



RUDD & COMPANY PLLC
certified public accountants | business consultants

SUGAR-SALEM JOINT SCHOOL DISTRICT No. 322

SUGAR CITY, IDAHO

**Basic Financial Statements
and
Supplementary Information
with
Independent Auditors' Report**

Year Ended June 30, 2018

giving direction to your future

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322

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June 30, 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Sugar-Salem Joint School District No. 322
Sugar City, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sugar-Salem Joint School District No. 322 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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.

Summary of Opinions

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

Basis for Qualified Opinion on Governmental Activities

The District has not obtained an actuarial valuation of its other post employee benefits (OPEB). Employers that participate in single-employer or agent multiple-employer defined benefit OPEB plans are required to measure and disclose an amount for annual OPEB costs on the accrual basis of accounting. The amount by which this departure would affect the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of Sugar-Salem Joint School District No. 322 as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sugar-Salem Joint School District No. 322 as of June 30, 2018, 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 on pages 5 through 12, budgetary comparison information on pages 48 through 52, and pension information on pages 53 and 54 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

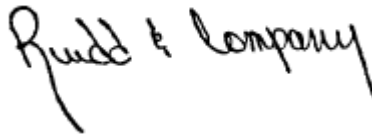
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sugar-Salem Joint School District No. 322's basic financial statements. The combining and individual nonmajor fund financial statements, and supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2018, on our consideration of the Sugar-Salem Joint School District No. 322'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 Sugar-Salem Joint School District No. 322's internal control over financial reporting and compliance.

Idaho Falls, Idaho
September 5, 2018

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis
June 30, 2018

As management of the Sugar-Salem Joint School District No. 322, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$11,848,693. Of this amount, \$2,746,446 is unrestricted.
- Total net position increased \$1,774,885, which represents a 17.6% increase from fiscal year 2017.
- General revenues account for \$11,451,881 in revenue, or 89.1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,395,650 or 10.9% of total revenues.
- The District had \$11,072,646 in expenses; only \$1,395,650 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues and net asset reserves were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,420,023 in revenues and \$8,397,395 in expenditures. The General Fund's fund balance increased \$74,072 from the prior year.
- The District issued \$2,000,000 in general obligation bonds during the year.
- \$700,000 of supplemental levy funds were transferred from the General Fund to the Capital Projects Fund and are committed for capital projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

The *statement of net position* presents information on all of the assets, liabilities and deferred outflows/inflows of the District, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

The District maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the child nutrition fund, the debt service fund, the capital projects fund, and the plant facility fund, all of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the general fund, the child nutrition fund, the debt service fund, the capital construction fund and the plant facility fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-18 and 20-21 of this report.

Fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining fund statements and schedules can be found on pages 57-68 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,848,693 at the close of the most recent fiscal year.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

Net Position	Governmental Assets	
	2018	2017
Current and Other Assets	\$ 7,491,865	\$ 4,903,959
Capital Assets	9,599,935	9,257,231
Total Assets	17,091,800	14,161,190
Deferred Outflows of Resources	1,081,101	2,547,063
Current Liabilities	2,602,773	2,260,336
Long-term Liabilities	3,191,333	3,065,591
Total Liabilities	5,794,106	5,325,927
Deferred Inflows of Resources	530,102	1,308,518
Net Position		
Net Investment in Capital Assets	7,599,935	8,138,477
Restricted	1,502,312	1,369,632
Unrestricted	2,746,446	565,699
Total Net Position	\$ 11,848,693	\$ 10,073,808

A large portion of the District's Net Position reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion totaling \$1,502,312 represents an amount that is subject to external restrictions. The remaining balance in *unrestricted net position* is \$2,746,446.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

Changes in Net Position	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 262,918	\$ 257,273
Operating grants and contributions	1,132,732	1,079,591
General revenues		
Property tax	1,130,053	1,168,190
State support	10,127,899	9,516,625
Other	193,929	206,584
Total Revenues	12,847,531	12,228,263
Expenses		
Instructional	6,465,362	6,163,762
Pupil support	190,707	114,661
Staff support	418,900	536,696
General administration	240,894	247,398
School administration	638,691	603,653
Business service	103,068	110,917
Operations	1,042,282	953,129
Transportation	467,674	427,807
Non-instructional	164,940	136,625
Interest	10,487	-
Other debt service cost	27,550	-
Depreciation	601,536	589,893
Child nutrition services	700,555	709,992
Total Expenses	11,072,646	10,594,533
Change in Net Position	\$ 1,774,885	\$ 1,633,730

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful indicator of the District's net resources available for spending at the end of the year. The District has designated portions of the unassigned fund balance to earmark resources for certain government-wide liabilities and post employment obligations that are not recognized in the governmental funds. Unassigned balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, fund balance was \$928,321. The fund balance increased by \$74,072 during the current fiscal year.

Expenditures for general District purposes totaled \$8,397,395, an increase of 5% during the current fiscal year.

The child nutrition fund has a total fund balance of \$107,058, all of which is restricted to the child nutrition program. The fund balance increased by \$38,102 during the current year.

The debt service fund has a total fund balance of \$1,309,553, all of which is restricted for future debt service payments. The fund balance increased by \$65,013 during the current year.

The capital projects fund has a total fund balance of \$2,470,617, all of which is committed for purchase of equipment and related expenditures. The fund balance increased by \$1,642,107 during the current year.

The plant facility fund has a total fund balance of \$156,293, which is restricted for the purchase of equipment and related expenditures. The fund balance increased by \$53,887 during the current year.

General Fund Budgetary Highlights

During the current fiscal year, the \$48,542 positive budget to actual variance in total general fund revenues, and the \$956,748 positive budget to actual variance in total general fund expenditures, are largely a result of additional state revenues and a reduction in expected operating costs.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

Capital Asset and Debt Administration

The capital construction fund and plant facility fund are used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2018 are outlined below:

Capital Assets (Net of Depreciation)	Governmental Activities	
	2018	2017
Land	\$ 743,860	\$ 743,860
Construction in progress	89,912	-
Buildings and improvements	14,881,089	14,765,762
Furniture and equipment	4,530,400	3,791,399
	20,245,261	19,301,021
Accumulated depreciation	(10,645,326)	(10,043,790)
Total Capital Assets, Net of Depreciation	<u>\$ 9,599,935</u>	<u>\$ 9,257,231</u>
Outstanding Debt	Governmental Activities	
	2018	2017
General obligation bonds	<u>\$ 2,000,000</u>	<u>\$ 1,115,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 1,115,000</u>

Additional information on the District's long-term debt can be found in the basic financial statements.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Management's Discussion and Analysis (continued)
June 30, 2018

Requests for Information

This financial report is designed to provide a general overview of the Sugar-Salem Joint School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Office, Sugar-Salem Joint School District, 105 West Center, Sugar City, ID 83448.

Basic Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Net Position
June 30, 2018

Assets	Governmental Activities
Cash and Investments	\$ 6,749,454
Receivables	
Property taxes	403,312
State of Idaho	226,497
Other	112,602
Capital Assets	
Sites	743,860
Construction in progress	89,912
Buildings and equipment, net of depreciation	<u>8,766,163</u>
Total Assets	<u>17,091,800</u>
 Deferred Outflows of Resources	
Pension related	<u>1,081,101</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 18,172,901</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Liabilities	Governmental Activities
Accounts payable	\$ 497,123
Salary contracts payable	1,104,435
Interest payable	5,500
Long-term liabilities:	
Portion due or payable within one year:	
Bonds, capital leases, and contracts	995,715
Portion due or payable after one year:	
Bonds, capital leases, and contracts	1,004,285
Net pension liability	2,187,048
	<hr/>
Total Liabilities	5,794,106
	<hr/>
Deferred Inflows of Resources	
Pension related	530,102
	<hr/>
Total Deferred Inflows of Resources	530,102
	<hr/>
Total Liabilities and Deferred Inflows of Resources	\$ 6,324,208
	<hr/>
Net Position	
Net investment in capital assets	\$ 7,599,935
Restricted for:	
Debt service	1,346,019
Capital projects	156,293
Unrestricted	2,746,446
	<hr/>
Total Net Position	\$ 11,848,693
	<hr/>

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Governmental Activities:				
Instructional	\$ 6,465,362	\$ 14,290	\$ 662,703	\$ (5,788,369)
Pupil support	190,707	-	-	(190,707)
Staff support	418,900	-	-	(418,900)
General administration	240,894	-	-	(240,894)
School administration	638,691	-	-	(638,691)
Business services	103,068	-	-	(103,068)
Operations	1,042,282	-	-	(1,042,282)
Transportation	467,674	-	-	(467,674)
Non-instructional	164,940	-	-	(164,940)
Interest on				
long-term debt	10,487	-	-	(10,487)
Other debt service cost	27,550	-	-	(27,550)
Depreciation -				
unallocated*	601,536	-	-	(601,536)
Child nutrition services	700,555	248,628	470,029	18,102
Total Governmental Activities	\$ 11,072,646	\$ 262,918	\$ 1,132,732	(9,676,996)
General Revenues:				
Taxes:				
				215,196
				914,857
				117,496
				10,127,899
				76,433
				<u>11,451,881</u>
				1,774,885
				<u>10,073,808</u>
				<u>\$ 11,848,693</u>

* This amount excludes the depreciation that is included in direct expenses of various programs.

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Balance Sheet – Governmental Funds
June 30, 2018

Assets	General Fund	Child Nutrition Fund	Debt Service Fund
Cash and Investments	\$ 1,574,504	\$ 153,730	\$ 1,022,509
Due from Other Funds	47,116	-	-
Receivables			
Property taxes	79,802	-	323,510
State of Idaho	226,497	-	-
Other	-	-	-
Total Assets	<u>\$ 1,927,919</u>	<u>\$ 153,730</u>	<u>\$ 1,346,019</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	23,989	57	-
Salary contracts payable	964,352	46,615	-
Total Liabilities	<u>988,341</u>	<u>46,672</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenues	11,257	-	36,466
Fund Balances			
Restricted	-	107,058	1,309,553
Committed	467,707	-	-
Assigned	12,000	-	-
Unassigned	448,614	-	-
Total Fund Balances	<u>928,321</u>	<u>107,058</u>	<u>1,309,553</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,927,919</u>	<u>\$ 153,730</u>	<u>\$ 1,346,019</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Capital Projects Fund	Plant Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,943,677	\$ 156,293	\$ 898,741	\$ 6,749,454
-	-	-	47,116
-	-	-	403,312
-	-	-	226,497
-	-	112,602	112,602
<u>\$ 2,943,677</u>	<u>\$ 156,293</u>	<u>\$ 1,011,343</u>	<u>\$ 7,538,981</u>
\$ -	\$ -	\$ 47,116	\$ 47,116
473,060	-	17	497,123
-	-	93,468	1,104,435
<u>473,060</u>	<u>-</u>	<u>140,601</u>	<u>1,648,674</u>
-	-	-	47,723
-	156,293	529,196	2,102,100
2,470,617	-	341,546	3,279,870
-	-	-	12,000
-	-	-	448,614
<u>2,470,617</u>	<u>156,293</u>	<u>870,742</u>	<u>5,842,584</u>
<u>\$ 2,943,677</u>	<u>\$ 156,293</u>	<u>\$ 1,011,343</u>	<u>\$ 7,538,981</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net
Position
June 30, 2018

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

Total Fund Balance - Governmental Funds	\$ 5,842,584
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$20,245,261 and the accumulated depreciation is \$10,645,326.	9,599,935
Long-term liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(2,005,500)
Pension contributions are reported as expenses in the fund financial statements in the period in which they are paid. The actuarially determined pension liability is recorded on the government-wide statements.	(1,636,049)
Property tax revenue is recognized when earned rather than when available.	<u>47,723</u>
Net Position - Governmental Activities	<u>\$ 11,848,693</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	Child Nutrition Fund	Debt Service Fund
Revenues			
Local sources			
Property taxes	\$ 216,616	\$ -	\$ 901,077
Earnings on investments	43,260	-	9,503
Lunch sales	-	241,759	-
Other	84,464	6,869	3,153
State sources			
State apportionment	8,615,443	-	-
Other	460,240	-	280,596
Federal sources			
Educational programs and other	-	470,029	-
Total Revenues	9,420,023	718,657	1,194,329
Expenditures			
Current			
Instructional	5,301,915	-	-
Pupil support	173,563	-	-
Staff support	379,212	-	-
General administration	225,276	-	-
School administration	654,539	-	-
Business services	105,101	-	-
Operations	1,049,953	-	-
Transportation	472,560	-	-
Non-instructional	-	700,555	-
Debt Service:			
Principal	-	-	1,115,000
Interest	-	-	14,316
Other debt service cost	-	-	-
Capital Outlay	35,276	-	-
Total Expenditures	8,397,395	700,555	1,129,316
Excess (Deficiency) of Revenues over Expenditures	1,022,628	18,102	65,013
Other Financing Sources (Uses)			
Other financing source - bond proceeds	-	-	-
Transfers in	3,195	20,000	-
Transfers out	(951,751)	-	-
Net Change in Fund Balances	74,072	38,102	65,013
Fund Balance Beginning of Year	854,249	68,956	1,244,540
Fund Balance End of Year	\$ 928,321	\$ 107,058	\$ 1,309,553

The Accompanying Notes are an Integral Part of the Financial Statements

Capital Projects Fund	Plant Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,117,693
23,670	-	-	76,433
-	-	-	241,759
-	-	44,169	138,655
-	-	-	8,615,443
-	2,300	769,320	1,512,456
-	-	662,703	1,132,732
<u>23,670</u>	<u>2,300</u>	<u>1,476,192</u>	<u>12,835,171</u>
-	-	1,294,033	6,595,948
-	-	20,874	194,437
-	-	48,592	427,804
-	-	20,395	245,671
-	-	-	654,539
-	-	-	105,101
-	-	-	1,049,953
-	-	-	472,560
171,363	-	-	871,918
-	-	-	1,115,000
-	-	-	14,316
27,550	-	-	27,550
<u>882,650</u>	<u>-</u>	<u>26,314</u>	<u>944,240</u>
<u>1,081,563</u>	<u>-</u>	<u>1,410,208</u>	<u>12,719,037</u>
(1,057,893)	2,300	65,984	116,134
2,000,000	-	-	2,000,000
700,000	51,587	181,464	956,246
-	-	(4,495)	(956,246)
<u>1,642,107</u>	<u>53,887</u>	<u>242,953</u>	<u>2,116,134</u>
<u>828,510</u>	<u>102,406</u>	<u>627,789</u>	<u>3,726,450</u>
<u>\$ 2,470,617</u>	<u>\$ 156,293</u>	<u>\$ 870,742</u>	<u>\$ 5,842,584</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

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

Net Change in Fund Balance - Governmental Funds	\$ 2,116,134
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlay exceeded depreciation.	342,704
Property tax revenue received prior to the year for which they are levied are reported as deferred revenue in the governmental funds. The change however is recorded as revenues in the statement of activities.	12,360
The governmental funds report current pension contributions as an expenditure. However, the amount recorded in the statement of activities represents the difference in the actuarially determined pension liability and related deferred outflows and inflows of resources from the previous year to the current year.	184,858
The governmental funds report bond premiums as revenue while the government-wide statements show the premium as amortized over the term of the bonds.	3,754
The governmental funds report sale of bonds as an other financing source while it is treated as an increase in the liability in the government-wide statements.	(2,000,000)
The governmental funds report debt repayment of principal and accrued interest as an expenditure while it is treated as a reduction of the liability in the government-wide statements.	<u>1,115,075</u>
Change in Net Position of Governmental Activities	<u>\$ 1,774,885</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Fiduciary Net Position – Agency Funds
June 30, 2018

Assets	Agency Funds
Cash and Investments	\$ 237,691
Total Assets	<u>\$ 237,691</u>
 Liabilities	
Due to Student Groups	\$ 237,691
Total Liabilities	<u>\$ 237,691</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies

The financial statements of the Sugar-Salem Joint School District No. 322 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.

The Board of School Trustees, a five-member group, has responsibilities for all activities relating to public elementary and secondary school education within the jurisdiction of Sugar-Salem Joint School District No. 322. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District has a revenue spending policy that provides for programs with multiple revenue sources. The District will use restricted fund balances first followed in order by committed, assigned and finally unassigned. The District currently applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 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.

1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period 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 the District receives cash.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *child nutrition fund* accounts for the revenues and expenses associated with the operation of the District's food services.
- The *debt service fund* accounts for the accumulation of resources for and the payment of long-term debt principal and interest.
- The *capital projects fund* accounts for resources accumulated and payments made for bond issue projects of the District.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

- The *plant facility fund* accounts for resources accumulated and payments made for the 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.

Additionally, the District reports the following fund types:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups.

Budgetary Policy

The District prepares budgets for the general fund and all special revenue funds. Such budgets are adopted on a basis generally consistent with generally accepted accounting principles, except that the commodities received for the child nutrition program are not budgeted.

The following is a reconciliation of revenues and expenditures as reported under generally accepted accounting standards with amounts reported in comparison with budget and reported on page 49:

	Reported Amounts	Commodities Received	Amounts Reported in Comparison with Budget
Child Nutrition Fund			
Total revenues	\$ 470,029	\$ (70,559)	\$ 399,470
Total expenditures	\$ 700,555	\$ (70,559)	\$ 629,996

Under Idaho law, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Under certain circumstances, the District is allowed to reopen and amend its budget. The District did amend its budget during the year. Expenditures are not to exceed the budgeted amounts, except as allowed by law for certain events.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is not considered necessary at present to assure effective budgetary control or to facilitate effective cash planning and control.

Inventories

The governmental funds of the District use the purchase method, whereby inventory items are considered expenditures when purchased. They are not included in the balance sheet of the general fund because the amounts on hand at year-end are immaterial.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture 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 \$5,000 for equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. 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 extended assets lives are not capitalized.

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

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

Buildings.....	40 yrs
Buses.....	10 yrs
Furniture.....	10 yrs
Equipment.....	10 yrs

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has only one type of deferred outflows of resources. This amount relates to the District's allocable share of the effect of changes of assumptions during the year on the valuation of the net pension liability and the difference between projected and actual investment earnings on the pension plan investments. This amount is reported only in the government-wide financial statements.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has three types of items in this area. One item, which arises only under a modified accrual basis of accounting, unavailable revenue, is reported only in the governmental funds balance sheet and represents unavailable revenues from property taxes and grant revenues received in advance. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government also has a deferred premium on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding. The third type of deferred inflows of resources relates to the District's allocable share of the effect on the calculation of the net pension liability of the difference between projected and actual investment earnings on the defined benefit pension plan and the differences between expected and actual experience.

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.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 expenses during the reporting period. Actual results could differ from those estimates.

Fund Equity

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor how those amounts may be spent. Designations of fund balances as non-spendable, restricted, committed, assigned or unassigned is based upon the types of constraints placed upon the outstanding balances.

2. Cash and Investments

The District is authorized under Idaho Code to invest in cash, certificates of deposit, U.S. Government securities, commercial paper, and repurchase agreements. All investments must be held by or registered in the name of the District.

Cash balances of most of the District funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's cash balance. The District maintains checking accounts with local banks. All excess funds are invested with the State Treasurer's pooled cash investment account. This account invests in time certificates of deposit, local government tax anticipation notes, federal loans, U.S. treasury notes and other U.S. governmental securities. Information regarding insurance or collateralization of amounts invested in the pooled accounts is not available.

The District's cash accounts are insured through the Federal Deposit Insurance Corporation (at banks) and The Federal Savings and Loan Insurance Corporation (at savings and loans organizations) up to \$250,000 per depository.

1. Deposits – At June 30, 2018, the carrying amount of the District's deposits was \$704,295 and the respective bank balances totaled \$841,323. Of the bank balances, \$465,789 was insured or collateralized with pooled securities held by the pledging financial institution in the name of the District.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

2. Cash and Investments (continued)

2. Custodial Credit Risk, Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. As of June 30, 2018, \$375,534 of the District’s total deposits of \$841,323 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of June 30, 2018, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State Investment Pool	\$ 6,282,850	\$ 6,282,850	\$ -	\$ -	\$ -

Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment.

4. Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the District structures its portfolio so that securities mature to meet cash requirements for ongoing operations.
5. Because the State Investment Pool as of June 30, 2018, had a weighted average maturity of 94 days, it was presented as an investment with a maturity of less than one year.
6. Credit Risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the District’s policy to limit investments to the safest types of securities and to diversify the District’s investment portfolio so that potential losses on securities will be minimized. The District follows Idaho statute that outlines qualifying investment options.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

2. Cash and Investments (continued)

Reconciliation of deposits categorization:

Cash and investments reported on the statement of net position	\$ 6,749,454
Cash and investments reported on the statement of fiduciary net assets	<u>237,691</u>
	<u>\$ 6,987,145</u>
Investments categorized	\$ 6,282,850
Deposits categorized	<u>704,295</u>
	<u>\$ 6,987,145</u>

3. Property Taxes

Property taxes of the District are based on the assessments against property owners as of the first Monday in January of the calendar year in which the fiscal year commences. Tax levies on such assessed values are certified to the counties prior to the commencement of the fiscal year. Taxes are collected by Madison and Fremont Counties and are remitted to the District primarily in January of the fiscal year and the July following. Accordingly, the tax revenues for the fiscal year ended June 30, 2018, are generally based on the assessed values and tax levies established in 2017.

The District defers recognition of revenues relating to property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts will be recognized as revenues in the fiscal year they become available.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 743,860	\$ -	\$ -	\$ 743,860
Construction in progress	-	89,912	-	89,912
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets, Not Being Depreciated	\$ 743,860	\$ 89,912	\$ -	\$ 833,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital Assets, Being Depreciated				
Buildings and improvements	\$ 14,765,762	\$ 115,327	\$ -	\$ 14,881,089
Furniture and equipment	3,791,399	739,001	-	4,530,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets, Being Depreciated	18,557,161	854,328	-	19,411,489
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated Depreciation for				
Buildings and improvements	(7,776,794)	(346,475)	-	(8,123,269)
Furniture and equipment	(2,266,996)	(255,061)	-	(2,522,057)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Accumulated Depreciation	(10,043,790)	(601,536)	-	(10,645,326)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets, Being Depreciated, Net	\$ 8,513,371			\$ 8,766,163
	<u> </u>			<u> </u>

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

5. General Obligation Bonds Payable

Bonds outstanding at June 30, 2018, were as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
General Obligation Bonds, Series 2017 Issue (Original amount--\$2,000,000)	1.10%	2019 to 2020	\$ 2,000,000

The amount to be provided for bond requirements in the accompanying financial statements represents the charge to be made for property taxes in future years to meet maturing bond requirements.

The annual requirements to amortize the above bond issues are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 995,715	\$ 16,524	\$ 1,012,239
2020	1,004,285	5,524	1,009,809
	<u>\$ 2,000,000</u>	<u>\$ 22,048</u>	<u>\$ 2,022,048</u>

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

6. Changes in Long-term Debt

The following is a summary of the District's long-term transactions for the year ended June 30, 2018:

	General Obligation Bonds, Series 2012	General Obligation Bonds, Series 2017	Net Pension Liability	Total
Long-term Obligations June 30, 2017	\$ 1,115,000	\$ -	\$ 3,065,591	\$ 4,180,591
Obligations Incurred	-	2,000,000	-	2,000,000
Obligations Paid	<u>(1,115,000)</u>	<u>-</u>	<u>(878,543)</u>	<u>(1,993,543)</u>
Long-term Obligations June 30, 2018	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,187,048</u>	<u>\$ 4,187,048</u>
Due within one year	<u>\$ -</u>	<u>\$ 995,715</u>	<u>\$ -</u>	<u>\$ 995,715</u>

7. Pension Plan

Plan Description

The District contributes to the Public Employee Retirement System of Idaho Base Plan (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.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2017, was as follows:

Retirees and beneficiaries currently receiving benefits	45,468
Terminated employees entitled to but not yet receiving benefits	12,669
Active plan members	<u>70,073</u>
	<u>128,210</u>

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 appointment 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.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

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, 2017, the employee contribution rate was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The District's contributions required and paid were \$638,729, \$630,162, and \$599,037 for the years ended June 30, 2018, 2017, and 2016, respectively.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that 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, 2017, the District's proportion was 0.179 percent.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

For the year ended June 30, 2018, the District recognized pension expense (revenue) of \$(184,858). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 390,274	\$ 253,806
Changes in assumptions or other inputs	52,098	-
Net difference between projected and actual earnings on pension plan investments	-	168,791
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	107,505
Employer contributions subsequent to the measurement date	<u>638,729</u>	<u>-</u>
Total	<u>\$ 1,081,101</u>	<u>\$ 530,102</u>

\$638,729 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, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 and 4.9 for the measurement period June 30, 2016.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Fiscal Year</u>		
2019	.....	\$ (179,916)
2020	.....	237,911
2021	.....	48,334
2022	.....	(189,446)
2023	.....	(4,613)

Actuarial Assumptions

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

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

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

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70.00%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55.00%	50%-65%
International	9.25%	20.20%	15.00%	10%-20%
Fixed Income	3.05%	3.75%	30.00%	23%-33%
Cash	2.25%	0.90%	0.00%	0%-5%
			Expected	
Total Fund	Expected Return	Expected Inflation	Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions:

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

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

7. Pension Plan (continued)

Discount Rate

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

Sensitivity of the 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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
	<hr/>	<hr/>	<hr/>
Employer's proportionate share of the net pension liability (asset)	\$ 6,547,775	\$ 2,817,210	\$ (282,989)

Pension plan fiduciary net position

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

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

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

8. Other Required Individual Fund Disclosures

The District expenditures exceeded the budgeted amounts in the following funds during the year ended June 30, 2018:

Fund	Amount Exceeded
Ski School Fund.....	\$ 46
Vocational Education Fund.....	462
Wellness Fund.....	761

Deficits in Individual Funds

There were no fund deficits as of June 30, 2018.

9. Interfund Balances and Transfers

The interfund balances at June 30, 2018 are as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
General	\$ 47,116	\$ -
Non Major Funds		
Title I-A ESEA Basic	-	7,759
IDEA Part B School Age	-	5,779
IDEA Part B Preschool	-	1,417
Perkins III Professional Technical	-	12,455
Title IV-A Student Support	-	7,851
Title II-A ESEA Improving	-	2,263
Gear Up Grant	-	9,592
	\$ 47,116	\$ 47,116

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

9. Interfund Balances and Transfers (continued)

Balances are a result from the time lag between the dates that the reimbursable expenditures occur and payments between funds are made.

A summary of interfund transfers by fund is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds		
General Fund	\$ 3,195	\$ 951,751
Child Nutrition Fund	20,000	-
Capital Projects Fund	700,000	-
Plant Facility Fund	51,587	-
Non Major Funds		
Professional Development Grant Fund	-	1,300
Wellness Fund	5,061	-
Medicaid Fund	101,403	-
Public School Technology Fund	75,000	-
Gear Up Grant Fund	-	1,976
21st Century Grant Fund	-	1,219
	<u>\$ 956,246</u>	<u>\$ 956,246</u>

Transfers were made to move bus depreciation to the plant facility fund, to cover the required FICA in the Child Nutrition Program, to move funds to school technology for technology salaries, to cover the required match in Medicaid, to cover funds with expenses in excess of revenues, and to move funds to capital projects for projects in the next year.

10. Fair Value Measurements

The District has implemented GASB No. 72, *Fair Value Measurement and Application*. This guidance requires government entities to measure investments and certain other items at fair value. The objective is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

GASB No. 72 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

- Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market.
- Level 2 Inputs – Inputs other than the quoted process in active markets that are observable either directly or indirectly.
- Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

GASB No. 72 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

10. Fair Value Measurements (continued)

Fair value assets measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
State investment pool	\$ 6,282,850	\$ 6,282,850	\$ -	\$ -
Total	\$ 6,282,850	\$ 6,282,850	\$ -	\$ -

All investments have been valued using a market approach. There were no changes in the valuation techniques during the year. There are no assets or liabilities measured at fair value on a nonrecurring basis.

11. Fund Balances

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government’s highest level of decision making authority. In the case of the District it is by Board action.

Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Notes to Financial Statements (continued)
June 30, 2018

11. Fund Balances (continued)

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental fund, it may be necessary to report a negative residual balance as unassigned.

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Plant Facility Fund	Total
Fund Balances:						
Restricted for:						
Child Nutrition	\$ -	\$ 107,058	\$ -	\$ -	\$ -	\$ 107,058
Debt Service	-	-	1,309,553	-	-	1,309,553
Plant Facility	-	-	-	-	156,293	156,293
LEP State Program	-	8,345	-	-	-	8,345
Literacy	-	2,044	-	-	-	2,044
Professional Development	-	83,174	-	-	-	83,174
Medicaid	-	396,706	-	-	-	396,706
Driver Education	-	20,055	-	-	-	20,055
Vocational Education	-	15,872	-	-	-	15,872
Wellness	-	3,000	-	-	-	3,000
Committed to:						
Capital Projects	-	-	-	2,470,617	-	2,470,617
Ski School Program	-	3,955	-	-	-	3,955
E-Rate Program	-	31,088	-	-	-	31,088
School Technology	-	200,757	-	-	-	200,757
State Substance Abuse	-	12,519	-	-	-	12,519
Federal Forest	-	93,227	-	-	-	93,227
Stabilization Policy	467,707	-	-	-	-	467,707
Assigned:						
Kershaw Repairs	12,000	-	-	-	-	12,000
Unassigned:						
General Fund	448,614	-	-	-	-	448,614
Total						
Fund Balances	\$ 928,321	\$ 977,800	\$ 1,309,553	\$ 2,470,617	\$ 156,293	\$ 5,842,584

12. Non-monetary Transactions

The District received commodities from the U.S. Government valued at \$70,559. The value was determined by confirmation with the State of Idaho Department of Education.

Required Supplementary Information

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Property taxes	\$ 410,000	\$ 210,000	\$ 216,616	\$ 6,616
Earnings on investments	5,000	35,000	43,260	8,260
Other	75,000	68,394	84,464	16,070
State sources				
State apportionment	8,319,416	8,644,048	8,615,443	(28,605)
Other	330,204	414,039	460,240	46,201
Total Revenues	9,139,620	9,371,481	9,420,023	48,542
Expenditures				
Current				
Instructional	5,415,979	5,428,681	5,301,915	126,766
Pupil support	199,709	196,109	173,563	22,546
Staff support	501,899	400,400	379,212	21,188
General administration	241,804	243,775	225,276	18,499
School administration	655,686	814,550	654,539	160,011
Business services	125,250	132,295	105,101	27,194
Operations	1,154,009	1,221,551	1,049,953	171,598
Transportation	484,226	513,287	472,560	40,727
Capital outlay	-	-	35,276	(35,276)
Contingency	500,000	403,495	-	403,495
Total Expenditures	9,278,562	9,354,143	8,397,395	956,748
Excess of Revenues over Expenditures	(138,942)	17,338	1,022,628	1,005,290
Other Financing Sources (Uses)				
Transfers in	-	-	3,195	3,195
Transfers (out)	(655,058)	(871,587)	(951,751)	(80,164)
Net Change in Fund Balances	(794,000)	(854,249)	74,072	928,321
Fund Balance, Beginning of Year	800,000	854,249	854,249	-
Fund Balance, End of Year	\$ 6,000	\$ -	\$ 928,321	\$ 928,321

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Child Nutrition Fund
Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Lunch sales	\$ 223,500	\$ 223,500	\$ 241,759	\$ 18,259
Other	4,200	4,200	6,869	2,669
Federal sources				
Educational programs and other	406,200	478,200	399,470	(78,730)
Total Revenues	633,900	705,900	648,098	(57,802)
Expenditures				
Current				
Non-instructional	651,900	723,900	629,996	93,904
Total Expenditures	651,900	723,900	629,996	93,904
Excess (deficiency) of revenues over expenses	(18,000)	(18,000)	18,102	36,102
Other Financing Sources				
Transfer in	18,000	20,000	20,000	-
Net Change in Fund Balances	-	2,000	38,102	36,102
Fund Balance, Beginning of Year	50,000	68,956	68,956	-
Fund Balance, End of Year	\$ 50,000	\$ 70,956	\$ 107,058	\$ 36,102

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Debt Service Fund
Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Property taxes	\$ 900,000	\$ 900,000	\$ 901,077	\$ 1,077
Earnings on investments	2,000	7,000	9,503	2,503
Other	2,000	3,000	3,153	153
State sources				
Other	200,000	280,596	280,596	-
Total Revenues	1,104,000	1,190,596	1,194,329	3,733
Expenditures				
Debt service				
Principal	1,115,000	1,115,000	1,115,000	-
Interest	11,150	14,350	14,316	34
Total Expenditures	1,126,150	1,129,350	1,129,316	34
Net Change in Fund Balances	(22,150)	61,246	65,013	3,767
Fund Balance, Beginning of Year	1,258,426	1,244,540	1,244,540	-
Fund Balance, End of Year	\$ 1,236,276	\$ 1,305,786	\$ 1,309,553	\$ 3,767

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Earnings on investments	\$ -	\$ -	\$ 23,670	\$ 23,670
Total Revenues	-	-	23,670	23,670
Expenditures				
Current				
Non-instructional	4,500,000	1,472,136	171,363	1,300,773
Debt service				
Other debt service cost	-	-	27,550	(27,550)
Capital outlay	400,000	410,800	882,650	(471,850)
Total Expenditures	4,900,000	1,882,936	1,081,563	801,373
Excess (deficiency) of revenues over expenses	(4,900,000)	(1,882,936)	(1,057,893)	825,043
Other Financing Sources				
Other financing source - bond proceeds	5,590,000	2,000,000	2,000,000	-
Transfer in	600,076	700,000	700,000	-
Net Change in Fund Balances	1,290,076	817,064	1,642,107	825,043
Fund Balance, Beginning of Year	400,000	828,510	828,510	-
Fund Balance, End of Year	\$ 1,690,076	\$ 1,645,574	\$ 2,470,617	\$ 825,043

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Plant Facility Fund
Year Ended June 30, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
State sources			
Other	\$ -	\$ 2,300	\$ 2,300
Total Revenues	-	2,300	2,300
Expenditures			
Capital outlay	130,000	-	130,000
Total Expenditures	130,000	-	130,000
Excess (Deficiency) of Revenues over Expenditures	(130,000)	2,300	132,300
Other Financing Sources			
Transfers in	51,587	51,587	-
Net Change in Fund Balances	(78,413)	53,887	132,300
Fund Balance, Beginning of Year	102,406	102,406	-
Fund Balance, End of Year	\$ 23,993	\$ 156,293	\$ 132,300

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Schedule of Employer's Share of Net Pension Liability
PERSI Base Plan – Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0.179%	0.181%	0.186%	0.187%
Employer's proportionate share of the net pension liability	\$ 2,817,210	\$ 3,663,997	\$ 2,445,758	\$ 1,379,312
Employer's covered payroll	\$ 5,642,482	\$ 6,027,129	\$ 5,291,846	\$ 5,202,237
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	49.93%	60.79%	46.22%	26.51%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%	94.95%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of June 30, 2017 (measurement date).

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Schedule of Employer Contributions
PERSI Base Plan – Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 604,390	\$ 537,298	\$ 607,525	\$ 608,942
Contributions in relation to				
the statutorily required contribution	638,729	682,271	599,037	588,894
Contribution (deficiency) excess	(34,339)	144,982	(8,488)	(20,048)
Employer's covered payroll	5,642,482	6,027,129	5,291,846	5,202,237
Contributions as a percentage of				
covered payroll	11.32%	11.32%	11.32%	11.32%

*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 use for which information is available.

Data reported is measured as of June 30, 2018.

See Independent Auditors' Report

Supplementary Information

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2018

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
High School Activity Fund				
Assets				
Cash	\$ 162,237	\$ 574,281	\$ 576,624	\$ 159,894
Liabilities				
Due to student groups	\$ 162,237	\$ 574,281	\$ 576,624	\$ 159,894
Junior High School Activity Fund				
Assets				
Cash	\$ 43,420	\$ 62,570	\$ 58,336	\$ 47,654
Liabilities				
Due to student groups	\$ 43,420	\$ 62,570	\$ 58,336	\$ 47,654
Intermediate School Activity Fund				
Assets				
Cash	\$ 12,461	\$ 39,419	\$ 40,034	\$ 11,846
Liabilities				
Due to student groups	\$ 12,461	\$ 39,419	\$ 40,034	\$ 11,846
Elementary School Activity Fund				
Assets				
Cash	\$ 17,743	\$ 62,505	\$ 72,835	\$ 7,413
Liabilities				
Due to student groups	\$ 17,743	\$ 62,505	\$ 72,835	\$ 7,413
Total - All School Activity Funds				
Assets				
Cash	\$ 246,745	\$ 738,775	\$ 747,829	\$ 237,691
Liabilities				
Due to student groups	\$ 246,745	\$ 738,775	\$ 747,829	\$ 237,691

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2018

	Ski School Fund	LEP ESL State Fund	Literacy Fund
Assets			
Cash and Investments	\$ 3,955	\$ 8,617	\$ 11,823
Receivables			
Other	-	-	-
Total Assets	<u>\$ 3,955</u>	<u>\$ 8,617</u>	<u>\$ 11,823</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Salary contracts payable	-	272	9,779
Total Liabilities	<u>-</u>	<u>272</u>	<u>9,779</u>
Fund Balances			
Restricted	-	8,345	2,044
Committed	3,955	-	-
Total Fund Balances	<u>3,955</u>	<u>8,345</u>	<u>2,044</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,955</u>	<u>\$ 8,617</u>	<u>\$ 11,823</u>

See Independent Auditors' Report

Professional Development Grant Fund	E-Rate Fund	Wellness Fund	Medicaid Fund	Driver Education Fund
\$ 83,174	\$ 31,088	\$ 3,000	\$ 402,811	\$ 20,055
-	-	-	-	-
<u>\$ 83,174</u>	<u>\$ 31,088</u>	<u>\$ 3,000</u>	<u>\$ 402,811</u>	<u>\$ 20,055</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	6,105	-
-	-	-	6,105	-
83,174	-	3,000	396,706	20,055
-	31,088	-	-	-
<u>83,174</u>	<u>31,088</u>	<u>3,000</u>	<u>396,706</u>	<u>20,055</u>
<u>\$ 83,174</u>	<u>\$ 31,088</u>	<u>\$ 3,000</u>	<u>\$ 402,811</u>	<u>\$ 20,055</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Balance Sheet – Nonmajor Governmental Funds (continued)
June 30, 2018

	Vocational Education Fund	Public School Technology Fund	State Substance Abuse Fund
Assets			
Cash and Investments	\$ 19,084	\$ 208,040	\$ 13,867
Receivables			
Other	-	-	-
Total Assets	\$ 19,084	\$ 208,040	\$ 13,867
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	17	-	-
Salary contracts payable	3,195	7,283	1,348
Total Liabilities	3,212	7,283	1,348
Fund Balances			
Restricted	15,872	-	-
Committed	-	200,757	12,519
Total Fund Balances	15,872	200,757	12,519
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,084	\$ 208,040	\$ 13,867

See Independent Auditors' Report

Federal Forest Fund	Title I-A ESEA Basic Fund	IDEA Part B School Age Fund	IDEA Part B Preschool Fund	Perkins III Professional Technical Fund
\$ 93,227	\$ -	\$ -	\$ -	\$ -
-	33,802	36,830	1,417	12,455
<u>\$ 93,227</u>	<u>\$ 33,802</u>	<u>\$ 36,830</u>	<u>\$ 1,417</u>	<u>\$ 12,455</u>
\$ -	\$ 7,759	\$ 5,779	\$ 1,417	\$ 12,455
-	-	-	-	-
-	26,043	31,051	-	-
-	33,802	36,830	1,417	12,455
-	-	-	-	-
93,227	-	-	-	-
93,227	-	-	-	-
<u>\$ 93,227</u>	<u>\$ 33,802</u>	<u>\$ 36,830</u>	<u>\$ 1,417</u>	<u>\$ 12,455</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Balance Sheet – Nonmajor Governmental Funds (continued)
June 30, 2018

Title IV-A Student Support Fund	Title II-A ESEA Improving Fund	Gear Up Grant Fund
\$ -	\$ -	\$ -
7,851	3,928	16,319
<u>\$ 7,851</u>	<u>\$ 3,928</u>	<u>\$ 16,319</u>
\$ 7,851	\$ 2,263	\$ 9,592
-	-	-
-	1,665	6,727
<u>7,851</u>	<u>3,928</u>	<u>16,319</u>
-	-	-
-	-	-
-	-	-
<u>\$ 7,851</u>	<u>\$ 3,928</u>	<u>\$ 16,319</u>

See Independent Auditors' Report

21st Century Grant Fund	Total Nonmajor Governmental Funds
\$ -	\$ 898,741
-	112,602
<u>\$ -</u>	<u>\$ 1,011,343</u>
\$ -	\$ 47,116
-	17
-	93,468
-	140,601
-	529,196
-	341,546
-	870,742
<u>\$ -</u>	<u>\$ 1,011,343</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Ski School Fund	LEP ESL State Fund	Literacy Fund
Revenues			
Local sources			
Other	\$ 29,879	\$ -	\$ -
State sources			
Other	-	7,994	53,205
Federal sources			
Educational programs and other	-	-	-
Total Revenues	<u>29,879</u>	<u>7,994</u>	<u>53,205</u>
Expenditures			
Current			
Instructional	29,173	12,617	55,875
Pupil support	-	-	-
Staff support	-	-	-
School administration	-	-	-
General administration	-	-	-
Non-instructional	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>29,173</u>	<u>12,617</u>	<u>55,875</u>
Excess (Deficiency) of Revenues over Expenditures	706	(4,623)	(2,670)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Net Change in Fund Balances	706	(4,623)	(2,670)
Fund Balance, Beginning of Year	<u>3,249</u>	<u>12,968</u>	<u>4,714</u>
Fund Balance, End of Year	<u>\$ 3,955</u>	<u>\$ 8,345</u>	<u>\$ 2,044</u>

See Independent Auditors' Report

Professional Development Grant Fund	E-Rate Fund	Wellness Fund	Medicaid Fund	Driver Education Fund
\$ -	\$ -	\$ -	\$ -	\$ 14,290
95,849	5,975	-	334,256	16,375
-	-	-	-	-
<u>95,849</u>	<u>5,975</u>	<u>-</u>	<u>334,256</u>	<u>30,665</u>
92,387	-	6,071	329,067	25,999
-	-	-	1,360	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>92,387</u>	<u>-</u>	<u>6,071</u>	<u>330,427</u>	<u>25,999</u>
3,462	5,975	(6,071)	3,829	4,666
-	-	5,061	101,403	-
<u>(1,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,162	5,975	(1,010)	105,232	4,666
<u>81,012</u>	<u>25,113</u>	<u>4,010</u>	<u>291,474</u>	<u>15,389</u>
<u>\$ 83,174</u>	<u>\$ 31,088</u>	<u>\$ 3,000</u>	<u>\$ 396,706</u>	<u>\$ 20,055</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (continued)
Year Ended June 30, 2018

	Vocational Education Fund	Public School Technology Fund	State Substance Abuse Fund
Revenues			
Local sources			
Other	\$ -	\$ -	\$ -
State sources			
Other	48,578	185,544	21,544
Federal sources			
Educational programs and other	-	-	-
Total Revenues	48,578	185,544	21,544
Expenditures			
Current			
Instructional	49,040	157,485	8,870
Pupil support	-	-	-
Staff support	-	-	155
School administration	-	13,718	-
General administration	-	-	-
Non-instructional	-	-	-
Capital outlay	-	-	-
Total Expenditures	49,040	171,203	9,025
Excess (Deficiency) of Revenues over Expenditures	(462)	14,341	12,519
Other Financing Sources (Uses)			
Transfers in	-	75,000	-
Transfers (out)	-	-	-
Net Change in Fund Balances	(462)	89,341	12,519
Fund Balance, Beginning of Year	16,334	111,416	-
Fund Balance, End of Year	\$ 15,872	\$ 200,757	\$ 12,519

See Independent Auditors' Report

Federal Forest Fund	Title I-A ESEA Basic Fund	IDEA Part B School Age Fund	IDEA Part B Preschool Fund	Perkins III Professional Technical Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
31,117	171,728	333,540	8,970	12,455
31,117	171,728	333,540	8,970	12,455
-	165,051	287,712	8,970	12,455
-	-	19,514	-	-
-	-	-	-	-
-	6,677	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	26,314	-	-
-	171,728	333,540	8,970	12,455
31,117	-	-	-	-
-	-	-	-	-
-	-	-	-	-
31,117	-	-	-	-
62,110	-	-	-	-
\$ 93,227	\$ -	\$ -	\$ -	\$ -

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (continued)
Year Ended June 30, 2018

	Title IV-A Student Support Fund	Title II-A ESEA Improving Fund	Gear Up Grant Fund
Revenues			
Local sources			
Other	\$ -	\$ -	\$ -
State sources			
Other	-	-	-
Federal sources			
Educational programs and other	7,851	40,586	55,237
Total Revenues	7,851	40,586	55,237
Expenditures			
Current			
Instructional	-	-	53,261
Pupil support	-	-	-
Staff support	7,851	40,586	-
School administration	-	-	-
General administration	-	-	-
Non-instructional	-	-	-
Capital outlay	-	-	-
Total Expenditures	7,851	40,586	53,261
Excess (Deficiency) of Revenues over Expenditures	-	-	1,976
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers (out)	-	-	(1,976)
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

See Independent Auditors' Report

21st Century Grant Fund	Total Nonmajor Governmental Funds
\$ -	\$ 44,169
-	769,320
<u>1,219</u>	<u>662,703</u>
<u>1,219</u>	<u>1,476,192</u>
-	1,294,033
-	20,874
-	48,592
-	20,395
-	-
-	-
<u>-</u>	<u>26,314</u>
<u>-</u>	<u>1,410,208</u>
1,219	65,984
-	181,464
<u>(1,219)</u>	<u>(4,495)</u>
-	242,953
<u>-</u>	<u>627,789</u>
<u>\$ -</u>	<u>\$ 870,742</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Activity in Taxes Receivable Accounts by Fund
Year Ended June 30, 2018

	General Fund	Debt Service Fund
	<u> </u>	<u> </u>
Madison and Fremont Counties		
Balance at June 30, 2017	\$ 162,489	\$ 251,373
Add - Taxes Assessed for 2017 (Net of Cancellations)	215,790	914,305
Less - Collections Received	<u>(298,477)</u>	<u>(842,168)</u>
Balance at June 30, 2018	<u>\$ 79,802</u>	<u>\$ 323,510</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
General Bonded Debt – Future Principal and Interest Requirements
June 30, 2018

	ANNUAL PAYMENT			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Bonds				
Series 2017	1.100%	2018	\$ 995,715	\$ 16,524
	1.100%	2019	1,004,285	5,524
			<u>\$ 2,000,000</u>	<u>\$ 22,048</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Sugar-Salem High School Activity Fund
Statement of Cash Receipts, Disbursements and Transfers
Year Ended June 30, 2018

<u>Name of Organization</u>	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Transfers To (From)</u>	<u>Balance June 30, 2018</u>
Activities	\$ 20,859	\$ 115,277	\$ 125,450	\$ 1,566	\$ 12,252
ACA DECA	220	215	435	-	-
AP Exams	-	95	1,020	-	(925)
Art	1,620	4,893	7,693	(71)	(1,251)
Art Club	155	300	289	-	166
Band	1,669	595	9,945	7,681	-
Baseball	(242)	1,770	1,859	183	(148)
Baseball/Softball Scoreboard	(1,760)	2,202	-	-	442
Basic Design	30	-	-	(30)	-
Blankets	(6,257)	1,596	-	220	(4,441)
Book Rental	(284)	284	-	-	-
Boys Basketball	4,225	24,372	31,331	2,794	60
BPA	1,122	745	1,219	-	648
Cheerleaders	6,331	33,253	41,830	3,619	1,373
Choral Music	2,084	9,532	8,345	(455)	2,816
Christmas Fund	5,987	15,512	14,483	-	7,016
College Courses	1,222	-	12	(1,222)	(12)
Counselors	1,369	120	562	-	927
Darla Miyasaki Memorial	2,334	2,850	2,850	(2,334)	-
Debate	654	7,225	8,789	1,010	100
Digital Scrapbook	1,992	5,990	2,785	165	5,362
District Drama	130	-	-	-	130
Drama	945	8,048	4,975	168	4,186
Drama Club	1,482	-	-	-	1,482
Drama Scholarship	1,518	-	-	-	1,518
Drivers Ed	2,600	14,970	14,615	(30)	2,925
East Coast Trip	47	-	-	-	47
Environmental Science	347	300	420	(227)	-
Exchange Students	8,285	19,049	24,034	757	4,057
FB Digger Card	2,221	28,264	23,385	-	7,100
FB Score Board Advertise	4,073	8,575	4,000	-	8,648
FCCLA	119	4,443	4,562	-	-
FFA	3,983	4,518	6,227	(20)	2,254
Football Equipment	3,265	8,399	9,514	50	2,200
Forensic Science	127	780	907	-	-
Freshmen	1,249	75	119	-	1,205
GBB	3,199	16,192	22,380	200	(2,789)
Gear Up	447	250	372	(250)	75
Glenn Miller	6,879	13,365	12,280	(7,681)	283
Graduation	1,185	5,481	5,522	(165)	979
Half Time Shoot	103	-	-	(103)	-
Honor Society	147	-	-	-	147
IDLA	2,330	1,305	340	(2,845)	450
IMEA	2,983	14,616	12,328	981	6,252
Industrial Tech	726	6,609	8,429	3,230	2,136
Interest Income	5	31	17	-	19

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Sugar-Salem High School Activity Fund
Statement of Cash Receipts, Disbursements and Transfers (continued)
Year Ended June 30, 2018

Name of Organization	Balance June 30, 2017	Cash Receipts	Cash Disbursements	Transfers To (From)	Balance June 30, 2018
John Berry	-	17,324	9,427	(7,897)	-
Junior	1,562	-	-	-	1,562
Laptop Insurance	13,115	15,232	6,338	(10,030)	11,979
Latino Club	123	80	139	-	64
Math	100	200	-	-	300
MATT	-	161	105	(56)	-
Milk Machine	105	-	-	(105)	-
Near Peer	135	-	-	(135)	-
Nursing	1,370	760	625	(1,410)	95
Nutrition	103	4,445	2,936	135	1,747
Orchestra	1,315	10,608	8,514	(866)	2,543
Orchestra - Disneyland	-	32,091	31,603	146	634
Pep Band State	-	1,860	1,800	-	60
PSAT	450	6,073	1,859	(1,155)	3,509
Sales Tax	-	2,247	2,780	533	-
School Store	7,697	18,108	9,882	(329)	15,594
Science Grant	1,151	3,192	4,343	-	-
Scoreboard	472	-	-	(472)	-
Seniors	2,182	8,080	7,848	-	2,414
Soccer - Boys	906	598	740	-	764
Soccer - Girls	233	1,641	1,130	-	744
Softball	(525)	2,868	3,727	1,427	43
Sophomores	994	-	-	-	994
SOS	91	-	-	(91)	-
Special Ed	-	-	-	-	-
Speech Club	628	-	18	(610)	-
Speech Trip Blacksnake	278	-	-	(278)	-
SSHS	4,732	-	2,982	15,362	17,112
Student Body	2,331	12,228	9,061	(1,518)	3,980
Student Council	714	5,241	4,054	-	1,901
Summer Camp	6,045	6,390	8,060	(160)	4,215
Tennis Club	596	1,535	1,231	-	900
Track	922	1,261	1,248	-	935
TSA	697	1,709	1,539	-	867
Vinyl Signs	1,396	752	518	-	1,630
VO -AG	3,322	6,679	4,690	-	5,311
Volleyball	563	1,165	957	-	771
Woods	3,133	98	-	(3,231)	-
Wrestling	5,769	5,927	14,233	2,854	317
X-Country	(692)	485	151	358	-
Yearbook	7,427	19,729	16,821	110	10,445
Yearbook Ads	885	-	110	-	775
Zoology	187	3,418	3,832	227	-
	\$ 162,237	\$ 574,281	\$ 576,624	\$ -	\$ 159,894

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Sugar-Salem Junior High School Activity Fund
Statement of Cash Receipts, Disbursements and Transfers
Year Ended June 30, 2018

Name of Organization	Balance June 30, 2017	Cash Receipts	Cash Disbursements	Transfers To (From)	Balance June 30, 2018
Activity Fee	\$ 1,174	\$ 6,995	\$ 7,988	\$ -	\$ 181
Art	2,767	1,849	3,692	-	924
Awards	1,864	2,500	-	-	4,364
Band	1,403	1,145	728	(1,000)	820
Book Fee	7	-	-	-	7
Boys Basketball	103	460	571	108	100
Cheerleading	3,575	6,150	8,174	(1,000)	551
Choir	1,693	120	763	(136)	914
Cross Country	-	2,000	1,860	-	140
Digital Photography	1,235	326	-	-	1,561
Fundraiser	7,775	10,542	10,082	(212)	8,023
Girls Basketball	292	379	544	-	127
Greenhouse	395	-	48	-	347
Gym	2,153	-	575	2,000	3,578
Interest/Service Charges	98	(230)	-	400	268
Music Room	-	-	-	1,136	1,136
Orchestra	4,240	1,340	3,335	-	2,245
Travel Fee	7,939	14,520	10,199	(4,100)	8,160
PE Equipment	90	110	-	3,000	3,200
Science	15	242	78	-	179
Teachers Fund	589	443	472	-	560
Track	189	879	981	-	87
Volleyball	1	772	306	-	467
Volleyball Equipment	523	-	-	-	523
Wrestling	3,655	5,262	2,206	(196)	6,515
Yearbook	784	6,766	5,324	-	2,226
Zoology	861	-	410	-	451
	<u>\$ 43,420</u>	<u>\$ 62,570</u>	<u>\$ 58,336</u>	<u>\$ -</u>	<u>\$ 47,654</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Kershaw Intermediate School Activity Fund
Statement of Cash Receipts, Disbursements and Transfers
Year Ended June 30, 2018

Name of Organization	Balance June 30, 2017	Cash Receipts	Cash Disbursements	Transfers To (From)	Balance June 30, 2018
Clearing Account	\$ -	\$ 2,681	\$ 2,681	\$ -	\$ -
Gym Rental	264	-	254	-	10
Library Account	27	160	29	-	158
PBIS	313	-	271	-	42
Pictures	276	1,180	994	-	462
School Fundraisers	1,310	-	1,249	-	61
School Store	1,777	3,346	3,456	-	1,667
Student Body Fees	1,346	5,786	7,146	-	(14)
Teacher Accounts	2,941	22,190	22,055	-	3,076
United Dairymen	3,311	3,875	1,109	-	6,077
Used Textbooks	942	-	433	-	509
Vending Machine	(46)	201	357	-	(202)
	<u>\$ 12,461</u>	<u>\$ 39,419</u>	<u>\$ 40,034</u>	<u>\$ -</u>	<u>\$ 11,846</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Central Elementary School Activity Fund
Statement of Cash Receipts, Disbursements and Transfers
Year Ended June 30, 2018

<u>Name of Organization</u>	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Transfers To (From)</u>	<u>Balance June 30, 2018</u>
Fundraiser	\$ 4,154	\$ 27,525	\$ 30,201	\$ -	\$ 1,478
General Fund	22	6,289	6,260	-	51
Preschool	9,366	4,602	11,342	-	2,626
School Fees	-	10,612	4,485	(6,127)	-
Teacher Fund	4,023	10,568	18,295	6,919	3,215
Kindergarten Field Trip	-	500	96	(404)	-
1st Grade Field Trip	-	548	335	(213)	-
2nd Grade Field Trip	-	500	238	(262)	-
3rd Grade Field Trip	-	500	506	6	-
Vending	178	861	1,077	81	43
	<u>\$ 17,743</u>	<u>\$ 62,505</u>	<u>\$ 72,835</u>	<u>\$ -</u>	<u>\$ 7,413</u>

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

	Federal CFDA Number	Expenditures	Revenues Cash Basis
U.S. Department of Agriculture			
Passed Through State of Idaho:			
* Child Nutrition Cluster			
School Breakfast Program	10.553	85,946	85,946
School Lunch Program	10.555	381,553	381,553
Special Milk Program	10.556	1,858	1,858
State Admin Expenses	10.560	642	642
		<u>469,999</u>	<u>469,999</u>
Passed Through Madison/Fremont Counties:			
Federal Forest	10.665	-	31,117
		<u>-</u>	<u>31,117</u>
Total Department of Agriculture		<u>469,999</u>	<u>501,116</u>
U.S. Department of Education			
Passed Through State of Idaho:			
Title I-Basic	84.010	171,728	187,543
Special Education Cluster			
IDEA Part B	84.027	333,540	317,368
IDEA Part B - Preschool	84.173	8,970	13,508
		<u>342,510</u>	<u>330,876</u>
Career and Technical Education Basic Grant	84.048	12,455	12,455
Student Support and Academic Enrichment Grant	84.424	7,851	-
Twenty-First Century Community Learning Ctrs	84.287	1,219	10,017
Gaining Early Awareness and Readiness	84.334	55,237	48,914
Improving Teacher Quality	84.367	40,586	34,273
		<u>631,586</u>	<u>624,078</u>
Total Department of Education		<u>631,586</u>	<u>624,078</u>
Total Federal Assistance		<u>\$ 1,101,585</u>	<u>\$ 1,125,194</u>

* Major Federal Program

See Independent Auditors' Report

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Note to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Sugar-Salem Joint School District No. 322 under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sugar-Salem Joint School District No. 322, it is not intended to and does not present the financial position or change in net assets of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are not allowed or are limited as to reimbursement.

The District is not eligible to use the 10% de minimis indirect cost rate.



**INDEPENDENT AUDITORS' 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**

The Board of Trustees
Sugar-Salem Joint School District No. 322
Sugar City, 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 Sugar-Salem Joint School District No. 322 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sugar-Salem Joint School District No. 322's basic financial statements, and have issued our report thereon dated September 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sugar-Salem Joint School District No. 322'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 Sugar-Salem Joint School District No. 322's internal control. Accordingly, we do not express an opinion on the effectiveness of Sugar-Salem Joint School District No. 322'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 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

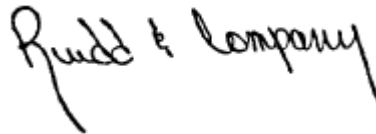
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sugar-Salem Joint School District No. 322's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

Idaho Falls, Idaho
September 5, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Sugar-Salem Joint School District No. 322
Sugar City, Idaho

Report on Compliance for Each Major Federal Program

We have audited Sugar-Salem Joint School District No. 322's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sugar-Salem Joint School District No. 322's major federal programs for the year ended June 30, 2018. Sugar-Salem Joint School District No. 322's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sugar-Salem Joint School District No. 322's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sugar-Salem Joint School District No. 322's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sugar-Salem Joint School District No. 322's compliance.

Opinion on Each Major Federal Program

In our opinion, Sugar-Salem Joint School District No. 322, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

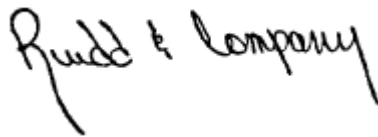
Management of Sugar-Salem Joint School District No. 322 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sugar-Salem Joint School District No. 322's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sugar-Salem Joint School District No. 322's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

Idaho Falls, Idaho
September 5, 2018

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material Weaknesses identified?	No
Significant Deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant Deficiencies identified?	No
Type or auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Identification of major programs:

CFDA Number(s)	Name of Federal Program
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	School Lunch Program
10.556	Special Milk Program
10.560	State Admin Expenses

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

SUGAR-SALEM JOINT SCHOOL DISTRICT NO. 322
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster – CFDA No. 10.553, 10.555, 10.556, 10.559

2017-001

Condition and Criteria: The Idaho State Department of Education conducted an administrative review of the USDA programs at the District. Two instances of findings were reported in the State’s review. Please refer to this report for specific items.

View of Responsible Officials and Planned Corrective Actions: The District agrees with the findings and has corrected the items in question as of the date of this report.