

**Highland Joint School District No. 305  
Audited Financial Statements  
For the Year Ended  
June 30, 2016**

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For the Year Ended June 30, 2016  
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**For the Year Ended June 30, 2016**  
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## **Independent Auditor's Report**

Board of Trustees  
Highland Joint School District No. 305  
Craigmont, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Joint School District No. 305, State of Idaho, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Joint School District No. 305, State of Idaho, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require budgetary comparison information presented on pages 26-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highland Joint School District No. 305's basic financial statements. The combining and basic nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016, on our consideration of Highland Joint School District No. 305, State of Idaho'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 Highland Joint School District No. 305, State of Idaho's internal control over financial reporting and compliance.

September 12, 2016

  
Goffinet and Clack, Chartered  
Certified Public Accountants

**Highland Joint School District #305  
Lewis, Idaho and Nez Perce Counties  
Craigmont, Idaho**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Highland Joint School District #305’s financial performance provides an overview of the School District’s financial activities for the fiscal year ending June 30, 2016. Please read it in conjunction with the financial statements, which follow this narrative.

**CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT**

These financial statements are designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Highland Joint School District #305’s finances and to show the School District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nathan Weeks, Business Manager, Highland Joint School District #305, 112 Boulevard / PO Box 130, Craigmont, Idaho 83523 or phone 208-924-5211 extension 503 or by email: [nweeks@sd305.org](mailto:nweeks@sd305.org).

**FINANCIAL HIGHLIGHTS**

- Many small things happened in 2015-2016 which had direct effects on the school district’s financial situation and will be explained as part of this report.
  - 1) Healthy Economic environment affecting the whole country
  - 2) Improved Funding from The State of Idaho
  - 3) Continued Savings from the purchase of a 15-passenger van.
- The School District’s Net Change in Fund Balance Under Total Governmental Funds (*see Independent Auditor’s Statement of Revenues, Expenditures, and Changes in Fund Balance page 7*) shows a positive Net Change of \$90,669 from the fiscal year ending June 30 2015. Total Revenue increased \$153,522. The biggest change was in State Support with an increase of \$66,711, through the first year of implementing the career ladder and increased operation support. Total Expenditures only increased \$62,853 over the prior year. This was helped by staff changes which brought in two new teachers.
- The positively growing national and state economy allowed the legislature to provide more funding for public schools. The Career Ladder legislation increased funding for teachers while operations funding was increased as well.

- Investment Earnings saw a 163% increase of \$1,070. This was caused by more being invested but also the interest rates doubling from the State Treasurer's Local Government Investment Pool. The interest rate increased from .1919% in July, 2015 to .5289% in June, 2016.
- Food Service had a decrease in support from the general fund of \$9,918 in revenue. Lunch sales have decreased as enrollment has decreased. Nutrition requirement changes from the Healthy, Hunger-Free Kids Act of 2010 continue to provide a challenge to student lunch sales to older students.
- Non-reimbursable transportation costs decreased by \$16,911 from the prior year due to the ability to transport small activity groups by van rather than bus. Reimbursable transportation costs decreased as well as a result of decreased fuel costs.

### **Public School Account Reporting**

The District uses Idaho Financial Accounting Reporting Management System (IFARMS) for reporting its budgeting and accounting reports. This allows Highland Joint School District #305 to be uniform with all reports at the state level and still be flexible for local management needs.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements of Highland Joint School District #305. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole and present a longer term view of the School District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements provide more detail than the government-wide statements. The combining statements are broken out into nine Funds as follows:

- Fund 220 - Forest Funds
- Fund 251 - Title I-A
- Fund 257 – Part B
- Fund 258 – Part B Preschool
- Fund 262 - REAP Fund (Rural Education)
- Fund 271 - Title II Fund (Improving Teacher Quality)
- Fund 290 - Food Service
- Fund 700 - Foundation Fund (Foundation Trust and Wilfong Trust)
- Agency Funds – Student Activity Funds

## **Reporting the School as a Whole - The Combining Statements**

Our analysis of the School as a whole is cautious. One of the most important questions asked about the School District's finances is, "Is the School as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private- sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. You can think of the School District's net assets, the difference between assets and liabilities, as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the School District's property tax base and the condition of the School District's facilities, to assess the overall health of the School.

## **Reporting the School District's Most Significant Funds Fund Financial Statements**

Our analysis of the School District's major funds begins on page VII. The fund statements provide detailed information about the most significant funds, not the School as a whole. Some funds are required to be established by State and Federal Laws. However, the School Board establishes other Funds to help it control and manage money for particular purposes (like the Foundation Trust Fund and the Wilfong Trust Fund) or to show that it is meeting legal responsibilities for using certain, grants, and other money. The School District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 School 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 the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

- Proprietary funds - Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise and/or where the intent is that they be financed primarily from user charges. Therefore, their primary operating statement is the statement of revenues and expenses and their equity consists of separate invested and earned monies.



- Fiduciary Funds - Fiduciary Trust Funds are used to account for activities undertaken by a government on behalf of, or in fiduciary capacity for, some other persons or groups. Fiduciary funds are accounted for as either proprietary or governmental, depending on the nature of the responsibilities of the government (or fiduciary). Private Purpose Trust Funds (such as the Foundation and Wilfong Trusts) which are treated like governmental funds.
- Student Body Funds - Student Body Funds are fiduciary funds held in trust by the school for student activity and/or clubs and organization. In order to be classified as an ASB (Associated Student Body) fund, there must be a club or organization advisor and the students must have a say in how these funds are expended.

## **CHARTS AND EXAMINATIONS OF INDIVIDUAL ACCOUNTS AND FUNDS**

In order to examine various aspects of finances for Highland Joint School District #305, the following charts and information are put together to explain portions of the District's financial activities.

### **Levy History**

The school board has control over setting the supplemental levy yearly. It is a difficult decision to weigh the needs of the district against the ability of the taxpayers to pay. This District has generally been conservative and increases to tax burdens are not passed lightly. The supplemental levy must be approved by patrons in a March or May election.

The Maintenance and Operations Levy was eliminated through a special session of the legislature in 2005. This money was replaced by a 1-cent increase in sales tax. Over time, with changes in State funding, the Supplemental Levy has increased to the point that the property tax burden is nearly the same in 2016 as it was in 2005. In addition, the school is allowed to levy an amount every year for Tort (liability insurance) costs. The Tort Levy is small and is limited by a 3% maximum growth. The District is also in the fourth year of a five year Plant Facility Levy which brings in \$40,000 yearly for maintenance projects.

With this in mind, the following chart shows the changes in tax levies and other funding since 1991.

The school board has the ability to request the voters of the District to approve a plant facility levy. The \$25,000 yearly plant facility levy between the four years of 1994 and 1998 covered the window replacement project with additional amounts put into technology needs. In 1998, at the end of that particular plant levy, the \$25,000 was rolled into the supplemental levy in order to continue funding the ongoing technology needs of the district. In 2002, a five year, \$40,000 plant levy was passed to cover the gym renovation project as well as to cover a five year maintenance plan. The gym was the largest project in the plan and the board moved the project timeline up and was completed in 2004. The plant levy was put before the voters again in 2007 and 2012 and the district is currently in the third year of a five-year \$40,000 levy and funds will be used to cover ongoing facility costs in the aging school building.

## **Fund Revenue - comparing 2014-2015 with 2015-2016 Actual Revenues**

This following charts compare each fund making up the School District's actual revenues and expenses for the years 2014-2015 and 2015-2016.

The first page shows the General Fund which makes up nearly the majority of the total financial picture.

The following pages shows the remaining funds.

The Forest Fund revenue increased. This money is set aside for possible building repairs or updates, which resulted in no expenditures, the increased revenue did not have an immediate effect on operations but purchased some security for future needs.

The Title I, Part B and Part B Preschool funds are used in the special education department. The Title I and VI-B both increased while Preschool, though small, stayed the same. The funds in Title I and VI-B general are used to pay for Paraprofessional Aides as well as part of the pay for the Junior High English teacher to allow for two class periods for English rather than one. As these funds increase and decrease, the payroll burden shifts to the general fund for those staff positions.

REAP funds are federal monies to assist small, rural schools in meeting their needs. These funds have been used to pay for the technology coordinator to help meet the technology needs of the district. The revenue in this fund increased by 14.93%.

Food Service Revenues have decreased by 16.05% mostly due to the decrease in students eating lunch. This is reflected also in the decrease in expenses and support from the General Fund of \$9,918.

The revenue in the Plant Facility Fund decreased by .05%, an insignificant amount. Expenditures from this fund have remained steady while still allowing an increase in fund balance for future needs.

## Highland Joint School District #305 Levy History

YR	M&O LEVY	SUPPLEMENTAL LEVY	PLANT FACILITY	Total Property Tax Levied	State Support	Federal Support	Total Tax Support	Change	Total Budget	Change
91-92	\$294,329	\$98,510	\$0	\$392,839						
92-93	301,441	110,000	0	411,441						
93-94	323,377	128,558	0	451,935						
94-95	335,985	136,000	25,000	496,985						
95-96	269,608	120,196	25,000	414,804						
96-97	294,212	122,308	25,000	441,520						
97-98	317,496	138,938	25,000	481,434						
98-99	339,365	162,983	0	502,348						
99-00	352,154	162,983	0	515,137						
00-01	363,018	162,983	0	526,001						
01-02	357,246	169,000	0	526,246						
02-03	289,361	179,000	40,000	508,361						
03-04	313,612	198,750	40,000	552,362						
04-05	304,700	189,900	40,000	534,600	1,423,708	216,685	2,174,993		2,443,030	
05-06	303,532	199,000	40,000	542,532	1,483,457	188,255	2,214,244	39,251	2,502,288	59,258
06-07		209,000	40,000	249,000	1,831,648	195,832	2,276,480	62,236	2,843,765	341,477
07-08		199,000	40,000	239,000	1,916,341	176,335	2,331,676	55,196	2,772,387	-71,378
08-09		209,000	40,000	249,000	1,865,699	198,159	2,312,858	-18,818	2,605,076	-167,311
09-10		209,000	40,000	249,000	1,532,641	479,081	2,260,722	-52,136	2,679,061	73,985
10-11		309,000	40,000	349,000	1,562,244	106,354	2,017,598	-243,124	2,515,882	-163,179
11-12		309,000	40,000	349,000	1,508,702	237,229	2,094,931	77,333	2,347,515	-168,367
12-13		429,000	40,000	469,000	1,522,902	186,240	2,178,142	83,211	2,557,905	210,390
13-14		499,000	40,000	539,000	1,561,217	159,033	2,259,250	81,108	2,566,229	8,324
14-15		499,000	40,000	539,000	1,637,716	171,769	2,348,485	89,235	2,614,038	47,809
15-16		499,000	40,000	539,000	1,714,014	168,902	2,421,916	73,431	2,716,158	102,120
16-17*		499,000	40,000	539,000						

\* 2016-2017 is Proposed

Total Change 2005-2016

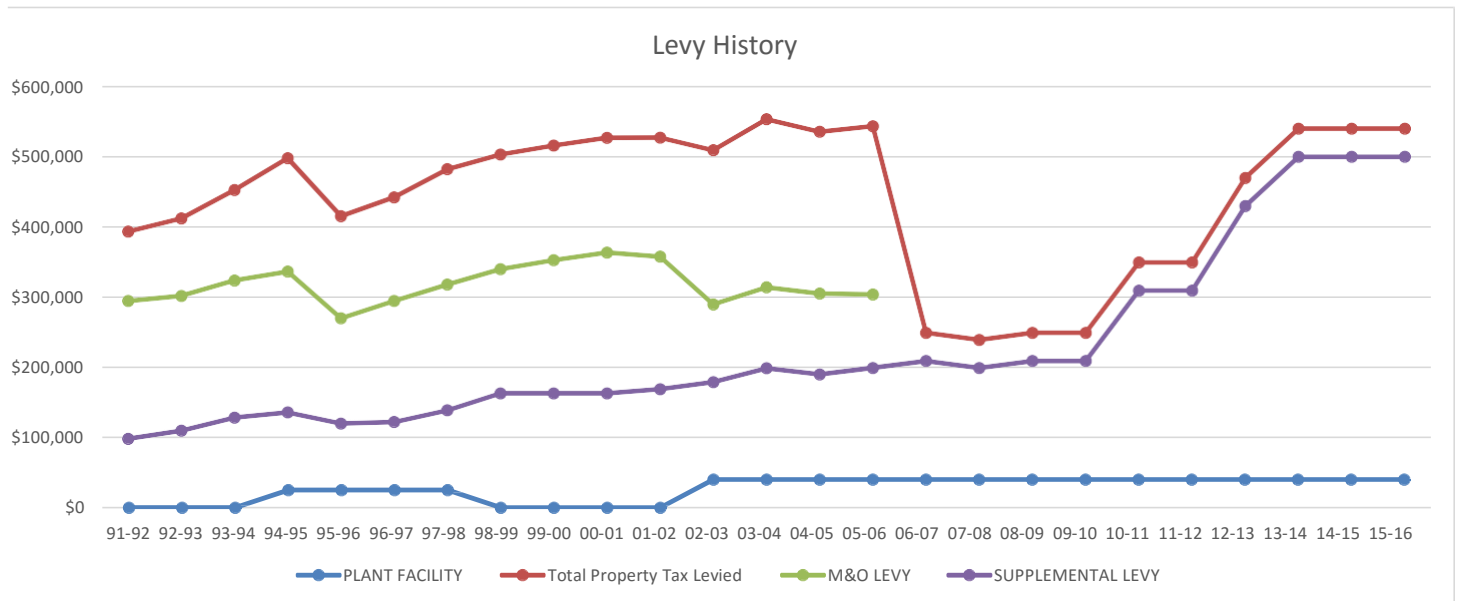
4,400

290,306

-47,783

246,923

273,128

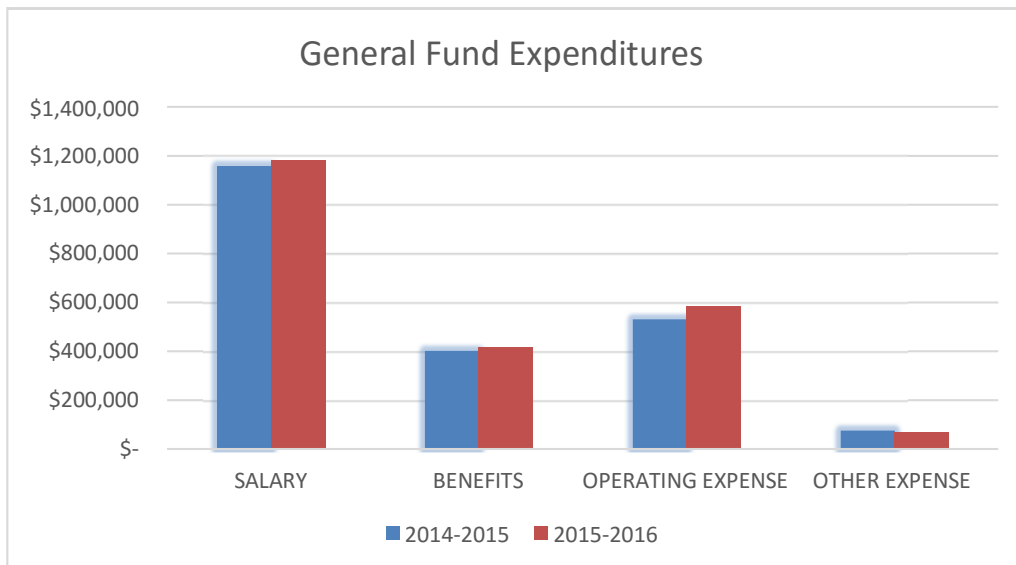


COMPARES 2014/2015 WITH 2015/2016 ACTUAL REVENUES  
GENERAL FUND REVENUE ONLY  
Revenue Breakdown by Category

REVENUE CATEGORY	2014-2015 ACTUAL	2015-2016 ACTUAL	DIFFERENCE	% Inc.
Supplemental	\$ 496,377	\$ 500,912	\$ 4,535	0.91%
Tort	3,811	3,531	(280)	-7.34%
Non-Levied Taxes	9,698	12,476	2,778	28.65%
Penalty & Interest	4,126	4,910	784	18.99%
Investment Earnings	653	1,723	1,070	163.85%
Other Local Revenue	71,584	76,283	4,699	6.56%
State Apportionment	1,151,855	1,190,865	39,010	3.39%
Transportation Support	184,918	193,296	8,378	4.53%
Benefit Apportionment	159,269	166,536	7,267	4.56%
Other State Support	122,411	127,899	5,488	4.48%
Lottery/State Maintenance	11,852	18,420	6,568	55.42%
Taxes in Lieu of	8,733	8,733	(0)	-0.01%
Medicaid Revenue	<u>3,809</u>	<u>13,012</u>	<u>9,203</u>	<u>241.62%</u>
Total Revenue	<u>\$2,229,096</u>	<u>\$2,318,597</u>	<u>89,501</u>	<u>6.85%</u>

COMPARES 2014-2015 WITH 2015-2016 EXPENDITURES  
GENERAL FUND EXPENDITURES

BUDGET CATEGORY	2014-2015 Actual	2015-2016 Actual	% Inc/Dec
SALARY	\$1,159,431	\$1,179,385	1.72%
BENEFITS	404,137	414,619	2.59%
OPERATING EXPENSE	534,467	582,790	9.04%
OTHER EXPENSE	<u>79,683</u>	<u>68,347</u>	-14.23%
TOTAL ALL EXPENSES	<u>\$2,177,718</u>	<u>\$2,245,141</u>	3.10%

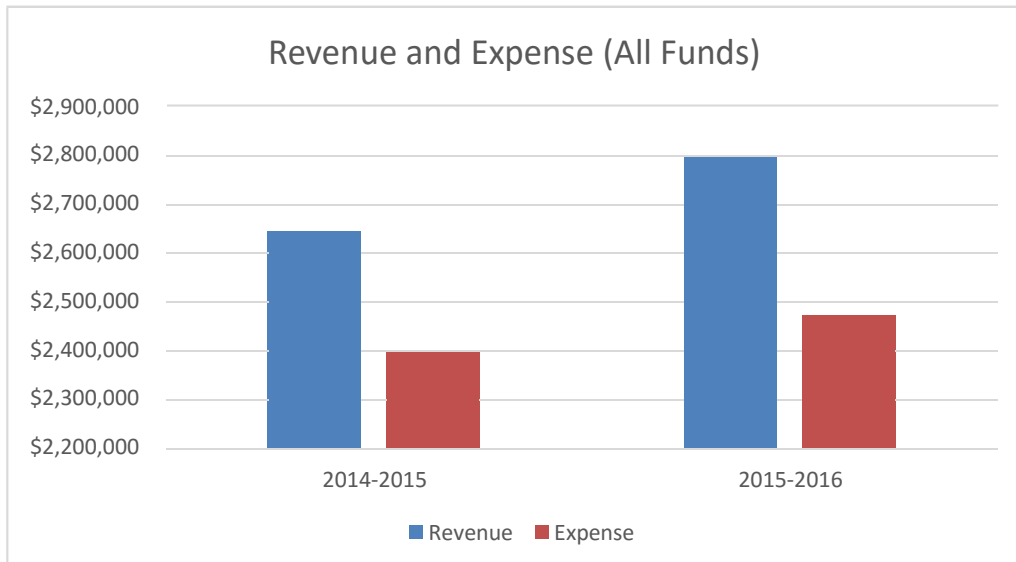


COMPARE 2014-2015 WITH 2015-2016 ACTUAL REVENUES  
ALL FUNDS  
Revenue Breakdown by Fund

FUND CATEGORY	2014-2015 Actual	2015-2016 Actual	DIFFERENCE	% Inc/Dec
Beginning Balance	\$ 167,554	\$ 233,082		
General Fund	2,229,096	2,318,597	\$ 89,501	4.02%
Forest Fund	3,977	7,214	3,237	81.40%
Title I-A	45,998	45,514	(484)	-1.05%
Part B	42,701	42,859	158	0.37%
Part B Preschool	2,255	2,261	6	0.27%
REAP	9,570	10,999	1,429	14.93%
Improve Teach Quality	12,229	20,596	8,367	68.42%
Food Service	88,495	74,296	(14,199)	-16.05%
Plant	40,051	40,030	(21)	-0.05%
<b>Total All Funds</b>	<b><u>\$2,641,926</u></b>	<b><u>\$2,795,448</u></b>	<b>153,522</b>	<b>5.81%</b>

COMPARE 2014-2015 WITH 2015-2016 ACTUAL REVENUES  
ALL FUNDS  
Expense Breakdown by Fund

FUND CATEGORY	2014-2015 Actual	2015-2016 Actual	DIFFERENCE	% Inc.
General Fund	\$2,177,710	\$2,245,141	\$ 67,431	3.10%
Forest Fund	-	-	-	0.00%
Title I-A	45,998	45,514	(484)	-1.05%
Part B	42,701	42,859	158	0.37%
Part B Preschool	2,255	2,261	6	0.27%
REAP	9,570	10,999	1,429	14.93%
Improve Teach Quality	12,229	20,596	8,367	68.42%
Food Service	88,495	74,296	(14,199)	-16.05%
Plant	<u>29,886</u>	<u>30,031</u>	145	0.48%
<b>Total All Funds</b>	<b><u>\$2,408,844</u></b>	<b><u>\$2,471,697</u></b>	<b>\$ 62,853</b>	<b>2.61%</b>



**Highland Joint School District No. 305**  
**Statement of Net Position**  
**June 30, 2016**

<b>Assets</b>	<b>Governmental Activities</b>
Cash	43,902
Investments	323,181
Receivables	
Accounts	10,398
Property Taxes	196,509
Intergovernmental	48,992
Capital Assets, Not Being Depreciated	
Land	75,000
Capital Assets, Net of Accumulated Depreciation	
Depreciable Capital Assets	609,338
Total Assets	<u>1,307,320</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pensions	<u>364,454</u>
<b>Liabilities</b>	
Accounts Payable	33,938
Accrued Salaries and Benefits	220,116
Intergovernmental Payable	34
Net Pension Liability	560,209
Total Liabilities	<u>814,297</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pensions	<u>361,343</u>
<b>Net Position</b>	
Net Investment in Capital Assets	684,338
Restricted	
Capital Projects	51,880
Unrestricted	(240,084)
Total Net Position	<u><u>496,134</u></u>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<u><b>Functions/Programs</b></u>	<u><b>Program Revenues</b></u>			<u><b>Total</b></u>	<u><b>Net (Expense) Revenue and</b></u>
	<u><b>Expenses</b></u>	<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Capital Grants and Contributions</b></u>	<u><b>Governmental Activities</b></u>
Governmental Activities					
Instruction	1,224,119	1,592	26,625		(1,195,902)
Non-Instruction					
Support Services	222,144		55,426		(166,718)
Administration	266,616				(266,616)
Maintenance and Operations	370,825		7,537		(363,288)
Transportation	272,103		193,296		(78,807)
Food Service	74,296	17,207	57,089		
Total Governmental Activities	<u>2,430,103</u>	<u>18,799</u>	<u>339,973</u>		<u>(2,071,331)</u>
<u><b>General Revenues</b></u>					
Property Taxes					558,544
State and Federal Revenues					1,549,191
Unrestricted Investment Earnings					1,723
Miscellaneous					117,863
Total General Revenues					<u>2,227,321</u>
Change in Net Position					155,990
Net Position, Beginning of Year, Restated (Note I.G.)					340,144
Net Position, End of Year					<u>496,134</u>

The notes to the financial statements are an integral part of this statement.

Highland Joint School District No. 305  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash	4,961	20,236	18,705	43,902
Investments	301,625	21,556		323,181
Property Taxes Receivable	182,927	13,582		196,509
Intergovernmental Receivable	48,992			48,992
Accounts and Other Receivables	10,298		100	10,398
Due From Other Funds			49,975	49,975
Total Assets	<u>548,803</u>	<u>55,374</u>	<u>68,780</u>	<u>672,957</u>
				+ 100m
<b>Liabilities</b>				
Accounts Payable	33,938			33,938
Accrued Salaries and Benefits	201,311		18,805	220,116
Intergovernmental Payable	34			34
Due To Other Funds	49,974			49,974
Total Liabilities	<u>285,256</u>		<u>18,805</u>	<u>304,061</u>
				-15
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	41,651	3,494		45,145
Total Deferred Inflows of Resources	<u>41,651</u>	<u>3,494</u>		<u>45,145</u>
<b>Fund Balances</b>				
Restricted				
Capital Projects		51,880		51,880
Unassigned	221,896		49,975	271,871
Total Fund Balances	<u>221,896</u>	<u>51,880</u>	<u>49,975</u>	<u>323,751</u>
				+ 91m
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>548,803</u>	<u>55,374</u>	<u>68,780</u>	<u>672,957</u>

The notes to the financial statements are an integral part of this statement.



**Highland Joint School District No. 305**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2016**

Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because:

<b>Total Fund Balances - Governmental Funds (page 5)</b>		323,751
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		684,338
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		
Property Taxes		45,143
Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.		
Deferred Pension Outflows	364,454	
Net Pension Liability	(560,209)	
Deferred Pension Inflows	(361,343)	
Total	(557,098)	(557,098)
<b>Total Net Position of Governmental Activities (page 3)</b>		<b>496,134</b>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property Taxes	521,830	40,030		561,860
Intergovernmental, State	1,705,749			1,705,749
Intergovernmental, Federal	13,012		170,403	183,415
Investment Earnings	1,723			1,723
Miscellaneous	76,283		17,207	93,490
Total Revenues	<u>2,318,597</u>	<u>40,030</u>	<u>187,610</u>	<u>2,546,237</u>
<b>Expenditures</b>				
Current				
Instruction	1,115,373		122,229	1,237,602
Non Instruction				
Pupil Support	113,071			113,071
Staff Support	84,728			84,728
Food Service			74,296	74,296
Administrative	266,616			266,616
Business Operations	113,293			113,293
Plant Operations	145,929	7,693		153,622
Maintenance	81,572			81,572
Pupil Transportation	272,103			272,103
Capital Outlays	36,329	22,338		58,667
Total Expenditures	<u>2,229,014</u>	<u>30,031</u>	<u>196,525</u>	<u>2,455,569</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,583</u>	<u>9,999</u>	<u>(8,915)</u>	<u>90,668</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	(16,128)		16,128	
Total Other Financing Sources (Uses)	<u>(16,128)</u>		<u>16,128</u>	
Net Change in Fund Balances	73,455	9,999	7,214	90,668
Fund Balances, Beginning of Year	148,441	41,881	42,761	233,083
Fund Balances, End of Year	<u>221,896</u>	<u>51,880</u>	<u>49,975</u>	<u>323,751</u>

+ 89.5M

Same

+8M

+ 77349

Same

School Lunch  
-10M

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

Amounts reported for governmental activities in the Statement of Activities (page 4) are different because:

<b>Net Change in Fund Balances - Total Governmental Funds (Page 7)</b>		90,668
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		25,467
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(3,317)	
Net Pension Contribution Expense	43,172	
Total	39,855	39,855
<b>Change in Net Position of Governmental Activities (Page 4)</b>		<b>155,990</b>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	<b>Private Purpose Trust Funds</b>	<b>Agency</b>
<b>Assets</b>		
Cash	172	22,622
Investments	15,137	34,383
Accounts Receivable		3,792
	15,309	60,797
<b>Liabilities</b>		
Due To Student Groups		60,797
		60,797
<b>Net Position</b>		
Net Position Held in Trust for Scholarships	15,309	

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<b>Private Purpose Trust Funds</b>	
	<b>Wilfong Athletic Fund</b>	<b>Highland Foundation</b>
<b>Additions</b>		
Investments Earnings		
Interest	6	48
Total Investment Earnings	6	48
Total Additions	6	48
<b>Deductions</b>		
Change in Net Position	6	48
Net Position, Beginning of Year	2,008	13,247
Net Position, End of Year	2,014	13,295

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Notes to the Financial Statements**  
**June 30, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Highland Joint School District No. 305 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below:

**A. Reporting Entity**

Highland Joint School District No. 305 is organized under the laws of the State of Idaho and operates under a Board of Trustees-Superintendent form of government and provides educational facilities, materials and all personnel necessary for administration, maintenance and instruction. Highland Joint School District No. 305's Board of Trustees is the basic level of government which has oversight responsibility and control over all activities related to public school education in the District which covers part of Lewis, Idaho, and Nez Perce Counties. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in GAAP and defined in GASB Statement No. 14. Based on the application of these criteria, there were no component units included with the reporting entity. Also, the District is not included in any governmental "reporting entity" as defined by GASB pronouncements.

**B. 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 nonfiduciary activities of the District. 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 expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among the program revenues are reported instead 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.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned (including property taxes in the period for which levied), and expenses are recognized when a liability is incurred regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of capital lease obligations are recorded as a reduction in liabilities. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means 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 30 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, early retirement, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes, special assessments, certain grants, state support, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

*Financial Statement Presentation-Fund Accounting.* A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. The District uses funds to report results of operations and financial position as well as demonstrate compliance with legal, contractual and regulatory requirements.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all activities and financial resources of the District except those accounted for in another fund.
- The *capital projects fund* accounts for the accumulation of resources from property taxes and use these resources for acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Non-major funds are included in *Nonmajor Governmental Funds*. The District's nonmajor governmental funds are special revenue funds that account for resources provided by other entities to be used for specific purposes.

Additionally the District has the following fiduciary funds:

Matthew Wilfong Trust	Private Purpose Trust Fund
Highland Foundation	Private Purpose Trust Fund
Student Activities Fund	Agency Fund

- *Private purpose trust funds* account for assets where both the principal and income benefit individuals, private organizations, or other governments.
- *Agency Funds* account for assets held on behalf of student groups.

#### **D. Uses of Estimates**

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

#### **E. Assets, Liabilities, Deferred Inflow of Resources, and Net Position or Equity**

##### **1. Deposits and Investments**

The District maintains its accounts at local financial institutions and the Local Government Investment Pool. The District's cash is considered to be cash on hand and cash in checking accounts. Investments are deposits with the State of Idaho's Local Government Investment Pool and deposits in savings accounts. The fair value of the District's investments is not materially different from the reported amounts, which are the carrying values.

##### **2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

Property taxes are levied as of the third Monday of September on property values assessed as of January 1. The levy is billed and due in two installments, December 20<sup>th</sup> and June 20<sup>th</sup> of the following year. The billings are considered past due the day after the due dates, at which time the applicable property is subject to lien, and the billing is subject to penalties and interest.

##### **3. Capital Assets**

Capital assets, which include land, buildings, site improvements, and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair value at the date of donation.



The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the capital assets.

Major outlays for capital assets and site improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, site improvements, and equipment of the District are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Site Improvements	8-30
Elementary Equipment	5-20
High School Equipment	5-20

#### **4. Compensated Absences**

Certified and non-certified personnel do not earn or accrue vacation time. Classified employees of the District are entitled to paid vacation, paid sick days, and personal days off, depending on the job classification, length of service, and other factors. The District's employment plan does not allow for payment of accumulated vacation or sick pay upon employee's termination. Therefore, no accrued vacation or sick leave is shown as a liability.

#### **5. Long-Term Obligations**

The District is not obligated for special assessment debt.

#### **6. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies or reporting in this category. Accordingly, the item, *unavailable revenue – property tax*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **7. Comparative Totals**

Comparative totals for the prior year have been presented in selected sections of the accompanying fund financial statements in order to provide an understanding of the changes in the District's financial position and operations.

#### **8. 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.

**F. Restricted Assets**

*Capital Projects Fund.* Restricted assets in the amount of \$51,880 are reported in the Capital Projects Fund (Plant Facilities Fund). The voter approved property tax levy mandates the taxes be accounted for in a separate fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

**G. Restatement**

Effective for 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement Number 68. Implementation of this new accounting standard required a restatement of beginning net position for net pension liability and deferred outflows – pension contributions. Previously, these items were not reported. In 2015, the balance was restated incorrectly, the above restatements had the following impact on the previously reported Net Position.

<u>Statement of Activities</u>	<u>Governmental Activities</u>
Net Position, June 30, 2014, as previously reported	855,238
Net Position, June 30, 2015, originally restated	155,737
Net Position, June 30, 2015, corrected restatement	340,144

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

For the year ended June 30, 2016, the carrying value of the District's deposits with financial institutions was \$439,539, and the financial institutions' balances were \$423,299. The financial institutions' balances are categorized as follows:

Cash

Amounts insured by the FDIC held by banks in the District's name.	50,596
---	--------

Investments

Amounts collateralized with securities not held in the District's name, including funds held by the State of Idaho's Local Government Investment Pool.	372,703
	423,299

The carrying value of the District's deposits, cash on hand, and investments at June 30, 2016 that appear in the financial statements are summarized as follows:

<u>Governmental Funds</u>		
Cash on Hand	100	
Deposits	43,973	
Investments	<u>323,182</u>	<u>367,255</u>
 <u>Fiduciary Funds</u>		
Deposits - Student Activities Fund	22,592	
Deposits - Trusts	172	
Investments - Trusts	15,137	
Investments - Student Activities Fund	<u>34,383</u>	<u>72,284</u>
Total Deposits and Investments		
Total Cash on Hand, Deposits, and Investments		<u><u>439,539</u></u>

The Student Activities Fund also has a stock certificate that was gifted in 2001 to the students for community fund raising efforts for the bowling alley in Craigmont. The certificate is for shares of stock in Prairie Bowl, Inc. The fair value of this certificate when received was \$2,000. This is included with the Student Activities investments in the financial statements. The fair value of the District's shares in the Local Government Investment Pool is not materially different from cost which is the amount used on the financial statements.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The District does not have a written policy regarding interest rate risk.

#### Credit Risk

State law limits the amount of credit risk by restricting governments to specific investment types as listed in Idaho Statutes Section 67-1210 and 67-1210A. The District's practice is to place funds in the Local Government Investment Pool (LGIP). The LGIP is permitted to invest in fully collateralized certificates of deposit, certain obligations of the United States, certain repurchase/reverse repurchase agreements, and other types of investments. The fair value of the investments in the pool is the same as the value of the pool shares. Credit risk defined as the risk that an issuer or other counterparty to an investment in debt securities will not fulfill its obligations. The District does not have a written investment policy on credit risk.

#### Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has placed 73.213% of its investments within the Local Government Investment Pool. The District does not have a written policy on concentration of credit risk.

## Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of the failure of the depository financial institution, the District will not be able to recover the value of its investment (related securities that are held by an outside party). The District does not have a written investment policy covering custodial credit risk. Idaho Statutes 67-1210 and 67-1210A requires that the District's foremost objective be safety of principle.

## **B. Property Taxes**

Real and personal property taxes attach as an enforceable lien on property as of January 1. Real and personal property taxes are levied on the third Monday in September and are due in two equal installments on December 20th and June 20th of the following year and are considered delinquent the day following the due date. Interest and penalty charges begin on the day following the installment due date. Nez Perce, Idaho and Lewis Counties bill and collect taxes and remit them to the District in the month following collection by the counties. District property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end. Taxes collected after 30 days are reported as deferred revenue. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. A lien may be filed on the property three years from the date of delinquency.

## **C. Receivables**

Receivables at June 30, 2016 consist of the following:

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
Receivables:				
Property Taxes	182,927	13,582		196,509
Intergovernmental Receivable	48,992			48,992
Accounts and Other Receivables	10,298		100	10,398
Due from Other Funds			49,975	49,975
	<u>242,217</u>	<u>13,582</u>	<u>50,075</u>	<u>305,874</u>

Amounts of intergovernmental receivables are categorized as follows:

	State	Federal	Total
General Fund	48,992		48,992
Nonmajor Governmental Funds Title I, ESEA			-
	<u>48,992</u>	<u>-</u>	<u>48,992</u>

## **D. Capital Assets**

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 1/6/1900
Capital Assets, Not Being Depreciated				
Land	75,000			75,000
Total Capital Assets, Not Being Depreciated	75,000			75,000
Capital Assets, Being Depreciated				
Site Improvements	164,781			164,781
Buildings	1,345,395	18,377		1,363,772
Elementary Equipment	69,067	24,822		93,889
High School Equipment	267,283		59,000	208,283
Total Capital Assets, Being Depreciated	1,846,526	43,199	59,000	1,830,725
Less Accumulated Depreciation				
Site Improvements	(41,785)	(5,846)		(47,631)
Buildings	(947,106)	(15,258)		(962,364)
Elementary Equipment	(55,141)	(2,610)		(57,751)
High School Equipment	(218,623)	(5,523)	70,505	(153,641)
Total Accumulated Depreciation	(1,262,655)	(29,237)	70,505	(1,221,387)
Total Capital Assets Being Depreciated, Net	583,871	13,962	129,505	609,338
Capital Assets, Net	658,871	13,962	129,505	684,338

#### E. Interfund Receivables and Payables

The composition of interfund receivables and payables due to deficit balances in the shared cash accounts as of June 30, 2016 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund		49,975
Nonmajor Governmental Funds:		
Federal Forest Fund	49,975	
Title I-A, ESEA		
Title IV-B, IDEA Part B		
Title II-A, ESEA		
	49,975	49,975

These interfund receivables and payables are not expected to be repaid.

#### F. Interfund Transfers

The General Fund transfers annually to the school lunch program an amount equal to the employer social security and Medicare taxes of the school lunch wages. The transfer for the year ended June 30, 2016 was \$1,492. Transfers for operating deficit totaled \$14,636.

#### G. Operating Leases

The District has entered into the following copier operating lease agreements that include toner:

<u>Equipment</u>	<u>Term</u>	<u>Cost</u>
Ricoh Aficio MP7001 Copier June 28, 2011	60 Months	\$375.28 per month plus .0045 per copy
Cannon MP2503B Copier April 22, 2015	60 Months	\$109.65 per month plus .00720 per copy

Current lease operating costs are as follows:

	<u>MP7001</u>	<u>MP2503B</u>	<u>Total</u>
Lease Payments	4,503	1,316	5,819
Copy Costs	2,025	747	2,772
Total	<u>6,528</u>	<u>2,063</u>	<u>8,591</u>

Remaining future lease payments for the lease agreements excluding copy costs are:

	<u>MP2503B</u>	<u>Total</u>
2017	1,316	1,316
2018	1,316	1,316
2019	1,316	1,316
2020	1,315	1,315
Total	<u>5,263</u>	<u>5,263</u>

#### H. Fund Equity

The District has adopted GASB 54 as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The District does not have nonspendable resources. The hierarchy for spendable fund balances is as follows:

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints by the Board of Trustees of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund and the federal forest fund that are not constrained for any particular purpose.

When restricted and unrestricted (committed, assigned, or unassigned) resources are available, restricted resources are generally considered to be used first, followed by committed, assigned, and unassigned resources as they are needed.

Spendable: The District has classified its spendable fund balances as Restricted and Unassigned and considers each to have been spent when expenditures are incurred. The District currently has no fund balances classified as *Committed or Assigned*.

- Restricted for Programs and Capital Projects:

Federal laws and local ordinances require that certain revenues be specifically designed for the purposes of state and federal categorical programs and capital projects. The restricted fund balance in the Capital Projects Fund is \$51,880.

- Unassigned Items:

Unassigned items represent the remainder of the District's equity in governmental type fund balances. Unassigned balances include the General Fund balance of \$221,896 and the Federal Forest fund balance of \$49,974 reported in the Nonmajor Governmental Funds.

### III. OTHER INFORMATION

#### A. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

#### B. Contingent Liabilities

##### Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

## C. Employee Pension Plans

### *Plan Description*

The Highland Joint School District No. 305 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 of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board 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) if current rates are actuarially determined to be inadequate or in excess 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, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general



employees and 11.66% for police and firefighters. The District contributions were \$137,880 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2015, the District's proportion was 0.000425420 percent.

For the year ended June 30, 2016, the District recognized pension expense (revenue) of (\$111,635). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$206,172	\$294,186
Changes in assumptions or other inputs	\$20,402	\$0
Net difference between projected and actual earnings on pension plan investments	\$0	\$67,157
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$0	\$0
District contributions subsequent to the measurement date	\$137,880	\$0
<b>Total</b>	<b><u>\$364,454</u></b>	<b><u>\$361,343</u></b>

\$364,454 is reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years and 5.6 for the measurement period June 30, 2014.

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, 2015:

2016	(\$57,466)
2017	(\$57,466)
2018	(\$57,466)
2019	\$41,710
2020	(\$4,081)

### *Actuarial Assumptions*

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

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation for that date.

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation.

The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

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

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Term Expected Real Rate of Return</b>
Core Fixed Income	Barclasy Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
*Arithmetic return			
<b>Actuarial Assumptions</b>			
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Geometric Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

#### *Discount Rate*

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

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

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

June 30, 2015	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$1,364,465	\$560,209	(\$108,424)

*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. The report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

*Payables to the pension plan*

At June 30, 2016, the District reported no payables to the defined benefit pension plan for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**D. Subsequent Event and Contingent Liability**

During the year 2009 the Idaho Department of Administration awarded the Idaho Education Network contract to Qwest and ENA. The losing bidders filed suit and the contract was declared void in 2015. Highland Joint School District No. 305 was receiving VOIP phone service under the same contract. ENA had only billed the District for the 20% non-E-rate portion for the phone service from inception in July 2013 through March 2015. The District then purchased the phone equipment in July 2015. On August 19, 2015 ENA filed suit against the State of Idaho and 37 school districts for non-payment of additional services purchased under the same contract. The District was among the named districts and the amount in question is the E-rate portion of \$12,336.80 of service. The non-E-rate portion of \$3,084.20 was paid on a monthly basis. On August 23, 2016 the Idaho Attorney General filed suit to reclaim amounts already paid under the voided contract. If that suit was successful, Highland Joint School District would be due the \$3,084.20 already paid.

Management has evaluated subsequent events through September 12, 2016, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund			Capital Projects Fund		
	Budgeted Amounts Original and Final	Actual	Variance With Final Budget Positive (Negative)	Budgeted Amounts Original and Final	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>						
Property Taxes	509,717	521,830	12,113	40,000	40,030	30
Intergovernmental, State	1,714,014	1,705,749	(8,265)			
Intergovernmental, Federal		13,012	13,012			
Interest	600	1,723	1,123			
Other	76,849	76,283	(566)			
Total Revenues	2,301,180	2,318,597	17,417	40,000	40,030	30
<b>Expenditures</b>						
Current						
Instruction	1,148,172	1,115,373	32,799			
Non-Instruction						
Pupil Support	115,421	113,071	2,350			
Staff Support	84,303	84,728	(425)			
Administrative	263,474	266,616	(3,142)			
Business Operations	113,959	113,293	666	15,000	7,693	7,307
Plant Operations	140,790	145,929	(5,139)			
Maintenance	86,463	81,572	4,891			
Pupil Transportation	304,000	272,103	31,897			
Capital Outlays	24,492	36,329	(11,837)	56,500	22,338	34,162
Contingency	120,430	120,430				
Total Expenditures	2,401,504	2,229,014	172,490	71,500	30,031	41,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,324)	89,583	189,907	(31,500)	9,999	41,499
<b>Other Financing Sources (Uses)</b>						
Transfers (Out)	(7,176)	(16,128)	(8,952)			
Total Other Financing Sources (Uses)	(7,176)	(16,128)	(8,952)			
Net Change in Fund Balances	(107,500)	73,455	180,955	(31,500)	9,999	41,499
Fund Balance, Beginning of Year	107,500	148,441	40,941	31,500	41,881	10,381
Fund Balance, End of Year		221,896	221,896		51,880	51,880

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305  
Required Supplementary Information  
June 30, 2016**

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

	2016	2015
Employer's portion of the net pension liability	0.0425420%	0.0435447%
Employer's proportionate share of the net pension liability	560,209	320,557
Employer's covered-employee payroll	1,222,739	1,191,590
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.82%	26.90%
Plan fiduciary net position as a percentage of the total pension liability	94.95%	94.95%

Data reported is measured as of June 30, 2015

\*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.

**Schedule of Employer's Contribution  
PERSI-Base Plan  
Last 10-Fiscal Years\***

	2016	2015
Statutorily required contribution	139,149	134,888
Contributions in relation to the statutorily required contribution	136,656	134,888
Contribution (deficiency) excess	2,493	-
Employer's covered-employee payroll	1,222,739	1,191,590
Contributions as a percentage of covered-employee payroll	11.18%	11.32%

Data is reported as of June 30, 2016.

\*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.

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Notes to Required Supplementary Information**  
**June 30, 2016**

**I. Budgetary Information**

**A. Budgetary Basis of Accounting**

The District is required by state law to adopt annual budgets for the General Fund, Capital Projects Fund, and Nonmajor Governmental Funds. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The Board of Trustees follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District superintendent submits to the Board a proposed budget for the year commencing the following July 1 and publish the proposed budget for public review at least 28 days prior to the annual budget meeting.
2. A public budget hearing is set to obtain taxpayers' comments.
3. The final budget is adopted by resolution of the Board at the regular meeting of the Board of Trustees and published within 14 days after the public hearing.
4. The final budget is filed with the State Department of Education prior to July 15.
5. Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the Superintendent, can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget.
6. Expenditures may not legally exceed budgeted appropriations at the fund level.

All appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Other Governmental Funds, and Capital Projects Funds.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2016, the District did not have any funds that had excess of expenditures over appropriations.



## OTHER SUPPLEMENTARY INFORMATION

Highland Joint School District No. 305  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2016

With Comparative Totals for June 30, 2015

	Title I-A, ESEA	Title VI-B, IDEA - Part B	Title VI-B, IDEA - Part B Preschool	Title VI-B, ESEA, REAP
<b>Assets</b>				
Cash	3,213	6,739	624	1,766
Intergovernmental Receivable				
Accounts Receivable				
Due From Other Funds	49,975			
<b>Total Assets</b>	<u>49,975</u>	<u>6,739</u>	<u>624</u>	<u>1,766</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable				
Accrued Salaries and Benefits	3,213	6,739	624	1,766
Due To Other Funds				
Total Liabilities	<u>3,213</u>	<u>6,739</u>	<u>624</u>	<u>1,766</u>
<b>Fund Balances</b>				
Unassigned	49,975			
Total Fund Balances	<u>49,975</u>			
<b>Total Liabilities and Fund Balances</b>	<u>49,975</u>	<u>6,739</u>	<u>624</u>	<u>1,766</u>

The notes to the financial statements are an integral part of this statement.

(Continued)

Highland Joint School District No. 305  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2016

With Comparative Totals for June 30, 2015  
 (Continued)

	Federal Title II-A, ESEA	Food Service	Totals	
			2016	2015
<b>Assets</b>				
Cash		6,363	18,705	12,180
Intergovernmental Receivable				16,673
Accounts Receivable		100	100	10,438
Due From Other Funds			49,975	38,783
<b>Total Assets</b>		<b>6,463</b>	<b>68,780</b>	<b>78,074</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable				445
Accrued Salaries and Benefits		6,463	18,805	22,153
Due To Other Funds				12,716
<b>Total Liabilities</b>		<b>6,463</b>	<b>18,805</b>	<b>35,314</b>
<b>Fund Balances</b>				
Unassigned			49,975	42,760
<b>Total Fund Balances</b>			<b>49,975</b>	<b>42,760</b>
<b>Total Liabilities and Fund Balances</b>		<b>6,463</b>	<b>68,780</b>	<b>78,074</b>

The notes to the financial statements are an integral part of this statement.

Highland Joint School District No. 305  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For The Year Ended June 30, 2016  
 With Comparative Totals for the Year Ended June 30, 2015

	Federal Forest Funds	Title I-A, ESEA	Title VI-B, IDEA - Part B	Title VI-B, IDEA - Part B Preschool	Title VI-B, ESEA, REAP
<b>Revenues</b>					
Lunch and Breakfast Sales	7,214	45,514	42,859	2,261	10,999
Intergovernmental, Federal Grant Funds	7,214	45,514	42,859	2,261	10,999
<b>Total Revenues</b>					
<b>Expenditures</b>					
Instruction					
Salaries		34,623	26,832	645	7,057
Benefits		10,891	16,027	1,616	3,942
Purchased Services					
Supplies and Materials					
Total Instruction		45,514	42,859	2,261	10,999
Non-Instruction					
Support Services					
Salaries					
Benefits					
Supplies and Materials					
Food Service					
Salaries					
Benefits					
Purchased Services					
Supplies and Materials					
Total Non-Instruction					
<b>Total Expenditures</b>		45,514	42,859	2,261	10,999

The notes to the financial statements are an integral part of this statement.

(Continued)

Highland Joint School District No. 305  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For The Year Ended June 30, 2016  
 With Comparative Totals for the Year Ended June 30, 2015  
 (Continued)

	Federal Forest Funds	Title I-A, ESEA	Title VI-B, IDEA - Part B	Title VI-B, IDEA - Part B Preschool	Title VI-B, ESEA, REAP
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,214				
<b>Other Financing Sources (Uses)</b> Transfers In					
Total Other Financing Sources and (Uses)					
Net Change in Fund Balances	7,214				
Fund Balances, Beginning of Year	42,761				
Fund Balances, End of Year	49,975				

The notes to the financial statements are an integral part of this statement.  
 (Continued)  
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Highland Joint School District No. 305  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For The Year Ended June 30, 2016  
 With Comparative Totals for the Year Ended June 30, 2015  
 (Continued)

	Federal Title II-A, ESEA	Food Service	Totals	
			2016	2015
<b>Revenues</b>				
Lunch and Breakfast Sales		17,207	17,207	18,390
Intergovernmental, Federal Grant Funds	20,596	40,960	170,403	160,790
Total Revenues	20,596	58,167	187,610	179,180
<b>Expenditures</b>				
Instruction				
Salaries			69,157	68,329
Benefits			32,476	32,395
Purchased Services	20,596		20,596	11,870
Supplies and Materials			0	159
Total Instruction	20,596		122,229	112,753
Non-Instruction				
Support Services				
Salaries				
Benefits				
Supplies and Materials				
Food Service				
Salaries		19,502	19,502	19,479
Benefits		19,912	19,912	20,519
Purchased Services		190	190	190
Supplies and Materials		34,692	34,692	48,306
Total Non-Instruction		74,295	74,295	88,494
Total Expenditures	20,596	74,295	196,524	201,247

The notes to the financial statements are an integral part of this statement.  
 (Continued)

**Highland Joint School District No. 305**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For The Year Ended June 30, 2016**  
**With Comparative Totals for the Year Ended June 30, 2015**  
 (Continued)

	Federal Title II-A, ESEA	Food Service	2016	2015
Excess (Deficiency) of Revenues Over (Under) Expenditures		(16,128)	(8,914)	(22,067)
<b>Other Financing Sources (Uses)</b>				
Transfers In		16,128	16,128	26,044
Total Other Financing Sources and (Uses)		16,128	16,128	26,044
Net Change in Fund Balances			7,214	3,977
Fund Balances, Beginning of Year			42,761	38,783
Fund Balances, End of Year			49,975	42,760

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Fiduciary Net Position**  
**All Trust and Agency Funds**  
**June 30, 2016**

	Private Purpose Trust Funds		Agency
	Wilfong Athletic Fund	Highland Foundation	Student Activity Funds
<b>Assets</b>			
Cash		172	22,622
Investments	2,014	13,123	34,383
Accounts Receivable			3,792
<b>Total Assets</b>	<b>2,014</b>	<b>13,295</b>	<b>60,797</b>
<b>Liabilities</b>			
Due to Student Groups			60,797
<b>Total Liabilities</b>			<b>60,797</b>
<b>Net Position</b>			
Net Position Held in Trust for Scholarships	<b>2,014</b>	<b>13,295</b>	

The notes to the financial statements are an integral part of this statement.



**Highland Joint School District No. 305**  
**Agency Funds**  
**Schedule of Receipts and Disbursements**  
**For the Year Ended June 30, 2016**

<b>Student Activity Fund</b>	<b>Beginning Balance 7/1/2015</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Ending Balance 6/30/2016</b>
<b>Assets</b>				
Cash and Investments				
Music	991	2,580	1,298	2,273
Student Council		15,927	10,159	5,768
Student Recognition		2,415	373	2,043
Band Instrument Fees		205		205
Cash Boxes		1,500	1,925	(425)
Events Passes		830	830	
Annual Staff	657	2,766	3,033	390
Cheerleaders	1,143	520	717	946
Boys Basketball	1,229	9,073	7,503	2,799
Girls Basketball	39	3,158	3,121	76
Business Prof. Assoc.	1,570	6,024	6,791	803
Honor Society	121	578	386	313
Uniforms	787	4,995	4,918	864
Volleyball		2,917	1,656	1,261
At-Risk Fund	701	565	90	1,176
Track		2,543	1,586	957
Baseball Fund		4,077	4,077	
Spanish Club	1,056		1,056	
Softball		603	603	
Elementary	2,332	1,533	415	3,450
JH Girls Basketball	642		642	
JH Boys Basketball	993		993	
JH Volleyball	997		997	
Pop Machines	2,620	360		2,980
F.C.C.L.A.		1,224	1,224	
Embroidery Club	238		238	
Fine Arts Club	619		619	
Dance Team	60		60	
Fine Arts-Drama	318	497	463	352
Student Newspaper	95		95	
Science Club		1,782	1,782	
Concessions	373	9,477	9,508	342
FFA	4,168	14,734	14,268	4,634
Greenhouse Project	2,111	1,157	1,968	1,300
Elementary Library	51			51
Elementary Field Trips	686			686
Community Service	144			144
Wrestling	108		108	
Cross Country		40	40	
Tennis	6		6	
HOSA		100	100	
Reader Board	1,321	1,686		3,007
Student Athlete Scholar	50			50

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Agency Funds**  
**Schedule of Receipts and Disbursements**  
**For the Year Ended June 30, 2016**  
(Continued)

<u>Student Activity Fund</u>	<u>Beginning Balance 7/1/2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/2015</u>
<b>Assets</b>				
Cash and Investments (Continued)				
NYC Trip	307	2,926	3,233	
Shakespeare Performances		800		800
Senior Class	2,060	14,292	14,273	2,079
Junior Class	597	1,002	25	1,574
Sophomore Class	629	45	239	435
Freshman Class	177	454		631
8th Graders	252	126	62	316
7th Graders	226	50	191	85
6th Graders	35	842		877
Alumni 1998	9			9
Alumni 2002	380			380
Alumni 2004	557			557
Alumni 2005	585		79	506
Alumni 2006	342			342
Alumni 2007	258			258
Alumni 2008	114			114
Alumni 2009	566			566
Alumni 2010	1,045			1,045
Alumni 2011	648			648
Alumni 2012	186			186
Graduation 2022	877		877	
Alumni 2013	480			480
Graduation 2023	592			592
Alumni 2014	785			785
Alumni 2015		2,060	500	1,560
Graduation 2024		7,083	7,059	24
Reserve	532	10,295	10,740	87
Interest - Checking	71	1		72
Cash Caps - Pepsi	865	1,224		2,089
Investment Pool Interest	72	2,317	1,112	1,277
Sales Tax		2,511	1,602	909
Total Cash in Bank	<u>39,474</u>	<u>139,893</u>	<u>123,640</u>	<u>55,729</u>
Investments (Stock Certificate)	<u>2,000</u>			<u>2,000</u>
Total Investments	<u>2,000</u>			<u>2,000</u>
Pepsi School Vendor Rebate	<u>2,699</u>	<u>370</u>		<u>3,069</u>
Total Accounts Receivable	<u>2,699</u>	<u>370</u>		<u>3,069</u>
<b>Total Agency Funds</b>	<u><u>44,173</u></u>	<u><u>140,263</u></u>	<u><u>123,640</u></u>	<u><u>60,797</u></u>

The notes to the financial statements are an integral part of this statement.

*John Goffinet*  
*Steve R. Clack*

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83544-0629

**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  
Highland Joint School District No. 305  
Craigmont, 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 Highland Joint School District No. 305, State of Idaho, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Highland Joint School District No. 305, State of Idaho's basic financial statements, and have issued our report thereon dated September 12, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Highland Joint School District No. 305, State of Idaho'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 Highland Joint School District No. 305, State of Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of Highland Joint School District No. 305, State of Idaho'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 Highland Joint School District No. 305, State of Idaho'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 intended 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.

September 12, 2016



Goffinet and Clack, Chartered  
Certified Public Accountants