EMMETT SCHOOL DISTRICT NO. 221

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2013

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Emmett School District No. 221

Title Page

Board of Trustees

Mike Knittel	Chairperson
Shane Roe	Vice Chair
Rhoda Gerrard	Treasurer
Mark Maxfield	Member
David White	Member
Bill Goers	Member

Administrators

Wayne Rush	Superintendent
Cheryl LaMunyon	Clerk/Business Manager

Bailey & Company Chtd.
Certified Public Accountants

James Washburn, CPA
Weston Flamm, CPA
Jared Zwygart, CPA
Cassie Zattiero, CPA
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Independent Auditor's Report

To the Board of Trustees
Emmett School District No. 221
Emmett, 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 **Emmett School District No. 221** (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

Management has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the District's other post-employment benefit liability. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of **Emmett School District No. 221**, as of June 30, 2013, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of **Emmett School District No. 221**, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Emmett School District No. 221's** basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013, on our consideration of **Emmett School District No. 221's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
October 10, 2013

Emmett School District No. 221
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 2,499,015
Receivables, Net:	
Property Taxes	733,335
Intergovernmental	1,106,580
Inventory	34,684
Unamortized Bond Issuance Costs	59,377
Capital Assets:	
Land	425,000
Buildings, Net	12,141,560
Equipment, Net	2,309,317
Total Assets	19,308,868
Deferred Outflows	0
Liabilities	
Salaries and Benefits Payable	1,871,462
Accrued Interest	93,694
Long-Term Liabilities:	
Due Within One Year:	
Bonds and Notes Payable	835,000
Capital Lease	66,781
Due in More Than One Year:	
Bonds and Notes Payable	5,053,773
Capital Lease	640,224
Total Liabilities	8,560,934
Deferred Inflows	0
Net Position	
Net Investment in Capital Assets	8,339,476
Restricted for:	
Debt Service	808,747
Capital Project Funds	3,919
Special Revenue	456,922
Unrestricted	1,138,870
Total Net Position	$ 10,747,934

The accompanying notes are an integral part of the financial statements.

Emmett School District No. 221
Statement of Activities
For the Year Ended June 30, 2013

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position - Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$ 10,761,683	$ 0	$ 2,561,793	$ 0	$ (8,199,890)
Support Services	6,180,247	0	138,995	0	(6,041,252)
Food Service	916,176	202,629	724,027	0	10,480
Interest and Fees	281,252	0	0	0	(281,252)
Total Governmental Activities	$ 18,139,358	$ 202,629	$ 3,424,815	$ 0	(14,511,914)
General Revenues:					
Property Taxes - All Funds					2,042,963
State Sources					11,952,988
Earnings on Investments					2,532
Other					346,300
Bond Fees					1,000
Total General Revenues and Special Items					14,345,783
Change in Net Position					(166,131)
Net Position, Beginning					10,914,065
Net Position, Ending					$ 10,747,934

The accompanying notes are an integral part of the financial statements.

Emmett School District No. 221
Balance Sheet -
Governmental Funds
June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 1,472,691	$ 559,093	$ 467,231	$ 2,499,015
Receivables, Net:				
Property Taxes	389,987	343,348	0	733,335
Intergovernmental	683,755	0	422,825	1,106,580
Internal Balances	200,196	0	0	200,196
Inventory	0	0	34,684	34,684
Total Assets	2,746,629	902,441	924,740	4,573,810
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 2,746,629	$ 902,441	$ 924,740	$ 4,573,810
Liabilities and Fund Balances				
Liabilities:				
Internal Balances	$ 0	$ 0	$ 200,196	$ 200,196
Salaries and Benefits Payable	1,607,759	0	263,703	1,871,462
Unearned Revenue	77,997	68,670	0	146,667
Total Liabilities	1,685,756	68,670	463,899	2,218,325
Deferred Inflows	0	0	0	0
Fund Balances:				
Nonspendable:				
Inventory	0	0	34,684	34,684
Restricted	0	833,771	426,157	1,259,928
Unassigned	1,060,873	0	0	1,060,873
Total Fund Balances	1,060,873	833,771	460,841	2,355,485
Total Liabilities, Deferred Inflows, and Fund Balances	$ 2,746,629	$ 902,441	$ 924,740	$ 4,573,810

The accompanying notes are an integral part of the financial statements.

Emmett School District No. 221
Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Position
June 30, 2013

Total Fund Balances - Governmental Funds		$ 2,355,485
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:		
Land	$ 425,000	
Buildings, Net of $11,977,627 Accumulated Depreciation	12,141,560	
Equipment, Net of $2,898,769 Accumulated Depreciation	2,309,317	
		14,875,877
Bond issuance costs are not financial uses and, therefore, are not reported in the funds.		59,377
Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures and, therefore, are deferred in the funds.		146,667
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. Long-term liabilities at year end consist of:		
Accrued Interest		(93,694)
Bonds Payable	(5,565,000)	
Capital Leases	(707,005)	
Unamortized Premium	(323,773)	
Total Long-Term Liabilities		(6,595,778)
Total Net Position-Governmental Activities		$ 10,747,934

The accompanying notes are an integral
part of the financial statements.

Emmett School District No. 221
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$ 1,105,069	$ 920,231	$ 0	$ 2,025,300
State Sources	11,882,837	0	70,151	11,952,988
Grants and Contributions	1,016,820	0	2,407,995	3,424,815
Charges for Services	0	0	202,629	202,629
Earnings on Investments	1,192	1,340	0	2,532
Other	120,908	0	225,392	346,300
Total Revenues	14,126,826	921,571	2,906,167	17,954,564
Expenditures				
Current:				
Instruction	8,512,713	0	1,561,698	10,074,411
Support Services	5,462,755	0	453,914	5,916,669
Food Service	19,938	0	896,238	916,176
Debt Service:				
Principal	69,536	805,000	0	874,536
Interest	67,607	253,475	0	321,082
Bond Fees	0	1,000	0	1,000
Capital Outlay	250,955	0	281,595	532,550
Total Expenditures	14,383,504	1,059,475	3,193,445	18,636,424
Excess (Deficiency) of Revenues Over Expenditures	(256,678)	(137,904)	(287,278)	(681,860)
Other Financing Sources (Uses)				
Debt Proceeds	55,972	0	0	55,972
Transfers In	0	0	61,681	61,681
Transfers Out	(61,681)	0	0	(61,681)
Total Other Financing Sources (Uses)	(5,709)	0	61,681	55,972
Net Change in Fund Balances	(262,387)	(137,904)	(225,597)	(625,888)
Fund Balances - Beginning	1,323,260	971,675	686,438	2,981,373
Fund Balances - Ending	$ 1,060,873	$ 833,771	$ 460,841	$ 2,355,485

The accompanying notes are an integral
part of the financial statements.

Emmett School District No. 221
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2013

Total Net Change in Fund Balance - Governmental Funds		$ (625,888)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:		
Capital Outlay	$ 435,328	
Depreciation Expense	(852,628)	
Net Adjustment		(417,300)
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized in the Statement of Net Position. This is the amount by which amortization expense exceeded current year bond issuance costs.		(10,035)
Accrued interest on long-term debt is not considered a current financial use in the fund financial statements but is recognized in the government-wide statements. This adjustment represents the change in the accrued balance.		8,417
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long term liabilities and does not affect the Statement of Activities. Similarly, repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt Proceeds	(55,972)	
Bond Payable	805,000	
Capital Lease	69,536	
		818,564
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		17,663
The deferred gain on refinanced debt is recognized over the life of the bond in the Statement of Activities but was recognized in full in the fund financial statements when the bond was refinanced.		42,448
Change in Net Position of Governmental Activities		$ (166,131)

The accompanying notes are an integral
part of the financial statements.

Emmett School District No. 221
Statement of Fiduciary Net Position
June 30, 2013

	Agency Funds	Private-Purpose Trust Funds	Total
Assets			
Cash and Cash Equivalents	$ 168,189	$ 19,570	$ 187,759
Deferred Outflows	0	0	0
Total Assets and Deferred Outflows	168,189	19,570	187,759
Liabilities			
Due to Student Groups	$ 168,189	$ 0	$ 168,189
Deferred Inflows	0	0	0
Net Position			
Restricted For Scholarships	0	19,570	19,570
Total Liabilities, Deferred Inflows and Net Position	$ 168,189	$ 19,570	$ 187,759

The accompanying notes are an integral part of the financial statements.

Emmett School District No. 221
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	Private-Purpose Trust Fund
Additions	
Contributions	$ 0
Investment Income	29
Total Additions	29
Deductions	
Scholarships Awarded	1,000
Bank Fees	70
Total Deductions	1,070
Changes in Net Position	(1,041)
Net Position - Beginning	20,611
Net Position - Ending	$ 19,570

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Emmett School District No. 221 (the "District") is governed by the School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

- Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—*governmental and fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Debt Service fund.* This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary fund types:

- *Private-Purpose Trust fund.* This fund reports a trust arrangement under which principal and income benefit a college scholarship program.
- *Agency funds.* These funds account for assets held by the District as an agent for various student groups and clubs.

Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet. The District uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable.* Balances in permanent funds, prepaid items, and inventories that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Trustees, the District's highest level of decision making authority, through a formal action. The Board of Trustees would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position or fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the District's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

All special revenue funds are restricted by either the federal government or the State of Idaho and must be spent according to the stipulations of the corresponding federal or state program. The State of Idaho also requires that capital projects and debt service be accounted for in their own funds, and therefore, are also restricted.

C. Assets and Liabilities

Cash Equivalents

The District requires all cash belonging to the District to be placed in custody of the Clerk/Business Manager. A "Pooled Cash" concept is, therefore, used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Inventories

Inventories on government-wide and fund financial statements are stated at cost and are expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption, and is valued on the FIFO (First in First Out) basis.

Property Tax Calendar

The District levies its real property taxes through the county by the 2nd Monday in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	$5,000	Straight-Line	15 – 40 Years
Equipment and Buses	$5,000	Straight-Line	5 – 15 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives. The District has no infrastructure.

Compensated Absences

The District provides sick leave and vacation to the full-time non-certified employees. The District has a use-or-lose policy in place and, accordingly, no liability has been recorded.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Bond Issuance Costs and Premiums/Discounts

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

premium or discount. Unamortized bond issuance costs are reported on the Statement of Net Position and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2013, the carrying amount of the District's deposits was $2,532,748 and the respective bank balances totaled $2,941,209. $278,928 of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the District.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2013, $2,662,281 of the District's deposits were not covered by federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus were exposed to custodial credit risk. The District does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

2. CASH AND INVESTMENTS (continued)

Investments

The District voluntarily participates in the State of Idaho Investment Pool which has not been rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the District's investment in the pool is the same as the value of the pool shares.

The District follows Idaho Statute that outlines qualifying investment options as follows:

> Idaho Code authorizes the District to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The District's investments at June 30, 2013, are summarized below:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
External Investment Pool	$ 154,026	$ 154,026	$ 0

At year-end, deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 2,384,924	$ 147,824	$ 2,532,748
Investments categorized as deposits	114,091	39,935	154,026
	$ 2,499,015	$ 187,759	$ 2,686,774

3. RECEIVABLE – INTERGOVERNMENTAL

Amounts due from other governments consist of $683,755 due from the State of Idaho for school support, and $422,825 due from the federal government through the State of Idaho for various federal programs for a total of $1,106,580.

4. RECEIVABLES - LOCAL SOURCES AND DEFERRED REVENUE

Emmett School District No. 221 receives tax revenue from Gem and Boise Counties. The counties are responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the District by the counties as of June 30, 2013, are considered by the District as a receivable.

The District follows the Governmental Accounting Standards Board's rules in the recording of its property tax as a receivable. Taxes not collected within 60 days after June 30, 2013, are not considered available for use by the District and are recorded as unearned revenue.

5. INVENTORY

The only inventory item maintained by the District is in the Food Service fund. At June 30, 2013, the inventory balance was $34,684 calculated using the FIFO method.

6. SALARIES AND BENEFITS PAYABLE

The District follows the practice of paying contracted salaries and related benefits over a 12-month period, which differs from the 9-month earned school-year period that runs from approximately September 1 to May 31 of each year. Contracts payable, as reflected at June 30, 2013, represent amounts unpaid at that date on employee contracts and related benefits. Since the amount of salaries and related benefits due to employees are pertinent to the school year, such amounts have been accrued as salaries payable and related liabilities in the governmental fund types of the District with related expenditures recorded in the current fiscal year's operations.

7. PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date.

7. PENSION PLAN (continued)

Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The District employer contributions required and paid were $1,010,708, $956,268, and $1,003,798, for the three years ended June 30, 2013, 2012, and 2011, respectively.

8. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

9. LONG-TERM OBLIGATIONS

The District issued General Obligation Bonds to provide funds for the acquisition, construction, and remodel of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the District.

The District also leases certain equipment under long-term lease agreements. Certain leases have been recorded as capital leases and others as operating leases. The capital leases consist of:

Equipment	$1,211,976
Less: accumulated amortization (included as depreciation on the accompanying financial statements)	(323,194)
	$ 888,782

9. LONG-TERM OBLIGATIONS (continued)

A summary of long-term liability activity for the year ended June 30, 2013, is as follows:

	Maturity Date	Rate	Beginning	Increases	Decreases	Ending	Current Portion
Governmental Activities:							
2005 GOB Refund	2019	3% - 4.5%	$ 6,370,000	$ 0	$ (805,000)	$ 5,565,000	$ 835,000
Lease - Consrv Equp	2022	5.96%	720,569	0	(720,569)	0	0
Lease - Consrv Equp	2022	5.96%	0	747,670	(40,665)	707,005	66,781
			7,090,569	747,670	(1,566,234)	6,272,005	901,781
Unamort. Deferred Gain on Refinancing			366,221	0	(42,448)	323,773	0
			$ 7,456,790	$ 747,670	$ (1,608,682)	$ 6,595,778	$ 901,781

Debt service requirements on long-term debt at June 30, 2013, are as follows:

Year Ending June 30,	Bonds and Notes			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2014	$ 835,000	$ 220,675	$ 1,055,675	$ 66,781	$ 27,412	$ 96,688
2015	870,000	186,575	1,056,575	69,459	24,734	96,688
2016	905,000	151,075	1,056,075	72,244	21,949	96,688
2017	940,000	111,825	1,051,825	75,140	19,053	96,688
2018	985,000	68,512	1,053,512	78,153	16,040	94,193
2019-2022	1,030,000	23,175	1,053,175	345,228	31,544	376,772
	$ 5,565,000	$ 761,837	$ 6,326,837	$ 707,005	$ 140,732	$ 857,717

10. LEASE COMMITMENTS

Operating Leases

The District leases eighteen copy machines from Xerox located at the District Office, High School, Middle School, Black Canyon, Carberry Intermediate, Shadow Butte Elementary, Ola Elementary, Sweet Elementary, the Patriot Center, and the Trans Shop. The lease periods are for five years and it is anticipated that the copiers will be returned at the end of the lease periods. The rental terms began in 2008, 2009, and 2013.

10. LEASE COMMITMENTS (continued)

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2014	$122,144
2015	122,144
2016	122,144
2017	120,170
2018	29,756
	$516,358

Operating lease expenditures for the year ended June 30, 2013, were $132,687.

11. OTHER COMMITMENTS

The District has several credit cards with a total credit limit of $30,000. As of June 30, 2013, none of the available credit was in use.

12. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2013, consist of the following:

$ 200,196	Due to the General fund from other nonmajor governmental funds representing short-term loans to cover cash overdrafts.

13. TRANSFERS TO/FROM OTHER FUNDS

Transfers during the year occurred as follows:

$ 61,681	From the General fund to a nonmajor fund for bus depreciation.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District has transferred most of its risk by purchasing commercial insurance.

Workman's Compensation insurance is purchased though the Idaho State Insurance Fund. Employee health and accident insurance is purchased through Blue Cross of Idaho. All other insurance has been purchased through Fred A. Moreton and Company.

The District's risk management activities are recorded in the General fund. Part of this function is to administer the employee health insurance pool on a cost reimbursement basis. The District could incur a limited amount of risk in operating this pool.

15. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Dispositions	Balance 6/30/2013
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 425,000	$ 0	$ 0	$ 425,000
Capital Assets Being Depreciated:				
Buildings	23,987,005	132,182	0	24,119,187
Equipment	5,075,634	303,146	(170,694)	5,208,086
Total Historical Cost	29,062,639	435,328	(170,694)	29,327,273
Less: Accumulated Depreciation				
Buildings	11,350,324	627,303	0	11,977,627
Equipment	2,844,138	225,325	(170,694)	2,898,769
Total Accumulated Depreciation	14,194,462	852,628	(170,694)	14,876,396
Net Depreciable Assets	14,868,177	(417,300)	0	14,450,877
Governmental Activities Capital Assets - Net	$15,293,177	$(417,300)	$ 0	$14,875,877

15. CAPITAL ASSETS (continued)

Depreciation expense was charged to the functions of the District as follows:

Governmental Activities:	
Instruction	$ 687,272
Support Services	165,356
	$ 852,628

REQUIRED SUPPLEMENTARY INFORMATION

Emmett School District No. 221
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	$ 1,066,448	$ 1,188,598	$ 1,105,069	$ (83,529)
State Sources	11,439,816	11,733,647	11,882,837	149,190
Grants and Contributions	840,000	920,000	1,016,820	96,820
Earnings on Investments	1,750	1,750	1,192	(558)
Other	77,000	82,000	120,908	38,908
Total Revenues	13,425,014	13,925,995	14,126,826	200,831
Expenditures				
Current:				
Instruction	8,302,323	8,639,722	8,512,713	127,009
Support Services	5,434,612	5,597,656	5,462,755	134,901
Food Service	19,000	19,000	19,938	(938)
Debt Service:				
Principal	97,000	97,000	69,536	27,464
Interest	0	0	67,607	(67,607)
Capital Outlay	318,966	288,909	250,955	37,954
Contingency Reserve	590,000	590,000	0	590,000
Total Expenditures	14,761,901	15,232,287	14,383,504	848,783
Excess (Deficiency) of Revenues Over Expenditures	(1,336,887)	(1,306,292)	(256,678)	1,049,614
Other Financing Sources (Uses)				
Debt Proceeds	0	0	55,972	55,972
Transfers In	35,238	35,238	0	(35,238)
Transfers Out	(55,588)	(52,206)	(61,681)	(9,475)
Total Other Financing Sources (Uses)	(20,350)	(16,968)	(5,709)	11,259
Net Change in Fund Balances	(1,357,237)	(1,323,260)	(262,387)	1,060,873
Fund Balances - Beginning	1,357,237	1,323,260	1,323,260	0
Fund Balances - Ending	$ 0	$ 0	$ 1,060,873	$ 1,060,873

Emmett School District No. 221
Notes to Required Supplementary Information
For the Year Ended June 30, 2013

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1. BUDGETS AND BUDGETARY ACCOUNTING

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

A. Prior to June 1, the Superintendent and Board of Trustees prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

B. Public hearings are conducted to obtain taxpayer comments.

C. Prior to July 1, the budget is legally enacted through passage at a board meeting.

D. Formal budgetary integration is employed as a management control device during the year for all the funds. Formal budgetary integration was employed for Debt Service funds even though effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

F. Budgeted amounts are as originally adopted, or amended by the Board of Trustees.

SUPPLEMENTAL INFORMATION

Emmett School District No. 221
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2013

	Federal Forest	School Health Grant	Go On Grant	Buy Down Insurance Pool
Assets				
Cash and Cash Equivalents	$ 59,710	$ 5,166	$ 24,553	$ 173,323
Receivables, Net:				
Intergovernmental	0	0	0	0
Inventory	0	0	0	0
Total Assets	59,710	5,166	24,553	173,323
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 59,710	$ 5,166	$ 24,553	$ 173,323
Liabilities				
Internal Balances	$ 0	$ 0	$ 0	$ 0
Salaries and Benefits Payable	0	0	0	0
Total Liabilities	0	0	0	0
Deferred Inflows	0	0	0	0
Fund Balance				
Nonspendable	0	0	0	0
Restricted	59,710	5,166	24,553	173,323
Total Fund Balances	59,710	5,166	24,553	173,323
Total Liabilities, Deferred Inflows and Fund Balances	$ 59,710	$ 5,166	$ 24,553	$ 173,323

Emmett School District No. 221
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2013
(continued)

	Lifetime Sports	Driver's Education	Response To Intervention	Kahn Academy
Assets				
Cash and Cash Equivalents	$ 3,989	$ 11,548	$ 0	$ 2,386
Receivables, Net:				
Intergovernmental	0	0	0	0
Inventory	0	0	0	0
Total Assets	3,989	11,548	0	2,386
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 3,989	$ 11,548	$ 0	$ 2,386
Liabilities				
Internal Balances	$ 0	$ 0	$ 0	$ 0
Salaries and Benefits Payable	0	0	0	0
Total Liabilities	0	0	0	0
Deferred Inflows	0	0	0	0
Fund Balance				
Nonspendable	0	0	0	0
Restricted	3,989	11,548	0	2,386
Total Fund Balances	3,989	11,548	0	2,386
Total Liabilities, Deferred Inflows and Fund Balances	$ 3,989	$ 11,548	$ 0	$ 2,386

Emmett School District No. 221
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2013
(continued)

	Title I	Title I Migrant	Title I Delinquent	Title VI-B
Assets				
Cash and Cash Equivalents	$ 0	$ 0	$ 0	$ 0
Receivables, Net:				
Intergovernmental	149,799	2,671	10,219	158,245
Inventory	0	0	0	0
Total Assets	149,799	2,671	10,219	158,245
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 149,799	$ 2,671	$ 10,219	$ 158,245
Liabilities				
Internal Balances	$ 65,541	$ 1,035	$ 7,893	$ 55,775
Salaries and Benefits Payable	84,258	1,104	2,326	68,154
Total Liabilities	149,799	2,139	10,219	123,929
Deferred Inflows	0	0	0	0
Fund Balance				
Nonspendable	0	0	0	0
Restricted	0	532	0	34,316
Total Fund Balances	0	532	0	34,316
Total Liabilities, Deferred Inflows and Fund Balances	$ 149,799	$ 2,671	$ 10,219	$ 158,245

Emmett School District No. 221
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2013
(continued)

	Title VI-B Preschool	Title III-LEP	Title II-A	Gear Up
Assets				
Cash and Cash Equivalents	$ 1,067	$ 0	$ 0	$ 0
Receivables, Net:				
Intergovernmental	2,531	0	13,176	17,902
Inventory	0	0	0	0
Total Assets	3,598	0	13,176	17,902
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 3,598	$ 0	$ 13,176	$ 17,902
Liabilities				
Internal Balances	$ 0	$ 0	$ 6,051	$ 11,019
Salaries and Benefits Payable	3,598	0	7,125	6,883
Total Liabilities	3,598	0	13,176	17,902
Deferred Inflows	0	0	0	0
Fund Balance				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Total Fund Balances	0	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	$ 3,598	$ 0	$ 13,176	$ 17,902

Emmett School District No. 221
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2013
(continued)

	21st Century Grant	21st Century Ready Grant	Food Service	Total
Assets				
Cash and Cash Equivalents	$ 0	$ 0	$ 164,080	$ 445,822
Receivables, Net:				
Intergovernmental	21,179	41,556	5,547	422,825
Inventory	0	0	34,684	34,684
Total Assets	21,179	41,556	204,311	903,331
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 21,179	$ 41,556	$ 204,311	$ 903,331
Liabilities				
Internal Balances	$ 12,714	$ 22,678	$ 0	$ 182,706
Salaries and Benefits Payable	8,370	18,878	63,007	263,703
Total Liabilities	21,084	41,556	63,007	446,409
Deferred Inflows	0	0	0	0
Fund Balance				
Nonspendable	0	0	34,684	34,684
Restricted	95	0	106,620	422,238
Total Fund Balances	95	0	141,304	456,922
Total Liabilities, Deferred Inflows and Fund Balances	$ 21,179	$ 41,556	$ 204,311	$ 903,331

Emmett School District No. 221
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Federal Forest	School Health Grant	Go On Grant	Buy Down Insurance Pool
Revenues				
State Sources	$ 0	$ 0	$ 0	$ 0
Grants and Contributions	38,030	500	44,954	0
Charges for Services	0	0	0	0
Other	0	0	0	193,760
Total Revenues	38,030	500	44,954	193,760
Expenditures				
Current:				
Instruction	60,738	3,684	40,447	0
Support Services	0	0	0	156,256
Food Service	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	60,738	3,684	40,447	156,256
Net Change in Fund Balances	(22,708)	(3,184)	4,507	37,504
Fund Balances - Beginning	82,418	8,350	20,046	135,819
Fund Balances - Ending	$ 59,710	$ 5,166	$ 24,553	$ 173,323

Emmett School District No. 221
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013
(continued)

	Lifetime Sports	Driver's Education	Response to Intervention	Kahn Academy
Revenues				
State Sources	$ 0	$ 21,935	$ 0	$ 48,216
Grants and Contributions	0	0	0	0
Charges for Services	0	0	0	0
Other	7,000	0	0	0
Total Revenues	7,000	21,935	0	48,216
Expenditures				
Current:				
Instruction	3,779	21,138	254	45,830
Support Services	0	0	0	0
Food Service	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	3,779	21,138	254	45,830
Net Change in Fund Balances	3,221	797	(254)	2,386
Fund Balances - Beginning	768	10,751	254	0
Fund Balances - Ending	$ 3,989	$ 11,548	$ 0	$ 2,386

Emmett School District No. 221
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012
(continued)

	Title I	Title I Migrant	Title I Delinquent	Title VI-B
Revenues				
State Sources	$ 0	$ 0	$ 0	$ 0
Grants and Contributions	554,277	12,289	23,924	482,756
Charges for Services	0	0	0	0
Other	0	0	0	0
Total Revenues	554,277	12,289	23,924	482,756
Expenditures				
Current:				
Instruction	589,136	11,437	24,731	464,110
Support Services	15,726	320	0	13,880
Food Service	0	0	0	0
Capital Outlay	0	0	2,753	442
Total Expenditures	604,862	11,757	27,484	478,432
Net Change in Fund Balances	(50,585)	532	(3,560)	4,324
Fund Balances - Beginning	50,585	0	3,560	29,992
Fund Balances - Ending	$ 0	$ 532	$ 0	$ 34,316

Emmett School District No. 221
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013
(continued)

	Title VI-B Preschool	Title III-LEP	Title II-A	Gear Up
Revenues				
State Sources	$ 0	$ 0	$ 0	$ 0
Grants and Contributions	19,208	0	138,995	86,373
Charges for Services	0	0	0	0
Other	0	0	0	0
Total Revenues	19,208	0	138,995	86,373
Expenditures				
Current:				
Instruction	19,208	10,177	0	0
Support Services	0	673	180,686	86,373
Food Service	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	19,208	10,850	180,686	86,373
Net Change in Fund Balances	0	(10,850)	(41,691)	0
Fund Balances - Beginning	0	10,850	41,691	0
Fund Balances - Ending	$ 0	$ 0	$ 0	$ 0

Emmett School District No. 221

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013

(continued)

	21st Century Grant	21st Century Ready Grant	Food Service	Total
Revenues				
State Sources	$ 0	$ 0	$ 0	$ 70,151
Grants and Contributions	133,066	149,596	724,027	2,407,995
Charges for Services	0	0	202,629	202,629
Other	0	0	0	200,760
Total Revenues	133,066	149,596	926,656	2,881,535
Expenditures				
Current:				
Instruction	128,806	138,223	0	1,561,698
Support Services	0	0	0	453,914
Food Service	0	0	896,238	896,238
Capital Outlay	4,165	11,373	1,133	19,866
Total Expenditures	132,971	149,596	897,371	2,931,716
Net Change in Fund Balances	95	0	29,285	(50,181)
Fund Balances - Beginning	0	0	112,019	507,103
Fund Balances - Ending	$ 95	$ 0	$ 141,304	$ 456,922

Emmett School District No. 221
Combining Balance Sheet - Nonmajor Capital Project Funds
June 30, 2013

	Bus Depreciation	School Plant	Total
Assets			
Cash and Cash Equivalents	$ 0	$ 21,409	$ 21,409
Deferred Outflows	0	0	0
Total Assets and Deferred Outflows	$ 0	$ 21,409	$ 21,409
Liabilities			
Internal Balances	$ 17,490	$ 0	$ 17,490
Total Liabilities	17,490	0	17,490
Deferred Inflows	0	0	0
Fund Balances			
Restricted	(17,490)	21,409	3,919
Total Liabilities, Deferred Inflows and Fund Balances	$ 0	$ 21,409	$ 21,409

Emmett School District No. 221
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Capital Project Funds
For the Year Ended June 30, 2013

	Bus Depreciation	School Plant	Total
Revenues			
Other	$ 22,568	$ 2,064	$ 24,632
Total Revenue	22,568	2,064	24,632
Expenditures			
Capital Outlay	261,729	0	261,729
Total Expenditures	261,729	0	261,729
Excess (Deficiency) of Revenues Over Expenditures	(239,161)	2,064	(237,097)
Other Financing Sources (Uses)			
Transfers In	61,681	0	61,681
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	61,681	0	61,681
Net Change in Fund Balances	(177,480)	2,064	(175,416)
Fund Balances - Beginning	159,990	19,345	179,335
Fund Balances - Ending	$ (17,490)	$ 21,409	$ 3,919

Emmett School District No. 221
Combining Balance Sheet - Fiduciary Funds
June 30, 2013

	Agency Funds			
	High School	Black Canyon School	Middle School	Carberry Interm.
Assets				
Cash and Cash Equivalents	$ 70,748	$ 888	$ 58,990	$ 24,537
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 70,748	$ 888	$ 58,990	$ 24,537
Liabilities				
Due to Student Groups	70,748	888	58,990	24,537
Deferred Inflows	0	0	0	0
Net Position				
Restricted For Scholarships	0	0	0	0
Total Liabilities, Deferred Inflows and Net Position	$ 70,748	$ 888	$ 58,990	$ 24,537

Emmett School District No. 221
Combining Balance Sheet - Fiduciary Funds
June 30, 2013
(continued)

	Agency Funds (continued)		Private - Purpose Trust Fund	
	Sweet Montour Elem.	Shadow Butte Elem.	Scholarship Fund	Total
Assets				
Cash and Cash Equivalents	$ 3,783	$ 9,243	$ 19,570	$ 187,759
Deferred Outflows	0	0	0	0
Total Assets and Deferred Outflows	$ 3,783	$ 9,243	$ 19,570	$ 187,759
Liabilities				
Due to Student Groups	3,783	9,243	0	168,189
Deferred Inflows	0	0	0	0
Net Position				
Restricted For Scholarships	0	0	19,570	19,570
Total Liabilities, Deferred Inflows and Net Position	$ 3,783	$ 9,243	$ 19,570	$ 187,759

Emmett School District No. 221
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	Private-Purpose Trust Fund
	Scholarship Fund
Additions	
Contributions	$ 0
Investment Income	29
Total Additions	29
Deductions	
Scholarships Awarded	1,000
Bank Fees	70
Total Deductions	1,070
Changes in Net Position	(1,041)
Net Position - Beginning	20,611
Net Position - Ending	$ 19,570

Emmett School District No. 221
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Program Title	Federal CFDA No.	Expenditures
U.S. Department of Education		
Passed through State Department of Education:		
Title I - Basic	84.010	$ 632,346
Title I - Migrant	84.011	11,757
Title VI-B	84.027	478,432
Vocational Education	84.048	36,262
Handicapped Preschool	84.173	19,208
Twenty First Century Community Learning	84.287	282,567
Special Education State Program Improvement	84.323	254
Gaining Early Awareness and Reading	84.334	86,373
English Language Acquisition	84.365	10,177
Improving Teacher Quality	84.367	180,686
Total U.S. Department of Education		1,738,062
U.S. Department of Agriculture		
Passed through State Department of Education:		
School Breakfast	10.553	159,791
National School Lunch	10.555	680,643
Summer Food Service	10.559	8,528
Fresh Fruit and Vegetable	10.582	51,417
Total U.S. Department of Agriculture		900,379
Total Federal Financial Assistance		$ 2,638,441

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

FEDERAL REPORTS

Bailey & Company Chtd.
Certified Public Accountants

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

To the Board of Trustees
Emmett School District No. 221
Emmett, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Emmett School District No. 221** (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

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

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

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

Internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Emmett School District No. 221's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Bailey & Co.

Nampa, Idaho
October 10, 2013

Bailey & Company Chtd.
Certified Public Accountants

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

To the Board of Trustees
Emmett School District No. 221
Emmett, Idaho

Report on Compliance for Each Major Federal Program

We have audited **Emmett School District No. 221's** (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, **Emmett School District No. 221,** 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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Bailey & Co.

Nampa, Idaho
October 10, 2013

Emmett School District No. 221
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified - governmental activities; Unqualified - each major fund and aggregate remaining fund information

Internal control over financial reporting:

Significant deficiency(ies) disclosed?	☐ yes	☑ none reported
Material weakness(es) disclosed?	☐ yes	☑ none reported
Noncompliance material to financial statements noted?	☐ yes	☑ no

Federal Awards

Internal control over major programs:

Significant deficiency(ies) disclosed?	☐ yes	☑ none reported
Material weakness(es) disclosed?	☐ yes	☑ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	☐ yes	☑ no

CFDA Numbers	Name of Federal Program
84.010	Title I Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Type A and Type B programs: $300,000

Auditee qualified as low risk auditee? ☐ yes ☑ no

Section II - Financial Statement Findings

None reported.

Section III - Findings and Questioned Costs for Federal Awards

None reported.