

**BOX ELDER  
SCHOOL DISTRICT**  
**Brigham City, Utah**

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**ANNUAL FINANCIAL  
REPORT**

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**For the Fiscal Year Ended  
June 30, 2015**



BOX ELDER SCHOOL DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

# BOX ELDER SCHOOL DISTRICT

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# Box Elder

School District

*Dr. Ron Tolman, Superintendent*

BOARD OF EDUCATION  
Connie Archibald  
Lynn Capener  
Karen Cronin  
Wade Hyde  
Carrie Ann Johnson  
Nancy Kennedy  
Bryan Smith

October 28, 2015

To: President Capener, Members of the Board of Education, and the Patrons of the Box Elder School District:

State law requires that school districts publish, within five months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed Certified Public Accountants in accordance with auditing standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the annual financial report of the Box Elder School District (District) for the fiscal year ended June 30, 2015.

These statements are designed to meet the needs of a broad spectrum of readers of financial statements and are divided into three major sections:

- Introductory section – Introduces the reader to the report and includes this transmittal letter.
- Financial section – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.

**Internal controls** This report consists of management's representations concerning the finance related internal controls of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Independent audits** Wiggins & Co. P.C., a firm of licensed Certified Public Accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a



test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the District's financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's Single Audit Section of this report.

**Management's discussion and analysis** GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

**District profile** The District was created by a resolution of the Box Elder County Commissioners on June 20, 1907. The District is a legally separate entity enjoying all rights and privileges accorded political subdivisions in the State of Utah. The District is fiscally independent. Policymaking and legislative authority are vested in the Board of Education consisting of seven members. The Board of Education is responsible, among other things, for developing and adopting policy, adopting the budget, levying taxes, incurring bonded debt, supervising committees, and hiring both the superintendent and business administrator. The superintendent and business administrator are responsible for carrying out the policies of the Board of Education and oversee the day-to-day operations of the District. The Board of Education is elected on a non-partisan basis. Board members serve four-year staggered terms with no more than four board members elected every two years.

The major purpose of the District is to provide public education for those who reside within the boundaries of the District, which are congruent with boundaries of Box Elder County. To accomplish this purpose, as of Fall 2015, the District operates two traditional high schools (grades 10-12), two middle schools (grades 8-9), two intermediate schools (grades 6-7), and 10 elementary schools (grades k-5). The District also operates three schools in the far western area of the county, which are designated as Necessarily Existent Small Schools (NESS). These schools have enrollments of 11 to 36 students and provide instruction for classes ranging from kindergarten through tenth grade. In addition, the District operates an alternative high school, Dale Young Community High School and a preschool for handicapped children, Corinne Early Learning Center. As of October 1, 2015, the District had an enrollment of 11,355 students.

**Budgetary control** The District adopts an annual budget for its funds. This budget acts as the financial operating plan for the entire year. Revisions may be implemented during the year authorizing a larger appropriation of available resources through a public hearing and approval from the Board.

All annual appropriations lapse at fiscal year end with the exception of those indicated as committed against the fund balance. During May of each year, the superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Also included is the final budget for the fiscal year ending June 30<sup>th</sup>.

If the district does not propose to exceed the certified tax rate, a public hearing is held prior to June 22<sup>nd</sup> at which the budget is formally adopted by resolution of the Board after public input. If the District proposes to exceed the certified tax rate, the budget is formally adopted in August when data is available to set the rates.

The District's fiscal 2015 balances along with anticipated revenues are sufficient to meet the fiscal 2015 budget as presented to the public in June of 2015.

**Economic condition and outlook** The economic prospect for the District is largely dependent on state aid, which is 69% of general fund revenues. Since 1988, the State of Utah has been able to end each fiscal year with a surplus. However, from fiscal years 2008 through 2011, there were no increases from the state and the district lost students to the newly opened charter school. Public Education has been the recipient of a generous effort by lawmakers and the governor, to be held harmless in budgeting. In fiscal years 2011 through 2013 slow economic recovery required the use of set aside fund balance to balance the general fund budget. With improved economic conditions and student growth the district general fund balanced and had a surplus in the 2013-14 fiscal year. In the 2015 year, the general fund was \$3,744 short.

The Certified Tax Rate Valuation for Box Elder County has increased by 19% over five years from 2010 to 2015.(Utah State Tax Commission) The construction of the Proctor & Gamble manufacturing facility and the Ruby Pipeline have increased property values over the last few years despite a loss of \$73,000,000 taxable value with the shutdown of ATK's production facilities. Total non-farm payroll in the county was \$738,870,420 in 2006. After a drop during the recession it has recovered to \$612,506,355 in 2014.(-21%) (Utah Division of Work Force Services) Median household income increased from \$50,231 to \$57,292 (14%) over the same period. (US Dept. Commerce census figures)

**Student enrollment** Enrollment has declined from a high of 11,320 in the October 1<sup>st</sup> count in 1993 to 10,506 in 2003 with an increase to 11,344 in 2014, which is 102 students more than last year. The district has recovered from the student loss as a result of the opening of the Promontory School of Expeditionary Learning, K-8 Charter School, in Perry, Utah. As of October 1, 2015, it is estimated 396 students enrolled in the charter school who were attending our schools previously.

The state school finance program for fiscal 2015 provided every Utah school district with a basic operation program of \$3,092 per weighted pupil unit (WPU), plus added amounts for other special programs and grants. Below is a historical review of WPU values for the past five years.

Fiscal Year	WPU Value	Dollar Change	Percent Change
2010-11	\$2,577	\$0	0%
2011-12	\$2,816	\$239	8.49%
2012-13	\$2,842	\$83	2.86%
2013-14	\$2,899	\$57	1.97%
2014-15	\$3,092	\$111	4.07%



**Cash management and investments** The District utilizes the Utah Public Treasurer's Investment Fund (UPTIF) as a cash and investment pool as well as a Zions Bank Liquid Asset Management (LAM) account, both of which are available for use by all funds. The UPTIF is an external deposit and investment pool shared by various governmental entities in the State in which monies are pooled to improve investment efficiency and yield. These funds are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The LAM account invests in similar state money management council approved investments.

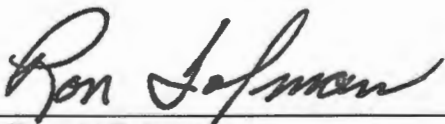
Both investments comply with the provisions of the Utah Money Management Act. This law requires the depositing of funds in a "qualified depository" which is defined as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. The District considers the actions of the Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

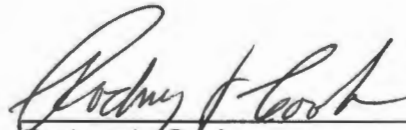
**Risk management** The District participates with an equity position in the Utah School Boards Risk Management Mutual Insurance Association to cover its workers compensation risks. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District also participates in the State Risk Management system for property and liability insurance. This is a pooled arrangement where the participating entity's annual premiums are designed to pay claims and build sufficient reserves to allow the system to protect participants with its own capital. The pool reinsures excess loss to preserve the capital base.

**Acknowledgements** We express our appreciation to everyone in the business department and the Superintendent's office who assisted in the preparation of this report. We also thank the members of the Board of Education for their interest and support in conducting the financial affairs of the District in a responsible and progressive manner.

Respectfully submitted,



Dr. Ronald Tolman  
Superintendent



Rodney L. Cook  
Business Administrator



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Box Elder School District  
Brigham City, Utah 84302

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Box Elder School District, Utah (the "District"), as of and for the year ended June 30, 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Box Elder School District as of June 30, 2015, and, the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-13 and (pension RSI) 56-57 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 Box Elder School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual major and nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Emphasis of Matter**

As discussed in Note 5 to the financial statements, in 2015, the District adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards* we have also issued a report dated October 23, 2015, on our consideration of Box Elder School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wiggins & Co., PC*  
Brigham City, Utah  
October 23, 2015





# Management's Discussion and Analysis

As the management of the Box Elder School District (District), 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 ended June 30, 2015. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 4 of this report.

## **Financial Highlights**

The District categorizes its revenues in three groups by source, federal, state, and local. Federal revenues include categorical funding for special programs, grants, and other specifically designated purposes. State revenues include categorical funding as described above, enrollment based funding using weighted pupil units (WPU), and other funding which is distributed by various formulas designed to assure an equitable allocation among all districts in the state. Local revenues are derived from property tax, tuition, other fees and charges, and interest income.

With a favorable interest market the board approved a bond refund in the November meeting. In February the district refunded the 2008 and 2009 bond issues as a savings of approximately \$1,981,000 to the district over the life of the bonds.

## **Overview of the Financial Statements**

This discussion and analysis is 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.

**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 and deferred outflows and liabilities and deferred inflows of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The Government-wide financial statements can be found on pages 13 and 14 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: government 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 the 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 six 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 and the Capital Projects Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

**Proprietary funds** Proprietary funds are used to account for the business-type activities, such as leasing buildings or equipment, which may properly be conducted by the governmental entity. Proprietary funds are reflected in the government-wide financial statement.

The District uses a proprietary fund to account for the activities of the Municipal Building Authority. The basic proprietary fund financial statements can be found on pages 20 - 22 of this report.

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

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

**Component unit** A Component Unit is a distinct legal entity separate from the District, the resource of which is dedicated to furthering the interests of the District. These funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available at the District's discretion. However, since those resources are dedicated to furthering the interests of the District the financial statements of the Box Elder County School District Foundation are presented as a component unit.

**Notes to the financial statements** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 – 54 of this report.



**Other information** The combining statements referred to in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 49 - 57 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. The District assets and deferred outflows exceeded liabilities and deferred inflows by \$97,781,516 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Cash and other assets	\$ 92,339,784	\$ 86,002,868	\$ 307,296	\$ 309,787	\$ 92,647,080	\$ 86,312,655
Capital assets	124,702,290	126,540,256	2,783,386	2,857,610	127,485,676	129,397,866
Total assets	217,042,074	212,543,124	3,090,682	3,167,397	220,132,756	215,710,521
Deferred Outflows of Resources:						
Refunded Bonds deferred outflow of resources	3,600,502	-	-	-	\$ 3,600,502	-
Pension related deferred outflow of resources	4,648,861	-	-	-	4,648,861	-
Total deferred outflows of resources	8,249,363	-	-	-	8,249,363	-
Total assets and deferred outflows of resources	225,291,437	212,543,124	3,090,682	3,167,397	228,382,119	215,710,521
Liabilities and Deferred Inflows of Resources:						
Other Liabilities	7,193,957	8,059,879	-	-	7,193,957	8,059,879
Long-term liabilities outstanding	88,767,315	58,434,025	2,358,000	2,572,000	91,125,315	61,006,025
Total liabilities	95,961,272	66,493,904	2,358,000	2,572,000	98,319,272	69,065,904
Deferred Inflows (Unearned Property Taxes)	32,281,331	27,624,551	-	-	32,281,331	27,624,551
Total Liabilities and Deferred Inflows	128,242,603	94,118,455	2,358,000	2,572,000	130,600,603	96,690,455
Net position:						
Invested in capital assets, net of related debt	74,627,903	76,907,167	425,386	285,610	75,053,289	77,192,777
Restricted	46,221,115	41,381,282	-	-	46,221,115	41,381,282
Unrestricted	(23,800,184)	136,220	307,296	309,787	(23,492,888)	446,007
Total net position	\$ 97,048,834	\$ 118,424,669	\$ 732,682	\$ 595,397	\$ 97,781,516	\$ 119,020,066

The largest portion of the District's net position (77%) reflects its investment in capital assets (e.g. land, water stock, buildings and improvements, furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are **not** available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remainder of the District's net position represents resources that are subject to external or internal restrictions on how they may be used.

The total net position of the District increased by \$11,349,607, during the fiscal year. This is after a reduction of beginning net position of \$36,374,603 due to restatements for unfunded pension liabilities in the Utah State Retirement Fund as required by GASB statement Numbers 68 and 71. (Refer to note 5 of the financial statements for more details)

## 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.

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 fund balance is divided between non-spendable, restricted, committed, assigned and unassigned balances. The District has portions of the assigned fund balance to set resources aside for certain government-wide liabilities that are not recognized in the governmental funds. State law allows for assigned balances in the General Fund to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are set aside by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the fiscal year, the unassigned fund balance was \$3,735,188. This includes the Undistributed Reserve, or 'Rainy Day' fund established and reserved by Board action in the amount of \$2,320,000. The assigned balance in the general fund has a combined balance of \$4,526,344. The total fund balance was \$9,484,659 a decrease of \$3,774 from the previous year. The unassigned fund balance increased by \$813,434 to \$3,735,188.

Expenditures for general District purposes totaled \$69,889,208 an increase of 4% over the previous year. Instructional services represent 65% of general fund expenditures.

The General Fund balances have been set aside, assigned or restricted for the following purposes:

- Included in the unassigned fund balance in the General Fund are funds set aside by the board of \$2,320,000 or 3.3% of General Fund budgeted revenues. (Referred to as the rainy day fund.) As allowed by state law, the District has established reserves within the General Fund, which are set aside for contingencies or possible reductions in state funding. These funds are not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating. State law limits such reserves to 5% of general fund budgeted revenues.
- Restriction or assignment for programs of \$5,749,471. Fund balance within the General Fund is restricted or set aside to pay for assigned purposes, commitments and program activities at June 30, 2015 that will be re-appropriated and honored during the subsequent year.

General Fund salaries totaled \$41,166,656 while the associated fringe benefits of retirement, social security, unemployment, worker's compensation, and health and accident insurance added \$18,662,796 in wage related expense, which taken together accounts for 86% of General Fund expenditures.

The Capital Projects Fund has a total balance of \$31,093,743, all of which is reserved for acquisition of capital assets and purchase of construction supplies and related expenditures. These funds will also be used for some of the expense related to the ongoing major construction projects and other major capital maintenance.

The School Lunch Special Revenue Fund balance of \$762,217 includes \$85,897 for inventories. The entire balance is to be used for the school lunch program.

The Box Elder County School District Foundation received income in the form of grants, contributions, and earnings on investments of \$188,307 which is an increase of \$139,864 from the previous year.



### **General Fund Budgetary Highlights**

The amount expended was \$1,667,681 less than the final budget or 2.3% of total general fund expenditures. Final revenues were lower than final budgetary estimates by \$1,748,026 or 2.4%.

### **Capital Asset and Debt Administration**

**Capital Assets** The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The District operates schools in twenty-three locations with administrative and maintenance facilities at three separate sites. These buildings total more than 1,732,139 square feet and are spread across an area of 5,723 square miles, which is more than any of the three smallest states. These structures and their additions have construction dates ranging from 1912 to 2014.

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

### **Debt Administration**

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District, which was \$4,230,563,046. Therefore, the legal debt limit at June 30, 2015 is \$169,222,522. General obligation debt at June 30, 2015 was \$45,745,000 resulting in a legal debt margin of \$123,477,522.

Additional information on the District's long-term debt can be found in Note 6 to the basic financial statements.

### **Changing Enrollment within the District**

The components of changing enrollment are migration and the kindergarten-to-grade-12 (K-12) differential. The K-12 differential is the variance in the number of kindergarten students entering and the number of grade 12 students leaving the District in a given year.

Enrollment in the District declined since 1993, from a high of 11,320 down to 10,506 in 2003 then back up to the present level of 11,344, as compared to last year's enrollment of 11,242. With the current birth and migration trends the student population is increasing at a rate of a little less than 1% per year. Any increase in student population will also increase basic funding from the state.

### **Requests for Information**

This financial report is designed to provide a general overview of the Box Elder School District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this report or requests for additional financial information or copies of the separately issued Foundation report should be addressed to the Office of the Business Administrator, Box Elder School District, 960 South Main, Brigham City, Utah 84302-3162.



## Basic Financial Statements

**BOX ELDER SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
Assets and Deferred Outflows of Resources:				
Cash and cash equivalents	\$ 40,409,177	\$ 307,199	\$ 40,716,376	\$ 554,828
Investments	15,997,588	-	15,997,588	7,887
Receivables:				
Taxes	29,310,716	-	29,310,716	-
Accounts	81,770	-	81,770	1,867
Intergovernmental	946,787	-	946,787	-
Deposits	5,507,849	-	5,507,849	-
Inventories	85,897	-	85,897	-
Restricted cash and cash equivalents	-	97	97	-
Capital assets:				
Land, construction in progress, and water stock	11,288,787	-	11,288,787	-
Other capital assets, net of depreciation	113,413,503	2,783,386	116,196,889	-
Total assets	217,042,074	3,090,682	220,132,756	564,582
Deferred Outflows of Resources:				
Refunded bonds deferred outflow of resources	3,600,502	-	3,600,502	-
Pension related deferred outflow of resources	4,648,861	-	4,648,861	-
Total deferred outflows of resources	8,249,363	-	8,249,363	-
Total assets and deferred outflows of resources	225,291,437	3,090,682	228,382,119	564,582
Liabilities and Deferred Inflows of Resources:				
Accounts payable	861,783	-	861,783	31,724
Deposits payable	226,068	-	226,068	-
Accrued interest	678,340	-	678,340	-
Accrued salaries and benefits	4,082,845	-	4,082,845	-
Due to clubs	1,344,921	-	1,344,921	-
Noncurrent liabilities:				
Due within one year	4,665,000	214,000	4,879,000	-
Due in more than one year	84,102,315	2,144,000	86,246,315	-
Total liabilities	95,961,272	2,358,000	98,319,272	31,724
Deferred Inflows of Resources:				
Pension related deferred inflows of resources	2,970,615	-	2,970,615	-
Unearned property taxes	29,310,716	-	29,310,716	-
Total deferred inflows of resources	32,281,331	-	32,281,331	-
Total liabilities and deferred inflows of resources	128,242,603	2,358,000	130,600,603	31,724
Net Position:				
Invested in capital assets, net of related debt	74,627,903	425,386	75,053,289	-
Restricted for:				
Non-expendable amounts:				
School food services inventory	85,897	-	85,897	-
Endowments	-	-	-	34,900
Expendable amounts:				
State and other programs	3,366,187	-	3,366,187	-
Student activities	719,608	-	719,608	-
School food services	676,320	-	676,320	-
Debt service	10,279,360	-	10,279,360	-
Capital projects	31,093,743	-	31,093,743	-
Foundation programs	-	-	-	461,354
Unrestricted	(23,800,184)	307,296	(23,492,888)	36,604
Total net position	\$ 97,048,834	\$ 732,682	\$ 97,781,516	\$ 532,858

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

**BOX ELDER SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Component Unit Box Elder School District Foundation
<b>Functions</b>								
Governmental activities:								
Instructional services	\$ 47,381,126	\$ 2,090,385	\$ 15,118,351	\$ 107,834	\$ (30,064,556)	\$ -	\$ (30,064,556)	\$ -
Supporting services:								
Students	2,054,225	844,627	16,953	-	(1,192,645)	-	(1,192,645)	-
Instructional staff	1,471,952	-	10,999	-	(1,460,953)	-	(1,460,953)	-
District administration	760,243	-	-	-	(760,243)	-	(760,243)	-
School administration	4,348,700	-	-	-	(4,348,700)	-	(4,348,700)	-
Business/Personnel/IT	1,969,773	-	-	-	(1,969,773)	-	(1,969,773)	-
Operation and maintenance of facilities	6,900,923	32,500	-	-	(6,868,423)	-	(6,868,423)	-
Transportation	4,304,732	107,022	2,919,644	-	(1,278,066)	-	(1,278,066)	-
Non K-12 instructional services	1,971,535	149,176	1,149,806	-	(672,553)	-	(672,553)	-
Community services	1,650,434	104,962	-	-	(1,545,472)	-	(1,545,472)	-
Student activities	3,753,058	3,368,675	458,424	-	74,041	-	74,041	-
School food services	4,998,926	1,198,992	3,301,830	-	(498,104)	-	(498,104)	-
Facilities acquisition/construction/operation	2,259,386	177,272	-	-	(2,082,114)	-	(2,082,114)	-
Payments to redevelopment/economic agencies	4,379,405	-	-	-	(4,379,405)	-	(4,379,405)	-
Interest and fiscal charges on long-term liabilities	2,117,803	-	-	-	(2,117,803)	-	(2,117,803)	-
Total governmental activities	90,322,221	8,073,611	22,976,007	107,834	(59,164,769)	-	(59,164,769)	-
Business-type activities:								
Municipal Building Authority	204,295	229,599	111,892	-	-	137,196	137,196	-
Total primary government	90,526,516	8,303,210	23,087,899	107,834	(59,164,769)	137,196	(59,027,573)	-
Component unit:								
Box Elder School District Foundation	85,246	-	186,331	-				101,085
General revenues:								
Property taxes levied for:								
Basic rate					5,563,038	-	5,563,038	-
Voted leeway					2,336,554	-	2,336,554	-
Board local leeway					8,201,463	-	8,201,463	-
Debt service					7,803,307	-	7,803,307	-
Capital projects					8,852,716	-	8,852,716	-
Redevelopment/Economic Agency Tax					4,379,405	-	4,379,405	-
Federal and state aid not restricted to specific purposes					31,873,259	-	31,873,259	-
Earnings on investments					1,331,005	89	1,331,094	1,976
Gain (loss) on sale of assets					36,344	-	36,344	-
Total general revenues					70,377,091	89	70,377,180	1,976
Change in net position					11,212,322	137,285	11,349,607	103,061
Net position - beginning of year - as restated					85,836,512	595,397	86,431,909	429,797
Net position - end of year					\$ 97,048,834	\$ 732,682	\$ 97,781,516	\$ 532,858

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



**BOX ELDER SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 10,637,758	\$ 5,837,445	\$ 22,341,168	\$ 2,698,512	\$ 41,514,883
Investments	6,054,994	-	9,942,594	-	15,997,588
<b>Receivables:</b>					
Taxes	16,954,585	4,597,550	7,758,581	-	29,310,716
Account	80,453	-	953	364	81,770
Intergovernmental	752,791	-	-	193,996	946,787
Restricted cash and cash equivalents	-	-	-	-	-
Deposits	70,000	5,437,849	-	-	5,507,849
Inventory	-	-	-	85,897	85,897
<b>Total Assets</b>	<b>\$ 34,550,581</b>	<b>\$ 15,872,844</b>	<b>\$ 40,043,296</b>	<b>\$ 2,978,769</b>	<b>\$ 93,445,490</b>
<b>Liabilities, deferred inflows of resources and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 730,490	\$ -	\$ 57,170	\$ 74,123	\$ 861,783
Contracts and retainage payable	-	-	-	-	-
Deposits payable	1,331,774	-	-	-	1,331,774
Due to clubs	-	-	-	1,344,921	1,344,921
Accrued salaries and benefits	4,004,945	-	-	77,900	4,082,845
Unearned revenue	2,044,128	995,934	1,133,802	-	4,173,864
<b>Total Liabilities</b>	<b>8,111,337</b>	<b>995,934</b>	<b>1,190,972</b>	<b>1,496,944</b>	<b>11,795,187</b>
<b>Deferred Inflows of Resources:</b>					
Unearned property taxes	16,954,585	4,597,550	7,758,581	-	29,310,716
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>25,065,922</b>	<b>5,593,484</b>	<b>8,949,553</b>	<b>1,496,944</b>	<b>41,105,903</b>
<b>Fund Balances:</b>					
<b>Non-spendable:</b>					
Inventories	-	-	-	85,897	85,897
<b>Restricted:</b>					
State programs	1,223,127	-	2,143,060	-	3,366,187
Debt service	-	10,279,360	-	-	10,279,360
<b>Assigned:</b>					
Capital projects	-	-	28,950,683	-	28,950,683
Non-major special revenue funds	-	-	-	1,395,928	1,395,928
Other purposes	4,526,344	-	-	-	4,526,344
Unassigned	3,735,188	-	-	-	3,735,188
<b>Total Fund Balance</b>	<b>9,484,659</b>	<b>10,279,360</b>	<b>31,093,743</b>	<b>1,481,825</b>	<b>52,339,587</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 34,550,581</b>	<b>\$ 15,872,844</b>	<b>\$ 40,043,296</b>	<b>\$ 2,978,769</b>	<b>\$ 93,445,490</b>

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

BOX ELDER SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

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

Total fund balance - governmental funds	\$ 52,339,587
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$191,127,982 and the accumulated depreciation is \$(66,425,692).	124,702,290
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Property tax revenue is recognized when earned (claim to resources established) rather than when available. A portion of the deferred property tax revenue is not available.	4,173,864
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Cash and deposits payable are offset in the governmental wide financial statements but reported in the fund financial statements because the transactions are between two different funds. \$1,105,706 was eliminated from cash and cash equivalents and deposits payable for the government wide financial statements because the Student Activities Fund reported the investment held by the District as cash and cash equivalents in the fund financial statements and the General Fund reported a corresponding deposits payable.

Some amounts for deferred outflows/inflows of resources and liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	\$ (45,745,000)	
Bond premium	(4,329,387)	
Deferred outflow of resources-funds with escrow agent	3,600,502	
Termination benefits	(6,735,292)	
Compensated absences	(172,064)	
Unfunded pension costs payable	(31,712,887)	
Deferred pension related outflow of resources	4,648,861	
Deferred pension related inflow of resources	(2,970,615)	
Accrued interest on bonds	(678,340)	
Capital lease payable	(72,685)	
		(84,166,907)

Total net position - governmental activities	\$ 97,048,834
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The notes to the financial statements are an integral part of this statement.

**BOX ELDER SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Major Funds			Other	Total Governmental
	General	Debt Service	Capital Projects	Governmental Funds	Funds
Revenues:					
Property taxes and fee in lieu	\$ 15,221,128	\$ 7,415,992	\$ 8,442,593	\$ 4,379,405	\$ 35,459,118
Charges for services	2,689,733	-	208,916	4,567,667	7,466,316
Other programs and grants	107,834	-	-	-	107,834
Contributions	11,017	-	-	458,424	469,441
Earnings on investments	136,363	40,166	230,078	14,213	420,820
State aid	47,505,355	-	-	744,539	48,249,894
Federal aid	4,211,579	-	-	2,235,219	6,446,798
Total revenues	69,883,009	7,456,158	8,881,587	12,399,467	98,620,221
Expenditures:					
Current:					
Instructional services	44,918,298	-	-	-	44,918,298
Supporting services:					
Students	2,140,439	-	-	-	2,140,439
Instructional staff	1,477,769	-	-	-	1,477,769
General administration	681,032	-	5,000	-	686,032
School administration	4,294,739	-	-	-	4,294,739
Business	2,031,300	-	-	-	2,031,300
Operation and maintenance of facilities	6,557,725	-	-	-	6,557,725
Student transportation	4,048,228	-	-	-	4,048,228
Student activities	-	-	-	3,753,058	3,753,058
Non K-12 instructional services	2,049,097	-	-	-	2,049,097
Community services	1,690,581	-	-	-	1,690,581
School food services	-	-	147,012	4,401,831	4,548,843
Payments to redevelopment/economic agencies	-	-	-	4,379,405	4,379,405
Facilities acquisition/construction	-	-	6,093,225	-	6,093,225
Debt service:					
Principal retirement	-	32,695,000	-	-	32,695,000
Interest and fiscal charges	-	2,122,263	-	-	2,122,263
Bond issuance costs	-	328,198	-	-	328,198
Other	-	5,000	-	-	5,000
Total expenditures	69,889,208	35,150,461	6,245,237	12,534,294	123,819,200
Excess (deficiency) of revenues over (under) expenditures	(6,199)	(27,694,303)	2,636,350	(134,827)	(25,198,979)
Other financing sources (uses):					
Sale of fixed assets	2,425	-	61,460	-	63,885
Proceeds from issuance of refunding bonds	-	28,950,000	-	-	28,950,000
Proceeds from refunding bonds premium	-	3,287,246	-	-	3,287,246
Payment to refunded bond escrow agent	-	(3,600,502)	-	-	(3,600,502)
Total other financing sources (uses)	2,425	28,636,744	61,460	-	28,700,629
Net change in fund balances	(3,774)	942,441	2,697,810	(134,827)	3,501,650
Fund balances - beginning	9,488,433	9,336,919	28,395,933	1,616,652	48,837,937
Fund balances - ending	\$ 9,484,659	\$ 10,279,360	\$ 31,093,743	\$ 1,481,825	\$ 52,339,587

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



# BOX ELDER SCHOOL DISTRICT

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances-total governmental funds \$ 3,501,650

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. Also, in the Governmental funds proceeds from sale of capital assets is recorded as revenue, whereas in the statement of activities, capital asset sale proceeds are netted against the cost of the capital assets and the accumulated depreciation. Below are the changes for 2015:

Capital outlays	\$ 3,985,851	
Depreciation expense	(5,764,632)	
Gain on sale of capital assets	36,344	
Proceeds from sale of capital assets	<u>(95,529)</u>	
		(1,837,966)

Property tax revenues received prior to the year for which they are being levied are reported as unearned revenue in the governmental funds. However, they are recorded as revenue in the statement of activities. Deferred property tax revenues decreased during the year.

1,677,365

In the statement of activities, commodities received are recognized as revenue and commodities used as an expense. The amount received and expensed during 2015 was \$322,072.

-

Accrued interest on long-term debt reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. This is the current year change in the liability, reported as a decrease in interest expense in the statement of activities.

337,658

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. During 2015, they consist of the following:

Bond principal payments	\$ 32,695,000	
Capital lease payments	70,404	
Amortization of bond premium	910,185	
Proceeds from issuance of refunding bonds	(28,950,000)	
Proceeds from refunding bond premium	(3,287,246)	
Payment to refunded bond escrow agent	<u>3,600,502</u>	
		5,038,845

In the statement of activities, certain operating expenses, such as changes in the unfunded pension liability, changes in deferred outflows/inflows of resources related to pension expenses, are measured by the amount incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During 2015, the changes in these accounts is as follows:

Change in unfunded pension liability	4,661,716	
Change in deferred outflows of resources-pension	862,415	
Change in deferred inflows of resources-pension	<u>(2,970,615)</u>	
		2,553,516

In the statement of activities, certain operating expenses, such as compensated absences and termination benefits, are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During 2015, compensated absences payable decreased by \$(166,310) and termination benefits payable increased by \$225,056.

(58,746)

Changes in net position of governmental activities

\$ 11,212,322

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

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes and fee in lieu	\$ 14,986,256	\$ 15,902,704	\$ 15,221,128	\$ (681,576)
Charges for services	1,971,287	2,502,857	2,689,733	186,876
Other programs and grants	500	6,300	107,834	101,534
Earnings on investments	101,300	101,600	136,363	34,763
Contributions	19,000	-	11,017	11,017
State aid	48,359,989	48,467,574	47,505,355	(962,219)
Federal aid	4,600,000	4,650,000	4,211,579	(438,421)
Total revenues	70,038,332	71,631,035	69,883,009	(1,748,026)
Expenditures:				
Current:				
Instructional services	44,866,356	45,960,542	44,918,298	1,042,244
Supporting services:				
Students	2,158,963	2,192,114	2,140,439	51,675
Instructional staff	1,484,170	1,531,498	1,477,769	53,729
General administration	596,254	696,962	681,032	15,930
School administration	4,443,831	4,480,175	4,294,739	185,436
Business/Personnel/IT	1,802,365	2,059,342	2,031,300	28,042
Operation and maintenance of facilities	6,653,555	6,742,641	6,557,725	184,916
Student transportation	4,366,770	4,221,326	4,048,228	173,098
Non K-12 instructional services	1,908,620	1,915,159	2,049,097	(133,938)
Community services	1,772,991	1,757,130	1,690,581	66,549
Total expenditures	70,053,875	71,556,889	69,889,208	1,667,681
Excess of revenues over expenditures	(15,543)	74,146	(6,199)	(80,345)
Other financing sources (uses):				
Proceeds from capital lease	-	-	-	-
Sale of fixed assets	-	-	2,425	2,425
Total other financing sources (uses)	-	-	2,425	2,425
Net change in fund balances	(15,543)	74,146	(3,774)	(77,920)
Fund balances - beginning	9,488,433	9,488,433	9,488,433	-
Fund balances - ending	\$ 9,472,890	\$ 9,562,579	\$ 9,484,659	\$ (77,920)

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

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	<u>Major Enterprise Fund</u> <u>Municipal Building</u> <u>Authority Fund</u>
Assets:	
Cash and cash equivalents	\$ 307,199
Receivables:	
Accounts	-
Restricted cash and cash equivalents	97
Capital assets:	
Land, construction in progress, and water stock	-
Buildings, net of depreciation	<u>2,783,386</u>
Total assets	<u>3,090,682</u>
Liabilities:	
Accounts payable	-
Accrued interest	-
Noncurrent liabilities:	
Due within one year	214,000
Due in more than one year	<u>2,144,000</u>
Total liabilities	<u>2,358,000</u>
Net Position:	
Invested in capital assets, net of related debt	425,386
Unrestricted	<u>307,296</u>
Total net position	<u>\$ 732,682</u>

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



BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Enterprise Fund- Municipal Building Authority
Operating revenues:	
Charges for sales and services:	
Lease revenue	\$ 229,599
Other services	-
Total operating revenues	<u>229,599</u>
Operating expenses:	
Municipal Building Authority management	-
Depreciation	74,224
Total operating expenses	<u>74,224</u>
Operating income	<u>155,375</u>
Nonoperating revenues (expenses):	
Intergovernmental	111,892
Investment earnings	89
Interest and fiscal charges	(130,071)
Gain (Loss) on sale of fixed assets	-
Total nonoperating revenue (expenses)	<u>(18,090)</u>
Income before contributions and transfers	<u>137,285</u>
Transfers in	-
Transfers out	-
Change in net position	<u>137,285</u>
Total net position - beginning	<u>595,397</u>
Total net position - ending	<u><u>\$ 732,682</u></u>

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

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Enterprise Fund Municipal Building Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from interfund lease of facilities	\$ 229,599
Payments to suppliers	-
Payments to employees	-
Other receipts	-
Net cash provided (used) by operating activities	<u>229,599</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer out to other funds	-
Net cash used by noncapital financing activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	-
Intergovernmental Build America Bonds interest subsidy	111,892
Principal payments on lease revenue bonds	(214,000)
Interest paid on lease revenue bonds	(127,571)
Fiscal charges paid on lease revenue bonds	(2,500)
Net cash provided (used) from capital and related financing activities	<u>(232,179)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	89
Net cash provided from investing activities	<u>89</u>
Net increase (decrease) in cash and cash equivalents	(2,491)
Cash and cash equivalents beginning of year	<u>309,787</u>
Cash and cash equivalents end of year	<u>\$ 307,296</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>	
Operating income	\$ 155,375
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	74,224
Change in assets and liabilities:	
Accounts receivable	-
Accounts payable	-
Accrued payroll liabilities	-
Obligation for compensated absences	-
Net cash provided by (used in) operating activities	<u>\$ 229,599</u>

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

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
JUNE 30, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 73,081
Receivables-accounts	<u>7,302</u>
Total assets	<u>\$ 80,383</u>
Liabilities	
Accounts payable	\$ 4,638
Accrued salaries and benefits	5,460
Intergovernmental payable	<u>70,285</u>
Total liabilities	<u>\$ 80,383</u>

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



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Box Elder School District is located in the north-central and north-western portion of the State of Utah. It was organized by State Statute and serves the citizens of Box Elder County. The District provides educational and related services.

The financial statements of Box Elder School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 of the District's accounting policies are described below.

**A. Reporting Entity**

The accompanying financial statements include the School District, which is a political subdivision with corporate powers created under Utah State law, and its blended component unit, the Municipal Building Authority of Box Elder School District, collectively referred to as the financial reporting entity. As required by generally accepted accounting principles (GAAP), these financial statements present Box Elder School District (referred to as the "primary government" for reporting purposes) and its "component units" (separate legal entities for which the District is considered to be financially accountable). Box Elder School District Foundation is a discrete component unit, although a legally separate entity of Box Elder School District.

The Municipal Building Authority of Box Elder School District is governed by a seven-member board which is the Board of Education. Its sole purpose is to finance and construct the District's public facilities. The financial statements of the Municipal Building Authority of Box Elder School District are included in the accompanying financial statements as a blended component unit.

Box Elder School District Foundation is a separate but affiliated, self-sustaining, not-for-profit organization. The Foundation was established to provide support for the Box Elder School District, its faculty and students, and to promote, sponsor and carry out educational, scientific, charitable and related activities and objectives within the Box Elder School District. It is governed by a board of directors of up to 15 individuals. The Foundation is considered to be a component unit of the District because the purpose of the Foundation is to exclusively, or almost exclusively, benefit the District by soliciting contributions and managing the funds. The Foundation has an audit performed annually, separate from the District. A copy of that audit report can be obtained by writing to the Box Elder District Foundation, 960 South Main, Brigham City, Utah 84302.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements**

**Government-wide Financial Statements.** The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the district function activity. Program revenues include 1) charges for services that report fees, tuition, rent, and other charges to users of the District's services; 2) operating grants and contributions that finance annual operating activities; and 3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. Administrative overhead charges are included in direct expenses.

**Fund Financial Statements.** Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. The remaining governmental funds are combined into a single column and reported as other nonmajor funds.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded 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.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

**Governmental Fund Financial Statements.** 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. "Measurable" means that amounts can be reasonably determined within the current period. 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.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are reported as deferred revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Minimum school program revenues and other revenues from the Utah State Office of Education are considered "measurable" and recognized as revenue when available and remitted to the District in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the District.



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, termination benefits and arbitrage rebates which are recognized only when payment is due.

The District reports the following major governmental funds:

**General Fund** – This fund accounts for all activities not accounted for by other funds of the District and is the principal fund. The main sources of revenue for this fund are property taxes and minimum school programs funded by the Utah State office of Education.

**Debt Service Fund** – The Debt Service Fund is used to account for specific revenue sources that are legally restricted to debt service expenditures for specific purposes.

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or maintenance of major capital projects.

The District's nonmajor governmental funds include three special revenue funds. The nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Fund Financial Statements.** Proprietary funds include enterprise funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The Municipal Building Authority (MBA) of Box Elder School District is the only proprietary fund reported in the financial statements. The MBA Fund accounts for the activity and operations of leasing and constructing public facilities.

**Fiduciary Fund Financial Statements.** The District has one fiduciary fund – Agency Fund. Agency Funds are used to account for assets held by the District as an agent for other governments, private organizations, or individuals. Agency Funds are accounted for using the accrual basis of accounting, but due to their custodial nature (assets equal liabilities) do not present results of operations or have a measurement focus.

**D. Budgets**

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end. Budgets are presented on the modified accrual basis of accounting for governmental funds. Budgets are not adopted on a District level for the Box Elder School District Foundation, which is presented as a discretely presented component unit in the financial statements.

The district operates within the budget requirements as specified by State law. The financial reports reflect the following budgetary standards.

1. In May of each year, the District management submits to the Board a proposed operating budget for the next fiscal year commencing July 1. This budget includes proposed expenditures and the means of financing them. A final budget for the current year, ending June 30<sup>th</sup>, is also included.
2. The tentative budget is made available for public inspection at least ten days prior to a public hearing on adoption of the final budget.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets (continued)**

3. If the budget does not propose to exceed the certified tax rate, a public hearing for taxpayer input is held prior to June 22<sup>nd</sup> of each year. The budget is then legally adopted by resolution of the Board. If the budget proposes a tax rate that exceeds the certified tax rate, the budget is formally adopted in August, when data is available to set new rates.
4. Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board, but increased appropriations in the governmental funds require a public hearing prior to amending the budget. Budgets may be increased provided that notice of such action is published seven days before the meeting. The budgetary information presented includes the original budget and the final amended budget.
5. Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2015, have been included in the final budget approved by the Board, as presented in the financial statements.
6. Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as a designation to the fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
7. As determined by State law, the level for which expenditures may not legally exceed appropriations is the total budget of a given fund.
8. Negative variances in total revenues and positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on fund balance. Budgets generally assume expenditure of all available resources. Therefore, when the budget is prepared, it is assumed that these funds will not have a carryover or revenue to a subsequent year. Some program revenues received, but not spent, are restricted and deferred to the subsequent fiscal year.



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Deposits and Investments**

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the Business Administrator in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. Restricted cash is held in the capital project account because the funds are restricted for the purpose of building or remodeling instructional facilities. When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments are recorded at fair value based upon quoted market prices as of year end, except where there is no material difference between cost and fair value. The difference between the purchase price and market price when material is recorded as interest income.

A statement of cash flows is presented for proprietary funds under the direct method. For purposes of the statement of cash flows, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Utah Public Treasurer's Investment Fund (PTIF) to be cash and cash equivalents.

**F. Interfund transactions**

Interfund transactions represent transactions between different funds within the District. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Capital Assets**

Capital assets include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Position under governmental activities. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$5,000; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available, the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset's lives are not capitalized.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized.

Land, water stock, and construction in progress are not depreciated. Depreciation of all exhaustible capital assets is charged to the various functional expenses in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Equipment	5-20 years
Vehicles	5-10 years

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Compensated Absences**

It is the District's policy to permit employees to accumulate earned-but-not-used vacation benefits in accordance with negotiated agreements. The District has placed a cap on the amount of accumulated vacation benefits that will be compensated. The cap depends on employee classification and is limited to 10 days for classified employees, 15 days for administrators working under 229 day contracts and 20 days for administrators working under 243 day contracts. An estimate of vacation pay plus related payroll taxes is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

**I. Long-term liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refunding), are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred as directed in GASB 65.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**J. Net Position/Fund Balances**

The difference between assets and liabilities is "Net Position" on the government-wide and "Fund Balance" on the governmental fund financial statements. Net position is divided into invested in capital assets (net of related debt), restricted non-spendable, restricted expendable, and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Net Position/Fund Balances (continued)**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financials are as follows.

**Non-spendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified only school food service inventory as non-spendable.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purposes unless the School Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted or committed. This intent can be expressed by the School Board or the District Business Administrator. No other body or official has the authority to constrain such amounts. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned** – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance for any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Net Position/Fund Balances (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**K. Inventories**

Inventories for the School Food Services Special Revenue Fund are valued at average cost utilizing the weighted average method.

**L. Risk Management**

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. To help manage these risks, the District participates in the Utah State Risk Management Fund, a public entity that operates like an insurance carrier. The District also participates in the Utah School Boards Risk Management Mutual Insurance Association to cover its workers compensation risks.

**M. Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 2. PROPERTY TAX**

The property tax revenue of the District is collected and distributed by the Box Elder County Treasurer as an agent for the District. Utah statutes establish the process by which taxes are levied and collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenue received by the District includes uncollected taxes (including delinquencies and accrued interest and penalties). It is expected that delinquent property taxes will be collected within a five year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. These property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. The property taxes levied for 2015 have been included in the taxes receivable and deferred inflow of resources-unearned property tax liability for the governmental fund presentation.

An annual uniform fee based on the age of motor vehicles is levied in lieu of ad valorem tax (property tax) on motor vehicles that is due each time a vehicle is registered. Revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the motor vehicle is located in the same proportion in which revenue from ad valorem property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected by the county.

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2015, consist of the following:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Total</u>
Governmental funds:				
General Fund	\$16,954,585	\$ 80,453	\$ 752,791	\$ 17,787,829
Debt Service Fund	4,597,550	-	-	4,597,550
Capital Projects Fund	7,758,581	953	-	7,759,534
Nonmajor Funds	-	364	193,996	194,360
Total receivables	<u>\$29,310,716</u>	<u>\$ 81,770</u>	<u>\$ 946,787</u>	<u>\$ 30,339,273</u>

No allowance for uncollectible accounts has been provided because the District believes that all accounts receivable are collectible.



**BOX ELDER SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 11,213,787	\$ -	\$ -	\$ -	\$ 11,213,787
Construction in progress	1,782,457	1,894,964	(3,677,421)	-	-
Water stock	75,000	-	-	-	75,000
Total capital assets not being depreciated	13,071,244	1,894,964	(3,677,421)	-	11,288,787
Capital assets being depreciated:					
Buildings and improvements	157,003,943	4,251,730	(359,585)	-	160,896,088
Furniture, machinery and equipment and vehicles	18,138,827	1,516,578	(712,298)	-	18,943,107
Total capital assets being depreciated	175,142,770	5,768,308	(1,071,883)	-	179,839,195
Less accumulated depreciation					
Buildings and improvements	(49,401,896)	(4,483,145)	309,743	-	(53,575,298)
Furniture, machinery and equipment and vehicles	(12,271,862)	(1,281,487)	702,955	-	(12,850,394)
Total accumulated depreciation	(61,673,758)	(5,764,632)	1,012,698	-	(66,425,692)
Total capital assets being depreciated, net	113,469,012	3,676	(59,185)	-	113,413,503
Governmental activity capital assets, net	\$ 126,540,256	\$ 1,898,640	\$ (3,736,606)	\$ -	\$ 124,702,290
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,968,945	\$ -	\$ -	\$ -	\$ 2,968,945
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	2,968,945	-	-	-	2,968,945
Capital assets being depreciated:					
Buildings and improvements	-	-	-	-	-
Less accumulated depreciation					
Buildings and improvements	(111,335)	(74,224)	-	-	(185,559)
Total capital assets being depreciated, net	(111,335)	(74,224)	-	-	(185,559)
Business-type activity capital assets, net	\$ 2,857,610	\$ (74,224)	\$ -	\$ -	\$ 2,783,386

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 4,037,423
Support services:	
General administration	68,024
School administration	396,778
Business	57,932
Operations/Maintenance of plant	491,608
Student transportation	352,502
Community services	347,607
School food services	12,758
Total depreciation expense - governmental activities	\$ 5,764,632
Business-type activities:	
Municipal Building Authority	\$ 74,224

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 5. RETIREMENT PLANS**

**General information about the Pension Plan**

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) and Public Employees Contributory Retirement System (Contributory System) are multiple employer, cost sharing, public employees, retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing public employees, retirement system.

The Tier 2 Public Employees Contributory Retirement System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 5. RETIREMENT PLANS (continued)**

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 year any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 25 year any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\*with actuarial reductions

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Contributions:** As a condition of participation in the Systems, employer and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems

	Employee Paid	Paid by Employer for	Employer Contribution Rates
Contributory System			
12-State and School Division Tier 1	1.000%	5.000%	17.700%
112-State and School Division Tier 2	N/A	N/A	18.270%
Noncontributory System			
16-State and School Division Tier 1	N/A	N/A	22.190%



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 5. RETIREMENT PLANS (continued)**

**Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2014 (measurement date), we had a net pension asset of \$18,430 and a net pension liability of \$31,731,317. These were netted in the financial report and shown as a net pension liability of \$31,712,887.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	1.2591214%	\$ -	\$ 31,635,786
Contributory System	0.8712488%	-	95,531
Tier 2 Public Employees System	0.6081591%	18,430	-
Total Net Pension Asset/Liability		<u>\$ 18,430</u>	<u>\$ 31,731,317</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contribution to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$5,753,463. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,912,576
Changes in assumptions	-	1,058,039
Net difference between projected and actual earnings on pension plan investments	567,776	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	4,081,085	-
Total	<u>\$ 4,648,861</u>	<u>\$ 2,970,615</u>

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 5. RETIREMENT PLANS (continued)**

\$4,081,085 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement data of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2015 \$	(622,309)
2016 \$	(622,309)
2017 \$	(622,309)
2018 \$	(515,765)
2019 \$	(3,224)
Thereafter \$	(16,925)

Actuarial assumptions: the total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50-10.50%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

**Retired Member Mortality**

Class of member

**Educators**

Men EDUM (90%)

Women EDUF (100%)

**Public Safety and Firefighters**

Men RP 2000mWC (100%)

Women EDUF (120%)

**Local Government, Public Employees**

Men RP 2000mWC (100%)

Women EDUF (120%)

*EDUM=Constructed mortality table based on actual experience of male educators multiplied by given percentage*

*EDUF=Constructed mortality table based on actual experience of female educators multiplied by given percentage*

*RP 2000mWC=RP 2000 Combined mortality table for males with white collar adjustment multiplied by given percentage*

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 5. RETIREMENT PLANS (continued)**

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75% a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 5. RETIREMENT PLANS (continued)**

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.50%)	1% Increase (8.5%)
<b>Proportionate share of</b>			
Net pension (asset)/liability	\$ 63,966,107	\$ 31,712,887	\$ 4,707,729

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

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plan for pay periods January 1-December 31.

**Defined Contribution System**

December 31, 2014:

	Employee Paid Contributions	Employer Paid Contributions
401(k) Plan	\$ 571,612	\$ 1,240,539
457 Plan	\$ 24,830	\$ -
Roth IRA Plan	\$ 60,032	\$ -
Traditional IRA	\$ -	\$ -
HRA Plan	\$ -	\$ -

\* The employer paid 401(k) contribution include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

**Restatement of Beginning Net Position**

Because of the adoption of GASB 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, the District was required to report the beginning December 31, 2013 pension liability of \$36,374,603 and deferred outflow of resources-pension related items of \$3,786,446. This required an adjustment to beginning net position of \$32,588,157. The beginning amount for net position, before restatement, was \$118,424,669. After restatement, for the above pension liability, the beginning net position was \$85,836,512.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 6. LONG-TERM OBLIGATIONS**

The District had the following long-term obligations at June 30, 2015.

On February, 24, 2015, the District issued \$28,950,000 in general obligation refunding bonds with interest rates ranging between 1.5% and 5%. The District issued the bonds to advance refund \$13,075,000 of the outstanding series 2008 bonds with interest ranging between 2.5% and 5% and \$15,225,000 of the outstanding series 2009 bonds with interest rates ranging between 2% and 5%. The refunded bonds were amounts from the series 2008, which mature on July 15, 2019 through July 15, 2028, and series 2009, which mature on July 15, 2019 through July 15, 2029. The District used the net proceeds along with bond premium proceeds to place in escrow to provide for all future debt service on the refunded portion of the 2008 and 2009 bonds. As a result, that portion of the 2008 and 2009 bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$28,300,000, at June 30, 2015. The annual debt service over the life of the bonds is as follows.

2015 General Obligation Refunding Bonds:

Years	Principal	Interest	Total	Interest Rate
2016	\$ 105,000	\$ 892,930	\$ 997,930	1.50%
2017	135,000	999,713	1,134,713	1.50%
2018	140,000	997,650	1,137,650	1.50%
2019	140,000	995,550	1,135,550	1.50%
2020	2,315,000	971,350	3,286,350	2.00%
2021-2025	12,500,000	3,793,275	16,293,275	2.00%-5.00%
2026-2030	13,615,000	979,775	14,594,775	3.00%-5.00%
	<u>\$ 28,950,000</u>	<u>\$ 9,630,243</u>	<u>\$ 38,580,243</u>	

The advance refunding reduced total debt service approximately \$1,981,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,783,091.

The District patrons approved the issuance of up to \$70 million in general obligation bonds in fiscal year 2008. The Board decided to spend the funds for the construction of improvements at the two high schools and the construction of potential elementary schools in areas with significant need. On September 10, 2008, \$25 million of the approved bonds were issued. The District received a bond premium of \$597,277 and paid bond issuance costs of \$266,475, including an underwriter's discount of \$170,000. The bond premium is being amortized over the refunded 4 year life of the bonds. Principal and interest payments began July 15, 2009 and end July 15, 2018. The interest rate on the bonds ranges from 4%-4.25%. \$13,075,000, of this outstanding series of bonds, was refunded in 2015 and the following is a debt service schedule over the life of the remaining outstanding bonds.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 6. LONG-TERM OBLIGATIONS (continued)**

**2008 General Obligation School Building Bonds:**

2008 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2016	\$ 900,000	\$ 138,563	\$ 1,038,563	4.00%
2017	950,000	101,563	1,051,563	4.00%
2018	975,000	63,062	1,038,062	4.00%
2019	1,025,000	21,781	1,046,781	4.25%
	<u>\$ 3,850,000</u>	<u>\$ 324,969</u>	<u>\$ 4,174,969</u>	

On July 1, 2009, \$31 million of the approved bonds were issued. The District received a bond premium of \$618,633 and paid bond issuance costs of \$292,077, including an underwriter's discount of \$202,387. The bond premium is being amortized over the refunded 4 year life of the bonds. Principal and interest payments began January 15, 2010 and end July 15, 2018. The interest rate on the remaining outstanding bonds is 4%. \$15,225,000, of this outstanding series of bonds, was refunded in 2015 and the following is a debt service schedule over the life of the remaining outstanding bonds.

**2009 General Obligation School Building Bonds:**

2009 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2016	\$ 950,000	\$ 143,000	\$ 1,093,000	4.00%
2017	1,000,000	104,000	1,104,000	4.00%
2018	1,025,000	63,500	1,088,500	4.00%
2019	1,075,000	21,500	1,096,500	4.00%
	<u>\$ 4,050,000</u>	<u>\$ 332,000</u>	<u>\$ 4,382,000</u>	

On November 23, 2011, \$14 million of the approved bonds were issued. The District received a bond premium of \$1,864,249 and paid bond issuance costs of \$113,462, including an underwriter's discount of \$47,419. The bond premium is being amortized over the 7 year life of the bonds. Principal and interest payments began July 15, 2012 and end July 15, 2018. The interest rate on the bonds ranges from 3%-5%. The following is a debt service schedule over the remaining life of the bonds.



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 6. LONG-TERM OBLIGATIONS (continued)**

2011 General Obligation School Building Bonds:

2011 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2016	\$ 2,710,000	\$ 373,250	\$ 3,083,250	5.00%
2017	2,825,000	234,875	3,059,875	5.00%
2018	2,985,000	89,625	3,074,625	5.00%
2019	375,000	7,500	382,500	4.00%
	<u>\$ 8,895,000</u>	<u>\$ 705,250</u>	<u>\$ 9,600,250</u>	

The Municipal Building Authority of Box Elder School District (MBA), a blended component unit of Box Elder School District, entered into agreements to issue Qualified School Construction Bonds in the amount of \$3,000,000, for the construction of new school. The bonds were issued on June 2, 2011, and are payable May 15, 2026. The District has entered into a master lease agreement with the MBA, dated June 2, 2011, which requires the District to lease the school facility from the MBA through May 16, 2026. The lease amount is equal to the annual debt service plus \$1 for each fiscal year the lease is in force. The lease provides for a purchase price, which may be exercised by the District anytime during the period of the lease, equivalent to the outstanding principal balance on the lease revenue bonds. The bond interest rate is 4.96% for the length of the bond. However, the annual interest amount of approximately \$148,800 will be subsidized by the U.S. Government resulting in no annual cost to the District. The following is debt service schedule of the bonds.

2011 Municipal Building Authority Qualified School Construction Bonds:

2011 Municipal Building Authority Qualified School Construction Bonds:

Year	Principal	Interest	Subsidized interest	Total	Interest Rate
2016	\$ 214,000	\$ 116,956	\$ (102,582)	\$ 228,374	4.96%
2017	\$ 214,000	\$ 106,342	\$ (93,272)	\$ 227,070	4.96%
2018	\$ 214,000	\$ 95,728	\$ (83,963)	\$ 225,765	4.96%
2019	\$ 214,000	\$ 85,114	\$ (74,653)	\$ 224,461	4.96%
2020	\$ 214,000	\$ 74,500	\$ (65,344)	\$ 223,156	4.96%
2021-2025	\$ 1,072,000	\$ 213,130	\$ (186,936)	\$ 1,098,194	4.96%
2026	\$ 430,000	\$ 10,664	\$ (9,353)	\$ 431,311	4.96%
	<u>\$ 2,572,000</u>	<u>\$ 702,434</u>	<u>\$ (616,103)</u>	<u>\$ 2,658,331</u>	

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 6. LONG-TERM OBLIGATIONS (continued)**

Effective July 1, 2006, the Board approved a termination benefit plan, which, upon termination, provides for the payout of sick leave benefits and a retirement bonus. During the year ended June 30, 2015, \$1,350,496 was expended on these benefit plans. The plan is financed on a pay-as-you-go basis. The District has a potential for termination benefits for 403 eligible employees. For 2015, the District has recorded a liability of \$6,735,292, which is calculated at the net present value of the estimated liability.

Termination Benefits

**Sick Leave Benefit:**

Employees are eligible after they have completed 15 years of contracted service with the District – employees receive 2% of their unused, accumulated sick leave for each year of service in the District, plus 1% per year for each year of experience granted by the District upon employment, to a maximum of 60%.

**Retirement Bonus:**

Employees are eligible after they qualify for School District Retirement, as defined in Policy 3306, 3-3-1 –employees receive a retirement bonus generated at 30% per year of full-time contracted employment in the District, multiplied by the value of the weighted pupil unit for the year of retirement with an amount not to exceed nine times the value of the weighted pupil unit for the year of retirement. For classified employees who are eligible and less than fulltime employees, the percentages are lower.

Compensated Absences

Classified and Administrative employees are eligible for vacation benefits. Classified employees may carry over a maximum of 20 days vacation to the following year but upon termination will only be compensated for up to 10 days at the rate in effect at the time of termination. Administrative employees who are under contract for 229 working days may be compensated for up to 15 days and administrative employees under contract for 243 or more working days may be compensated for up to 20 days.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 6. LONG-TERM OBLIGATIONS (continued)**

Capital Lease

The remaining long-term obligation is a capital lease entered into with DeLage Landen Public Finance for the purchase of computer equipment. See note 10 for additional information. Transactions affecting long-term obligations are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
G.O. bonds payable	\$ 49,490,000	\$28,950,000	\$ (32,695,000)	\$45,745,000	\$ 4,665,000
G.O. bond premium	1,952,326	3,287,246	(910,185)	4,329,387	-
Capital lease payable	143,089	-	(70,404)	72,685	-
Compensated absences	338,374	304,918	(471,228)	172,064	-
Unfunded pension liability	36,374,603	-	(4,661,716)	31,712,887	-
Accrued termination benefits	6,510,236	1,575,552	(1,350,496)	6,735,292	-
Total Governmental Activities	\$ 94,808,628	\$34,117,716	\$ (40,159,029)	\$88,767,315	\$ 4,665,000
Business-type activities:					
Bonds payable	\$ 2,572,000	\$ -	\$ (214,000)	2,358,000	\$ 214,000

**NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

For the year ended June 30, 2015, the Debt Service Fund had expenditures, of \$32,029,799, in excess of the approved final budget, because the 2015 bond refunding and related payment of refunded bonds and bond costs were not included in the final budget. The Redevelopment Agency Tax Fund also had expenditures, of \$4,379,405, in excess of the approved final budget, because this fund was not created when the final budget was approved.

No funds had deficit fund balances at June 30, 2015



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 8. CASH AND INVESTMENTS**

The District maintains a Deposit and Investment Pool that is available for use by all funds of the District. Each fund type's portion of this pool is disclosed on the governmental funds balance sheet as "cash and cash equivalents".

The District complies with the Utah Money Management Act (Utah Code Section 51, Chapter 7) and related Rules of the Money management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined in the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market funds and obligations of governmental agencies within the State of Utah. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and sufficient adequate protection of its uninsured bank deposits.

**Deposits**

At June 30, 2015, the carrying amount of the District deposits was \$7,650,497 and the bank balance was \$10,877,671. Of the bank balance, \$1,316,983 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the District follows these recommendations. The Foundation had deposits of \$189,946, with a bank balance of \$189,957, all of which was insured.

**Investments**

At June 30, 2015, the District's investment balances were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rated</b>
Corporate Bonds	\$ 15,818,851	less than 1 year	A- to AAA
Utah Public Treasurer's Investment Fund	33,317,794	less than 1 year	not rated
<b>Total</b>	<u><u>\$ 49,136,645</u></u>		

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 8. CASH AND INVESTMENTS (continued)**

**Investments (continued)**

At June 30, 2015, the Foundation's investment balances were as follows:

Certificates of deposit	\$	7,887	less than 1 year	
Utah Public Treasurer's Investment Fund		364,882	less than 1 year	not rated
	\$	<u>372,769</u>		

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments do not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper to 270 days or less and fixed-income securities to 365 days or less. The District has no investment policy that would further limit its interest rate risk.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the Act and other related rules. The Act and other related rules limit investments in commercial paper to a first tier rating of investments in fixed-income to a rating of A or higher as rated by Moody's Investor Service or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices. All of the District's investments in corporate bonds and commercial paper meet this requirement with ratings of, at least, A or P-1. No one investment exceeds 5% of the total investment pool.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. At June 30, 2015, the District had 19.7% of its' investments in Federal Home Loan Bank and 50.9% in Freddie Mac. The District places no other limits on the amount it may invest in any one issuer.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 8. CASH AND INVESTMENTS (continued)**

*Custodial Credit Risk.* For an investment, the custodial 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 investments that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. All of the District's investments in corporate bonds and commercial paper are uninsured and uncollateralized and held by the agent in the District's name.

As reported in the financial statements:

Government Wide:

Cash and cash equivalents	\$ 40,716,376
Investments	15,997,588
Restricted cash and cash equivalents	97
Restricted investments	-

Component Unit:

Cash and cash equivalents	554,828
Investments	7,887

Fiduciary Funds - cash and cash equivalents

73,081
<u>\$ 57,349,857</u>

The PTIF is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered and is unrated. Participant accounts with PTIF are not insured or otherwise guaranteed by the State of Utah. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities including certificates of deposit and top rated domestic commercial held by the Utah State Treasurer. The portfolio has a weighted average life of 90 days or less. The fair value of the District's position in the fund is the same as the value of the fund shares.



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 9. RECONCILIATION OF INTERFUND BALANCES AND TRANSFERS**

There were no interfund due to/due from balances and no interfund transfers during 2015.

\$1,105,706 in school funds reported in the Other Governmental Funds column as cash and cash equivalents and as deposits payable in the General Fund, have been eliminated in the reporting of the government wide statements.

**NOTE 10. CAPITAL LEASE OBLIGATION**

The District entered into a capital lease with Dell Financial Services for the purchase of computer back-up and storage equipment. The economic substance of the lease is that the District is financing the acquisition of the assets through a lease, and accordingly, it is recorded in the District's financial statements.

The following is an analysis of the leased assets included in the property and equipment.

Computer storage and back-up equipment	\$ 287,429
Less: accumulated depreciation	<u>(162,878)</u>
	<u>\$ 124,551</u>

The lease is secured by the assets. The lease agreement contains a bargain purchase price option at the end of the lease. The following is a schedule by years of the future minimum lease payments required under the lease together with the present value at year end:

2016	<u>\$ 75,040</u>
Total minimum lease payments	75,040
Less: amount representing interest	<u>(2,355)</u>
Present value of minimum lease payments	<u>\$ 72,685</u>

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 11. MEMBERSHIP CHANGES**

The District receives funding from the Utah State Office of Education (USOE) based on formulas calculated using the District's membership figures. As District membership increases or decreases, corresponding funding from the USOE has the potential to increase or decrease. The amount of any potential change is not available.

**NOTE 12. RISK MANAGEMENT**

The District maintains insurance coverage for general liability, automobile, personal injury, errors and omissions, employee dishonest, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund (Fund). The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible, automobile physical damage is insured to actual value with a \$500 deductible, other liability is limited to the lesser of \$10 million or the statutory limit. The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to the Fund. The Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants pay experience related annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

There are several lawsuits pending in which the District is involved. The District's counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the financial statement of the District.

The District maintains workers compensation insurance through the Utah School Boards Risk Management Mutual Insurance Association (Association). Annual premiums are charged to users by the Association to enable the payment of claims and to accumulate reserves for any unforeseen issues. Independent coverage is obtained to insure sufficient reserves and funds are available when needed. This is a pooled arrangement where the participants pay experience rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities. Periodic billing premiums are received to cover any unanticipated changes from the facts and circumstances used to calculate the annual premium.

BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 13. RESTRICTED/ASSIGNED FUND BALANCE/NET POSITION DETAIL**

The detail of the aggregated amounts in the Statement of Net Position and the Balance Sheet is as follows at June 30, 2015:

Fund balances-governmental funds:

Restricted state programs:

General Fund:

Gifted/talented	\$ 43,149
Advanced placement	3,474
Concurrent enrollment	165,686
At risk-homeless	31,627
Youth in custody	155,832
Enhancement-at risk students	82,574
Trust lands	194,362
Dual Immersion	9,665
Extended day kindergarten	48,383
K-3 reading	98,242
Library books	1,524
State literacy	25,058
Job enhancement	-
USTAR	2,511
CTE programs	361,040
Total General Fund	<u>1,223,127</u>

Capital Project Fund:

Capital Outlay Foundation School Building Program	<u>2,143,060</u>
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Total Restricted state programs-Governmental activities	<u>\$ 3,366,187</u>
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Fund balance-governmental funds:

Assigned-other purposes:

General Fund:

Credit recovery	\$ 14,450
Classified professional development	8,626
StepUp Ready	1,116
Special ed health services	22,060
Proctor & Gamble-Stem Programs	16,965
Wellness	13,665
Budget shortfalls	2,862,744
Termination benefits	1,000,000
E-rate	586,718
Total General Fund	<u>\$ 4,526,344</u>



BOX ELDER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 14. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position reports 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 (expenditure/expense) until then. The District currently has two items that fall within this category. Funds placed in escrow to refund outstanding debt issues, of \$3,600,502, which will be amortized to interest expense over the life of the refunding bonds and deferred pension cost payments after the measurement date but before the District's fiscal year end.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports one of these items. Unearned property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts also are reported on the government-wide statement of net position.

**NOTE 15. SUBSEQUENT EVENTS**

Subsequent to year end, the District underwent an examination by the Internal Revenue Service for compliance with 1099 and payroll reporting, as well as a review of the District's termination benefit policy. As of the date of our audit report, no final results of that examination are available and any amount for potential findings is not determinable.

UTAH STATE RETIREMENT SYSTEMS  
REQUIRED SUPPLEMENTARY INFORMATION

BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
UTAH RETIREMENT SYSTEMS  
FOR THE YEAR ENDED JUNE 30, 2015

Last 10 Fiscal Years\*

	Noncontributory System	Contributory Retirement System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	1.2591214%	0.8712488%	0.6081591%
Proportionate share of the net pension liability (asset)	\$ 31,635,786	\$ 95,531	\$ (18,430)
Covered employee payroll	\$ 34,856,456	\$ 320,187	\$ 2,976,735
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.80%	29.80%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	87.20%	98.70%	103.50%

\*In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI.



BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
UTAH RETIREMENT SYSTEMS  
FOR THE YEAR ENDED JUNE 30, 2015

Last 10 Fiscal Years\*

	Noncontributory System	Contributory Retirement System	Tier 2 Public Employees System
Contractually required contribution	\$ 7,635,565	\$ 52,857	\$ 250,910
Contributions in relation to the contractually required contribution	<u>(7,635,565)</u>	<u>(52,857)</u>	<u>(250,910)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 34,856,456	\$ 320,187	\$ 2,976,735
Contributions as a percentage of covered-employee payroll**	21.91%	16.51%	8.43%

\* Amounts presented were determined as of calendar year January 1-December 31. Employers will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosed confirmation.

\*\* Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

## OTHER SUPPLEMENTARY INFORMATION

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE-  
BUDGET AND ACTUAL  
MAJOR DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes and fee in lieu	\$ 6,800,000	\$ 7,789,562	\$ 7,415,992	\$ (373,570)
Earnings on investments	225,000	225,000	40,166	(184,834)
Other	-	-	-	-
Total revenues	<u>7,025,000</u>	<u>8,014,562</u>	<u>7,456,158</u>	<u>(558,404)</u>
Expenditures:				
Debt service:				
Principal retirement	4,560,000	4,560,000	32,695,000	(28,135,000)
Interest and fiscal charges	2,938,000	2,159,164	2,122,263	36,901
Bond issuance costs	-	-	328,198	(328,198)
Other	2,000	2,000	5,000	(3,000)
Total expenditures	<u>7,500,000</u>	<u>6,721,164</u>	<u>35,150,461</u>	<u>(28,429,297)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(475,000)</u>	<u>1,293,398</u>	<u>(27,694,303)</u>	<u>(28,987,701)</u>
Other financing sources (uses):				
Proceeds from sale of refunding bonds	-	-	28,950,000	28,950,000
Proceeds from bond premium	-	-	3,287,246	3,287,246
Payments to refunded bond escrow agent	-	-	(3,600,502)	(3,600,502)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>28,636,744</u>	<u>28,636,744</u>
Net change in fund balances	<u>(475,000)</u>	<u>1,293,398</u>	<u>942,441</u>	<u>(350,957)</u>
Fund balance - beginning	<u>9,336,919</u>	<u>9,336,919</u>	<u>9,336,919</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,861,919</u>	<u>\$10,630,317</u>	<u>\$ 10,279,360</u>	<u>\$ (350,957)</u>



BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
MAJOR CAPITAL PROJECT FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Property taxes and fee in lieu	\$ 9,722,621	\$ 9,712,004	\$ 8,442,593	\$ (1,269,411)
Charges for services	82,500	1,352	208,916	207,564
Contributions	-	-	-	-
Earnings on investments	89,568	79,568	230,078	150,510
Total local sources	9,894,689	9,792,924	8,881,587	(911,337)
State sources:				
Restricted grants in aid	-	-	-	-
Total state sources	-	-	-	-
Federal sources:				
Restricted grants in aid	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	9,894,689	9,792,924	8,881,587	(911,337)
Expenditures:				
Support services:				
General district administration	-	-	5,000	(5,000)
Food service	-	62,854	147,012	(84,158)
Facilities acquisition/construction	8,130,964	7,363,612	5,863,627	1,499,985
Lease payment to MBA Fund	320,000	250,000	229,598	20,402
Total expenditures	8,450,964	7,676,466	6,245,237	1,431,229
Excess (deficiency) of revenues over (under) expenditures	1,443,725	2,116,458	2,636,350	519,892
Other Financing Sources (Uses):				
Sale of fixed assets	164,524	91,148	61,460	(29,688)
Total other financing sources (uses)	164,524	91,148	61,460	(29,688)
Net change in fund balances	1,608,249	2,207,606	2,697,810	490,204
Fund balance - beginning	28,395,933	28,395,933	28,395,933	-
Fund balance - ending	\$30,004,182	\$ 30,603,539	\$ 31,093,743	\$ 490,204

BOX ELDER SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activities Fund	Redevelopment Agency Tax	School Food Service Fund	
Assets:				
Cash and cash equivalents	\$ 2,111,921	\$ -	\$ 586,591	\$ 2,698,512
Receivables:				
Accounts	-	-	364	364
Intergovernmental	-	-	193,996	193,996
Inventory	-	-	85,897	85,897
Total assets	<u>\$ 2,111,921</u>	<u>\$ -</u>	<u>\$ 866,848</u>	<u>\$ 2,978,769</u>
Liabilities:				
Accounts payable	\$ 47,392	\$ -	\$ 26,731	\$ 74,123
Due to clubs	1,344,921	-	-	1,344,921
Accrued salaries and benefits	-	-	77,900	77,900
Unearned revenue	-	-	-	-
Total liabilities	<u>1,392,313</u>	<u>-</u>	<u>104,631</u>	<u>1,496,944</u>
Fund balances:				
Non-spendable:				
Inventory	-	-	85,897	85,897
Restricted:				
State programs	-	-	-	-
Assigned:				
Student Activities	719,608	-	-	719,608
School Food Service	-	-	676,320	676,320
Total fund balances	<u>719,608</u>	<u>-</u>	<u>762,217</u>	<u>1,481,825</u>
Total liabilities and fund balances	<u>\$ 2,111,921</u>	<u>\$ -</u>	<u>\$ 866,848</u>	<u>\$ 2,978,769</u>

BOX ELDER SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activities Fund	Redevelopment Agency Tax	School Food Service Fund	
Revenues:				
Property tax	\$ -	\$ 4,379,405	\$ -	\$ 4,379,405
Charges for services	3,368,675	-	1,198,992	4,567,667
Contributions	458,424	-	-	458,424
Earnings on investments	10,519	-	3,694	14,213
State aid	-	-	744,539	744,539
Federal aid	-	-	2,235,219	2,235,219
Total revenues	<u>3,837,618</u>	<u>4,379,405</u>	<u>4,182,444</u>	<u>12,399,467</u>
Expenditures:				
Student activities	3,753,058	-	-	3,753,058
Payments to redevelopment/economic agencies	-	4,379,405	-	4,379,405
School food services	-	-	4,401,831	4,401,831
Total expenditures	<u>3,753,058</u>	<u>4,379,405</u>	<u>4,401,831</u>	<u>12,534,294</u>
Excess of revenues over expenditures	<u>84,560</u>	<u>-</u>	<u>(219,387)</u>	<u>(134,827)</u>
Other financing sources:				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>84,560</u>	<u>-</u>	<u>(219,387)</u>	<u>(134,827)</u>
Fund balances - beginning	635,048	-	981,604	1,616,652
Fund balances - ending	<u>\$ 719,608</u>	<u>\$ -</u>	<u>\$ 762,217</u>	<u>\$ 1,481,825</u>



BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SCHOOL ACTIVITIES FUND  
NONMAJOR SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Local sources:				
Charges for services	\$ 1,965,000	\$ 800,000	\$ 3,368,675	\$ 2,568,675
Contributions/grants	970,000	2,947,200	458,424	(2,488,776)
Earnings on investments	12,200	-	10,519	10,519
Total local sources	2,947,200	3,747,200	3,837,618	90,418
State sources:				
Teacher materials & supplies	752,800	752,800	-	(752,800)
Other state revenue	-	-	-	-
Total state sources	752,800	752,800	-	(752,800)
Total revenues	3,700,000	4,500,000	3,837,618	(662,382)
Expenditures:				
Student activities	3,700,000	3,753,058	3,753,058	-
Total expenditures	3,700,000	3,753,058	3,753,058	-
Excess (deficiency) of revenues over				
(under) expenditures	-	746,942	84,560	(662,382)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenue and other sources				
over expenditures and other uses	-	746,942	84,560	(662,382)
Fund balances - beginning	635,048	635,048	635,048	-
Fund balances - ending	\$ 635,048	\$ 1,381,990	\$ 719,608	\$ (662,382)

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
REDEVELOPMENT AGENCY TAX FUND  
MAJOR SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Property taxes and fee in lieu	\$ -	\$ -	\$ 4,379,405	\$ 4,379,405
Charges for services	-	-	-	-
Earnings on investments	-	-	-	-
Total local sources	-	-	4,379,405	4,379,405
Total revenues	-	-	4,379,405	4,379,405
Expenditures:				
Payments to redevelopment/economic agencies	-	-	4,379,405	(4,379,405)
Total expenditures	-	-	4,379,405	(4,379,405)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

BOX ELDER SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SCHOOL FOOD SERVICES  
NONMAJOR SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Lunch sales	\$ 1,496,000	\$ 1,413,316	\$ 1,198,992	\$ (214,324)
Earnings on investments	-	-	3,694	3,694
Other Income	7,500	7,500	-	(7,500)
Total local sources	1,503,500	1,420,816	1,202,686	(218,130)
State sources:				
State lunch program	509,541	759,309	744,539	(14,770)
Total state sources	509,541	759,309	744,539	(14,770)
Federal sources:				
National school lunch program	380,000	380,000	370,741	(9,259)
National school lunch free and reduced	1,740,000	1,722,900	1,453,662	(269,238)
School breakfast	389,500	389,500	410,816	21,316
District certification program	218,115	12,830	-	(12,830)
Other child nutrition:				
Child and adult	12,830	-	-	-
Total federal sources	2,740,445	2,505,230	2,235,219	(270,011)
Total revenues	4,753,486	4,685,355	4,182,444	(502,911)
Expenditures:				
School food services:				
Salaries	1,431,529	1,492,887	1,413,361	79,526
Employee benefits	500,065	621,556	504,977	116,579
Purchased services	1,000	146,251	73,263	72,988
Supplies and materials	2,711,058	2,118,636	2,071,641	46,995
Equipment	60,000	141,584	48,888	92,696
Other objects	118,000	300,000	289,701	10,299
Total expenditures	4,821,652	4,820,914	4,401,831	419,083
Excess (deficiency) of revenues over (under) expenditures	(68,166)	(135,559)	(219,387)	(83,828)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(68,166)	(135,559)	(219,387)	(83,828)
Fund balances - beginning	981,604	981,604	981,604	-
Fund balances - ending	\$ 913,438	\$ 846,045	\$ 762,217	\$ (83,828)



**Reports and Schedules  
Required by  
OMB Circular A-133**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

To the Board of Education  
Box Elder School District  
Brigham City, UT 84302

**Report on Compliance for Each Major Federal Program**

We have audited Box Elder School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Box Elder School District's major federal programs for the year ended June 30, 2015. Box Elder School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



## Opinion on Each Major Federal Program

In our opinion, Box Elder School District 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, 2015.

## Report on Internal Control Over Compliance

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

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

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

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

*Wiggins & Co., PC*

Brigham City, Utah  
October 23, 2015



**BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass - Thru Grantor/ Program Title	Federal CFDA Number	Pass-Thru Grantor's Number	Expenditures
U.S. Department of Agriculture			
<u>Passed through Utah State Office of Education:</u>			
National School Lunch Program Cluster:			
School Breakfast Program	10.553	44	\$ 410,816 X
National School Lunch Program	10.555	42/43	1,824,403 X
Food Distribution-Commodities	10.555	NA	322,072 X
Total National School Lunch Program Cluster			<u>2,557,291</u>
<u>Passed through Box Elder County:</u>			
Secure Payments for States and Counties Containing Federal Lands	10.665	N/A	50,780
Total U.S. Department of Agriculture			<u>2,608,071</u>
U.S. Department of Education			
<u>Passed through Utah State Office of Education:</u>			
<u>Special Education Cluster:</u>			
IDEA Disabilities Act-Special Education	84.027	19	1,911,329
IDEA Special Education-Preschool Grants	84.173	52	115,979
Total Special Education Cluster			<u>2,027,308</u>
Title I Grant to Local Education Agencies	84.010	8	1,029,664 X
Migrant Education-State Grant Program	84.011	15	62,676
Career and Technical Education-Basic Grants to States	84.048	20/21	99,735
English Language Acquisition Grants	84.365	73	33,719
Improving Teacher Quality State Grants	84.367	74	264,087
Total U.S. Department of Education			<u>3,517,189</u>
Corporation for National and Community Service			
<u>Passed through Ogden City School District:</u>			
Utah Americorp Literacy Initiative	94.006	N/A	53,424
Total Corporation for National and Community Service			<u>53,424</u>
Total Expenditures of Federal Awards			<u>\$ 6,178,684</u>

X=Major Programs

The accompanying notes are an integral part of this schedule.

BOX ELDER SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 1.            PURPOSE OF SCHEDULE**

The accompanying Schedule of Expenditures of Federal Awards is a supplementary schedule to the District's financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the District, it is not intended to, and does not, present either the financial position, changes in fund balances or other current funds revenue, expenditures and other changes of the District. The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Box Elder School District (District). All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included in the schedule. Of the federal awards presented in the Schedule, the District provided no federal awards to subrecipients.

**NOTE 2.            SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The information in the schedule is presented in accordance with OMB Circular A-133.

Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, would be included in federal awards, if applicable, and therefore, would be reported on the schedule. Federal awards do not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal government for which the Federal Government procedures tangible goods or services are not considered to be federal awards.

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal award programs. Type A programs, for the District, are those programs, which exceed \$300,000 in federal expenditures, distributions, or issuances for the year ended June 30, 2015.

BOX ELDER SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 2.            SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Reporting Entity**

The reporting entity is fully described in Note 1 of the District's financial statements. The schedule includes all federal award programs administered by the District for the year ended June 30, 2015.

**Basis of Accounting**

The expenditures in the schedule are recognized as incurred based on the modified accrual basis of accounting, which is the same basis of accounting used by the District's governmental funds as described in Note 1 to the District's basic financial statements, and the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*. Under these cost principles certain types of expenditures are not allowable or are limited as to reimbursement.

The schedule does not include matching expenditures.

Some of the District's federal awards are received directly from the granting federal agency (i.e., the District is the primary recipient). However, the majority of federal awards, as identified on the schedule, are passed through a separate entity prior to receipt by the District (i.e., the District is a sub-recipient).



BOX ELDER SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 3. RECONCILIATION OF AMOUNTS REPORTED ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE DISTRICT'S FINANCIAL REPORT**

The following is a reconciliation of the amounts reported in the Schedule of Expenditures of Federal Awards with the amounts reported in the District's fund financial statements.

Federal funds reported in the General Fund	\$ 4,211,579
Federal funds reported in the School Food	<u>2,259,508</u>
	6,471,087

Plus:

Amount recorded on Schedule for Food Distribution not recorded on the fund financial statements.	322,072
--	---------

Amount of Medicaid funds recorded as federal in General Fund statements but are charges for services	(590,186)
--	-----------

Amount received from Internal Revenue Service for revenue and expense of interest on Qualified School Construction Build America Bonds of \$111,892.	-
--	---

Amount recorded in School Food Service Fund as federal revenue but is reimbursement for food services.	<u>(24,289)</u>
--	-----------------

Expenditures of Federal Awards	<u><u>\$ 6,178,684</u></u>
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BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Section 1 – Summary of Auditor's Results**

Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_yes Xno

Significant deficiency(ies) identified not  
considered to be a material weakness?

\_\_\_yes Xnone reported

Noncompliance material to financial statements

\_\_\_yes Xno

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_yes Xno

Significant deficiency(ies) identified not  
considered to be a material weakness?

\_\_\_yes Xnone reported

Type of Auditor's report on compliance for major  
programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133, Section  
.510(a)?

\_\_\_yes Xno

Identification of major programs:

CFDA Numbers

10.553

10.555

10.555

84.027

Name of Federal Program or Cluster

School Breakfast Program

National School Lunch Cluster:

National School Lunch Program

Food Distribution-Commodities

Title 1

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Xyes \_\_\_no

BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Section II – Financial Statement findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

There were no significant deficiencies and no material weaknesses noted during our audit, which are required to be reported.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs noted during our audit that are required to be reported in accordance with OMB A-133. Accordingly, no such matters are reported.







BOX ELDER SCHOOL DISTRICT  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2015





BOX ELDER SCHOOL DISTRICT  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2015





BOX ELDER SCHOOL DISTRICT  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Box Elder School District

We were engaged to audit, 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, the business-type activity, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Box Elder School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Box Elder School District's basic financial statements, and have issued our report thereon dated October 23, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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.



## **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of Box Elder School District, 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*.

However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Box Elder School District in the accompanying Schedule of Findings, Recommendations and Responses.

## **Box Elder School District's Response to Findings**

Box Elder School District's response to the findings identified in our engagement is described in the accompanying Schedule of Findings, Recommendations and Responses. The District's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

## **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 engagement to perform an audit 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.

*Wiggins & Co., PC*

Brigham City, Utah  
October 23, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE IN ACCORDANCE  
WITH THE *STATE COMPLIANCE AUDIT GUIDE*

To the Board of Education and District Superintendent  
Box Elder School District

**Report on Compliance with General State Compliance Requirements and for Each Major State Program**

We have audited Box Elder School District's (District) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015, in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes
- School District Tax Levies
- Open and Public Meetings Act
- Government Records Access Management Act (GRAMA)

The District received state funding from the following programs classified as major programs for the year ended June 30, 2015:

- Minimum School Program (State Office of Education)
- State School Building Program – Capital Foundation (State Office of Education)

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on Box Elder School District's compliance based on our audit of the 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 *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to



above that could have a direct and material effect on the District or its major state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, Box Elder School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District or on each of its major state programs for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings, recommendations and responses as items 15-01 and 15-02. Our opinion on compliance is not modified with respect to these matters.

### ***District's Response to Findings***

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings, Recommendations and Responses. The District's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement 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 general state or major state program compliance requirement 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 general state or major state program compliance requirement 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.

### ***Purpose of Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of State Awards as Required by the State Compliance Audit Guide***

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely present component units, each major fund, and the aggregate remaining fund information of Box Elder School District as of and for the year ended June 30, 2015, and the related notes to the financial Statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Wiggins & Co., PC*

Brigham City, Utah  
October 23, 2015

BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grant Name	Award Contract # (if applicable)	Year of last audit	Expenditures
Utah State Office of Education			
MSP			\$ 47,126,367
UPASS			35,068
Driver Ed			91,689
Youth Suicide Prevention			2,500
K-6 Student Leadership Skills Pilot			1,153
School Lunch			744,539
Adult High School			<u>18,507</u>
Total Utah Office of Education			<u>\$ 48,019,823</u>
Total Expenditures of State Awards			<u><u>\$ 48,019,823</u></u>



BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015

STATE COMPLIANCE ISSUES

15-01 BUDGET

**Condition:**

While testing budgetary compliance with the Utah State Auditor requirements, we noted that the District had not prepared a budget for the Redevelopment Agency Tax Fund. We also noted that the Debt Service Fund was over budget.

**Criteria:**

*Utah Code 53A-19-102* requires a budget to be prepared for all funds and contain specific information outlined in the code. *Utah Code 53A-19-106* requires that total expenditures by fund do not exceed the amounts appropriated in the final adopted budget.

**Cause:**

A budget was not prepared for the Redevelopment Agency Tax Fund because some information was not available from Box Elder County in a timely manner. The Debt Service Fund was over budget because the District did not budget for the bond refunding.

**Potential Effect:**

These are requirements from the State of Utah. If the District does not prepare budgets for all funds or exceed total expenditures appropriated in the final adopted budget they are in violation of Utah Law and could be reprimanded by possible withholding of Utah State legislature funding.

**Recommendation:**

We recommend that the District prepare budgets for all funds in the required format and obtain information from Box Elder County in a timely manner. We also recommend that the District be cautious in preparing the budgets to make sure they do not spend more than is allowed in the final adopted budget.

**Response:**

The correct budgets were not prepared for the two funds because of the unique situations that occurred during the year. One being the creation of a new fund and because of new requirements and the lack of good information on the amounts and processes. The other being the refunding of debt event that was unique and overlooked. The District will be more careful in budgeting in the future.



BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015

**STATE COMPLIANCE ISSUES**

**15-02 OPEN AND PUBLIC MEETINGS ACT**

**Condition:**

During our review of the Public Meetings website, we noted that the actual minutes of the Board of Education meetings were not published.

**Criteria:**

*Utah Code 52-4-203(4)-(e)* requires that within three days of the Board of Education meeting minutes being approved, the minutes are posted to the Utah Public Notice Website.

**Cause:**

This was an oversight. The current District secretary was hired during the year and was not aware of this rule.

**Potential Effect:**

This is a requirement to keep the business of the District as transparent as possible and give the public another way of obtaining minutes. This is a Utah State requirement and the District is in violation of this law.

**Recommendation:**

We recommend that District personnel obtain training and are kept aware of current rules relating to the Utah Public Notice Website

**Response:**

The secretary has now been trained and will consistently comply with the law relating to minutes from this point forward.

**INTERNAL CONTROL FINDINGS-OTHER INTERNAL CONTROL MATTERS**

**15-03 PROPERTY, PLANT AND EQUIPMENT**

**Condition:**

The administrative staff of the individual schools performs physical inventory counts of property, plant and equipment. They submit reports to the District confirming the assets present, transfers that have been made or equipment that has been disposed. There is no formal documentation including approvals required for disposals.

BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015

**15-03 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Criteria:**

The District has adopted a fixed asset policy which states that they will capitalize and depreciate assets with a cost of \$5,000 or more and a life of more than one year. The policy also requires assets with a cost of \$1,000 or more to be added to the fixed asset inventory and tracked.

**Cause:**

The District has had an informal system for disposals for several years.

**Potential Effect:**

Without formal documentation and approvals for asset disposals, the District risks the possibility of assets missing or misappropriated.

**Recommendation:**

The Board has set the \$1,000 level of assets to track and the employees of the District should be trained on procedures to track them and dispose of them when they are obsolete or surplus. If an item has an asset tag or number, a formal disposal form should be completed with approvals of the District Office or Principal and enough information for the property clerk to dispose of the asset through the system correctly. If computers are removed from a school by the information technology department, they should complete the forms for the assets removed and provide a copy to the school administration for their information and to assist them with the end of year inventory.

At the physical inventory, the schools and departments should have copies of disposals forms for all items marked as removed during the year. The property clerk should also have copies of the disposal forms for items to be disposed through the system.

**Response:**

The District is developing policy and procedures that will be a more formal process for disposal of equipment. Personnel will be trained and the process monitored to make sure asset disposals are approved at a school administration level.

**15-04 CASH AND INVESTMENTS**

**Condition:**

During our review of cash and investments, we noted that there are no withdrawal restrictions on any cash or investment accounts.



BOX ELDER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015

**15-04 CASH AND INVESTMENTS (continued)**

**Criteria:**

The District complies with the Utah Money Management Act which provides policies and procedures that apply to the District with regards to cash management. The District is a steward of taxpayer funds and must be accountable to the public. The Board of Education has a conservative attitude towards finances and more oversight with regards to cash and investment access would be beneficial.

**Cause:**

The District does not formal policies in place for withdrawal restrictions for any employees who have access to any bank or investment accounts.

**Potential Effect:**

Without formal documentation and approvals for withdrawal restrictions, the District risks the possibility of an employee having access to District assets with no oversight.

**Recommendation:**

We recommend that the District set up a policy to limit withdrawals for any employee with access to cash or investment accounts.

**Response:**

Management was aware of the deficiency and was working on a procedure and process to formalize them in writing. After the documentation process, personnel will be trained and the procedure and process will be implemented.



**BOX ELDER SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

**STATE COMPLIANCE ISSUES**

**14-01 UTAH STATE RETIREMENT SYSTEM**

**Finding:**

While testing compliance with the Utah State Retirement System requirements, we noted that the District had not formally approved the "pick-up" of employee contributions in the Contributory Retirement Plan.

**Recommendation:**

We recommend that the Board formally approve the employer "pick-up" of the employee share of the contributions the District pays on behalf of the employees. This should be performed annually.

**Status:**

Implemented.

**14-02 OPEN AND PUBLIC MEETINGS ACT**

**Finding:**

During our review of the minutes, we noted that in one meeting the Board went into a closed session without disclosing the purpose.

**Recommendation:**

We recommend that the Board disclose the purpose of closed sessions prior to the session. The Board should review the minutes they approve to see that the disclosure is part of the permanent minutes.

**Response:**

Implemented.

BOX ELDER SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2015

**14-03 PROPERTY, PLANT AND EQUIPMENT**

**Finding:**

The administrative staff of the individual schools performs physical inventory counts of property, plant and equipment. They submit reports to the District confirming the assets present, transfers that have been made or equipment that has been disposed. There is no formal documentation including approvals required for disposals.

**Recommendation:**

The Board has set the \$1,000 level of assets to track and the employees of the District should be trained on procedures to track them and dispose of them when they are obsolete or surplus. If an item has an asset tag or number, a formal disposal form should be completed with approvals of the District Office or Principal and enough information for the property clerk to dispose of the asset through the system correctly. If computers are removed from a school by the information technology department, they should complete the forms for the assets removed and provide a copy to the school administration for their information and to assist them with the end of year inventory.

At the physical inventory, the schools and departments should have copies of disposals forms for all items marked as removed during the year. The property clerk should also have copies of the disposal forms for items to be disposed through the system.

**Status:**

Not implemented. See current year findings.





