

SWAN VALLEY SCHOOL DISTRICT #92

**Report on Audit of Basic Financial Statements,
Required Supplemental Information,
And Supplemental Information**

For the Year Ended June 30, 2014

SWAN VALLEY SCHOOL DISTRICT #92

For the year ended June 30, 2014

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For the year ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Swan Valley School District #92
Irwin, ID 83428

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swan Valley School District #92 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Swan Valley School District #92's basic financial statements as listed in the table of contents.

Management's Responsibility of 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion of 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 opinion.

To the Board of Trustees
Swan Valley School District #92
August 29, 2014
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Opinion

In our opinion, except for the effects of not implementing GASB #45, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governments activities, each major fund, and the aggregate remaining fund information of Swan Valley School District #92, as of June 30, 2014, 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 that the management's discussion and analysis and budgetary comparison information on pages 21-23 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 the 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 of 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 (MD&A) which is management's analysis of the District's financial activities based on currently known facts, decisions, or conditions, that accounting principles generally accepted in the United States of America requires 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 of Swan Valley School District #92's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of changes in student activity funds 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 and the schedule of changes in student activity funds are the responsibility of management and were derived from and relate directly to the underlying account and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Trustees
Swan Valley School District #92
August 29, 2014
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As discussed in Note 15 to the financial statements, management of the District has not implemented the requirements of GASB Statement No. 45 and has not determined the District's annual other postemployment benefit (OPEB) obligation cost and net OPEB obligation. Accounting principles generally accepted in the United State of America require that such costs and obligations, which would increase the liabilities and change the expenditures in the Statement of Net Position and the Statement of Activities, respectively. The amount by which this departure would affect the liabilities and expenditures of the District's Government-wide Financial Statement is not reasonably determinable.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Jensen Poulsen & Company, PLLC

JENSEN POULSEN & COMPANY, PLLC
Certified Public Accountants

Idaho Falls, ID
August 29, 2014

SWAN VALLEY SCHOOL DISTRICT #92
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash	\$ 210,685
Receivables:	
Local sources - taxes	\$ 91,500
Other receivables	30,164
Total receivables	121,664
Total current assets	\$ 332,349
Net capital assets	\$ 546,473
Total Assets	\$ 878,822
LIABILITIES	
Accounts payable	\$ 2,913
Salaries and benefits payable	80,347
Current portion of long term debt	44,549
Total current liabilities	\$ 127,809
Long-term liabilities	
Debt portion due in more than one year	45,811
Compensated absences payable	10,204
Total Liabilities	\$ 183,824
NET POSITION	
Investment in capital assets - net of related debt	\$ 546,473
Restricted for:	
Special programs	34,025
Capital projects	20,934
Unrestricted	93,566
Total Net Position	\$ 694,998

The notes to the financial statements are an integral part of this statement.
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SWAN VALLEY SCHOOL DISTRICT #92
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	<u>PROGRAM REVENUES</u>				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<i>Governmental activities:</i>					
Instructions:					
Elementary programs	\$ 504,376	\$ -	\$ 12,247	\$ -	\$ (492,129)
Secondary/alternative programs	43,521	-	-	-	(43,521)
Exceptional/preschool programs	20,449	-	10,932	-	(9,517)
Other instructional programs	56,941	-	13,559	-	(43,382)
Support services:					
Student services	26,971	-	-	-	(26,971)
Educational media	1,921	-	-	-	(1,921)
School administration	2,145	-	-	-	(2,145)
Administration	216,569	-	-	-	(216,569)
Plant services	88,205	-	-	5,428	(82,777)
Pupil transportation	110,380	-	74,517	-	(35,863)
Non Instructional programs:					
Food services	36,775	8,513	14,980	-	(13,282)
Total Governmental Activities	<u>\$ 1,108,253</u>	<u>\$ 8,513</u>	<u>\$ 126,235</u>	<u>\$ 5,428</u>	\$ (968,077)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 279,186
Property taxes, levied for capital projects					30,864
Grants and contributions not restricted to specific programs					
Foundation program					444,725
Other state revenue					10,344
Interest and investment earnings general fund					14
Other funds					16
Miscellaneous revenues					17,137
Total general revenues and special items					<u>\$ 782,286</u>
Changes in net position					\$ (185,791)
Net position - beginning					880,789
Prior Period Adjustment					-
Net position - ending					<u>\$ 694,998</u>

The notes to the financial statements are an integral part of this statement.
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SWAN VALLEY SCHOOL DISTRICT #92
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2014

ASSETS	General Fund	Food Service	Capital Project	Non Major Governmental Funds	Total Governmental Funds
Cash.....	\$ 149,985	\$ 4,354	\$ 17,725	\$ 38,621	\$ 210,685
Tax receivable.....	82,371	-	9,129	-	91,500
Other receivable.....	25,881	-	-	4,282	30,163
Interfund receivable.....	5,922	-	-	-	5,922
Total Assets.....	\$ 264,159	\$ 4,354	\$ 26,854	\$ 42,903	\$ 338,270
 LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable.....	\$ 2,913	\$ -	\$ -	\$ -	\$ 2,913
Accrued salaries payable.....	45,397	2,500	-	5,672	53,569
Accrued benefits payable.....	21,718	1,854	-	3,206	26,778
Interfund payable.....	-	-	5,922	-	5,922
Deferred revenue.....	19,087	-	2,118	-	21,205
Total Liabilities.....	\$ 89,115	\$ 4,354	\$ 8,040	\$ 8,878	\$ 110,387
 FUND BALANCE					
Restricted					
Special programs	\$ -	\$ -	\$ -	\$ 34,025	\$ 34,025
Capital projects.....	-	-	18,814	-	18,814
Unassigned.....	175,044	-	-	-	175,044
Total Fund Balance.....	\$ 175,044	\$ -	\$ 18,814	\$ 34,025	\$ 227,883
Total Liabilities and Fund Balance.....	\$ 264,159	\$ 4,354	\$ 26,854	\$ 42,903	\$ 338,270

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

SWAN VALLEY SCHOOL DISTRICT #92
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Governmental Fund Balances		\$ 227,883
Amounts reported for governmental activities in the statement of net position are different due to:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.		
Cost of capital assets	1,876,567	
Depreciation expense to date	<u>(1,330,094)</u>	546,473
Property taxes received that are not available to pay for current period expenditures are deferred in the funds.		
		21,206
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease payable		(90,360)
Compensated absences payable		<u>(10,204)</u>
Net Position of Governmental Activities		<u>\$ 694,998</u>

SWAN VALLEY SCHOOL DISTRICT #92
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Food Services</u>	<u>Capital Project</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Local taxes.....	\$ 272,628	\$ -	\$ 30,625	\$ -	\$ 303,253
Other local revenues.....	19,829	8,513	2,289	-	30,631
State sources.....	529,585	-	5,428	759	535,772
Federal sources.....	-	14,980	-	36,100	51,080
Total Revenues.....	<u>\$ 822,042</u>	<u>\$ 23,493</u>	<u>\$ 38,342</u>	<u>\$ 36,859</u>	<u>\$ 920,736</u>
EXPENDITURES					
Instruction Programs:					
Elementary.....	\$ 359,196	\$ -	\$ -	\$ 122,474	\$ 481,670
Secondary.....	21,818	-	-	-	21,818
Preschool exceptional child.....	7,105	-	-	-	7,105
Exceptional child.....	-	-	-	13,344	13,344
Interscholastic program.....	7,646	-	-	-	7,646
School activity.....	490	-	-	-	490
Support Service Programs:					
Attendance and guidance.....	250	-	-	1,604	1,854
Special services.....	24,178	-	-	-	24,178
Instructional improvement.....	30,985	-	-	15,472	46,457
Media.....	4,269	-	-	-	4,269
School board.....	2,145	-	-	-	2,145
Administration - district.....	206,151	-	-	-	206,151
Janitorial - building.....	61,975	-	-	-	61,975
Maintenance - building.....	-	-	12,074	-	12,074
Maintenance - equipment.....	-	-	13,935	-	13,935
Transportation.....	95,920	-	-	-	95,920
Non-Instructional Programs:					
Other support services programs.....	939	-	-	-	939
Food services.....	-	36,775	-	-	36,775
Capital outlay.....	-	-	10,289	111,535	121,824
Total Expenditures.....	<u>\$ 823,067</u>	<u>\$ 36,775</u>	<u>\$ 36,298</u>	<u>\$ 264,429</u>	<u>\$ 1,160,569</u>
Excess Revenues Over (Under) Expenditures.....	\$ (1,025)	\$ (13,282)	\$ 2,044	\$ (227,570)	\$ (239,833)
OTHER FINANCING SOURCES (USES)					
Transfers in (out).....	(107,492)	13,282	16,687	77,523	-
Lease proceeds.....	-	-	-	136,746	136,746
Excess Revenues and Other Sources.....	<u>\$ (108,517)</u>	<u>\$ -</u>	<u>\$ 18,731</u>	<u>\$ (13,301)</u>	<u>\$ (103,087)</u>
FUND BALANCE					
Beginning Balance.....	\$ 283,561	\$ -	\$ 83	\$ 47,326	\$ 330,970
Prior Period Adjustment.....	-	-	-	-	-
Ending Balance.....	<u>\$ 175,044</u>	<u>\$ -</u>	<u>\$ 18,814</u>	<u>\$ 34,025</u>	<u>\$ 227,883</u>

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

SWAN VALLEY SCHOOL DISTRICT #92
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURE
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ (103,087)**

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

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 excess of capital outlays over (under) depreciation expense in the current period.

Capitalized assets	80,039	
Depreciation expense	<u>(68,950)</u>	11,089

Property tax revenues are deferred and not recognized in the funds until they are available to pay for current period expenditures. In the statement of activities, however, they are recognized when levied. This is the difference between the amount deferred at the beginning and end of the current period.

Deferred revenue - 2014	21,206	
Deferred revenue - 2013	<u>(18,764)</u>	2,442

Debt payments are treated as an expenditure in the governmental funds, but the payments reduce long term debt in the Statement of Activities.

Capital lease payable	(90,360)	(90,360)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences - 2014	(10,204)	
Compensated absences - 2013	<u>4,329</u>	<u>(5,875)</u>

Change in Net Position of Governmental Activities **\$ (185,791)**

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Swan Valley School District #92 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to school districts. The significant accounting policies of the District are described below.

A. Reporting Entity

Swan Valley School District #92 provides public school educational services as authorized by Section 33 of the Idaho Code. The District's boundaries for taxing and school enrollment purposes are located within Bonneville County.

Factors used in defining the reporting entity are as follows: Swan Valley School District #92 was established under the laws of the State of Idaho which designates the Board of Trustees as the governing authority. Members of the Board of Trustees are elected by the public. The Board of Trustees has control over the superintendent and management, and also has the authority to purchase equipment and other capital assets, and to levy taxes. The Board of Trustees has the power to establish annual budgets subject to public input from patrons, is responsible for funding deficits and operating deficiencies, and has the authority to borrow funds or issue bonded indebtedness.

The conclusion of the above criteria is that Swan Valley School District #92 is an independent school district in the State of Idaho, operating under an autonomous Board of Trustees constituting a Local Education Agency of government.

In the evaluation of how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made using criteria set forth in the accounting principles generally accepted in the United States of America. All funds and activities of Swan Valley School District #92 are included in the basic financial statements. Using the above criteria, the District has no 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 school district. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal balances and transfers. These statements distinguish between the *governmental* and *business-type* activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. All activities of the District are currently classified as governmental activities.

The statement of activities presents a comparison between direct expenses and direct revenues for the different business-type activities of the District and 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 expense

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Basis of Presentation, Basis of Accounting, continued

Basis of Presentation, continued

allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients for 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 revenues, including all taxes, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

The District reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Thus, it is always considered a major fund.

Food Service Fund

The Food Service Fund accounts for all revenues and expenditures related to child nutrition within the District.

Capital Project Fund

The Capital Projects Fund is used to account for the financing and construction of major capital projects.

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Basis of Presentation, Basis of Accounting, continued

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: 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 the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs followed by general revenues.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue criteria are met, the revenue is recognized. Additionally, for both the government-wide and fund financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures; any excess revenues are thus reported as deferred revenue.

All governmental activities of the District follow FASB Statements and Interpretations issued on or after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The District does not maintain an encumbrance system, but in lieu of, exercises control through the administration of the budget process.

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Cash and Investments

The District pools cash of all governmental fund types into a common bank account. The accounting records of each fund reflect the equity in pooled cash. Cash includes all checking accounts held in the District's name and monies invested with the State under the Local Government Investment Pool. This cash earns interest at a variable rate and is available upon demand.

D. Property Taxes

In accordance with Idaho law, ad valorem property taxes are levied in September for each calendar year. Levies are made on or before the 2nd Monday of September. One-half of the property taxes are due on or before the 20th of December. The remaining one-half is due on or before June 20th of the following year. A lien is filed on real property three years from the date of delinquency. Bonneville County bills and collects property taxes for the District.

E. Inventories

The District normally has unused janitorial and food service supplies including food stock on hand at year end. Remaining janitorial supplies, food service supplies, and food stock are deemed immaterial in dollar amount and they are therefore not valued or accounted for in the financial statements.

F. Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Swan Valley School District # 92 is a Phase III government meaning that is not required to report infrastructure. Depreciation on all assets (exclusive of land) is provided on the straight-line (SL) method over the following estimated useful lives:

Computer equipment (SL method)	5 years
Equipment, furniture and fixtures (SL method)	10-20 years
Buildings (SL method)	50-99 years

G. Net Position

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District, or external restrictions by other governments, creditors, grantors, or enabling legislation. In Swan Valley School District there are restrictions of \$51,829 in the special revenue and capital projects funds. When expenses are incurred for purposes for which both restricted and unrestricted net position is available, restricted net position is applied first.

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Fund Balance Reserves

The five categories of fund balance are nonspendable, restricted, committed, assigned, and unassigned. For the year ended June 30, 2014, the District had restricted fund balances of \$52,839, and unassigned fund balances of \$175,044. Restricted funds are those which are constrained to being used for a specific purpose by external parties, constitutional provisions, or enabling legislation. Unassigned funds are those which are available for any purpose.

I. Teachers Contracts

Contracts for teacher's salaries are payable in twelve monthly installments beginning in September. At June 30, the liability for the remaining two months of the current contracts and associated contracted benefits are accrued.

J. Nonmonetary Transactions

Items received via the federal Food Commodities Program are recognized at their stated fair market value. For the fiscal year ending June 30, 2014, that amount was \$2,321.

K. Risk Management

The district is exposed to a considerable number of risks of loss including but not limited to a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) workers compensation, i.e. employee injuries and f) medical insurance costs of its employees. Commercial insurance policies transferring the risk of loss, but for a relatively small deductible amount, are purchased for property and content damage, employee's torts and professional liabilities. Settlement claims resulting from these risks have not exceeded the insurance deductible provided for in the last three years.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Cash for all funds consist of the following at year end:

Cash—demand deposits (net of overdrafts)	\$ 16,850
Cash—State Investment Pool	<u>193,835</u>
	<u>\$ 210,685</u>

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 CASH AND INVESTMENTS, continued

Deposits with financial institutions include bank demand deposits as authorized by Idaho statutes. At year end, the carrying amounts of the District's deposits were \$16,850 and the bank balances were \$18,168. Of the bank balances, \$18,168 was covered by federal depository insurance. Cash held at the Local Government Investment Pool is uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2014, the District did not have any of their bank balances subject to this risk.

Investments

Idaho statutes authorize school districts to invest in obligations of the United States Treasury, agencies and instrumentalities of the United States, repurchase agreements, interest-bearing bonds of any city, county, school district or municipality in Idaho, tax anticipation notes, time deposit accounts in state depositories, accounts in financial institutions, and the State of Idaho's Local Government Investment Pool. The District's investment policy complies with state statutes.

The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U. S. government securities. The certificates of deposits are federally insured. The U. S. government securities and the collateral for the repurchase agreement are held in trust by a safekeeping bank. Interest income earned on pooled investments is allocated to the various funds of the District in proportion to each fund's respective investment balances.

Statement 3 of the Government Accounting Standards Board requires government entities disclose the level of risk assumed on deposit and investment balances.

Statement 40 of the Government Accounting Standards Board requires more comprehensive disclosure requirements addressing other common risks of the deposits and investments of governmental entities. At June 30, 2014 the District did not hold any investments that require disclosure. The District has chosen to recognize the monies held at the Local Government Investment Pool as cash.

Credit Risk

Per the Local Government Investment Pool, the investment pool itself does not have a credit rating.

SWAN VALLEY SCHOOL DISTRICT #92

**Notes to the Basic Financial Statements
June 30, 2014**

NOTE 3 RECEIVABLES

Receivables at year end consist of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Non Major Funds</u>
Local Sources			
Local Taxes	\$ 82,371	\$ 9,129	\$ -
Due From Employees	<u>1,011</u>	<u>-</u>	<u>-</u>
Total Local	\$ 83,382	\$ 9,129	
State Sources			
State of Idaho	\$ 24,870	\$ -	\$ 4,282
Total Receivables	<u>\$ 108,252</u>	<u>\$ 9,129</u>	<u>\$ 4,282</u>

NOTE 4 INTERFUND TRANSACTIONS

Interfund Transfers

The District has the following interfund operating transfers for the year:

Major Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$ 107,492
Child Nutrition	\$ 13,282	
Capital Projects	16,687	
Non Major Funds		
Technology Fund	69,377	
Title I-A, Improving Basic Programs	18,818	
Substance Abuse - State	1,506	
Beckman Grant		1,459
School Building Maintenance		10,719

The interfund transfer from the General Fund to the Child Nutrition Fund is to cover FICA taxes of the fund, and to record a reallocation of fund balance and cash from the general fund per the budget. The transfer from the General Fund to the Capital Projects Fund in the amount of \$4,509 is State required bus depreciation, the remaining amount is to cover operations. The remaining transfers are to record a reallocation of fund balance and cash from the general fund. Interfund transfers and balances are eliminated on the government-wide financial statements.

Interfund Receivables/Payables

The District has the following interfund receivables and payables:

Major Funds:	<u>Receivable</u>	<u>Payable</u>
General Fund	5,922	
Capital Projects		5,922

These interfund receivables and payables are a result of cash overdrafts in the respective funds.

SWAN VALLEY SCHOOL DISTRICT #92

**Notes to the Basic Financial Statements
June 30, 2014**

NOTE 5 CAPITAL ASSETS

A summary of Capital Assets is as follows:

	<u>Balance 07-01-13</u>	<u>Capital Acquisitions</u>	<u>Sales & Other Dispositions</u>	<u>Balance 06-30-14</u>
Non-depreciable Assets				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Work in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cost	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 1,000</u>
Depreciable Assets				
Buildings/Sites	\$ 1,027,576	\$ 2,070	0	\$ 1,029,646
Equip, Furn & Fixtures	394,382	77,969	0	472,353
Transportation	<u>373,568</u>	<u>0</u>	<u>0</u>	<u>373,568</u>
Total Cost	<u>\$ 1,795,526</u>	<u>\$ 80,039</u>	<u>0</u>	<u>\$ 1,876,567</u>
Accumulated Depreciation				
Buildings/Sites	\$ 621,926	\$ 22,513	0	\$ 644,439
Equip, Furn & Fixtures	315,075	31,977	0	347,052
Transportation	<u>324,142</u>	<u>14,459</u>	<u>0</u>	<u>338,601</u>
Total Accum. Deprec.	<u>\$ 1,261,143</u>	<u>\$ 68,949</u>	<u>0</u>	<u>\$ 1,330,092</u>
Net Capital Assets	<u>\$ 535,383</u>	<u>\$ 11,090</u>	<u>\$ 0</u>	<u>\$ 546,473</u>

Depreciation expense was charged to functions as follows:

Education	\$ 43,406
School Administration	14,460
Plant Services	5,542
Transportation	<u>5,542</u>
Total	<u>\$ 68,950</u>

NOTE 6 PENSION PLAN

Public Employee Retirement System of Idaho – The Public Employee Retirement System of Idaho (PERSI), 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 the 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.

SWAN VALLEY SCHOOL DISTRICT #92

Notes to the Basic Financial Statements
June 30, 2014

NOTE 6 PENSION PLAN, continued

After five years of credited service, members become fully vested in retirement benefits earned to date. 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% 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 for the Swan Valley School District #92 and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members. The employer rate as a percentage of covered payroll was 11.32% for general members. The District's contributions required and paid were \$57,225, \$58,500, and \$46,429 in the three years ended June 30, 2014, 2013, and 2012, respectively.

NOTE 7 COMPENSATED ABSENCES

The District provides personal and sick leave to its employees, as well as paid vacations depending on job classifications, lengths of service, and other factors. The estimated amount of compensation for future amounts is \$10,204, which is reported as a liability, on the Statement of Net Position.

NOTE 8 DEFERRED REVENUES – FUND FINANCIAL STATEMENTS

Revenues are recognized when they become available to the District. Taxes and other receivables not received soon enough after year end to pay current liabilities do not represent available expendable resources and recognition of revenue is deferred until collection. Deferred revenues at year end consist of the following:

Property Taxes – General Fund	\$ 19,087
Property Taxes – Capital Project Fund	<u>2,118</u>
Total Deferred Revenue	<u>\$ 21,205</u>

SWAN VALLEY SCHOOL DISTRICT #92

**Notes to the Basic Financial Statements
June 30, 2014**

NOTE 9 EXCESS OF EXPENDITURES OVER APPROPRIATION

None of the individual funds have an excess of expenditures over appropriations at June 30, 2014.

NOTE 10 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 amount, if any, to be immaterial.

NOTE 11 RELATED PARTY TRANSACTIONS

The District has not been involved in any related party transactions that would violate the Idaho Code or applicable federal regulation.

NOTE 12 SUBSEQUENT EVENTS

As of August 29, 2014, the date through which subsequent events were evaluated, no material subsequent events were identified.

NOTE 13 ECONOMIC DEPENDENCY

The District is economically reliant on the State of Idaho, from which it received approximately \$536.468 or 58% of the District's revenue.

NOTE 14 POST RETIREMENT BENEFITS

Swan Valley School District #92 funds post-retirement benefits through PERSI. During the school year ended June 30, 2014, the district paid 1.16% of the wages covered by PERSI to the State of Idaho. Upon retirement, one-half of the employee's accumulated sick leave is transferred from the sick leave pool established by PERSI to the individual employee's retirement account. These funds are used to pay post-retirement health insurance premiums.

NOTE 15 RETIREMENT HEALTHCARE PLAN

GASB Statement 45, is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other (than pension) postemployment benefits (OPEB).

Swan Valley School District #92's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross of Idaho. Blue Cross provides medical, prescription drug insurance and dental benefits to eligible retirees and their eligible dependents.

SWAN VALLEY SCHOOL DISTRICT #92

**Notes to the Basic Financial Statements
June 30, 2014**

NOTE 15 RETIREMENT HEALTHCARE PLAN (continued)

A retiree who retires with the Public Employee Retirements System of Idaho (PERSI) is eligible to keep the District's health insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Retirement eligibility is determined based on a minimum of reaching age 55 with at least five years of membership with a PERSI employer. The retiree is on the same medical plan as the District's active employees. The District's required contribution is based on projected pay-as-you-go financing requirements.

The District has not implemented the requirements of GASB Statement 45 and as a result has not determined in annual OPEB cost and net OPEB obligation. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis.

NOTE 16 LONG-TERM OBLIGATIONS

During fiscal year 2014, the District entered into a capital lease agreement with GE Capital for the lease-purchase of computer technology equipment. Payments are due in 3 annual installments of \$47,106, including interest at an effective rate of 2.83%. Principal balance as of June 30, 2014 is \$90,360.

	<u>Balance</u>			<u>Balance</u>	
	<u>7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/14</u>	<u>Interest Paid</u>
GE Capital	<u>\$ 0</u>	<u>\$ 136,746</u>	<u>\$ 46,386</u>	<u>\$ 90,360</u>	<u>\$ 720</u>
Total Long-Term Obligations	<u>\$ 0</u>	<u>\$ 136,746</u>	<u>\$ 46,386</u>	<u>\$ 90,360</u>	<u>\$ 720</u>

REQUIRED SUPPLEMENTAL INFORMATION

SWAN VALLEY SCHOOL DISTRICT #92
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
As of June 30, 2014

<u>GENERAL M & O FUND</u>	Variance- Favorable (Unfavorable)		
	<u>Budget</u>	<u>Actual</u>	
REVENUES:			
Local taxes.....	\$ 270,735	\$ 272,628	\$ 1,893
Other local revenues.....	5,000	19,829	14,829
State sources.....	581,274	529,585	(51,689)
Total Revenues.....	<u>\$ 857,009</u>	<u>\$ 822,042</u>	<u>\$ (34,967)</u>
EXPENDITURES			
Instruction Programs:			
Elementary.....	\$ 430,403	\$ 359,196	\$ 71,207
Secondary.....	25,000	21,818	3,182
Preschool Exceptional Child.....	7,305	7,105	200
Exceptional child.....	500	-	500
Interscholastic program.....	8,841	7,646	1,195
School Activity.....	500	490	10
Support Services:			
Attendance & Guidance.....	300	250	50
Special Services.....	28,200	24,178	4,022
Instructional Improvement.....	30,347	30,985	(638)
Media.....	11,690	4,269	7,421
School Board.....	2,000	2,145	(145)
Administration - district.....	184,844	206,151	(21,307)
Janitorial - building.....	65,510	61,975	3,535
Maintenance.....	-	-	-
Transportation.....	98,260	95,920	2,340
Non-Instructional Programs:			
Other support services programs.....	665	939	(274)
Total Expenditures.....	<u>\$ 894,365</u>	<u>\$ 823,067</u>	<u>\$ 71,298</u>
Excess Revenues Over (Under) Expenditures.....	\$ (37,356)	\$ (1,025)	\$ 36,331
OTHER FINANCING SOURCES (USES)			
Transfers in (out).....	(107,310)	(107,492)	(182)
Excess Revenues and Other Sources.....	\$ (144,666)	\$ (108,517)	\$ 36,149
FUND BALANCE			
Beginning Balance.....	<u>\$ 283,561</u>	<u>\$ 283,561</u>	<u>\$ -</u>
Ending Balance.....	<u>\$ 138,895</u>	<u>\$ 175,044</u>	<u>\$ 36,149</u>

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

SWAN VALLEY SCHOOL DISTRICT #92
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FOOD SERVICE FUND
As of June 30, 2014

<u>CHILD NUTRITION/FOOD SERVICES</u>	Original Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
Local revenues.....	\$ 6,500	\$ 8,513	\$ 2,013
Federal grants and assistance.....	8,300	14,980	\$ 6,680
Total Revenues.....	<u>\$ 14,800</u>	<u>\$ 23,493</u>	<u>\$ 8,693</u>
EXPENDITURES			
Non-Instructional Programs:			
Food Services.....	\$ 34,800	\$ 36,775	\$ (1,975)
Total Expenditures.....	<u>\$ 34,800</u>	<u>\$ 36,775</u>	<u>(1,975)</u>
Excess Revenues over Expenditures.....	\$ (20,000)	\$ (13,282)	\$ 6,718
OTHER FINANCING SOURCES (USES)			
Transfers - To (From).....	<u>20,000</u>	<u>13,282</u>	<u>(6,718)</u>
Excess Revenues and Other Sources.....	\$ -	\$ -	\$ -
FUND BALANCE			
Beginning Balance.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending Balance.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SWAN VALLEY SCHOOL DISTRICT #92

**Notes to the Required Supplementary Information
June 30, 2014**

NOTE 1 BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all governmental fund types.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

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

1. The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.
2. The proposed budget is published.
3. A public hearing is conducted to obtain citizen comments.
4. The budget is formally adopted through approval by the board of trustees.
5. The District may, after school starts and actual enrollment figures are known, amend the budget using the same procedures which were used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was amended for the fiscal year to adjust for instructional improvement and transportation costs, relating to the purchase of a new bus, and related wages.
6. Budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.
7. The level of control (level at which expenditures may not exceed budget) is the fund.
8. All annual appropriations lapse at fiscal year end.

NOTE 3 EXCESS OF EXPENDITURES OVER APPROPRIATION

None of the individual fund had an excess of expenditures over appropriations at June 30, 2014.