer's office. An annual audit of the LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP.

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 does not have a policy for custodial credit risk outside of the deposit and investment agreements. The District is authorized to invest in the State of Idaho Local Government Investment Pool. This pooling is intended to improve administrative efficiency and increase investment yield.

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The investments of the District are not rated and the District's policy does not restrict them to rated investments.

8. Short-term Interfund Receivables / Payables. During the course of operations, numerous transactions occur between individual funds and the General Fund for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' or 'due to other funds' on the balance sheet.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

9. Inventories. Supplies inventory consists of paper and other supplies and equipment received at the end of the fiscal year, which had not yet been consumed. The cost is recorded as an expenditure at the time the item is consumed. Other supplies inventory on hand at year end has not been recorded as inventory and was treated as expended when purchased.
10. Compensated Absences. Employees are entitled to certain compensated absences based on their length of employment. The entire compensated absences owed are reported in the government-wide financial statements.
11. Other Post-Employment Benefits. PERSI employees who retire and have not yet become eligible for Federal Medicare coverage are eligible to purchase insurance through the District's healthcare plan. Although retirees pay their own premium, there is an implicit cost due to increased group premiums when retirees are included in District insurance plans. For the purpose of measuring the net other post-employment benefit liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, and other post-employment benefit expenses, information about fiduciary net position of the implicit medical benefit Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments are recognized when due and payable in accordance with the benefit terms.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense; (expense offset), information about the fiduciary net position of the Public Employee Retirement System of Idaho (PERSI or System) Sick Leave Insurance Reserve fund and additions to/deductions from Sick Leave Insurance Reserve Fund's fiduciary net position have been determined on the basis as they are reported by the Sick Leave Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The asset and deferred outflow of resources at June 30, 2018, are recorded as a prior period adjustment as discussed in Note N.

12. 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.
13. Capital Assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment assets are depreciated using straight-line and accelerated depreciation methods over the following estimated useful lives:

Assets	Years
Buildings	20-30
Equipment	5-20
Vehicles	3-16

14. Long-term Obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.
15. Deferred Outflows / Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category and they occur on the government-wide statement of net position. The first item is a deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability. The last two deferred outflows result from changes of assumptions and other inputs on the OPEB obligation and PERSI SL asset.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In addition to liabilities, the Combined Balance Sheet and Statement of Financial Position will sometimes report 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 four types of item, one of which arises only under a modified accrual basis of accounting, and the other three arise in the government-wide financial statements, that qualifies for reporting in this category. Accordingly, the one item, unavailable revenue from property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions and differences between expected and actual experience – OPEB and PERSI SL on the government-wide financial statements.

16. Net Position Flow Assumption. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.
17. Fund Balance Flow Assumptions. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

18. Fund Balance Policies. Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The School Board is the highest level of decision-making authority for the District that can, by board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The School Board has by resolution authorized management to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

19. Risk Management. The District is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies, transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
20. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTE B CASH AND INVESTMENTS

At June 30, 2019, the carrying amount of the District's deposits including the investments was \$4,775,220 and the bank balance was as follows:

Insured by Federal Depository Insurance	500,000
Uninsured and uncollateralized	<u>4,354,337</u>
Total	<u><u>4,854,337</u></u>

Interest rate risk - The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk - The District's deposits and investments at year end are limited to the U.S. Treasury, commercial paper, corporate bonds, bank deposits, Idaho municipal bonds, and certificates of deposits with various banks located in Idaho. The District has reduced its concentration of credit risk by using several financial institutions at times.

Custodial credit risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$4,354,337 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized.

### Investments

At June 30, 2019, the cost and fair market value of the District's investments in Zion's Bank Liquid Asset Management fund were \$595,384 and \$594,280, respectively. Investments consisted of U.S. government securities and U.S. agency bonds and are not insured or guaranteed by the FDIC.

The District invests in the Local Government Investment Pool (LGIP) through the Idaho State Treasurer. All funds are invested by the Idaho State Treasurer's office in accordance with Sections 67-1210 and 67-1210A of the Idaho Code. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). The investments are subject to risk from market and interest rate fluctuations.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE B CASH AND INVESTMENTS, continued

### Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the District's investments that are measured or disclosed at fair value fall within Level 1.

## NOTE C INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the District had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. The District transferred \$24,832 to the Child Nutrition Fund as required by state law. The District transferred \$64,927 from the General Fund to the Capital Projects Fund as required for depreciation. The District also transferred \$96,883 to the Medicaid Fund to cover expenditures not reimbursed through Medicaid as part of the District's match.

To the extent that certain transactions between funds had not been paid or received as of June 30, 2019, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2019, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	196,519	
Nonmajor Funds		196,519
Total	<u>196,519</u>	<u>196,519</u>

## NOTE D PROPERTY TAXES

In accordance with Idaho State Law, ad valorem property tax is levied in dollars in September for each calendar year. Taxes are recorded by the District using the modified accrual basis of accounting. Levies are made on the second Monday of September. All of the personal property tax and one-half of the real property tax are due on or before December 20. The remaining one-half of the real property tax is due on or before June 20 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year.

Bingham and Bonneville counties act as agents for the District in both the assessment and collection areas. The counties remit tax revenues to the District periodically, with the majority of the collections being remitted in January and July.

## NOTE E NONMONETARY TRANSACTIONS

The District received \$98,162 in USDA Commodities during the 2018-2019 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and expense of the fund receiving the commodities.

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

### NOTE F CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2019:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated				
Land				
Elementary	52,635			52,635
Secondary	350,000			350,000
Total capital assets, not being depreciated	<u>402,635</u>	<u>0</u>	<u>0</u>	<u>402,635</u>
Capital assets, being depreciated				
Buildings				
Elementary	18,002,956			18,002,956
Secondary	12,081,296	332,929		12,414,225
Administration	454,840			454,840
Total buildings	<u>30,539,092</u>	<u>332,929</u>	<u>0</u>	<u>30,872,021</u>
Equipment				
Elementary	508,038			508,038
Secondary	321,851	7,777		329,628
Administration	196,978	6,994		203,972
Total equipment	<u>1,026,867</u>	<u>14,771</u>	<u>0</u>	<u>1,041,638</u>
Vehicles	1,975,141	102,980	0	2,078,121
Total capital assets, being depreciated	<u>33,541,100</u>	<u>450,680</u>	<u>0</u>	<u>33,991,780</u>
Less accumulated depreciation for:				
Buildings	(17,435,694)	(877,753)		(18,313,447)
Equipment	(770,647)	(39,515)		(810,162)
Vehicles	(1,331,214)	(112,537)		(1,443,751)
Total accumulated depreciation	<u>(19,537,555)</u>	<u>(1,029,805)</u>	<u>0</u>	<u>(20,567,360)</u>
Total capital assets being depreciated, net	<u>14,003,545</u>	<u>(579,125)</u>	<u>0</u>	<u>13,424,420</u>
Governmental activities capital assets, net	<u>14,406,180</u>	<u>(579,125)</u>	<u>0</u>	<u>13,827,055</u>

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities	
Instruction	901,079
Operations	16,189
Transportation	112,537
Total depreciation expense – governmental activities	<u>1,029,805</u>

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

### NOTE G GENERAL OBLIGATION BOND ISSUES

The District has one general obligation bond issue and one refunding bond series (2007 and 2015 Series) outstanding with interest rates ranging from 2.5 to 5.0 percent. The scheduled maturity dates for the 2007 and 2015 Series bonds are September 2019, and September 2027, respectively.

Future debt service requirements are as follows:

Fiscal Year Ended June 30,	Total	Interest	Principal
2020	1,068,875	288,875	780,000
2021	1,068,075	253,075	815,000
2022	1,069,775	219,775	850,000
2023	1,070,075	185,075	885,000
2024	1,068,975	148,975	920,000
2025-2028	4,286,338	236,338	4,050,000
Total	<u>9,632,113</u>	<u>1,332,113</u>	<u>8,300,000</u>

Changes to bond principal payable and future interest payable are summarized as follows:

Principal	2007 Series	2015 Series	Combined Total
Balances at July 1, 2018	1,520,000	7,520,000	9,040,000
Reductions	<u>740,000</u>		<u>740,000</u>
Balances at June 30, 2019	<u>780,000</u>	<u>7,520,000</u>	<u>8,300,000</u>
<b>Interest to be provided</b>			
Balances at July 1, 2018	77,000	1,581,988	1,658,988
Reductions	<u>57,500</u>	<u>269,375</u>	<u>326,875</u>
Balances at June 30, 2019	<u>19,500</u>	<u>1,312,613</u>	<u>1,332,113</u>

### NOTE H LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current
Bonds payable	9,040,000		740,000	8,300,000	780,000
Premium on issuance	710,965		121,061	589,904	121,060
Total bonds payable	9,750,965	0	861,061	8,889,904	901,060
Net pension liability	4,367,452		224,759	4,142,693	
GASB 75	797,705	37,760		835,465	
Employee benefits	48,758		19,504	29,254	29,254
Total	<u>14,964,880</u>	<u>37,760</u>	<u>1,105,324</u>	<u>13,897,316</u>	<u>930,314</u>

Payment on the general obligation bonds are made by the debt service fund from property taxes and state bond levy equalization funds. Payment on the employment benefits is from the fund in which the employee works.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE I LEGAL DEBT MARGIN

The District is subject to a statutory limitation by the Idaho Code for bonded indebtedness payable principally from property taxes. The limit of bonded indebtedness is 5% of property market value for assessment purposes less the aggregate outstanding debt. At June 30, 2019, the limit for the District was 5% of \$844,839,703 or \$42,241,985. The Debt Service Fund had \$7,343,130 available and general obligation debt of \$8,300,000 leaving a legal debt margin of \$41,285,115.

## NOTE J PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period of September 1, 2018, through May 31, 2019, to be paid over the twelve months of September 1, 2018, through August 31, 2019. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

## NOTE K OTHER POST-EMPLOYMENT BENEFITS (OPEB)

*Plan Description.* Shelley Joint School District #60's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross of Idaho, Delta Dental, and Willamette Dental. Blue Cross provides medical, prescription drug, and vision insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. As of June 30, 2018, there were 187 active participants and 18 inactive participants.

A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and vision insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Dental and life benefits continue for life. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership with a PERSI employer. The retiree is on the same medical with vision and dental plan as the District's active employees.

*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 2019 the District contributed approximately \$68,797 of the annual required contribution of \$122,337. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool.

*Net Other Post-employment benefit Liability.* The Net other post-employment benefit liability (NOL) was measured as of June 30, 2018, and the total other post-employment benefit liability was determined by an actuarial valuation as of June 30, 2017.

*Actuarial Methods and Assumptions.* The District does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-basis and there is not a trust for accumulating plan assets. The following actuarial methods and assumptions were used in the July 1, 2017 accounting valuation:

Valuation Timing	Actuarial valuations are performed biennially as of July 1 for accounting purposes only. The most recent valuation was performed as of July 1, 2017.
Actuarial Cost Method	Entry Age Normal
Inflation	3.75%
Salary Increases	3.75% general wage growth plus increases due to promotions and longevity.
Discount Rate	3.54%

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

**NOTE K OTHER POST-EMPLOYMENT BENEFITS (OPEB) , continued**

**Health Cost Trend Rates** Medical with vision trend is 6.5% from year ending June 30, 2018, to year ending June 30, 2019, 6.0% from year ending June 30, 2019 to June 30, 2020, then gradually decreasing to an ultimate rate of 3.8% for 2074 and beyond. Dental trend is 3.0% from year ending June 30, 2018, to year ending June 30, 2019. 2.5% from year ending June 30, 2019, to June 30, 2020, then gradually lowering to 2.0% for 2021 and beyond, as shown in the July 1, 2017, valuation report.

**Retirement** Based on PERSI with 19% of Males and 10% of Females eligible at age 55, 30% of Males and 26% of Females first year eligible at age 60, and 36% of Males and 49% of Females eligible at age 65.

**Turnover** 45% of future retirees are assumed to elect medical coverage, 5.3% of future retirees are assumed to elect dental coverage, and 70% of the future retirees who elect medical or dental coverage and are married are assumed to elect spousal coverage as well.

**Mortality** RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA with adjustments, set back three years for both males and females.

**Retiree Contributions** The retiree contributions are a weighted average of all retiree contributions for the period July 1, 2017, to June 30, 2018. The cost of Medical and Prescription Drug was \$6,189 for a retiree or surviving spouse, and \$7,517 for a spouse. For Dental it was \$394 for a retiree or surviving spouse, and \$367 for a spouse.

<b>Total OPEB Liability</b>	<b>June 30, 2019</b>
Actuarially Determined Contribution (ADC)	122,337
Total OPEB liability	835,465
Covered employee payroll	8,022,54
Total OPEB liability as a % of covered employee payroll	10.41%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 75.

<b>Discount Rate</b>	
Discount Rate	3.54%
20-year Municipal Bond Index	3.54%

The discount rate was based on the 20-year Municipal Bond Index on 1/11/2018.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

## NOTE K OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

### Other Key Actuarial Assumptions

The total OPEB liability as of July 1, 2017, and June 30, 2018, were based on the 2015 PERSI Experience study for demographic assumptions and the July 1, 2017, OPEB Valuation for the economic and OPEB specific assumptions.

<b>Changes in total OPEB liability</b>	<b>Increase (Decrease) Total OPEB Liability</b>
Balance as of June 30, 2018	797,705
Changes for the year:	
Service cost	75,641
Interest on total OPEB liability	30,916
Expected benefit payments	(68,797)
Balance as of June 30, 2019	835,465

### Sensitivity Analysis

The following presents the total OPEB liability of the school district, calculated using the discount rate of 3.54%, as well as what the school district's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate.

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Total June 30, 2017, OPEB liability	\$810,574	\$768,959	\$728,847

The following presents the total OPEB liability of the school district, calculated using the current healthcare cost trend rates as well as what the school district's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total June 30, 2017, OPEB liability	\$701,482	\$768,959	\$847,072

<b>OPEB Expense</b>	<b>July 1, 2018 to June 30, 2019</b>
Service cost	75,641
Interest on total OPEB liability	30,870
Recognition of Deferred Inflows/Outflows of Resources	
Difference between expected and actual experience	159
Recognition of assumption changes or inputs	2,104
OPEB expense	108,774

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

**NOTE K OTHER POST-EMPLOYMENT BENEFITS (OPEB),** continued

*Other Post-Employment benefits Expense and Deferred Outflows of Resources and Deferred Inflows for Resources Related to Other Post-employment Benefits*

**Schedule of Deferred Inflow/Outflows of Resources**

	<b>Original Amount</b>	<b>Date Established</b>	<b>Original Recognition Period</b>	<b>Amount Recognized</b>	<b>Deferred Outflow of Resources</b>
Differences between expected and actual experience	11,266	June 30, 2017	13.13	858	9,550
Changes of assumptions or other inputs	27,621	June 30, 2017	13.13	2,104	23,413
Total	38,887			2,962	32,963

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits will be recognized in OPEB expense as follows:

Year Ending June 30:	
2020	2,962
2021	2,962
2022	2,962
2023	2,962
2024	2,962
Thereafter	18,153

\*Note that additional future deferred inflows and outflows of resources may impact these numbers.

**NOTE L 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 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](http://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 for 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).

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## NOTE L PENSION PLAN, continued

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 Base Plan provides retirement, disability, death, and survivor benefits for eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% 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, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were \$1,082,119 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District 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 June 30, 2018, the District's proportion was .2808572 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$811,796. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

**NOTE L      PENSION PLAN, continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	454,750	312,874
Changes in assumptions or other inputs	269,564	
Net difference between projected and actual earnings on pension plan investments		460,277
Changes in the employer's proportion and difference between the employer's contributions and the employer's proportionate contributions		18,234
District contributions subsequent to the measurement date	1,082,119	
Total	1,806,433	791,385

\$1,082,119 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, 2020.

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, 2017, the beginning of the measurement period ended June 30, 2018, is 4.9 years and 4.9 years for the measurement period ended June 30, 2018.

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:	
2019	317,726
2020	28,981
2021	(336,577)
2022	(77,201)

*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 50-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	1.00 – 3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net investment expenses
Cost-of-living adjustments	1%

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

## NOTE L PENSION PLAN, continued

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, 2018, is based on the results of an actuarial valuation date of July 1, 2018.

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 rates or 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, 2018.

### Capital Market Assumptions

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66% - 77%
Broad Domestic Equity	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%
			<u>Expected Real Return</u>	<u>Expected Risk</u>
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>		
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.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

**NOTE L PENSION PLAN, continued**

**Actuarial Assumptions:**

Assumed Inflation – Mean	2.25%
Assumed Inflation – Standard Deviation	1.50%
Portfolio Arithmetic Mean Return	6.75%
Portfolio Long-Term Expected Geometric Rate of Return	7.45%
Assumed Investment Expenses	<u>0.40%</u>
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u><u>7.05%</u></u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.05%. 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 period 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 presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	10,260,422	4,142,693	(443,446)

*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](http://www.persi.idaho.gov).

At June 30, 2019, 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.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

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## **NOTE M      PERSI SICK LEAVE INSURANCE RESERVE FUND**

The District contributes to the Sick Leave Insurance Reserve Fund (Sick Leave Plan) which is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits that are administered by 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 the Sick Leave Plan. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Sick Leave 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.

### *OPEB Benefits*

Group retiree health, dental, accident, and life insurance premiums may qualify as a benefit. Retirees who have a sick leave account can use their balance as a credit towards these premiums paid directly to the applicable insurance company.

### *Employer Contributions*

The contribution rate for employers are set by statute at .065% of covered compensation for state members. Covered school members contribution rates are set by statute based on the number of sick days offered by the employer. The contribution rate of 1.16% for school members with nine or ten sick days, 1.26% for school members with 11-14 sick days. If a school member has more than 14 days of sick leave, then the contribution rate will be set by the PERSI Retirement Board based on current cost and actuarial data and reviewed annually. The District contributions were \$109,262 for the year ended June 30, 2019.

### *OPEB Liabilities, OPEB Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2019, the District reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on the District's share of contributions relative to the total contributions of all participating Sick Leave employers. At June 30, 2018, the District's proportion was .6720715 percent.

For the year ended June 30, 2019, the District recognized OPEB expense offset of \$78,775. The \$109,262 reported as deferred outflows of resources related to OPEBs resulting from Employer contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2020.

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

### NOTE M      PERSI SICK LEAVE INSURANCE RESERVE FUND, *continued*

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERSI OPEB sick leave from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	63,073	
Changes in assumptions or other inputs	2,825	
Net difference between projected and actual earnings on OPEB plan investments		33,113
Changes in the employer's proportion and differences between the employer's contribution and the employer's proportionate contributions	4,190	
District contributions subsequent to the measurement date	109,262	
Total	179,350	33,113

#### *Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. The Sick Leave Plan amortizes any net OPEB asset based on a level percentage of payroll. The maximum amortization period for the Sick Leave Plan permitted under Section 59-1322, Idaho Code, is 25 years. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.20%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses

The long-term expected rate of return on OPEB 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 OPEB 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. The health care trend rate is not applicable as the benefit amount a participant will receive is established with a set amount upon retirement thus would have no impact.

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.

## Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

### NOTE M PERSI SICK LEAVE INSURANCE RESERVE FUND, *continued*

#### Capital Market Assumptions

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66% - 77%
Broad Domestic Equity	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%
			<u>Expected Real Return</u>	<u>Expected Risk</u>
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>		
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	2.25%
Assumed Inflation – Standard Deviation	1.50%
Portfolio Arithmetic Mean Return	6.75%
Portfolio Long-Term Expected Geometric Rate of Return	6.13%
Assumed Investment Expenses	<u>0.40%</u>
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u><u>5.73%</u></u>

#### *Discount Rate*

The discount rate used to measure the total OPEB liability was 7.05%. 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 OPEB plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense.

#### *Sensitivity of the Net OPEB Asset to Changes in the Discount Rate*

The following presents the Employer's proportionate share of the net OPEB asset calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2019

**NOTE M      PERSI SICK LEAVE INSURANCE RESERVE FUND, *continued***

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer’s proportionate share of the net OPEB liability (asset)	(492,210)	(557,449)	(618,719)

*OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB 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](http://www.persi.idaho.gov).

*Payables to the OPEB Plan*

At June 30, 2019, the District reported no payables to the defined benefit OPEB 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 N      PRIOR PERIOD ADJUSTMENT**

As a result of the addition of the asset for the PERSI sick leave account of \$520,094 and the deferred inflows related to the contributions of \$104,819, the governmental activities beginning net position was restated to increase by \$624,913. The restated beginning net position at July 1, 2018, after this adjustment is \$5,443,477.

**NOTE O      POST RETIREMENT BENEFITS**

The District funds post-retirement benefits on a current basis through PERSI. The District paid 1.16% of the wages covered by PERSI to the State for the 2018-2019 school year. At the time of retirement, a sum equal to one-half of the monetary value of unused sick leave, calculated at the rate of pay at that time, is transferred from the sick leave account to the employee’s retirement account. This money shall then be used to pay premiums for health, accident, dental, and life insurance.

**NOTE P      COMMITMENTS AND CONTINGENT LIABILITIES**

The District is involved in claims arising from the ordinary course of operations. Among these matters, a suit has been filed against Pocatello and Bonneville school districts, namely Zeyen v. ALL DISTRICTS AND CHARTER SCHOOLS. The plaintiff asserts that fees charged by all public schools throughout the state of Idaho are unconstitutional. The U.S District Court has not yet certified this matter as a class action and discovery has not yet commenced. The estimated possible loss to the District for these claims is uncertain, as the likelihood of an unfavorable outcome is unknown. No accrual has been reflected in the financial statements for these matters. In the opinion of the District’s management, the ultimate disposition of these matters will not have a material adverse effect on the District’s financial condition.

**NOTE Q      SUBSEQUENT EVENTS**

Management of the District evaluated subsequent events through October 15, 2019, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the District, that are required to be disclosed.

**REQUIRED FINANCIAL INFORMATION**

# Shelley Joint School District #60

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2019*

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	600,000	604,577	4,577
Penalties and interest on delinquent taxes	2,500	3,216	716
Earnings on investments	10,000	30,820	20,820
Other local	65,532	87,225	21,693
State apportionment			
Base	9,752,674	9,832,886	80,212
Transportation	403,566	447,141	43,575
Benefits	1,274,447	1,292,272	17,825
Property tax replacement	39,428	39,428	0
Other state revenue	611,224	646,184	34,960
 Total revenues	 <u>12,759,371</u>	 <u>12,983,749</u>	 <u>224,378</u>
 <b>EXPENDITURES</b>			
Instruction			
Elementary	3,319,633	3,320,024	(391)
Secondary	3,369,078	3,304,371	64,707
Exceptional child	933,078	901,680	31,398
Gifted and talented	12,222	65,556	(53,334)
Interscholastic program	189,802	214,778	(24,976)
 Total instruction	 <u>7,823,813</u>	 <u>7,806,409</u>	 <u>17,404</u>
Support services			
Attendance, guidance, and health	457,675	443,003	14,672
Special education support services	280,443	276,787	3,656
Instructional improvement	249,031	197,003	52,028
Educational media	185,784	177,853	7,931
Instruction related technology	141,788	145,995	(4,207)
 Total support services	 <u>1,314,721</u>	 <u>1,240,641</u>	 <u>74,080</u>

See Independent Auditor's Report.

## Shelley Joint School District #60

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
Fiscal Year Ended June 30, 2019

EXPENDITURES, continued	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
Administration			
Board of Education	82,710	102,522	(19,812)
District administration	324,329	333,635	(9,306)
School administration	929,110	856,646	72,464
Business administrative services	228,521	237,078	(8,557)
Total administration	<u>1,564,670</u>	<u>1,529,881</u>	<u>34,789</u>
Operations			
Building care (custodial)	884,738	821,167	63,571
Maintenance	407,646	437,833	(30,187)
Security	3,230	28,827	(25,597)
Total operations	<u>1,295,614</u>	<u>1,287,827</u>	<u>7,787</u>
Transportation	<u>624,534</u>	<u>599,609</u>	<u>24,925</u>
Facility acquisition		<u>57,500</u>	<u>(57,500)</u>
Contingency reserve	<u>50,000</u>	<u>39,390</u>	<u>10,610</u>
Total expenditures	<u>12,673,352</u>	<u>12,561,257</u>	<u>112,095</u>
Revenues over (under) expenditures	<u>86,019</u>	<u>422,492</u>	<u>336,473</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	<u>(95,000)</u>	<u>(186,642)</u>	<u>(91,642)</u>
Revenues and other financing sources over (under) expenditures	<u>(8,981)</u>	235,850	<u>244,831</u>
Fund balance - July 1, 2018		<u>1,296,858</u>	
Fund balance - June 30, 2019		<u>1,532,708</u>	

See Independent Auditor's Report.

# Shelley Joint School District #60

Required Supplementary Information  
*Fiscal Year Ended June 30, 2019*

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**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**As of the measurement date of June 30, 2017**  
**Total OPEB Liability**

	<u>2019</u>	<u>2018</u>
Service cost	75,641	79,706
Interest on total OPEB liability	30,916	30,043
Expected benefit payments	<u>(68,797)</u>	<u>(81,003)</u>
Net change in total OPEB liability	<u>37,760</u>	<u>28,746</u>
Total OPEB liability, beginning	797,705	768,959
Total OPEB liability, ending	835,465	797,705
Covered employee payroll	8,022,544	8,101,016
Total OPEB liability as a % of covered employee payroll	10.41%	9.49%

\* GASB Statement No. 75 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 years for which information is available.

See Independent Auditor's Report.

# Shelley Joint School District #60

Required Supplementary Information  
Fiscal Year Ended June 30, 2019

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## Schedule of Employer's Share of Net OPEB Asset PERSI-Sick Leave Plan Last 10 - Fiscal Years\*

	<u>2018</u>	<u>2017</u>
Employer's portion of net OPEB asset	0.6720715%	0.6775298%
Employer proportionate share of the net OPEB asset	557,449	520,092
Employer's covered-employee payroll	9,123,019	8,665,714
Employer's proportional share of the net OPEB asset as percentage of its covered-employee payroll	6.110%	6.002%
Plan fiduciary net position as a percentage of the total OPEB asset	135.69%	136.78%

\* GASB Statement No. 75 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 years for which information is available.

Data reported is measured as of June 30, 2018.

## Schedule of Employer Contribution PERSI-Sick Leave Plan Last 10-Fiscal Years \*

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	109,236	105,827
Contributions in relation to the statutorily required contribution	109,262	105,852
Contribution (deficiency) excess	26	25
Employer's covered-employee payroll	9,416,863	9,123,019
Contributions as a percentage of covered-employee payroll	1.160%	1.160%

\* GASB Statement No. 75 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 years for which information is available.

Data reported is measured as of June 30, 2019.

## Shelley Joint School District #60

Required Supplementary Information  
Fiscal Year Ended June 30, 2019

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

	2018	2017	2016	2015	2014
Employer's portion of net pension liability	0.2808572%	0.2778581%	0.2800465%	0.2817416%	0.2867965%
Employers proportionate share of the net pension liability	4,142,693	4,367,452	5,676,973	3,710,079	2,111,271
Employer's covered payroll	9,257,727	8,665,714	8,194,628	7,891,503	7,769,695
Employer's proportional share of the net pension liability as a percentage of its covered payroll	44.75%	50.40%	69.28%	47.01%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	91.38%	87.26%	91.38%	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 years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

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

	2019	2018	2017	2016	2015
Statutorily required contribution	1,082,120	1,047,975	980,960	927,632	893,318
Contributions in relation to the statutorily required contribution	1,082,119	1,047,974	980,960	927,632	891,937
Contribution (deficiency) excess	(1)	(1)	0	0	(1,381)
Employer's covered payroll	9,559,367	9,257,727	8,665,714	8,194,628	7,891,503
Contributions as a percentage of covered payroll	11.3200%	11.3200%	11.3200%	11.3200%	11.3025%

\* 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 years for which information is available.

Data reported is measured as of June 30, 2019 (reporting date).

See Independent Auditor's Report.

# **Shelley Joint School District #60**

Notes to Required Supplementary Information  
*Fiscal Year Ended June 30, 2019*

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## **NOTE A BUDGET ADOPTION**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year end.

## **NOTE B EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED IN THE MAJOR FUNDS**

Actual expenditures for the fiscal year ended June 30, 2019, exceeded the budgeted expenditures in the Capital Projects Fund.

## **NOTE C CHANGES OF ASSUMPTIONS**

The discount rate was updated to the January 11, 2018, 20-year municipal bond index. The rate for PERSI was updated as of their July 1, 2017, pension valuation.

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**OTHER FINANCIAL INFORMATION**

**Shelley Joint School District #60**

All Nonmajor Funds  
Combining Balance Sheet  
June 30, 2019

	Federal Forest	Driver's Ed	Common Core	Professional Technical	State Technology	Idaho Substance Abuse	Title I	Migrant Education	IDEA School Age	IDEA Preschool	Medicaid	Title IV	Perkins Professional Technical	Title III Language Acquisition	Supporting Effective Instruction	Child Nutrition	Building Maintenance	All Nonmajor Funds
<b>ASSETS</b>																		
Cash and investments	1,912	17,294	1,515	7,950	305,684	47,569										201,618	500,211	1,083,753
Receivables																		
Federal grants/contracts	218						84,048	15,372	101,797	6,620	80,698		21,944	4,181	42,195	16,334		373,407
State agencies		12,848																12,848
<b>Total assets</b>	<b>2,130</b>	<b>30,142</b>	<b>1,515</b>	<b>7,950</b>	<b>305,684</b>	<b>47,569</b>	<b>84,048</b>	<b>15,372</b>	<b>101,797</b>	<b>6,620</b>	<b>80,698</b>	<b>0</b>	<b>21,944</b>	<b>4,181</b>	<b>42,195</b>	<b>217,952</b>	<b>500,211</b>	<b>1,470,008</b>
<b>LIABILITIES AND FUND EQUITY</b>																		
<b>LIABILITIES</b>																		
Accounts payable		720		1,957	7,237	655		247		72			3,971		685	1,901	4,758	22,203
Accrued wages		7,521					28,138	2,377	47,029	1,849	21,022		150	1,207	631	41,006		150,930
Accrued employee benefits		1,635					11,740	1,715	27,820	408	10,531		32	584	128	21,650		76,243
Interfund payable							44,170	11,033	26,948	4,291	49,145		17,791	2,390	40,751			196,519
<b>Total liabilities</b>	<b>0</b>	<b>9,876</b>	<b>0</b>	<b>1,957</b>	<b>7,237</b>	<b>655</b>	<b>84,048</b>	<b>15,372</b>	<b>101,797</b>	<b>6,620</b>	<b>80,698</b>	<b>0</b>	<b>21,944</b>	<b>4,181</b>	<b>42,195</b>	<b>64,557</b>	<b>4,758</b>	<b>445,895</b>
<b>FUND EQUITY</b>																		
Restricted	2,130	20,266	1,515	5,993	298,447	46,914										153,395	495,453	1,024,113
<b>Total fund equity</b>	<b>2,130</b>	<b>20,266</b>	<b>1,515</b>	<b>5,993</b>	<b>298,447</b>	<b>46,914</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>153,395</b>	<b>495,453</b>	<b>1,024,113</b>
<b>Total liabilities and fund equity</b>	<b>2,130</b>	<b>30,142</b>	<b>1,515</b>	<b>7,950</b>	<b>305,684</b>	<b>47,569</b>	<b>84,048</b>	<b>15,372</b>	<b>101,797</b>	<b>6,620</b>	<b>80,698</b>	<b>0</b>	<b>21,944</b>	<b>4,181</b>	<b>42,195</b>	<b>217,952</b>	<b>500,211</b>	<b>1,470,008</b>

See Independent Auditor's Report.

**Shelley Joint School District #60**

All Nonmajor Funds  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Fiscal Year Ended June 30, 2019

	Federal Forest	Driver's Ed	Common Core	Professional Technical	State Technology	Idaho Substance Abuse	Title I	Migrant Education	IDEA School Age	IDEA Preschool	Medicaid	Title IV	Perkins Professional Technical	Title III Language Acquisition	Supporting Effective Instruction	Child Nutrition	Building Maintenance	All Nonmajor Funds
<b>REVENUES</b>																		
Earnings on investments																687		687
Food service																240,539		240,539
Other local		26,804																26,804
Other state revenue		11,514		61,752	323,716	30,301											143,196	570,479
Federal grants and contracts	233						285,107	33,758	478,523	23,076	153,074	3,329	21,944	18,453	47,329	605,877		1,670,703
<b>Total revenues</b>	<b>233</b>	<b>38,318</b>	<b>0</b>	<b>61,752</b>	<b>323,716</b>	<b>30,301</b>	<b>285,107</b>	<b>33,758</b>	<b>478,523</b>	<b>23,076</b>	<b>153,074</b>	<b>3,329</b>	<b>21,944</b>	<b>18,453</b>	<b>47,329</b>	<b>847,103</b>	<b>143,196</b>	<b>2,509,212</b>
<b>EXPENDITURES</b>																		
Instruction																		
Elementary						5,107	199,200	33,758			191,709	2,929		18,287	24,952			475,942
Secondary		33,412		61,458	13,272	14,918	72,849				21,073	400	21,944	166	16,153			255,645
Exceptional Child									445,723									445,723
Special educ preschool program										14,881								14,881
Support services																		
Special educ support services									32,793	8,195								40,988
Instructional improvement									7						250			257
Instructional related technology					128,134													128,134
School administration							13,058				37,175				5,974			56,207
Business administrative services					29,930													29,930
Operations					30,546	9,759												40,305
Noninstructional services																		
Facility acquisition																		876,513
<b>Total expenditures</b>	<b>0</b>	<b>33,412</b>	<b>0</b>	<b>61,458</b>	<b>201,882</b>	<b>29,784</b>	<b>285,107</b>	<b>33,758</b>	<b>478,523</b>	<b>23,076</b>	<b>249,957</b>	<b>3,329</b>	<b>21,944</b>	<b>18,453</b>	<b>47,329</b>	<b>876,513</b>	<b>93,469</b>	<b>2,457,994</b>
Revenues over (under) expenditures	233	4,906	0	294	121,834	517	0	0	0	0	(96,883)	0	0	0	0	(29,410)	49,727	51,218
<b>OTHER FINANCING SOURCES (USES)</b>																		
Net transfers											96,883					24,832		121,715
<b>Total other financing sources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96,883</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,832</b>	<b>0</b>	<b>121,715</b>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	233	4,906		294	121,834	517										(4,578)	49,727	172,933
Fund balance - July 1, 2018	1,897	15,360	1,515	5,699	176,613	46,397	0	0	0	0	0	0	0	0	0	157,973	445,726	851,180
Fund balance - June 30, 2019	2,130	20,266	1,515	5,993	298,447	46,914	0	0	0	0	0	0	0	0	0	153,395	495,453	1,024,113

See Independent Auditor's Report.

## Shelley Joint School District #60

All Agency Funds  
 Combining Schedule of Changes in Assets and Liabilities  
*Fiscal Year Ended June 30, 2019*

<b>ASSETS</b>	Balance June 30, 2018	Receipts	Disbursements	Balance June 30, 2019
Cash				
Shelley High School	59,046	902,216	862,673	98,589
Donald J. Hobbs Middle School	44,923	86,633	74,104	57,452
Riverview Elementary School	8,066	30,032	32,516	5,582
Sunrise Elementary School	9,480	14,885	16,583	7,782
Stuart Elementary School	15,186	12,233	12,217	15,202
	<u>136,701</u>	<u>1,045,999</u>	<u>998,093</u>	<u>184,607</u>
Total assets				
	<u>136,701</u>	<u>1,045,999</u>	<u>998,093</u>	<u>184,607</u>
 <b>LIABILITIES</b>				
Due to student groups				
Shelley High School	59,046	902,216	862,673	98,589
Donald J. Hobbs Middle School	44,923	86,633	74,104	57,452
Riverview Elementary School	8,066	30,032	32,516	5,582
Sunrise Elementary School	9,480	14,885	16,583	7,782
Stuart Elementary School	15,186	12,233	12,217	15,202
	<u>136,701</u>	<u>1,045,999</u>	<u>998,093</u>	<u>184,607</u>
Total liabilities				
	<u>136,701</u>	<u>1,045,999</u>	<u>998,093</u>	<u>184,607</u>

See Independent Auditor's Report.

# Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2019

	General Fund		
	Total	2018	2017 and prior
Unearned balance at July 1, 2018	19,249	0	19,249
<b>ADDITIONS</b>			
Roll charges applicable to 2018	602,461	602,461	
Subsequent additions and cancellations	40	46	(6)
Total additions	602,501	602,507	(6)
<b>DEDUCTIONS</b>			
Collections received	401,310	391,259	10,051
Current amount due on taxes collected by the counties	203,252	201,933	1,319
Total deductions	604,562	593,192	11,370
Unearned balance at June 30, 2019	17,188	9,315	7,873

See Independent Auditor's Report.

## Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2019

Debt Service Fund			Capital Projects Fund		
Total	2018	2017 and prior	Total	2018	2017 and prior
21,554	0	21,554	11,349	0	11,349
855,467	855,467		392,508	392,508	
62	66	(4)	26	30	(4)
855,529	855,533	(4)	392,534	392,538	(4)
569,935	555,571	14,364	261,499	254,908	6,591
288,621	286,736	1,885	132,426	131,561	865
858,556	842,307	16,249	393,925	386,469	7,456
18,527	13,226	5,301	9,958	6,069	3,889

See Independent Auditor's Report.

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Single Audit Section

**Shelley Joint School District #60**

*June 30, 2019*



**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  
Shelley Joint School District #60  
Shelley, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to the financial audits contained in the *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 Shelley Joint School District # as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2019, where we qualified our opinion on the governmental activities due to the District not updating their other postemployment benefit (OPEB) cost and net OPEB obligation disclosures.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Shelley Joint School District #60’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 Shelley Joint School District #60’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 entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 and 2019-002, that we consider to be significant deficiencies.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shelley Joint School District #60’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*.

## Shelley School District #60's Response to Findings

Shelley School District #60's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Shelley School District #60'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.



Wipfli LLP  
CPAs and Consultants

Idaho Falls, Idaho  
October 15, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

**Report on Compliance for Each Major Federal Program**

We have audited Shelley Joint School District #60's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Shelley Joint School District #60's major federal programs for the year ended June 30, 2019. Shelley Joint School District #60'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 each of its major federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Shelley Joint School District #60'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Shelley Joint School District #60'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 Shelley Joint School District #60's compliance.

***Opinion***

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, 2019.

## Report on Internal Control over Compliance

Management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shelley Joint School District #60'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 Uniform Guidance, 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 Shelley Joint School District #60'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP  
CPAs and Consultants

Idaho Falls, Idaho  
October 15, 2019

# Shelley Joint School District #60

Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

Type of auditor's report issued: Modified Opinion.

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  X  Yes \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

### Federal Awards

Internal control over major programs:

- Material weakness (es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Type of auditor's report issued on compliance for major programs: Unmodified Opinion.

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?

\_\_\_\_\_ Yes  X  No

Identification of major programs:

#### CFDA Number(s)

10.553/10.555/10.556/10.559  
84.010

#### Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X  Yes \_\_\_\_\_ No

# Shelley Joint School District #60

## Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2019

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### SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

#### **Finding 2019-001      Controls of School-level transactions (Significant Deficiency)**

*Criteria or Specific Requirement:* An internal control structure should be designed to segregate responsibilities such that multiple members of the organization are aware of and reviewing the financial information of the school.

*Condition:* Instances of lacking controls, weak controls, or overridden controls noted in the school agency accounts. Examples include signature stamps, single signature checks, checks signed by the payee, pre-signed checks, reconciliations not reviewed and/or completed by one of the check signers, receipting procedures, and other areas.

*Context:* During testwork over school-level transactions, as requested by the District in response to fraud identified in the prior fiscal year, we tested expenditures for November, January, and June. We tested for checks clearing the bank with only 1 signature, checks signed by the payee, the use of signature stamps, segregation of duties, and appropriate support, including pre-approval, for items identified above.

*Effect:* There is fraud currently under investigation by the state police, transactions lacking proper support, and the potential for other issues as the risk of fraud or error was high.

*Cause:* Ineffective implementation of internal controls based on lack understanding of the importance of their responsibilities, and/or a lack of time to complete the required tasks.

*Recommendation:* We recommend that the District review the internal control processes at all school, speaking to all levels of management and administration to provide the training and information necessary for them to understand their fiscal responsibility. We recommend the District implement oversight on the schools to enhance the reliability of the reporting process.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan on page 63.

#### **Finding 2019-002      Other Postemployment Benefits (Significant Deficiency)**

*Criteria or Specific Requirement:* The Governmental Accounting Standards Board's (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions require that governments that provide other postemployment benefits obtain biannually an actuarial study to determine the government's other postemployment benefit liability (OPEB).

*Condition:* The District did not have an actuarial valuation performed to determine its OPEB liability and related expenses as of June 30, 2019.

*Context:* We inquired of District management to determine if the required valuation had been completed and were informed that it had not been performed.

*Effect:* The governmental liabilities are based on an outdated study and the disclosures are not updated for the current year.

*Cause:* The District was not able to get it updated in time to meet the filing deadline in Idaho.

*Recommendation:* We recommend that the District engage the actuarial firm to get the study updated every two years to remain in compliance.

*Views of Responsible Officials and Planned Corrective Actions:* The District is arranging for an actuarial study to be updated for the June 30, 2020 year and plans to update it every two years as required.

# **Shelley Joint School District #60**

Schedule of Findings and Questioned Costs  
*Fiscal Year Ended June 30, 2019*

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## **SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None.

## Shelley Joint School District #60

Schedule of Expenditures of Federal Awards  
Fiscal Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<b>United States Department of Agriculture</b>			
Passed through Idaho State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	2018IN109947	13,719
		2019IN109947	96,224
National School Lunch Program – cash	10.555	2018IN109947	18,781
		2019IN109947	360,630
Special Milk Program for Children	10.556	2018IN109947	23
		2019IN109947	248
Summer Food Service Program for Children	10.559	2019IN109947	18,091
			507,716
Non-Cash Assistance (Commodities)			
National School Lunch Program-commodities	10.555		98,162
			605,878
Total Child Nutrition Cluster			605,878
			605,878
<b>United States Department of Education</b>			
Passed through Idaho State Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A170012	34,198
		S010A180012	250,909
Migrant Education - Basic State Grant Program	84.011	S011A170012	9,556
		S010A180012	24,202
Supporting Effective Instruction	84.367	S367A170011	262
		S367A180011	47,067
Title III – Language Acquisition	84.365A	S365A170012	9,424
		S365A180012	9,029
Title IV Student Support and Academic Enrichment	84.424	S424A170013	3,329
			387,976
IDEA Cluster			
Special Education - School-age	84.027	H027A170088	118,416
		H027A180088	360,107
Special Education - Preschool	84.173	H183A170030	118
		H183A180030	22,958
			501,599
Total IDEA Cluster			501,599
			889,575
Total Passed through Idaho State Department of Education			889,575

# Shelley Joint School District #60

Schedule of Expenditures of Federal Awards  
*Fiscal Year Ended June 30, 2019*

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## United States Department of Education

Passed through Idaho State Division of Professional Technical Vocational Education	84.048A	V048A170012	<u>21,944</u>
Total U. S. Department of Education			<u>911,519</u>
Total Federal Financial Assistance			<u><u>1,517,397</u></u>

# Shelley Joint School District #60

## Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2019*

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### **NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance issued by the Office of Management and Budget (OMB). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

### **NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified basis of accounting as described in Note A to the District's financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### **NOTE C NONMONETARY TRANSACTIONS**

Nonmonetary assistance is reported for the Food Distribution Program at fair market value of commodities received which is established by the State Department of Education. The District held an undetermined amount of those commodities in inventory at June 30, 2019.

### **NOTE D INDIRECT COST RATE**

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

### **NOTE E SUBRECIPIENTS**

The District had no subrecipients or subrecipient expenditures.

# Shelley Joint School District #60

Summary Schedule of Prior Audit Findings  
*Fiscal Year Ended June 30, 2019*

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**None**

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# Shelley School District #60

545 Seminary Avenue  
Shelley, Idaho 83274



*"Where Students Come First"*

 208-357-3411  208-357-5741

October 15, 2019

## Corrective Action Plan regarding Controls Over School-level accounting

The District requested additional procedures be completed addressing irregularities identified at the High School under prior High School administration. The additional procedures uncovered some fraudulent transactions. It was determined that the internal controls over school accounting were not functioning as designed. To ensure the internal controls are more effective in the future, we have taken the following actions:

1. 7/1/2018- SHS financials were moved to the district financial software and the business manager is reconciling those accounts.
2. 08/21/19 - Implement Personal Use Of Credit Card form.
3. 9/16/2019 - The auditors trained all secretaries and principals.
4. 9/16/19 - A-team reviewed Fraud, Waste, and Abuse information
5. 10/10/2019 - Face to face one on one training with auditors and financial secretaries.
6. 10/10/2019 - Procedure Implementation, signature stamps will no longer be used for check signing.
7. 10/14/19 - District to conduct in school audits.
8. 10/15/2019 - A-Team training about back up for check signing - they are the control.
9. 10/15/19 - Implement Meal Documentation and form.
10. 11/12/19- A-Team training on check reconciliations
11. 01/16/20 - Board to review fiscal policies.
12. 07/01/2020 - Hobbs financials will be moved to the district financial software and the business manager will be reconciling those accounts.