



RUDD & COMPANY^{PLLC}
certified public accountants | business consultants

TETON COUNTY SCHOOL DISTRICT NO. 401

DRIGGS, IDAHO

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

Year Ended June 30, 2016

giving direction to your future

TETON COUNTY SCHOOL DISTRICT NO. 401

Table of Contents

June 30, 2016

Independent Auditors' Report	1-4
Management's Discussion and Analysis	5-12
Basic Financial Statements	
Statement of Net Position	14-15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17-18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20-21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Net Position – Agency Funds.....	26
Notes to Financial Statements.....	27-49
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	51
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Child Nutrition Fund	52

TETON COUNTY SCHOOL DISTRICT NO. 401

Table of Contents

June 30, 2016

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund	53
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Plant Facility Fund	54
Schedule of Employer’s Share of Net Pension Liability	55
Schedule of Employer’s Contributions	56
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	58-61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	62-65
Combining Statement of Changes in Assets and Liabilities Student Activities – Agency Funds	66
Activity in Taxes Receivable Accounts by Fund	67
General Bonded Debt – Future Principal and Interest Requirements	68-70
Teton High School Activity Fund – Statement of Cash Receipts, Disbursements and Transfers	71-72
Schedule of Expenditures of Federal Awards	73
Note to the Schedule of Expenditures of Federal Awards	74
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 <i>Government Auditing Standards</i>	75-76

TETON COUNTY SCHOOL DISTRICT NO. 401
Table of Contents
June 30, 2016

Independent Auditors' Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance.....	77-79
Schedule of Findings and Questioned Costs.....	80-81



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Teton County School District No. 401
Driggs, 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 Teton County School District No. 401 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Government 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 Teton County School District No. 401 as of June 30, 2016, 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 Teton County School District No. 401 as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison information on pages 51 through 54, and pension information on pages 55 and 56 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

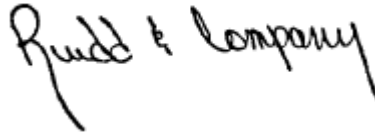
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Teton County School District No. 401's basic financial statements. The combining and individual nonmajor fund financial statements, and supplementary information, are presented for purposes 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, 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, 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 October 5, 2016, on our consideration of the Teton County School District No. 401'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 Teton County School District No. 401's internal control over financial reporting and compliance.

Idaho Falls, Idaho
October 5, 2016

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

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

As management of the Teton County School District No. 401, 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, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$11,580,816. Of this amount, \$1,553,560 of unrestricted net position may be used to meet the District's ongoing obligations.
- The District's net position increased by \$1,968,382 as a result of this year's operations.
- The general fund had \$12,596,493 in revenues and \$11,329,799 in expenditures. The general fund balance increased \$626,567 over the prior year.
- The District has a net pension liability of \$2,674,608 on the government-wide financial statements.
- \$244,243 was transferred from the general fund to the state technology fund to cover technology related payroll and other expenditures.
- \$224,487 was transferred from the general fund to the Title VI – B School Age fund to cover expenditures under the Title VI – B program.

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.

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

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.

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 three categories: governmental funds, proprietary 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 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*.

The District maintains nineteen 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 debt service fund, the child nutrition fund, and the plant facility fund, all of which are considered to be major funds. Data from the other fifteen 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 its general fund and all special revenue funds. A budgetary comparison statement has been provided for each major fund to demonstrate compliance with this budget.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

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

Proprietary Funds. The District maintains only one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for healthcare reimbursements as a self-insurance mechanism. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the health insurance internal service fund.

The proprietary fund financial statements can be found on pages 23-25 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 26 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 27-49 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 58-66 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 \$11,580,816 at the close of the most recent fiscal year.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

Net Position	Governmental Assets	
	2016	2015
Current and Other Assets	\$ 7,723,199	\$ 6,894,038
Capital Assets	20,497,679	20,260,460
Total Assets	28,220,878	27,154,498
Deferred Outflows of Resources	2,339,279	1,096,911
Current Liabilities	2,818,938	2,433,519
Long-term Liabilities	12,439,602	11,861,625
Total Liabilities	15,258,540	14,295,144
Deferred Inflows of Resources	3,720,801	4,343,831
Net Position		
Net Investment in Capital Assets	8,334,093	7,041,670
Restricted	1,693,163	1,781,897
Unrestricted	1,553,560	788,867
Total Net Position	\$ 11,580,816	\$ 9,612,434

A portion of the District's net position, \$8,334,093, 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.

An additional portion of the District's net position, \$1,693,163 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,553,560 may be used to meet the District's ongoing obligations to students, employees, and creditors.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

Changes in Net Position	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for services	\$ 217,170	\$ 201,288
Operating grants and contributions	1,438,860	1,438,735
General revenues		
Property tax	5,102,284	5,289,472
State support	9,152,879	8,282,864
Other	<u>675,396</u>	<u>2,103,759</u>
Total Revenues	<u>16,586,589</u>	<u>17,316,118</u>
Expenses		
Instructional	7,947,072	7,351,839
Pupil support	1,086,489	1,085,254
Staff support	275,059	219,428
General administration	380,269	500,702
School administration	883,949	833,791
Business operations	101,455	91,586
Operations	1,319,900	1,208,111
Transportation	845,872	783,249
Non-instructional	136,468	117,971
Interest	311,715	352,779
Depreciation	664,752	646,515
Child nutrition services	<u>665,207</u>	<u>628,667</u>
Total Expenses	<u>14,618,207</u>	<u>13,819,892</u>
Change in Net Position	<u>\$ 1,968,382</u>	<u>\$ 3,496,226</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

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.

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.

General fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, the fund balance was \$3,790,744. The fund balance increased by \$626,567 during the current fiscal year.

Expenditures for general District purposes totaled \$11,329,799, an increase of 5.5% during the current fiscal year.

The plant facility fund has a total fund balance of \$21,717, all of which is restricted. The fund balance decreased by \$253,523 during the current year.

The debt service fund has a total fund balance of \$1,392,336, all of which is restricted for the payment of debt service on general obligation bonds. The fund balance increased by \$100,827 during the current year.

The child nutrition fund has a total fund balance of \$158,326, all of which is restricted for the child nutrition program. The fund balance increased by \$60,596 during the current year.

The District's internal service fund has a total fund balance of \$148,103, all of which is restricted for healthcare reimbursements. The fund balance increased by \$87,826 during the current year.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management’s Discussion and Analysis (continued)
June 30, 2016

General Fund Budgetary Highlights

There were amendments made to the original budget to reflect grants received and corresponding expenditures.

During the current fiscal year, the \$168,124 positive budget to actual variance in total general fund revenues, and the \$843,145 positive budget to actual variance in total general fund expenditures, are largely a result of state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Program revenues are budgeted to spend all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenues received but not spent are restricted and deferred to the subsequent year.

Capital Asset and Debt Administration

Capital Assets

Capital assets at June 30, 2016 are outlined below:

Capital Assets (Net of Depreciation)	Governmental Activities	
	2016	2015
Land	\$ 1,045,768	\$ 951,000
Buildings and improvements	24,312,864	23,983,887
Furniture and equipment	6,930,488	6,452,262
	32,289,120	31,387,149
Accumulated depreciation	(11,791,441)	(11,126,689)
Total Capital Assets, Net of Depreciation	\$ 20,497,679	\$ 20,260,460

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2016

Debt Administration

Outstanding debt at June 30, 2016 is outlined below:

Outstanding Debt	Governmental Activities	
	2016	2015
General obligation bonds	\$ 10,655,000	\$ 11,550,000
Compensated absences	69,994	72,940
	\$ 10,724,994	\$ 11,622,940

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

Requests for Information

This financial report is designed to provide a general overview of the Teton 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, Teton School District, P.O. Box 775, Driggs, ID 83452.

Basic Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Net Position
June 30, 2016

Assets	Governmental Activities
Cash and Investments	\$ 5,268,489
Receivables	
Property taxes	1,767,179
State of Idaho	460,290
Other	213,994
Deposits	13,247
Capital Assets	
Land	1,045,768
Buildings and equipment, net of depreciation	<u>19,451,911</u>
Total Assets	<u>28,220,878</u>
Deferred Outflows of Resources	
Related to pensions	<u>2,339,279</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,560,157</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Liabilities	Governmental Activities
Accounts payable	\$ 245,100
Salary contracts payable	1,483,764
Interest payable	130,074
Long-term liabilities:	
Portion due or payable within one year:	
Bonds, capital leases, and contracts	960,000
Portion due or payable after one year:	
Net pension liability	2,674,608
Bonds, capital leases, and contracts	9,695,000
Compensated absences	69,994
	<hr/>
Total Liabilities	15,258,540
	<hr/>
Deferred Inflows of Resources	
Related to pensions	2,212,215
Bond issue premium, net of amortization	1,508,586
	<hr/>
Total Deferred Inflows of Resources	3,720,801
	<hr/>
Total Liabilities and Deferred Inflows of Resources	\$ 18,979,341
	<hr/>
Net Position	
Net investment in capital assets	\$ 8,334,093
Restricted for:	
Debt service	1,502,823
Capital projects	42,237
Healthcare	148,103
Unrestricted	1,553,560
	<hr/>
Total Net Position	\$ 11,580,816
	<hr/>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
Governmental Activities:				
Instructional	\$ 7,947,072	\$ 30,858	\$ 683,835	\$ (7,232,379)
Pupil support	1,086,489	-	229,070	(857,419)
Staff support	275,059	-	-	(275,059)
General administration	380,269	-	-	(380,269)
School administration	883,949	-	-	(883,949)
Business operations	101,455	-	-	(101,455)
Operations	1,319,900	-	-	(1,319,900)
Transportation	845,872	-	-	(845,872)
Non-instructional	136,468	-	-	(136,468)
Interest on long-term debt	311,715	-	-	(311,715)
Depreciation - unallocated*	664,752	-	-	(664,752)
Child nutrition services	665,207	186,312	525,955	47,060
Total Governmental Activities	\$ 14,618,207	\$ 217,170	\$ 1,438,860	(12,962,177)
General Revenues:				
Taxes:				
				\$ 3,287,042
				1,420,638
				394,604
				491,423
				9,152,879
				19,702
				164,271
				14,930,559
				1,968,382
				9,612,434
				\$ 11,580,816

* 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

TETON COUNTY SCHOOL DISTRICT NO. 401
Balance Sheet – Governmental Funds
June 30, 2016

Assets	General Fund	Child Nutrition Fund
Cash and Investments	\$ 3,702,610	\$ 196,822
Due from Other Funds	209,858	-
Receivables		
Property taxes	1,125,355	-
State of Idaho	402,482	-
Other	-	6,354
Deposits	-	-
Total Assets	<u>\$ 5,440,305</u>	<u>\$ 203,176</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Due to other funds	\$ -	\$ -
Accounts payable	159,880	325
Salary contracts payable	1,302,250	44,525
Interest payable	-	-
Total Liabilities	<u>1,462,130</u>	<u>44,850</u>
Deferred Inflows of Resources		
Unavailable revenues	<u>187,431</u>	<u>-</u>
Fund Balances (Deficits)		
Restricted	133,961	158,326
Committed	3,330,863	-
Unassigned	<u>325,920</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>3,790,744</u>	<u>158,326</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,440,305</u>	<u>\$ 203,176</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Debt Service Fund	Plant Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,124,758	\$ -	\$ 96,196	\$ 5,120,386
-	-	-	209,858
508,139	133,685	-	1,767,179
-	-	57,808	460,290
-	-	207,640	213,994
-	13,247	-	13,247
<u>\$ 1,632,897</u>	<u>\$ 146,932</u>	<u>\$ 361,644</u>	<u>\$ 7,784,954</u>
\$ -	\$ 36,942	\$ 172,916	\$ 209,858
-	67,753	17,142	245,100
-	-	136,989	1,483,764
130,074	-	-	130,074
<u>130,074</u>	<u>104,695</u>	<u>327,047</u>	<u>2,068,796</u>
<u>110,487</u>	<u>20,520</u>	<u>-</u>	<u>318,438</u>
1,392,336	21,717	34,597	1,740,937
-	-	-	3,330,863
-	-	-	325,920
<u>1,392,336</u>	<u>21,717</u>	<u>34,597</u>	<u>5,397,720</u>
<u>\$ 1,632,897</u>	<u>\$ 146,932</u>	<u>\$ 361,644</u>	<u>\$ 7,784,954</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net
Position
June 30, 2016

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

Total Fund Balance - Governmental Funds	\$ 5,397,720
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$32,289,120 and the accumulated depreciation is \$11,791,441.	20,497,679
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(10,724,994)
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.	(2,547,544)
Bond premium reported as a revenue in the fund financial statements is capitalized in the government-wide statements. The total premium is \$2,082,650 and the accumulated amortization is \$574,064.	(1,508,586)
Property tax revenue is recognized when earned rather than when available.	318,438
Internal service funds are used to charge the cost of healthcare reimbursement claims to individual funds. The assets and liabilities of the fund are included in governmental activities on the statement of net position.	<u>148,103</u>
Net Position - Governmental Activities	<u>\$ 11,580,816</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General Fund	Child Nutrition Fund
Revenues		
Local sources		
Property taxes	\$ 3,366,999	\$ -
Earnings on investments	19,702	-
Lunch sales	-	186,312
Tuition - Out of State	218,717	-
Other	272,706	-
State sources		
State apportionment	8,253,698	-
Other	464,671	-
Federal sources		
Educational programs and other	-	525,955
Total Revenues	<u>12,596,493</u>	<u>712,267</u>
Expenditures		
Current		
Instructional	6,869,218	-
Pupil support	522,884	-
Staff support	275,059	-
General administration	380,269	-
School administration	883,949	-
Business operations	101,455	-
Operation	1,319,900	-
Transportation	830,622	-
Non-instructional	28,913	665,207
Debt Service		
Principal	-	-
Interest	-	-
Capital outlay	117,530	-
Total Expenditures	<u>11,329,799</u>	<u>665,207</u>
Excess (Deficiency) of Revenues over Expenditures	1,266,694	47,060
Other Financing Sources (Uses)		
Transfers in	2,695	13,536
Transfers out	<u>(642,822)</u>	<u>-</u>
Net Change in Fund Balances	626,567	60,596
Fund Balance Beginning of Year	<u>3,164,177</u>	<u>97,730</u>
Fund Balance End of Year	<u>\$ 3,790,744</u>	<u>\$ 158,326</u>

The Accompanying Notes are an Integral Part of the Financial Statements

	Debt Service Fund	Plant Facility Fund	Other Governmental Funds	Total Governmental Funds			
\$	1,432,451	\$	406,655	\$	-	\$	5,206,105
	-		-		-		19,702
	-		-		-		186,312
	-		-		-		218,717
	-		30,858		-		303,564
	-		-		-		8,253,698
	37,195		-		397,315		899,181
	-		-		912,905		1,438,860
	<u>1,469,646</u>		<u>406,655</u>		<u>1,341,078</u>		<u>16,526,139</u>
	-		-		1,168,526		8,037,744
	-		-		563,605		1,086,489
	-		-		-		275,059
	-		-		-		380,269
	-		-		-		883,949
	-		-		-		101,455
	-		-		-		1,319,900
	-		-		15,250		845,872
	1,900		105,655		-		801,675
	895,000		-		-		895,000
	471,919		-		-		471,919
	-		739,839		44,602		901,971
	<u>1,368,819</u>		<u>845,494</u>		<u>1,791,983</u>		<u>16,001,302</u>
	100,827		(438,839)		(450,905)		524,837
	-		185,316		477,726		679,273
	-		-		(36,551)		(679,373)
	100,827		(253,523)		(9,730)		524,737
	<u>1,291,509</u>		<u>275,240</u>		<u>44,327</u>		<u>4,872,983</u>
\$	<u>1,392,336</u>	\$	<u>21,717</u>	\$	<u>34,597</u>	\$	<u>5,397,720</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

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

Net Change in Fund Balance - Governmental Funds	\$	524,737
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 capital outlay exceeded depreciation in the current period.		237,219
Property tax revenues received prior to the year for which they are levied are reported as unavailable revenues in the governmental funds. The change however is recorded as an adjustment to revenues in the statement of activities.		(103,821)
Compensated absences (a long-term liability) is not due and payable in the current period and therefore is not reported as an expenditure in the governmental funds.		2,946
Governmental funds report repayment of bond principal as an expenditure in the fund financial statements. These payments are shown as reductions in long-term debt in the government-wide statements. Interest is recognized as it accrues regardless of when it is due.		895,000
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 from the previous year to the current year.		164,272
Governmental funds report bond premiums as revenue, while the premium is amortized over the term of the bond as a decrease in interest expense in the government-wide statements.		160,203
Internal service funds are used to charge the costs of healthcare reimbursements claims to individual funds. The net revenue of internal service funds is reported with governmental activities.		<u>87,826</u>
Change in Net Position of Governmental Activities	\$	<u>1,968,382</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Net Position
Proprietary Funds
June 30, 2016

	Governmental Activities - Internal Service Fund
Assets	
Cash and Investments	\$ 148,103
Total Assets	<u>\$ 148,103</u>
Net Position	
Restricted	
Healthcare Reimbursements	<u>\$ 148,103</u>
Total Net Position	<u>\$ 148,103</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
Operating Revenues	
Healthcare Contributions	\$ 129,567
Total Operating Revenues	<u>129,567</u>
Operating Expenses	
Insurance claims and expenses	<u>41,841</u>
Total Operating Expenses	<u>41,841</u>
Operating Income	87,726
Other Income and Expenses	
Transfers In	<u>100</u>
Change in Net Position	87,826
Net Position - Beginning	<u>60,277</u>
Net Position - Ending	<u>\$ 148,103</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities	
Cash received from other funds for healthcare contributions	\$ 129,567
Payments for insurance claims and expenses	(41,841)
Transfers in	100
	<hr/>
Net increase in cash and cash equivalents	87,826
Cash - Beginning	60,277
	<hr/>
Cash - Ending	\$ 148,103
	<hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 87,826
	<hr/>
Net cash provided by operating activities	\$ 87,826
	<hr/>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Fiduciary Net Position – Agency Funds
June 30, 2016

Assets	Agency Funds
Cash and Investments	\$ 115,719
Total Assets	<u>\$ 115,719</u>
 Liabilities	
Due to Student Groups	\$ 115,719
Total Liabilities	<u>\$ 115,719</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

The financial statements of the Teton County School District 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 Teton County School District No. 401. 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 activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses 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, proprietary 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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements
June 30, 2016

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 are the proprietary fund financial statements and 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. All revenues and expenses of the internal service fund are classified as operating as they relate to the benefit costs of employees.

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

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 *internal service fund* accounts for risk management services for self-insured healthcare provided to other governmental functions on a cost reimbursement basis.
- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf student groups.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide statements. Balances between funds included in the governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

Budgetary Policy

The District prepares budgets for all the governmental fund types. 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 District amended the budget during the year.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

The following is a reconciliation of revenues and expenditures as reported under generally accepted accounting standards and the amounts reported in comparison with budget reported on page 52:

	<u>Reported</u> <u>Amounts</u>	<u>Commodities</u> <u>Received</u>	<u>Amounts</u> <u>Reported in</u> <u>Comparison</u> <u>with Budget</u>
Child Nutrition Fund			
Total revenues	\$ 712,267	\$ (59,796)	\$ 652,471
Total expenditures	\$ 665,207	\$ (59,796)	\$ 605,411

Under Idaho law, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Under certain unusual circumstances, the District is allowed to reopen and amend its budget. Expenditures are not to exceed the budgeted amounts, except as allowed by law for certain events. The original budget was amended during the year to reflect beginning fund balances and adjust for additional local and state revenues.

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

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 furniture and 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.....	50 yrs
Buses.....	10 yrs
Furniture.....	10 yrs
Equipment.....	10 yrs
Vehicles.....	8 yrs
Computer equipment.....	5 yrs

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 net difference between projected and actual investment earnings on the pension plan investments. This amount is reported only in the government-wide financial statements.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

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 effect on the calculation of the net pension liability of the difference between projected and actual investment earnings on the defined benefit pension plan.

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.

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 are based upon the types of constraints placed upon the outstanding balances.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

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.

The District's cash and cash equivalents are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

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 one of the 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) up to \$250,000 per depository.

1. Deposits – At June 30, 2016, the carrying amount of the District's deposits was \$280,615 and the respective bank balances totaled \$566,794. Of the bank balances, \$250,000 were insured or collateralized with pooled securities held by the pledging financial institution in the name of the District.
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, 2016, \$316,794 of the District's total deposits were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of June 30, 2016, 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	\$ 5,103,593	\$ 5,103,593	\$ -	\$ -	\$ -

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

2. Cash and Investments (continued)

4. 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.

5. 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. Because the State Investment Pool as of June 30, 2016, had a weighted average maturity of 86 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.

Reconciliation of deposits categorization:

Cash and investments reported on the statement of net position	\$ 5,268,489
Cash and investments reported on the statement of fiduciary net position	<u>115,719</u>
	<u>\$ 5,384,208</u>
Investments categorized	\$ 5,103,593
Deposits categorized	<u>280,615</u>
	<u>\$ 5,384,208</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 Teton County 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, 2016, are generally based on the assessed values and tax levies established in 2015.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

3. Property Taxes (continued)

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.

4. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 951,000	\$ 94,768	\$ -	\$ 1,045,768
Total Capital Assets, Not Being Depreciated	<u>\$ 951,000</u>	<u>\$ 94,768</u>	<u>\$ -</u>	<u>\$ 1,045,768</u>
Capital Assets, Being Depreciated				
Buildings and improvements	\$ 23,983,887	\$ 328,977	\$ -	\$ 24,312,864
Furniture and equipment	6,452,262	478,226	-	6,930,488
Total Capital Assets, Being Depreciated	<u>30,436,149</u>	<u>807,203</u>	<u>-</u>	<u>31,243,352</u>
Accumulated Depreciation for				
Buildings and improvements	(5,645,589)	(483,586)	-	(6,129,175)
Furniture and equipment	(5,481,100)	(181,166)	-	(5,662,266)
Total Accumulated Depreciation	<u>(11,126,689)</u>	<u>(664,752)</u>	<u>-</u>	<u>(11,791,441)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 19,309,460</u>			<u>\$ 19,451,911</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

5. General Obligation School Refunding Bonds

On December 21, 2012, the District issued \$9,855,000 in general obligation bonds with an average interest rate of 4.3% to advance refund \$9,995,000 of outstanding 2006 series bonds with an average interest rate of 4.8%. The net proceeds were placed in escrow to establish an irrevocable trust escrow fund consisting of cash and noncallable direct full faith and credit obligations of the United States of America. The refunded portion of the 2006 series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

6. General Obligation Bonds Payable

Bonds outstanding at June 30, 2016, were as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
General Obligation Refunding Bonds, 2004 Issue (Original amount--\$4,390,000)	3.25%	2017	\$ 525,000
General Obligation Bonds, 2006 Issue (Original amount--\$12,000,000)	4.50%	2017	\$ 435,000
General Obligation Refunding Bonds, Series 2012 Issue (Original amount--\$9,855,000)	3.25% to 5.00%	2017 to 2026	\$ 9,695,000

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

6. General Obligation Bonds Payable (continued)

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>
2017	\$ 960,000	\$ 450,144	\$ 1,410,144
2018	985,000	407,200	1,392,200
2019	1,030,000	356,825	1,386,825
2020	1,090,000	303,825	1,393,825
2021	1,145,000	247,950	1,392,950
Thereafter	5,445,000	524,763	5,969,763
	<u>\$ 10,655,000</u>	<u>\$ 2,290,707</u>	<u>\$ 12,945,707</u>

7. Changes in Long-term Debt

The following is a summary of the District's long-term transactions for the year ended June 30, 2016:

	<u>2004 G.O. Refunding Bonds</u>	<u>2006 G.O. Bonds</u>	<u>2012 G.O. Refunding Bonds</u>	<u>Compensated Absences Payable</u>	<u>Net Pension Liability</u>	<u>Total</u>
Long-term Obligations June 30, 2015	\$ 1,035,000	\$ 820,000	\$ 9,695,000	\$ 72,940	\$ 1,133,685	\$ 12,756,625
Obligations Incurred	-	-	-	-	1,540,923	1,540,923
Obligations Paid	(510,000)	(385,000)	-	(2,946)	-	(897,946)
Long-term Obligations June 30, 2016	<u>\$ 525,000</u>	<u>\$ 435,000</u>	<u>\$ 9,695,000</u>	<u>\$ 69,994</u>	<u>\$ 2,674,608</u>	<u>\$ 13,399,602</u>
Due within one year	<u>\$ 525,000</u>	<u>\$ 435,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,000</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

8. 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.

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, 2015, was as follows:

Retirees and beneficiaries currently receiving benefits	42,657
Terminated employees entitled to but not yet receiving benefits	11,859
Active plan members	<u>67,008</u>
	<u>121,524</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. Amounts in parenthesis represent police/firefighters.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

8. Pension Plan (continued)

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law.

The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2016, the employee contribution rate was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The District's contributions required and paid were \$914,478, \$848,236, and \$809,911 for the years ended June 30, 2016, 2015, and 2014, respectively.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, 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 July 1, 2015, the District's proportion was 0.268 percent.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

8. Pension Plan (continued)

For the year ended June 30, 2016, the District recognized pension expense (revenue) of \$(164,271). At June 30, 2016, 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	\$ -	\$ 422,313
Changes in assumptions or other inputs	128,296	-
Net difference between projected and actual earnings on pension plan investments	1,296,505	1,849,971
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	(60,069)
Employer contributions subsequent to the measurement date	<u>914,478</u>	<u>-</u>
Total	<u>\$ 2,339,279</u>	<u>\$ 2,212,215</u>

\$914,478 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, 2017.

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

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

8. 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>		
2017	.....	(350,448)
2018	.....	(350,448)
2019	.....	(350,448)
2020	.....	273,213
2021	.....	(14,744)
2022	.....	5,461

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 July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

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

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, 2014.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

8. Pension Plan (continued)

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			<u>0.40%</u>
Long-Term Expected Rate of Return, Net of Investment Expenses			<u>7.10%</u>

*Arithmetic return

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

8. Pension Plan (continued)

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%)
Employer's proportionate share of the net pension liability (asset)	\$ 8,580,368	\$ 3,522,844	\$ (681,817)

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.

9. 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).

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

9. Fair Value Measurements (continued)

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.

Fair value assets measured on a recurring basis at June 30, 2016 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	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	\$ 5,103,593	\$ 5,103,593	\$ -	\$ -
Total	<u>\$ 5,103,593</u>	<u>\$ 5,103,593</u>	<u>\$ -</u>	<u>\$ -</u>

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

10. Non-monetary Transactions

The District received commodities from the U.S. Government valued at \$59,796. The value was determined by confirmation with the State of Idaho Department of Education.

11. Other Required Individual Fund Disclosures

The District expenditures exceeded the budgeted amounts in the following fund during the year ended June 30, 2016:

Fund	Amount Exceeded
Plant Facility Fund.....	\$ 390,494
Medicaid Fund.....	60,382
Vocational Education Fund.....	483
State Substance Abuse Fund.....	540
Title VI-B IDEA School Age Fund.....	8,105
21st Century Grant Fund.....	3,391

Deficits in Individual Funds

There were no funds with deficits at June 30, 2016.

12. Contingency

During 2016, Education Networks of America, Inc. commenced legal action against the State of Idaho, acting by and through the Idaho Department of Administration and approximately 40 school districts, charter schools and libraries, including Teton School District No. 401, seeking to recover compensation for services allegedly rendered by Education Networks of America, Inc. in relation to a contract to build and manage a high bandwidth telecommunications distribution system for distance learning in various public schools, libraries, and state agencies. Defense of the action has been tendered to the District's liability insurance carrier. As of October 5, 2016, the date the financial statements were available to be issued, no determination has been made as to the likelihood of success of the claim or of the amount of the loss the District may incur.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

13. Interfund Transfers

The interfund balances at June 30, 2016 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds		
General Fund	\$ 209,858	\$ -
Non-major Funds		
Medicaid Fund	-	36,316
Vocational Education Fund	-	5,324
Title I-A ESEA Basic Fund	-	45,177
Perkins III Professional Technical Fund	-	11,548
Title III ESEA LEP Fund	-	8,545
Title II-A ESEA Improving Fund	-	50,539
21st Century Grant Fund	-	15,467
Plant Facility Fund	-	36,942
	<u>\$ 209,858</u>	<u>\$ 209,858</u>

Balances result from the time lag between the dates that the reimbursable expenditures occur and payments between funds are made. All balances are expected to be eliminated during the next fiscal year.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

13. Interfund Transfers (continued)

A summary of interfund transfers by fund is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds		
General Fund	\$ 2,695	\$ 642,822
Child Nutrition Fund	13,536	-
Plant Facility Fund	185,316	-
Non Major Funds		
Federal Forest Fund	-	33,977
Medicaid Fund	5,901	-
State ISEE Grant Fund	-	2,450
State Technology Fund	244,243	-
Title VI-B Rural and Low Income Fund	-	124
Title VI-B IDEA School Age Fund	224,487	-
Title VI-B IDEA Preschool Fund	3,095	-
Proprietary Funds		
Internal Service Fund	100	-
	<u>\$ 679,373</u>	<u>\$ 679,373</u>

Transfers were made to move bus depreciation to the plant facility fund and to cover costs of salaries, benefits and operating costs of special revenue funds.

14. 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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2016

14. Fund Balances (continued)

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.

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	Plant Facility Fund	Total
Fund Balances:					
Restricted for:					
Child Nutrition	\$ -	\$ 158,326	\$ -	\$ -	\$ 158,326
Debt Service	-	-	1,392,336	-	1,392,336
Plant Facility	-	-	-	21,717	21,717
Driver Education	-	5,999	-	-	5,999
Vocational Education	-	2,715	-	-	2,715
Technology	-	25,883	-	-	25,883
LEP	6,029	-	-	-	6,029
Remediation	61,473	-	-	-	61,473
Professional Dev	66,459	-	-	-	66,459
Committed for:					
Operating Reserve	3,330,863	-	-	-	3,330,863
Unassigned:	325,920	-	-	-	325,920
Total					
Fund Balances	\$ 3,790,744	\$ 192,923	\$ 1,392,336	\$ 21,717	\$ 5,397,720

Required Supplementary Information

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Property taxes	\$ 3,100,000	\$ 3,396,480	\$ 3,366,999	\$ (29,481)
Earnings on investments	5,500	10,175	19,702	9,527
Tuition - out of state	170,000	157,679	218,717	61,038
Other	302,000	232,408	272,706	40,298
State sources				
State apportionment	7,835,061	8,151,146	8,253,698	102,552
Other	390,661	480,481	464,671	(15,810)
Total Revenues	11,803,222	12,428,369	12,596,493	168,124
Expenditures				
Current				
Instructional	6,897,765	7,195,324	6,869,218	326,106
Pupil support	645,631	570,595	522,884	47,711
Staff support	299,981	260,375	275,059	(14,684)
General administration	350,879	388,016	380,269	7,747
School administration	846,124	884,597	883,949	648
Business operations	85,124	101,455	101,455	-
Operation	1,385,684	1,318,366	1,319,900	(1,534)
Transportation	729,742	832,798	830,622	2,176
Non-instructional	-	-	28,913	(28,913)
Capital outlay	-	-	117,530	(117,530)
Contingency	154,157	621,418	-	621,418
Total Expenditures	11,395,087	12,172,944	11,329,799	843,145
Excess (Deficiency) of				
Revenues over Expenditures	408,135	255,425	1,266,694	1,011,269
Other Financing Sources (Uses)				
Transfers in	1,886	-	2,695	2,695
Transfers (out)	(410,021)	(541,237)	(642,822)	(101,585)
Net Change in Fund Balances	-	(285,812)	626,567	912,379
Fund Balance, Beginning of Year	-	-	3,164,177	3,164,177
Fund Balance, End of Year	\$ -	\$ (285,812)	\$ 3,790,744	\$ 4,076,556

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Child Nutrition Fund
Year Ended June 30, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Lunch sales	\$ 174,723	\$ 173,303	\$ 186,312	\$ 13,009
Federal sources				
Educational programs and other	406,552	482,571	466,159	(16,412)
Total Revenues	<u>581,275</u>	<u>655,874</u>	<u>652,471</u>	<u>(3,403)</u>
Expenditures				
Current				
Non-instructional	581,275	655,874	605,411	50,463
Total Expenditures	<u>581,275</u>	<u>655,874</u>	<u>605,411</u>	<u>50,463</u>
Excess (Deficiency) of				
Revenues over Expenditures	-	-	47,060	47,060
Other Financing Sources (Uses)				
Transfers in	-	-	13,536	13,536
Net Change in Fund Balances	-	-	60,596	60,596
Fund Balance, Beginning of Year	-	-	97,730	97,730
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,326</u>	<u>\$ 158,326</u>

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Debt Service Fund
Year Ended June 30, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Property taxes	\$ 2,757,575	\$ 1,460,500	\$ 1,432,451	\$ (28,049)
State sources				
Other	-	-	37,195	37,195
Total Revenues	<u>2,757,575</u>	<u>1,460,500</u>	<u>1,469,646</u>	<u>9,146</u>
Expenditures				
Current				
Non-instructional	1,500	2,500	1,900	600
Debt service				
Principal	1,680,000	895,000	895,000	-
Interest	1,076,075	484,906	471,919	12,987
Total Expenditures	<u>2,757,575</u>	<u>1,382,406</u>	<u>1,368,819</u>	<u>13,587</u>
Net Change in Fund Balances	-	78,094	100,827	22,733
Fund Balance, Beginning of Year	-	-	1,291,509	1,291,509
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 78,094</u>	<u>\$ 1,392,336</u>	<u>\$ 1,314,242</u>

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Plant Facility Fund
Year Ended June 30, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Property taxes	\$ 400,000	\$ 400,000	\$ 406,655	\$ 6,655
Total Revenues	400,000	400,000	406,655	6,655
Expenditures				
Current				
Non-instructional	-	-	105,655	(105,655)
Capital outlay	455,000	455,000	739,839	(284,839)
Total Expenditures	455,000	455,000	845,494	(390,494)
Excess (Deficiency) of Revenues over Expenditures	(55,000)	(55,000)	(438,839)	(383,839)
Other Financing Sources (Uses)				
Transfers in	55,000	56,338	185,316	128,978
Net Change in Fund Balances	-	1,338	(253,523)	(254,861)
Fund Balance, Beginning of Year	-	-	275,240	275,240
Fund Balance, End of Year	\$ -	\$ 1,338	\$ 21,717	\$ 20,379

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Employer's Portion of net the pension liability	0.268%	0.264%
Employer's proportionate share of the net pension liability	\$ 3,522,844	\$ 1,943,196
Employer's covered-employee payroll	8,078,428	8,261,108
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.61%	23.52%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015 (measurement date).

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Employer Contributions
Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 875,073	\$ 857,887
Contributions in relation to the statutorily required contribution	914,478	935,157
Contribution (deficiency) excess	39,405	77,270
Employer's covered-employee payroll	8,078,428	8,261,108
Contributions as a percentage of covered-employee payroll	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 years for which information is available.

Data is measured as of June 30, 2016.

See Independent Auditors' Report

Supplementary Information

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2016

	Federal Forest Fund	Medicaid Fund	Drivers Education Fund
Assets			
Cash and Investments	\$ -	\$ -	\$ 7,566
Receivables			
State of Idaho	-	45,605	-
Other	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 45,605</u>	<u>\$ 7,566</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ 36,316	\$ -
Accounts payable	-	2,176	174
Salary contracts payable	-	7,113	1,393
Total Liabilities	<u>-</u>	<u>45,605</u>	<u>1,567</u>
Fund Balances			
Restricted	-	-	5,999
Total Fund Balances	<u>-</u>	<u>-</u>	<u>5,999</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 45,605</u>	<u>\$ 7,566</u>

See Independent Auditors' Report

State ISEE Grant Fund	Vocational Education Fund	State Technology Fund	State Substance Abuse Fund	Title I-A Basic Fund
\$ -	\$ -	\$ 26,991	\$ -	\$ -
-	12,203	-	-	-
-	-	-	-	92,838
\$ -	\$ 12,203	\$ 26,991	\$ -	\$ 92,838
\$ -	\$ 5,324	\$ -	\$ -	\$ 45,177
-	1,435	484	-	-
-	2,729	624	-	47,661
-	9,488	1,108	-	92,838
-	2,715	25,883	-	-
-	2,715	25,883	-	-
\$ -	\$ 12,203	\$ 26,991	\$ -	\$ 92,838

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Balance Sheet – Nonmajor Governmental Funds (continued)
June 30, 2016

	Title VI-B IDEA School Age Fund	Title VI-B IDEA Preschool Fund	Title VI-B Rural and Low Income Fund
Cash and Investments	\$ 61,413	\$ 226	\$ -
Receivables			
State of Idaho	-	-	-
Other	-	2,869	-
Total Assets	\$ 61,413	\$ 3,095	\$ -
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Salary contracts payable	61,413	3,095	-
Total Liabilities	61,413	3,095	-
Fund Balances			
Restricted	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	\$ 61,413	\$ 3,095	\$ -

See Independent Auditors' Report

Perkins III Professional Technical Fund	Title III ESEA LEP Fund	Title II-A ESEA Improving Fund	21st Century Grant Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 96,196
-	-	-	-	57,808
23,026	13,692	50,719	24,496	207,640
\$ 23,026	\$ 13,692	\$ 50,719	\$ 24,496	\$ 361,644
\$ 11,548	\$ 8,545	\$ 50,539	\$ 15,467	\$ 172,916
11,478	-	180	1,215	17,142
-	5,147	-	7,814	136,989
23,026	13,692	50,719	24,496	327,047
-	-	-	-	34,597
-	-	-	-	34,597
\$ 23,026	\$ 13,692	\$ 50,719	\$ 24,496	\$ 361,644

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Federal Forest Fund	Medicaid Fund	Drivers Education Fund
Revenues			
Local sources			
Other	\$ -	\$ -	\$ 15,603
State sources			
Other	-	229,070	12,566
Federal sources			
Educational programs and other	33,977	-	-
Total Revenues	33,977	229,070	28,169
Expenditures			
Current			
Instructional	-	-	28,002
Pupil support	-	267,862	-
Transportation	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	267,862	28,002
Excess (Deficiency) of Revenues over Expenditures	33,977	(38,792)	167
Other Financing Sources (Uses)			
Transfers in	-	5,901	-
Transfers (out)	(33,977)	-	-
Net Change in Fund Balances	-	(32,891)	167
Fund Balance, Beginning of Year	-	32,891	5,832
Fund Balance, End of Year	\$ -	\$ -	\$ 5,999

See Independent Auditors' Report

State ISEE Grant Fund	Vocational Education Fund	State Technology Fund	State Substance Abuse Fund	Title I-A Basic Fund
\$ -	\$ -	\$ 10,896	\$ 1,000	\$ -
-	40,720	91,941	23,018	-
-	-	-	-	345,516
-	40,720	102,837	24,018	345,516
-	41,159	-	16,347	345,516
-	-	295,743	-	-
-	-	-	-	-
-	-	25,454	7,671	-
-	41,159	321,197	24,018	345,516
-	(439)	(218,360)	-	-
-	-	244,243	-	-
(2,450)	-	-	-	-
(2,450)	(439)	25,883	-	-
2,450	3,154	-	-	-
\$ -	\$ 2,715	\$ 25,883	\$ -	\$ -

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (continued)
Year Ended June 30, 2016

	Title VI-B IDEA School Age Fund	Title VI-B IDEA Preschool Fund	Title VI-B Rural and Low Income Fund
Revenues			
Local sources			
Other	\$ -	\$ -	\$ -
State sources			
Other	-	-	-
Federal sources			
Educational programs and other	282,133	15,333	124
Total Revenues	282,133	15,333	124
Expenditures			
Current			
Instructional	506,620	18,428	-
Pupil support	-	-	-
Transportation	-	-	-
Capital Outlay	-	-	-
Total Expenditures	506,620	18,428	-
Excess (Deficiency) of Revenues over Expenditures	(224,487)	(3,095)	124
Other Financing Sources (Uses)			
Transfers in	224,487	3,095	-
Transfers (out)	-	-	(124)
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

See Independent Auditors' Report

Perkins III Professional Technical Fund	Title III ESEA LEP Fund	Title II-A ESEA Improving Fund	21st Century Grant Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,359	\$ 30,858
-	-	-	-	397,315
23,026	35,430	51,834	125,532	912,905
23,026	35,430	51,834	128,891	1,341,078
11,549	35,430	51,834	113,641	1,168,526
-	-	-	-	563,605
-	-	-	15,250	15,250
11,477	-	-	-	44,602
23,026	35,430	51,834	128,891	1,791,983
-	-	-	-	(450,905)
-	-	-	-	477,726
-	-	-	-	(36,551)
-	-	-	-	(9,730)
-	-	-	-	44,327
\$ -	\$ -	\$ -	\$ -	\$ 34,597

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Statement of Changes in Assets and Liabilities
Student Activities – Agency Funds
June 30, 2016

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
Teton High School				
Assets				
Cash	\$ 116,622	\$ 335,669	\$ 353,717	\$ 98,574
Liabilities				
Due to student groups	\$ 116,622	\$ 335,669	\$ 353,717	\$ 98,574
Teton Middle School				
Assets				
Cash	\$ 4,078	\$ 49,664	\$ 51,833	\$ 1,909
Liabilities				
Due to student groups	\$ 4,078	\$ 49,664	\$ 51,833	\$ 1,909
Rendezvous Elementary School				
Assets				
Cash	\$ 115	\$ 43,111	\$ 42,794	\$ 432
Liabilities				
Due to student groups	\$ 115	\$ 43,111	\$ 42,794	\$ 432
Victor Elementary School				
Assets				
Cash	\$ 8,848	\$ 15,085	\$ 16,030	\$ 7,903
Liabilities				
Due to student groups	\$ 8,848	\$ 15,085	\$ 16,030	\$ 7,903
Tetonia Elementary School				
Assets				
Cash	\$ 5,716	\$ 6,404	\$ 7,693	\$ 4,427
Liabilities				
Due to student groups	\$ 5,716	\$ 6,404	\$ 7,693	\$ 4,427
Driggs Elementary School				
Assets				
Cash	\$ 177	\$ 31,713	\$ 29,416	\$ 2,474
Liabilities				
Due to student groups	\$ 177	\$ 31,713	\$ 29,416	\$ 2,474
Total - All School Activity Funds				
Assets				
Cash	\$ 135,556	\$ 481,646	\$ 501,483	\$ 115,719
Liabilities				
Due to student groups	\$ 135,556	\$ 481,646	\$ 501,483	\$ 115,719

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Activity in Taxes Receivable Accounts by Fund
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facility Fund</u>
Teton County			
Balance at June 30, 2015	\$ 1,206,996	\$ 545,218	\$ 143,511
Add - Taxes Assessed for 2015 (Net of Cancellations)	3,287,043	1,420,638	394,605
Less - Collections Received	<u>(3,368,684)</u>	<u>(1,457,717)</u>	<u>(404,431)</u>
Balance at June 30, 2016	<u>\$ 1,125,355</u>	<u>\$ 508,139</u>	<u>\$ 133,685</u>

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
General Bonded Debt – Future Principal and Interest Requirements
June 30, 2016

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation				
Refunding	3.250%	2017	\$ 525,000	\$ 8,531
School Bonds				
Series 2004			\$ 525,000	\$ 8,531

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
General Bonded Debt – Future Principal and Interest Requirements (continued)
June 30, 2016

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation School Bonds Series 2006	4.500%	2017	\$ 435,000	\$ 9,788
			<u>\$ 435,000</u>	<u>\$ 9,788</u>

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
General Bonded Debt – Future Principal and Interest Requirements (continued)
June 30, 2016

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation				
Refunding	4.000%	2017	\$ -	\$ 431,825
School Bonds	5.000%	2018	985,000	407,200
Series 2012	5.000%	2019	1,030,000	356,825
	5.000%	2020	1,090,000	303,825
	5.000%	2021	1,145,000	247,950
	5.000%	2022	1,030,000	193,575
	4.000%	2023	1,040,000	147,025
	4.000%	2024	1,080,000	104,625
	4.000%	2025	1,125,000	60,525
	3.250%	2026	1,170,000	19,013
			\$ 9,695,000	\$ 2,272,388

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Teton High School Activity Fund
Statement of Cash Receipts Disbursements and Transfers
Year Ended June 30, 2016

Name of Organization	Balance June 30, 2015	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2016
Athletics	\$ 8,332	\$ 58,238	\$ 66,346	\$ (120)	\$ 104
Principal Account	3,294	-	666	-	2,628
Baseball Travel	-	50	50	-	-
Baseball Camp	274	1,791	1,053	-	1,012
Softball Camp	37	1,228	1,322	-	(57)
Boys Basketball Travel	1,150	-	1,150	-	-
Boys Basketball Camp	1,806	1,276	2,642	-	440
Calculator Rental	1,774	1,115	1,777	-	1,112
Cheerleaders	685	11,130	11,602	-	213
Cheerleader Travel	654	-	654	-	-
Drill Team	-	12,042	10,682	-	1,360
Drill Team Travel	-	450	450	-	-
Girls Basketball Travel	-	225	225	-	-
Girls Basketball Camp	828	2,929	2,437	-	1,320
Football Travel	-	1,075	1,075	-	-
Football Camp	1,978	3,610	5,881	-	(293)
Track Travel	-	100	100	-	-
Track Spirit Packs	358	25	-	-	383
Cross Country Travel	-	1,320	1,320	-	-
X Cntry Food/Uniform	398	1,025	-	-	1,423
Volleyball Travel	-	575	575	-	-
Volleyball Camp	4,433	10,278	10,979	-	3,732
Soccer Travel	-	940	940	-	-
Girls Soccer Camp	397	25	-	-	422
Boys Soccer Camp	228	2,000	2,000	-	228
Wrestling Travel	-	514	514	-	-
Wrestling Camp	1,839	17,730	15,490	-	4,079
Class of 2011	350	-	-	-	350
Class of 2013	1,680	-	-	-	1,680
Class of 2014	1,463	-	-	-	1,463
Class of 2015	2,209	-	1,685	-	524
Class of 2016	2,982	3,005	8,008	-	(2,021)
Class of 2017	1,929	3,666	2,308	-	3,287
Class of 2018	560	1,258	1,008	-	810
Class of 2019	-	1,373	-	-	1,373
FFA	3,705	10,407	8,636	-	5,476
FCCLA	741	-	-	-	741
Voice	244	759	791	-	212
Source of Strength	1,737	-	173	-	1,564
Honor Society	496	7,509	7,440	-	565
BPA	815	3,190	3,861	-	144
Debate Travel	-	200	200	-	-
Debate Club	856	294	316	25	859
Agriculture	3,399	3,828	4,772	-	2,455

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Teton High School Activity Fund
Statement of Cash Receipts Disbursements and Transfers (continued)
Year Ended June 30, 2016

Name of Organization	Balance June 30, 2015	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2016
Art	1,299	4,813	4,456	-	1,656
Family/Consumer Science	(925)	4,770	3,833	-	12
Woods	2,458	2,128	4,547	-	39
Robotics	3,760	4,466	3,670	-	4,556
Business Department	44	-	-	-	44
ASB	695	13,808	14,503	-	-
Yearbook II	1,251	1,135	524	-	1,862
Yearbook 2014	2,885	225	-	-	3,110
Yearbook 2015	6,098	2,985	8,288	-	795
Yearbook 2016	-	10,161	-	-	10,161
Student Council	1,927	6,978	7,369	-	1,536
Newspaper	470	788	64	-	1,194
Bookstore	1,051	15,348	14,997	-	1,402
Donations	11,487	-	11,487	-	-
Senior Sneak	440	4,170	-	-	4,610
Building Rental	370	1,033	1,193	-	210
Auditorium Rental	1,888	2,005	1,999	-	1,894
Winter Sports	1,119	12,810	13,024	-	905
High School Office	(23)	7,496	7,421	23	75
Women's Fitness	30	-	-	(30)	-
Sales Tax	-	4,295	4,295	-	-
Vending	1,534	7,973	9,349	(23)	135
Sched. Change/Reprint	315	1,370	553	-	1,132
Book Damage/Replace	4,973	2,665	1,102	-	6,536
Scholarship Fund	15,579	23,050	28,120	-	10,509
Drivers Ed	500	16,928	13,478	-	3,950
IDLA	75	150	150	-	75
Drama	-	-	-	-	-
Play Club	(150)	7,493	5,289	150	2,204
Music Department	306	9,839	10,764	-	(619)
Music Travel	1,575	-	1,625	-	(50)
Environmental Club	150	-	-	-	150
Latino Club	1,541	294	674	-	1,161
Library	1,364	655	1,118	-	901
Interact Club	780	658	697	-	741
National Forensics	25	-	-	(25)	-
Petty Cash	100	-	-	-	100
\$ 116,622	\$ 335,669	\$ 353,717	\$ -	\$ 98,574	

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Revenues Cash Basis</u>
U.S. Department of Agriculture			
Passed Through State Department of Education:			
* Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 141,993	\$ 141,993
National School Lunch Program	10.555	372,286	372,286
Summer Food Service Program for Children	10.559	5,322	5,322
Total Child Nutrition Cluster		519,601	519,601
Team Nutrition Grant	10.574	1,000	1,000
Passed Through Teton County			
Federal Forest	10.665	33,977	33,977
Total Department of Agriculture		554,578	554,578
U.S. Department of Education			
Passed Through State Department of Education:			
Title I-Basic	84.010	345,516	306,636
Special Education Cluster			
Title VI-B	84.027	282,133	352,220
Title VI-B - Preschool	84.173	15,333	15,337
Total Special Education Cluster		297,466	367,557
Vocational Education Grant	84.048A	23,026	22,312
* Twenty-First Century Community Learning Centers	84.287	128,891	105,517
Rural Education	84.358	124	8,038
English Language Acquisition Grant	84.365	35,430	28,633
Improving Teacher Quality	84.367	51,834	39,243
Total Department of Education		882,287	877,936
Total Federal Assistance		\$ 1,436,865	\$ 1,432,514

* Major Federal Program

See Independent Auditors' Report

TETON COUNTY SCHOOL DISTRICT NO. 401
Note to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Teton County School District No. 401 under programs of the federal government for the year ended June 30, 2016. 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 Teton County School District No. 401, 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.



RUDD & COMPANY^{INC.}

**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
Teton County School District No. 401
Driggs, 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 Teton County School District No. 401 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Teton County School District No. 401's basic financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Teton County School District No. 401'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 Teton County School District No. 401's internal control. Accordingly, we do not express an opinion on the effectiveness of Teton County School District No. 401'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

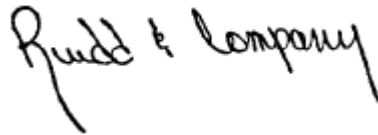
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Teton County School District No. 401'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
October 5, 2016



RUDD & COMPANY^{INC.}

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

Board of Trustees
Teton County School District No. 401
Driggs, Idaho

Report on Compliance for Each Major Federal Program

We have audited Teton County School District No. 401'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 Teton County School District No. 401's major federal programs for the year ended June 30, 2016. Teton County School District No. 401'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 Teton County School District No. 401'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 Teton County School District No. 401'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 Teton County School District No. 401's compliance.

Opinion on Each Major Federal Program

In our opinion, Teton County School District No. 401, 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, 2016.

Report on Internal Control Over Compliance

Management of Teton County School District No. 401 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 Teton County School District No. 401'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 Teton County School District No. 401'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.

Rudd & Company

Idaho Falls, Idaho
October 5, 2016

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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

TETON COUNTY SCHOOL DISTRICT NO. 401
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Section I - Summary of Auditors' Results (continued)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

None

Section III – Findings – Major Federal Award Programs

None