

BOX ELDER SCHOOL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

BOX ELDER SCHOOL DISTRICT

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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 discretely presented component unit, 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Box Elder School District as of June 30, 2016, 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 on pages 8-12, and (pension RSI) on pages 55-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that section.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2016, the District changed its method of accounting for property taxes, which resulted in a restatement of beginning fund balance/net position. Also, in 2016, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued a report dated October 21, 2016, 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 21, 2016

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, 2016. 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.

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 are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 57-63 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 \$111,425,023 at the close of the most recent fiscal year.

BOX EDER SCHOOL DISTRICTS Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and other assets	\$ 99,908,058	\$ 92,339,784	\$ 307,340	\$ 307,296	\$ 100,215,398	\$ 92,647,080
Capital assets	125,112,336	124,702,290	2,709,162	2,783,386	127,821,498	127,485,676
Total assets	225,020,394	217,042,074	3,016,502	3,090,682	228,036,896	220,132,756
Deferred Outflows of Resources:						
Refunded Bonds deferred outflow of resources	3,360,469	3,600,502	-	-	3,360,469	-
Pension related deferred outflow of resources	14,639,684	4,648,861	-	-	14,639,684	-
Total deferred outflows of resources	18,000,153	8,249,363	-	-	18,000,153	-
Total assets and deferred outflows of resources	243,020,547	225,291,437	3,016,502	3,090,682	246,037,049	220,132,756
Liabilities and Deferred Inflows of Resources:						
Other Liabilities	8,364,882	7,193,957	-	-	8,364,882	7,193,957
Long-term liabilities outstanding	89,557,835	88,767,315	2,144,000	2,358,000	91,701,835	91,125,315
Total liabilities	97,922,717	95,961,272	2,144,000	2,358,000	100,066,717	98,319,272
Deferred Inflows (Unearned Property Taxes)	34,545,309	32,281,331	-	-	34,545,309	32,281,331
Total Liabilities and Deferred Inflows	132,468,026	128,242,603	2,144,000	2,358,000	134,612,026	130,600,603
Net position:						
Invested in capital assets, net of related debt	79,122,336	74,627,903	565,162	425,386	79,687,498	75,053,289
Restricted	47,333,070	46,221,115	-	-	47,333,070	46,221,115
Unrestricted	(15,902,885)	(23,800,184)	307,340	307,296	(15,595,545)	(23,492,888)
Total net position	\$ 110,552,521	\$ 97,048,834	\$ 872,502	\$ 732,682	\$ 111,425,023	\$ 97,781,516

The largest portion of the District's net position (72%) 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 \$13,124,102 during the fiscal year. This is after a estimated reduction of assets due to a recognition of a net increase of \$7,052,348 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 \$4,534,892 an increase of \$799,704. This includes the Undistributed Reserve, or 'Rainy Day' fund established and reserved by Board action in the amount of \$3,120,000, an increase of \$800,000 this year. The assigned balance in the general fund has a combined balance of \$10,521,657. The total fund balance was \$16,315,700 an increase of \$4,532,536 from the restated previous year balance (see note 16).

Expenditures for general District purposes totaled \$73,427,903 an increase of 4.8% over the previous year. Instructional services represent 65.2% 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 \$3,120,000 or 3.8% 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.
- Restricted and 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, 2016 that will be re-appropriated and honored during the subsequent year.

General Fund salaries totaled \$42,641,168 while the associated fringe benefits of retirement, social security, unemployment, worker's compensation, and health and accident insurance added \$19,066,556 in wage related expense, which taken together accounts for 84% of General Fund expenditures.

The Capital Projects Fund has a total fund balance of \$33,485,036, 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 \$960,081 includes \$179,965 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 \$109,018 which is a decrease of \$79,289 from the previous year.

General Fund Budgetary Highlights

The amount expended was \$3,995,329 less than the final budget or 5.4% of total general fund expenditures. Final revenues were lower than final budgetary estimates by \$2,542,905 or 3.3%.

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 \$4,283,580,859. Therefore, the legal debt limit at June 30, 2016 is \$171,343,234. General obligation debt at June 30, 2016 was \$41,080,000 resulting in a legal debt margin of \$130,263,234.

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 11,572, as compared to last year's enrollment of 11,344. With the current birth and migration trends the student population is increasing at a rate of a little less than 2% 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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets and Deferred Outflows of Resources:				
Cash and cash equivalents	\$ 47,508,818	\$ 307,199	\$ 47,816,017	\$ 591,200
Investments	14,629,614	-	14,629,614	7,946
Receivables:				
Taxes	30,504,228	-	30,504,228	-
Accounts	48,150	-	48,150	325
Intergovernmental	1,281,389	-	1,281,389	-
Deposits	5,755,894	-	5,755,894	-
Inventories	179,965	-	179,965	-
Restricted cash and cash equivalents	-	141	141	-
Capital assets:				
Land, construction in progress, and water stock	14,822,767	-	14,822,767	-
Other capital assets, net of depreciation	110,289,569	2,709,162	112,998,731	-
Total assets	<u>225,020,394</u>	<u>3,016,502</u>	<u>228,036,896</u>	<u>599,471</u>
Deferred Outflows of Resources:				
Refunded bonds deferred outflow of resources	3,360,469	-	3,360,469	-
Pension related deferred outflow of resources	14,639,684	-	14,639,684	-
Total deferred outflows of resources	<u>18,000,153</u>	<u>-</u>	<u>18,000,153</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>243,020,547</u>	<u>3,016,502</u>	<u>246,037,049</u>	<u>599,471</u>
Liabilities and Deferred Inflows of Resources:				
Accounts payable	1,575,066	-	1,575,066	32,731
Contracts & retainage payable	145,129	-	145,129	-
Deposits payable	169,104	-	169,104	-
Accrued interest	631,730	-	631,730	-
Accrued salaries and benefits	4,141,249	-	4,141,249	-
Due to clubs	1,702,604	-	1,702,604	-
Noncurrent liabilities:				
Due within one year	4,910,000	214,000	5,124,000	-
Due in more than one year	84,647,835	1,930,000	86,577,835	-
Total liabilities	<u>97,922,717</u>	<u>2,144,000</u>	<u>100,066,717</u>	<u>32,731</u>
Deferred Inflows of Resources:				
Pension related deferred inflows of resources	4,394,604	-	4,394,604	-
Unearned property taxes	30,150,705	-	30,150,705	-
Total deferred inflows of resources	<u>34,545,309</u>	<u>-</u>	<u>34,545,309</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>132,468,026</u>	<u>2,144,000</u>	<u>134,612,026</u>	<u>32,731</u>
Net Position:				
Invested in capital assets, net of related debt	79,122,336	565,162	79,687,498	-
Restricted for:				
Non-expendable amounts:				
School food services inventory	179,965	-	179,965	-
Endowments	-	-	-	34,900
Expendable amounts:				
State and other programs	1,624,569	-	1,624,569	-
Student activities	722,776	-	722,776	-
School food services	780,116	-	780,116	-
Debt service	10,540,608	-	10,540,608	-
Capital projects	33,485,036	-	33,485,036	-
Foundation programs	-	-	-	486,623
Unrestricted	<u>(15,902,885)</u>	<u>307,340</u>	<u>(15,595,545)</u>	<u>45,217</u>
Total net position	<u>\$ 110,552,521</u>	<u>\$ 872,502</u>	<u>\$ 111,425,023</u>	<u>\$ 566,740</u>

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, 2016**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Box Elder School District Foundation
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Instructional services	\$ 50,266,727	\$ 1,043,367	\$ 17,694,850	\$ 748,495	\$ (30,780,015)	\$ -	\$ (30,780,015)	\$ -
Supporting services:								
Students	2,106,714	638,938	19,448	-	(1,448,328)	-	(1,448,328)	-
Instructional staff	1,445,919	-	31,951	-	(1,413,968)	-	(1,413,968)	-
District administration	814,904	-	-	-	(814,904)	-	(814,904)	-
School administration	4,675,193	-	-	-	(4,675,193)	-	(4,675,193)	-
Business/Personnel/IT	1,956,200	95,327	-	-	(1,860,873)	-	(1,860,873)	-
Operation and maintenance of facilities	7,263,829	-	-	-	(7,263,829)	-	(7,263,829)	-
Transportation	4,170,238	104,843	3,068,781	-	(996,614)	-	(996,614)	-
Non K-12 instructional services	1,857,075	161,489	1,572,358	-	(123,228)	-	(123,228)	-
Community services	1,853,997	437,051	-	-	(1,416,946)	-	(1,416,946)	-
Student activities	3,396,118	3,368,675	430,236	-	402,793	-	402,793	-
School food services	4,848,406	1,198,992	3,505,571	-	(143,843)	-	(143,843)	-
Facilities acquisition/construction/operation	2,033,288	188,625	-	-	(1,844,663)	-	(1,844,663)	-
Payments to redevelopment/economic agencies	4,338,060	-	-	-	(4,338,060)	-	(4,338,060)	-
Interest and fiscal charges on long-term liabilities	1,750,666	-	-	-	(1,750,666)	-	(1,750,666)	-
Total governmental activities	92,777,334	7,237,307	26,323,195	748,495	(58,468,337)	-	(58,468,337)	-
Business-type activities:								
Municipal Building Authority	193,681	224,342	108,711	-	-	139,372	139,372	-
Total primary government	92,971,015	7,461,649	26,431,906	748,495	(58,468,337)	139,372	(58,328,965)	-
Component unit:								
Box Elder School District Foundation	75,136	-	106,362	-				31,226
General revenues:								
Property taxes levied for:								
Basic rate					7,012,409	-	7,012,409	-
Voted leeway					2,425,692	-	2,425,692	-
Board local leeway					10,096,468	-	10,096,468	-
Debt service					5,295,662	-	5,295,662	-
Capital projects					8,939,206	-	8,939,206	-
Redevelopment/Economic Agency Tax					4,338,060	-	4,338,060	-
Federal and state aid not restricted to specific purposes					32,303,823	-	32,303,823	-
Earnings on investments					1,093,621	448	1,094,069	2,656
Gain (loss) on sale of assets					(52,322)	-	(52,322)	-
Total general revenues					71,452,619	448	71,453,067	2,656
Change in net position					12,984,282	139,820	13,124,102	33,882
Net position - beginning of year - as restated					97,568,239	732,682	98,300,921	532,858
Net position - end of year					\$ 110,552,521	\$ 872,502	\$ 111,425,023	\$ 566,740

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

**BOX ELDER SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and cash equivalents	\$ 14,893,697	\$ 4,799,275	\$ 26,094,275	\$ 2,977,277	\$ 48,764,524
Investments	6,123,370	-	8,506,244	-	14,629,614
Receivables:					
Taxes	17,193,850	5,423,951	7,886,427	-	30,504,228
Account	44,809	-	-	3,341	48,150
Intergovernmental	926,476	-	-	354,913	1,281,389
Restricted cash and cash equivalents	-	-	-	-	-
Deposits	70,000	5,685,894	-	-	5,755,894
Inventory	-	-	-	179,965	179,965
Total Assets	\$ 39,252,202	\$ 15,909,120	\$ 42,486,946	\$ 3,515,496	\$ 101,163,764
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ 456,202	\$ -	\$ 1,063,936	\$ 54,928	\$ 1,575,066
Contracts and retainage payable	-	-	145,129	-	145,129
Deposits payable	1,424,810	-	-	-	1,424,810
Due to clubs	-	-	-	1,702,604	1,702,604
Accrued salaries and benefits	4,066,142	-	-	75,107	4,141,249
Total Liabilities	5,947,154	-	1,209,065	1,832,639	8,988,858
Deferred Inflows of Resources:					
Unearned property taxes	16,989,348	5,368,512	7,792,845	-	30,150,705
Total Liabilities and Deferred Inflows of Resources	22,936,502	5,368,512	9,001,910	1,832,639	39,139,563
Fund Balances:					
Non-spendable:					
Inventories	-	-	-	179,965	179,965
Restricted:					
State programs	1,259,151	-	-	-	1,259,151
Debt service	-	10,540,608	-	-	10,540,608
Committed:					
Capital projects	-	-	6,520,849	-	6,520,849
Assigned:					
Capital projects	-	-	26,964,187	-	26,964,187
Non-major special revenue funds	-	-	-	1,502,892	1,502,892
Other purposes	10,521,657	-	-	-	10,521,657
Unassigned	4,534,892	-	-	-	4,534,892
Total Fund Balance	16,315,700	10,540,608	33,485,036	1,682,857	62,024,201
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 39,252,202	\$ 15,909,120	\$ 42,486,946	\$ 3,515,496	\$ 101,163,764

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, 2016

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

Total fund balance - governmental funds	\$ 62,024,201
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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 \$195,673,645 and the accumulated depreciation is \$(70,561,309).	125,112,336
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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. \$1,255,706 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.	-
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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	\$ (41,080,000)	
Bond premium	(3,783,120)	
Deferred outflow of resources-funds with escrow agent	3,360,469	
Termination benefits	(5,732,414)	
Compensated absences	(197,066)	
Unfunded pension costs payable	(38,765,235)	
Deferred pension related outflow of resources	14,639,684	
Deferred pension related inflow of resources	(4,394,604)	
Accrued interest on bonds	(631,730)	
Capital lease payable	-	
	-	(76,584,016)

Total net position - governmental activities	\$ 110,552,521
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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, 2016

	Major Funds			Other	Total Governmental
	General	Debt Service	Capital Projects	Governmental Funds	Funds
Revenues:					
Property taxes and fee in lieu	\$ 19,534,569	\$ 5,295,662	\$ 8,939,206	\$ 4,338,060	\$ 38,107,497
Charges for services	2,806,948	-	187,565	4,138,574	7,133,087
Other programs and grants	748,495	-	-	-	748,495
Contributions	-	-	-	430,236	430,236
Earnings on investments	179,215	67,959	292,892	7,288	547,354
State aid	50,703,865	-	-	917,038	51,620,903
Federal aid	3,987,347	-	-	2,463,600	6,450,947
Total revenues	<u>77,960,439</u>	<u>5,363,621</u>	<u>9,419,663</u>	<u>12,294,796</u>	<u>105,038,519</u>
Expenditures:					
Current:					
Instructional services	47,905,107	-	-	-	47,905,107
Supporting services:					
Students	2,232,895	-	-	-	2,232,895
Instructional staff	1,510,255	-	-	-	1,510,255
General administration	743,902	-	5,000	-	748,902
School administration	4,437,675	-	-	-	4,437,675
Business	1,872,045	-	-	-	1,872,045
Operation and maintenance of facilities	6,954,198	-	-	-	6,954,198
Student transportation	4,001,375	-	10,559	-	4,011,934
Student activities	-	-	-	3,396,118	3,396,118
Non K-12 instructional services	1,902,308	-	-	-	1,902,308
Community services	1,868,143	-	-	-	1,868,143
School food services	-	-	-	4,359,585	4,359,585
Payments to redevelopment/economic agencies	-	-	-	4,338,060	4,338,060
Facilities acquisition/construction	-	-	8,371,332	-	8,371,332
Debt service:					
Principal retirement	-	4,665,000	-	-	4,665,000
Interest and fiscal charges	-	1,552,243	-	-	1,552,243
Bond issuance costs	-	-	-	-	-
Other	-	5,000	-	-	5,000
Total expenditures	<u>73,427,903</u>	<u>6,222,243</u>	<u>8,386,891</u>	<u>12,093,763</u>	<u>100,130,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,532,536</u>	<u>(858,622)</u>	<u>1,032,772</u>	<u>201,033</u>	<u>4,907,719</u>
Other financing sources (uses):					
Sale of fixed assets	-	-	83,626	-	83,626
Proceeds from issuance of refunding bonds	-	-	-	-	-
Proceeds from refunding bonds premium	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>83,626</u>	<u>-</u>	<u>83,626</u>
Net change in fund balances	<u>4,532,536</u>	<u>(858,622)</u>	<u>1,116,398</u>	<u>201,033</u>	<u>4,991,345</u>
Fund balances - beginning, as restated	<u>11,783,164</u>	<u>11,399,230</u>	<u>32,368,638</u>	<u>1,481,824</u>	<u>57,032,856</u>
Fund balances - ending	<u>\$ 16,315,700</u>	<u>\$ 10,540,608</u>	<u>\$ 33,485,036</u>	<u>\$ 1,682,857</u>	<u>\$ 62,024,201</u>

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, 2016

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

Net change in fund balances-total governmental funds \$ 4,991,345

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 2016:

Capital outlays	\$ 6,353,603	
Depreciation expense	(5,807,609)	
Gain on sale of capital assets	(52,322)	
Proceeds from sale of capital assets	<u>(83,626)</u>	
		410,046

In the statement of activities, commodities received are recognized as revenue and commodities used as an expense. The amount received and expensed during 2016 was \$229,153. -

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. 46,610

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 2016, they consist of the following:

Bond principal payments	\$ 4,665,000	
Capital lease payments	72,685	
Amortization of bond premium	546,267	
Amortization of funds deposited with bond escrow agent	<u>(240,033)</u>	
		5,043,919

In the statement of activities, certain operating expenses, such as changes in the unfunded pension liability and 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 2016, the changes in these accounts is as follows:

Change in unfunded pension liability	(7,052,348)	
Change in deferred outflows of resources-pension	9,990,823	
Change in deferred inflows of resources-pension	<u>(1,423,989)</u>	
		1,514,486

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 2016, compensated absences payable increased by \$25,002 and termination benefits payable decreased by \$(1,002,878). 977,876

Changes in net position of governmental activities \$ 12,984,282

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes and fee in lieu	\$ 17,390,000	\$ 21,578,362	\$ 19,534,569	\$ (2,043,793)
Charges for services	2,660,502	2,854,800	2,806,948	(47,852)
Other programs and grants	300,000	100,000	748,495	648,495
Earnings on investments	158,200	158,200	179,215	21,015
Contributions	145,000	-	-	-
State aid	50,814,952	51,091,982	50,703,865	(388,117)
Federal aid	3,890,460	4,720,000	3,987,347	(732,653)
Total revenues	<u>75,359,114</u>	<u>80,503,344</u>	<u>77,960,439</u>	<u>(2,542,905)</u>
Expenditures:				
Current:				
Instructional services	48,715,179	50,149,104	47,905,107	2,243,997
Supporting services:				
Students	2,295,261	2,322,261	2,232,895	89,366
Instructional staff	1,588,291	1,665,127	1,510,255	154,872
General administration	736,269	783,768	743,902	39,866
School administration	4,668,412	4,720,287	4,437,675	282,612
Business/Personnel/IT	2,242,535	2,450,400	1,872,045	578,355
Operation and maintenance of facilities	7,275,492	7,400,907	6,954,198	446,709
Student transportation	4,379,463	4,023,618	4,001,375	22,243
Non K- 12 instructional services	1,984,128	2,057,426	1,902,308	155,118
Community services	1,818,577	1,850,334	1,868,143	(17,809)
Total expenditures	<u>75,703,607</u>	<u>77,423,232</u>	<u>73,427,903</u>	<u>3,995,329</u>
Excess of revenues over expenditures	<u>(344,493)</u>	<u>3,080,112</u>	<u>4,532,536</u>	<u>1,452,424</u>
Other financing sources (uses):				
Proceeds from capital lease	-	-	-	-
Sale of fixed assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(344,493)	3,080,112	4,532,536	1,452,424
Fund balances - beginning, as restated	<u>11,783,164</u>	<u>11,783,164</u>	<u>11,783,164</u>	<u>-</u>
Fund balances - ending	<u>\$ 11,438,671</u>	<u>\$ 14,863,276</u>	<u>\$ 16,315,700</u>	<u>\$ 1,452,424</u>

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, 2016

	<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	141
Capital assets:	
Land, construction in progress, and water stock	-
Buildings, net of depreciation	2,709,162
Total assets	<u>3,016,502</u>
Liabilities:	
Accounts payable	-
Accrued interest	-
Noncurrent liabilities:	
Due within one year	214,000
Due in more than one year	1,930,000
Total liabilities	<u>2,144,000</u>
Net Position:	
Invested in capital assets, net of related debt	565,162
Unrestricted	307,340
Total net position	<u>\$ 872,502</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, 2016

	Business-type Enterprise Fund- Municipal Building Authority
Operating revenues:	
Charges for sales and services:	
Lease revenue	\$ 224,342
Other services	-
Total operating revenues	<u>224,342</u>
Operating expenses:	
Municipal Building Authority management	-
Depreciation	<u>74,224</u>
Total operating expenses	<u>74,224</u>
Operating income	<u>150,118</u>
Nonoperating revenues (expenses):	
Intergovernmental	108,711
Investment earnings	448
Interest and fiscal charges	(119,457)
Gain (Loss) on sale of fixed assets	-
Total nonoperating revenue (expenses)	<u>(10,298)</u>
Change in net position before contributions and transfers	139,820
Transfers in	-
Transfers out	<u>-</u>
Change in net position	139,820
Total net position - beginning	<u>732,682</u>
Total net position - ending	<u><u>\$ 872,502</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, 2016

	Business-type Enterprise Fund Municipal Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund lease of facilities	\$ 224,342
Payments to suppliers	-
Payments to employees	-
Other receipts	-
Net cash provided (used) by operating activities	<u>224,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer out to other funds	-
Net cash used by noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	-
Intergovernmental Build America Bonds interest subsidy	108,711
Principal payments on lease revenue bonds	(214,000)
Interest paid on lease revenue bonds	(116,957)
Fiscal charges paid on lease revenue bonds	(2,500)
Net cash provided (used) from capital and related financing activities	<u>(224,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	448
Net cash provided from investing activities	<u>448</u>
Net increase (decrease) in cash and cash equivalents	44
Cash and cash equivalents beginning of year	<u>307,296</u>
Cash and cash equivalents end of year	<u><u>\$ 307,340</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income	\$ 150,118
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><u>\$ 224,342</u></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, 2016

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 68,322
Receivables-accounts	<u>14,998</u>
Total assets	<u><u>\$ 83,320</u></u>
Liabilities	
Accounts payable	\$ -
Accrued salaries and benefits	-
Intergovernmental payable	<u>83,320</u>
Total liabilities	<u><u>\$ 83,320</u></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, 2016

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, 2016

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, 2016

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 unearned 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, 2016

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, 2016

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 30th, 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, 2016

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 22nd 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, 2016, 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, 2016

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 (Level 1 inputs), 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 2016 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, 2016, consist of the following:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Total</u>
Governmental funds:				
General Fund	\$17,193,850	\$ 44,809	\$ 926,476	\$ 18,165,135
Debt Service Fund	5,423,951	-	-	5,423,951
Capital Projects Fund	7,886,427	-	-	7,886,427
Nonmajor Funds	-	3,341	354,913	358,254
Total receivables	<u>\$30,504,228</u>	<u>\$ 48,150</u>	<u>\$ 1,281,389</u>	<u>\$ 31,833,767</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, 2016

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 11,213,787	\$ -	\$ (14,200)	\$ -	\$ 11,199,587
Construction in progress	-	3,548,180	-	-	3,548,180
Water stock	75,000	-	-	-	75,000
Total capital assets not being depreciated	11,288,787	3,548,180	(14,200)	-	14,822,767
Capital assets being depreciated:					
Buildings and improvements	160,896,088	1,577,581	(559,265)	-	161,914,404
Furniture, machinery and equipment and vehicles	18,943,107	1,227,842	(1,234,475)	-	18,936,474
Total capital assets being depreciated	179,839,195	2,805,423	(1,793,740)	-	180,850,878
Less accumulated depreciation					
Buildings and improvements	(53,575,298)	(4,557,041)	491,948	-	(57,640,391)
Furniture, machinery and equipment and vehicles	(12,850,394)	(1,250,568)	1,180,044	-	(12,920,918)
Total accumulated depreciation	(66,425,692)	(5,807,609)	1,671,992	-	(70,561,309)
Total capital assets being depreciated, net	113,413,503	(3,002,186)	(121,748)	-	110,289,569
Governmental activity capital assets, net	\$ 124,702,290	\$ 545,994	\$ (135,948)	\$ -	\$ 125,112,336
Business-type activities:					
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	(185,559)	(74,224)	-	-	(259,783)
Total capital assets being depreciated, net	(185,559)	(74,224)	-	-	(259,783)
Business-type activity capital assets, net	\$ 2,783,386	\$ (74,224)	\$ -	\$ -	\$ 2,709,162

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 4,067,523
Support services:	
General administration	68,531
School administration	399,736
Business	58,364
Operations/Maintenance of plant	495,273
Student transportation	355,130
Community services	12,854
School food services	350,198
Total depreciation expense - governmental activities	\$ 5,807,609
Business-type activities:	
Municipal Building Authority	\$ 74,224

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4. CAPITAL ASSETS (continued)

The District has construction commitments for capital assets at June 30, 2016. Construction began or was committed to on two building projects for which the District has set aside fund balance in the Capital Project Fund. This committed fund balance totaled \$6,520,849 at June 30, 2016.

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.

**BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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	2.0% per year all years	Up to 4%
		25 year any age*		
		20 years age 60*		
		10 years age 62*		
		4 years age 65		
Tier 2 Public Employees System	Highest 5 years	35 years any age	1.5% per year all years	Up to 2.5%
		20 years any age 60*		
		10 years age 62*		
		4 years age 65		

*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:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Tier 2 DC Only			
212-State and School Division Tier 2	N/A	N/A	10.020%
212-State and School Division Tier 2-401K	N/A	N/A	10.000%
Noncontributory System			
16-State and School Division Tier 1	N/A	N/A	22.190%
16-State and School Division Tier 1-401K	N/A	N/A	1.500%
112-State and School Division Tier 2	N/A	N/A	18.240%
112-State and School Division Tier 2-401K	N/A	N/A	1.780%

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2015 (measurement date), the District had a net pension asset of \$1,346 and a net pension liability of \$38,766,581. These were netted in the financial report and shown as a net pension liability of \$38,765,235.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	1.2340989%	\$ -	\$ 38,766,581
Contributory System	0.0000000%	-	-
Tier 2 Public Employees System	0.6166209%	1,346	-
Total Net Pension Asset/Liability		<u>\$ 1,346</u>	<u>\$ 38,766,581</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015, 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 2015.

For the year ended December 31, 2015, we recognized pension expense of \$7,793,997. At December 31, 2015, 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	\$ -	\$ 3,040,038
Changes in assumptions	-	769,806
Net difference between projected and actual earnings on pension plan investments	10,328,974	-
Changes in proportion and differences between contributions and proportionate share of contributions	23,098	584,760
Contributions subsequent to the measurement date	4,287,612	-
Total	<u>\$14,639,684</u>	<u>\$ 4,394,604</u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5. RETIREMENT PLANS (continued)

\$4,287,612 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, 2015. 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
2016 \$	1,238,241
2017 \$	1,238,241
2018 \$	1,342,667
2019 \$	2,158,622
2020 \$	(3,735)
Thereafter \$	(16,569)

Actuarial assumptions: the total pension liability in the December 31, 2015, 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 adjustments multiplied by given percentage

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5. RETIREMENT PLANS (continued)

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2009 – December 31, 2014.

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%
Totals	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% and 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, 2016

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%)
Proportionate share of			
Noncontributory System	\$ 70,166,047	\$ 38,766,581	\$ 12,438,086
Tier 2 Public Employees System	\$ 246,847	\$ (1,346)	\$ (189,454)
Total	<u>\$ 70,412,894</u>	<u>\$ 38,765,235</u>	<u>\$ 12,248,632</u>

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

The 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, 2015:

The plans are administered by the Utah Retirement System. All amounts are 100% vested and can be paid out without penalty once the participant reaches age 59 ½.

	<u>Employee Paid Contributions</u>	<u>Employer Paid Contributions</u>
401(k) Plan	\$ 568,904	\$ 1,424,091
457 Plan	\$ 11,865	\$ -
Roth IRA Plan	\$ 73,285	\$ -
Traditional IRA	\$ -	\$ -
HRA Plan	\$ -	\$ -

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

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6. LONG-TERM OBLIGATIONS

The District had the following long-term obligations at June 30, 2016.

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 placed the net proceeds along with bond premium proceeds 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, 2016. The annual debt service over the life of the refunding bonds is as follows.

2015 General Obligation Refunding Bonds:

Years	Principal	Interest	Total	Interest Rate
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	1.50%
2021	2,345,000	924,750	3,269,750	2.00%
2022-2026	12,995,000	3,262,775	16,257,775	2.00%-5.00%
2027-2030	10,775,000	585,525	11,360,525	3.00%-5.00%
	<u>\$ 28,845,000</u>	<u>\$ 8,737,313</u>	<u>\$ 37,582,313</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, 2016

NOTE 6. LONG-TERM OBLIGATIONS (continued)

2008 General Obligation School Building Bonds:

2008 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2017	\$ 950,000	\$ 101,563	\$ 1,051,563	4.00%
2018	975,000	63,063	1,038,063	4.00%
2019	1,025,000	21,781	1,046,781	4.25%
	<u>\$ 2,950,000</u>	<u>\$ 186,407</u>	<u>\$ 3,136,407</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:

Years	Principal	Interest	Total	Interest Rate
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>\$ 3,100,000</u>	<u>\$ 189,000</u>	<u>\$ 3,289,000</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, 2016

NOTE 6. LONG-TERM OBLIGATIONS (continued)

2011 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
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>\$ 6,185,000</u>	<u>\$ 332,000</u>	<u>\$ 6,517,000</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 a 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:

Years	Principal	Interest	Subsidized interest	Total	Interest Rate
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	74,499	(65,344)	\$ 223,155	4.96%
2021	214,000	63,885	(56,034)	\$ 221,851	4.96%
2022-2026	1,070,000	159,910	(140,259)	\$ 1,089,651	4.96%
	<u>\$ 2,140,000</u>	<u>\$ 585,478</u>	<u>\$ (513,525)</u>	<u>\$ 2,211,953</u>	

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, \$866,237 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 389 eligible employees. For 2016, the District has recorded a liability of \$5,732,414, 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.

Insurance Deposits

At retirement, the District allows retirees to deposit after tax funds with the District for the purpose of purchasing health insurance. These deposits are funded entirely by the retirees and they are allowed to purchase couple or single health insurance coverage from the District insurance provider until they turn 65. When they reach age 65, any funds remaining on deposit with the District are refunded. At June 30, 2016, the District had \$169,104 on deposit for retiree health insurance premiums.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 45,745,000	\$ -	\$ (4,665,000)	\$41,080,000	\$ 4,910,000
G.O. bond premium	4,329,387	-	(546,267)	3,783,120	-
Capital lease payable	72,685	-	(72,685)	-	-
Compensated absences	172,064	317,699	(292,697)	197,066	-
Unfunded pension liability	31,712,887	7,052,348	-	38,765,235	-
Accrued termination benefits	6,735,292	-	(1,002,878)	5,732,414	-
Total Governmental Activities	<u>\$ 88,767,315</u>	<u>\$ 7,370,047</u>	<u>\$ (6,579,527)</u>	<u>\$89,557,835</u>	<u>\$ 4,910,000</u>
Business-type activities:					
Bonds payable	<u>\$ 2,358,000</u>	<u>\$ -</u>	<u>\$ (214,000)</u>	<u>2,144,000</u>	<u>\$ 214,000</u>

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended June 30, 2016, no funds had expenditures in excess of budget.

No funds had deficit fund balances at June 30, 2016.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, the carrying amount of the District deposits was \$3,901,477 and the bank balance was \$7,313,548. Of the bank balance, \$1,531,468 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 \$87,836, with a bank balance of \$93,051, all of which was insured.

Investments

At June 30, 2016, the District's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rated
Corporate Bonds	\$ 14,629,614	less than 1 year	A- to AAA
Utah Public Treasurer's Investment Fund	43,983,003	less than 1 year	not rated
Total	<u>\$ 58,612,617</u>		

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8. CASH AND INVESTMENTS (continued)

Investments (continued)

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2016:

Federal Home Loan Mortgage Corporation \$7,634,640-Level 1
Federal National Mortgage Association-\$1,549,993-Level 1
Corporate Bonds-\$5,444,981-Level 1

At June 30, 2016, the Foundation's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rated
Certificates of deposit	\$ 7,946	less than 1 year	not rated
Utah Public Treasurer's Investment Fund	503,364	less than 1 year	not rated
	<u>\$ 511,310</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

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8. CASH AND INVESTMENTS (continued)

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, 2016, the District had 49% of its' investments in Federal Home Loan Mortgage Corporation (Freddie Mac) and 8% in JP Morgan Chase & Co. bonds. The District places no other limits on the amount it may invest in any one issuer.

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.

Amounts as reported in the financial statements:

Government Wide:

Cash and cash equivalents	\$ 47,816,017
Investments	14,629,614
Restricted cash and cash equivalents	141
Restricted investments	-

Component Unit:

Cash and cash equivalents	591,200
Investments	7,946

Fiduciary Funds - cash and cash equivalents	68,322
	<u>\$ 63,113,240</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, 2016

NOTE 9. RECONCILIATION OF INTERFUND BALANCES AND TRANSFERS

There were no interfund due to/due from balances and no interfund transfers during 2016. \$1,255,706 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	(229,946)
	<u>\$ 57,483</u>

The lease was paid off during 2016.

NOTE 11 TAX ABATEMENTS

The District is subject to tax abatements grant by other local governments within the County through the establishment of Redevelopment Agencies (RDAs) and Economic Development Agencies (EDAs). These tax abatement programs are governed by the Utah Neighborhood Development Act (Utah Code 17A-2-1200). These entities have the stated purpose of increasing business activity and employment within the County. The abatement agreements stipulate that 40% - 100% of the increased property tax generated by the increase in value within the RDA or EDA be returned to the RDA or EDA for incentive payments to the companies making the improvements for periods up to 20 years. The tax abatements paid during 2016 are as follows:

Tax Abatements for Other Governments	Amount of Taxes Abated during 2016
Garland RDA	\$ 20,444
Perry RDA	36,401
Tremonton RDA	990,708
Box Elder County RDA	2,586,185
Brigham City RDA	704,322
	<u>\$ 4,338,060</u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 12. 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 13. 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, 2016

NOTE 14. RESTRICTED/ASSIGNED FUND BALANCE DETAIL

The detail of the aggregated amounts in the Balance Sheet is as follows at June 30, 2016:

Fund balances-governmental funds:

Restricted state programs:

General Fund:

Gifted/talented	\$ 74,322
Advanced placement	3,210
Concurrent enrollment	208,142
At risk-homeless	22,998
Youth in custody	141,874
Enhancement-at risk students	38
Trust lands	165,191
Dual Immersion	7,780
Extended day kindergarten	53,485
K-3 reading	115,707
Library books	4,627
State literacy	4,016
Adult ed	16,047
Drivers ed	128,346
USTAR	16,636
CTE programs	296,732
Total General Fund	<u>1,259,151</u>

Capital Project Fund:

Capital Outlay Foundation School Building Program	<u>-</u>
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Total Restricted state programs-Governmental activities	<u><u>\$ 1,259,151</u></u>
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Fund balance-governmental funds:

Assigned-other purposes:

General Fund:

Credit recovery	\$ 7,999
Classified professional development	9,131
Special ed health services	29,405
Professional development	4,264,090
Budget shortfalls	2,862,744
Termination benefits	3,000,000
E-rate	348,288
Total General Fund	<u><u>\$ 10,521,657</u></u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 15. 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. For 2016, the amortization on the amounts placed in escrow was \$240,033. This was recorded in the Statement of Activities and reduced the balance to \$3,360,469.

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 two 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 and the pension related amounts as presented in Note 5. These amounts also are reported on the government-wide statement of net position.

NOTE 16. RESTATEMENT

The District changed its method of accounting for property taxes. Previous to 2016, the District recognized property taxes on a calendar year basis, which resulted in unearned revenue at year end. In 2016, the District changed to recognize property tax revenue on its fiscal year. This change resulted in a restatement of beginning fund balances/net position as follows:

	Beginning Fund Balance/Net Position Prior to Restatement	Correction for Change in Accounting for Property Taxes	Ending Fund Balance, as Restated
Fund Balance:			
General Fund (Maintenance and Operation Fund)	\$ 9,484,659	\$ 2,298,505	\$ 11,783,164
Debt Service Fund	\$ 10,279,360	\$ 1,119,870	\$ 11,399,230
Capital Project Fund	\$ 31,093,745	\$ 1,274,893	\$ 32,368,638
Net Position:			
Governmental Activities	\$ 97,048,834	\$ 519,405	\$ 97,568,239

**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, 2016

Last 10 Fiscal Years*

	Noncontributory System	Contributory Retirement System	Tier 2 Public Employees System
2015:			
Proportion of the net pension liability (asset)	1.2591214%	0.8712490%	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%
2016:			
Proportion of the net pension liability (asset)	1.2340989%	0.6845906%	0.6166209%
Proportionate share of the net pension liability (asset)	\$ 38,766,581	\$ 429,000	\$ (1,346)
Covered employee payroll	\$ 33,506,050	\$ 216,863	\$ 3,981,680
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	115.70%	197.82%	-0.03%
Plan fiduciary net position as a percentage of the total pension liability	84.50%	92.40%	100.20%

*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, when 10 years information is available. The schedule above is only for the current year and prior year.

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2016

Last 10 Fiscal Years*

	Noncontributory System	Contributory System	Tier 2 DC Only System	Tier 2 Public Employees System
2015:				
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>-</u>	<u>(250,910)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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%	0.00%	8.43%
2016:				
Contractually required contribution	\$ 7,463,884	\$ 22,257	\$ 127,439	\$ 877,944
Contributions in relation to the contractually required contribution	<u>(7,463,884)</u>	<u>\$ (22,257)</u>	<u>(127,439)</u>	<u>(877,944)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 33,506,050	\$ 216,863	\$ 1,271,365	\$ 3,981,680
Contributions as a percentage of covered-employee payroll**	22.28%	10.26%	10.02%	22.05%

* 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 and the prior year.

** 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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes and fee in lieu	\$ 7,989,377	\$ 5,889,377	\$ 5,295,662	\$ (593,715)
Earnings on investments	25,185	65,000	67,959	2,959
Other	-	-	-	-
Total revenues	<u>8,014,562</u>	<u>5,954,377</u>	<u>5,363,621</u>	<u>(590,756)</u>
Expenditures:				
Debt service:				
Principal retirement	4,500,000	4,977,000	4,665,000	312,000
Interest and fiscal charges	2,216,164	2,265,000	1,552,243	712,757
Bond issuance costs	-	-	-	-
Other	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>6,721,164</u>	<u>7,247,000</u>	<u>6,222,243</u>	<u>1,024,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,293,398</u>	<u>(1,292,623)</u>	<u>(858,622)</u>	<u>434,001</u>
Other financing sources (uses):				
Proceeds from sale of refunding bonds	-	-	-	-
Proceeds from bond premium	-	-	-	-
Payments to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,293,398</u>	<u>(1,292,623)</u>	<u>(858,622)</u>	<u>434,001</u>
Fund balance - beginning, as restated	<u>11,399,230</u>	<u>11,399,230</u>	<u>11,399,230</u>	<u>-</u>
Fund balance - ending	<u>\$12,692,628</u>	<u>\$10,106,607</u>	<u>\$ 10,540,608</u>	<u>\$ 434,001</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Property taxes and fee in lieu	\$ 9,582,622	\$ 9,550,000	\$ 8,939,206	\$ (610,794)
Charges for services	90,000	150,000	187,565	37,565
Contributions	-	-	-	-
Earnings on investments	175,000	195,000	292,892	97,892
Total local sources	9,847,622	9,895,000	9,419,663	(475,337)
State sources:				
Restricted grants in aid	-	-	-	-
Total state sources	-	-	-	-
Federal sources:				
Restricted grants in aid	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	9,847,622	9,895,000	9,419,663	(475,337)
Expenditures:				
Support services:				
General district administration	5,000	5,000	5,000	-
Transportation	-	-	10,559	(10,559)
Food Service	92,550	-	-	-
Facilities acquisition/construction	13,732,847	8,882,387	8,146,990	735,397
Lease payment to MBA Fund	250,000	250,262	224,342	25,920
Total expenditures	14,080,397	9,137,649	8,386,891	750,758
Excess (deficiency) of revenues over (under) expenditures	(4,232,775)	757,351	1,032,772	275,421
Other Financing Sources (Uses):				
Sale of fixed assets	80,000	95,622	83,626	(11,996)
Total other financing sources (uses)	80,000	95,622	83,626	(11,996)
Net change in fund balances	(4,152,775)	852,973	1,116,398	263,425
Fund balance - beginning, as restated	32,368,636	32,368,636	32,368,638	(2)
Fund balance - ending	<u>\$28,215,861</u>	<u>\$ 33,221,609</u>	<u>\$ 33,485,036</u>	<u>\$ 263,423</u>

BOX ELDER SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activities Fund	Redevelopment Agency Tax	School Food Service Fund	
Assets:				
Cash and cash equivalents	\$ 2,475,315	\$ -	\$ 501,962	\$ 2,977,277
Receivables:				
Accounts	-	-	3,341	3,341
Intergovernmental	-	-	354,913	354,913
Inventory	-	-	179,965	179,965
Total assets	<u>\$ 2,475,315</u>	<u>\$ -</u>	<u>\$ 1,040,181</u>	<u>\$ 3,515,496</u>
Liabilities:				
Accounts payable	\$ 49,935	\$ -	\$ 4,993	\$ 54,928
Due to clubs	1,702,604	-	-	1,702,604
Accrued salaries and benefits	-	-	75,107	75,107
Unearned revenue	-	-	-	-
Total liabilities	<u>1,752,539</u>	<u>-</u>	<u>80,100</u>	<u>1,832,639</u>
Fund balances:				
Non-spendable:				
Inventory	-	-	179,965	179,965
Restricted:				
State programs	-	-	-	-
Assigned:				
Student Activities	722,776	-	-	722,776
School Food Service	-	-	780,116	780,116
Total fund balances	<u>722,776</u>	<u>-</u>	<u>960,081</u>	<u>1,682,857</u>
Total liabilities and fund balances	<u>\$ 2,475,315</u>	<u>\$ -</u>	<u>\$ 1,040,181</u>	<u>\$ 3,515,496</u>

BOX ELDER SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activities Fund	Redevelopment Agency Tax	School Food Service Fund	
Revenues:				
Property tax	\$ -	\$ 4,338,060	\$ -	\$ 4,338,060
Charges for services	2,862,205	-	1,276,369	4,138,574
Contributions	430,236	-	-	430,236
Earnings on investments	2,625	-	4,663	7,288
State aid	104,220	-	812,818	917,038
Federal aid	-	-	2,463,600	2,463,600
Total revenues	<u>3,399,286</u>	<u>4,338,060</u>	<u>4,557,450</u>	<u>12,294,796</u>
Expenditures:				
Student activities	3,396,118	-	-	3,396,118
Payments to redevelopment/economic agencies	-	4,338,060	-	4,338,060
School food services	-	-	4,359,585	4,359,585
Total expenditures	<u>3,396,118</u>	<u>4,338,060</u>	<u>4,359,585</u>	<u>12,093,763</u>
Excess of revenues over expenditures	<u>3,168</u>	<u>-</u>	<u>197,865</u>	<u>201,033</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>3,168</u>	<u>-</u>	<u>197,865</u>	<u>201,033</u>
Fund balances - beginning	<u>719,608</u>	<u>-</u>	<u>762,216</u>	<u>1,481,824</u>
Fund balances - ending	<u>\$ 722,776</u>	<u>\$ -</u>	<u>\$ 960,081</u>	<u>\$ 1,682,857</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Charges for services	\$ 3,000,000	\$ 3,000,000	\$ 2,862,205	\$ (137,795)
Contributions/grants	-	-	430,236	430,236
Earnings on investments	-	-	2,625	2,625
Total local sources	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,295,066</u>	<u>295,066</u>
State sources:				
Teacher materials & supplies	1,450,000	1,450,000	104,220	(1,345,780)
Other state revenue	-	-	-	-
Total state sources	<u>1,450,000</u>	<u>1,450,000</u>	<u>104,220</u>	<u>(1,345,780)</u>
Total revenues	<u>4,450,000</u>	<u>4,450,000</u>	<u>3,399,286</u>	<u>(1,050,714)</u>
Expenditures:				
Student activities	<u>4,489,001</u>	<u>4,449,989</u>	<u>3,396,118</u>	<u>1,053,871</u>
Total expenditures	<u>4,489,001</u>	<u>4,449,989</u>	<u>3,396,118</u>	<u>1,053,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,001)</u>	<u>11</u>	<u>3,168</u>	<u>3,157</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>(39,001)</u>	<u>11</u>	<u>3,168</u>	<u>3,157</u>
Fund balances - beginning	<u>719,608</u>	<u>719,608</u>	<u>719,608</u>	<u>-</u>
Fund balances - ending	<u>\$ 680,607</u>	<u>\$ 719,619</u>	<u>\$ 722,776</u>	<u>\$ 3,157</u>

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Local sources:				
Property taxes and fee in lieu	\$ -	\$ 4,882,405	\$ 4,338,060	\$ (544,345)
Charges for services	-	-	-	-
Earnings on investments	-	-	-	-
Total local sources	-	4,882,405	4,338,060	(544,345)
Total revenues	-	4,882,405	4,338,060	(544,345)
Expenditures:				
Payments to redevelopment/economic agencies	-	4,882,405	4,338,060	544,345
Total expenditures	-	4,882,405	4,338,060	544,345
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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Lunch sales	\$ 1,580,816	\$ 1,202,657	\$ 1,276,369	\$ 73,712
Earnings on investments	-	3,400	4,663	1,263
Other Income	-	-	-	-
Total local sources	1,580,816	1,206,057	1,281,032	74,975
State sources:				
State lunch program	719,309	725,500	812,818	87,318
Total state sources	719,309	725,500	812,818	87,318
Federal sources:				
National school lunch program	2,505,230	450,000	399,912	(50,088)
National school lunch free and reduced	-	1,600,000	1,575,966	(24,034)
School breakfast	-	489,230	460,493	(28,737)
District certification program	-	6,000	6,837	837
Other child nutrition:				
Child and adult	-	20,000	20,392	392
Total federal sources	2,505,230	2,565,230	2,463,600	(101,630)
Total revenues	4,805,355	4,496,787	4,557,450	60,663
Expenditures:				
School food services:				
Salaries	1,552,602	1,552,602	1,467,439	85,163
Employee benefits	646,418	546,418	517,084	29,334
Purchased services	19,256	56,263	46,135	10,128
Supplies and materials	2,245,632	2,092,641	2,038,889	53,752
Equipment	141,584	56,500	39,652	16,848
Other objects	300,000	300,000	250,386	49,614
Total expenditures	4,905,492	4,604,424	4,359,585	244,839
Excess (deficiency) of revenues over (under) expenditures	(100,137)	(107,637)	197,865	305,502
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(100,137)	(107,637)	197,865	305,502
Fund balances - beginning	762,216	762,216	762,216	-
Fund balances - ending	\$ 662,079	\$ 654,579	\$ 960,081	\$ 305,502

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
THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wiggins & Co., PC

Brigham City, Utah
October 21, 2016

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 460,493
National School Lunch Program	10.555	42/43	1,975,878
Food Distribution-Commodities	10.555	NA	229,153
Child Nutrition Discretionary Grant	10.579	48	6,837
Fresh Fruits & Vegetables	10.582	51	20,392
Total National School Lunch Program Cluster			<u>2,692,753</u>
<u>Passed through Box Elder County:</u>			
Secure Payments for States and Counties Containing Federal Lands	10.665	N/A	50,589
Total U.S. Department of Agriculture			<u>2,743,342</u>
U.S. Department of Education			
<u>Passed through Utah State Office of Education:</u>			
Special Education Cluster:			
IDEA Disabilities Act-Special Education	84.027	19	2,070,860 X
IDEA Special Education-Preschool Grants	84.173	52	117,109 X
Total Special Education Cluster			2,187,969
Title I Grant to Local Education Agencies	84.010	8	1,179,444
Migrant Education-State Grant Program	84.011	15	67,888
Career and Technical Education-Basic Grants to States	84.048	20/21	110,655
English Language Acquisition Grants	84.365	73	36,471
Improving Teacher Quality State Grants	84.367	74	305,633 X
Total U.S. Department of Education			<u>3,888,060</u>
Corporation for National and Community Service			
<u>Passed through Ogden City School District:</u>			
Utah Americorp Literacy Initiative	94.006	N/A	48,698
Total Corporation for National and Community Service			<u>48,698</u>
Total Expenditures of Federal Awards			<u>\$ 6,680,100</u>

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, 2016

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 Uniform Guidance.

Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 procures tangible goods or services are not considered to be federal awards.

The Single Audit Act Amendments of 1996 and Uniform Guidance 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 \$750,000 in federal expenditures, distributions, or issuances for the year ended June 30, 2016.

BOX ELDER SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016.

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 Uniform Guidance.. 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, 2016

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	\$ 3,987,347
Federal funds reported in the School Food	<u>2,463,600</u>
	6,450,947

Plus:

Amount recorded on Schedule for Food	
Distribution not recorded on the fund financial	
statements.	<u>229,153</u>

Expenditures of Federal Awards	<u><u>\$ 6,680,100</u></u>
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BOX ELDER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 X no

Significant deficiency(ies) identified not
considered to be a material weakness? X yes ___ none reported

Noncompliance material to financial statements _____yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified not
considered to be a material weakness? _____yes X none 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 Uniform Guidance? _____yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA-Special Education Grants to Schools
84.173	IDEA-Special Education -Preschool Grants
84.367	Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? X yes ___no

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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*.

Significant Deficiency

16-01 PROPERTY, PLANT AND EQUIPMENT

Condition:

The District's policy is to capitalize property items with an acquisition cost exceeding \$5,000 and a life expectancy of more than one year. During our audit testing, we noted that many vehicles and several construction projects had not been added to the property records. There was no reconciliation performed between the fixed asset system and the property records to ensure that material transactions were captured in the accounting process.

Criteria:

GASB statement 34 requires that governmental units establish a capitalization policy, record and track items specified in the policy, and report on those items in the financial statements. The District's policy is to capitalize property items with an acquisition cost of \$5,000 or more with a life expectancy of more than one year.

Cause of Condition:

There was turnover in the accounting department with the duties for capital asset accounting. The new capital asset accountant was not properly trained regarding where the additions may be charged in the general ledger and which assets needed to be capitalized.

Potential Effect of Condition:

The District invests substantial amounts in capital assets. These assets must be recorded in accordance with District policy or the amounts reported in the District's financial statements could be materially misstated. Proper accounting of the capital assets also assists with the safeguarding of the District's capital assets.

Recommendation:

We recommend that the new accounting personnel be better trained to know how to track and record the District's capital assets, including where additions and disposals records are kept and the expenditure amounts recorded in the general ledger. We also recommend that a reconciliation of the capital asset records be performed, at least, annually to ensure that all applicable transactions have been properly recorded and reported.

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Significant Deficiency

16-01 PROPERTY, PLANT AND EQUIPMENT

Response:

The District did have turnover in the fixed asset accounting function as stated. The last change was eight years ago and there was not proper cross training and the procedures had not been properly followed by the previous clerk. This made it necessary to reconstruct the accounting procedures and processes for Fixed Asset Accounting Clerk; b) document the procedures and processes that are used in detail; c) established cross training in case of turnover in the future.

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, 2016

BOX ELDER SCHOOL DISTRICT
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2016, 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 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, at 16-01, that we consider to be a significant deficiency.

Compliance and Other Matters

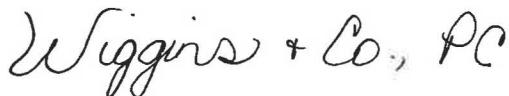
As part of obtaining reasonable assurance about whether Box Elder School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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 and Questioned Costs. 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 audit 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.

A handwritten signature in cursive script that reads "Wiggins & Co., PC".

Brigham City, Utah
October 21, 2016



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 for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016, in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- School District Tax Levies
- Open and Public Meetings Act
- Treasurer's Bond
- Tax Levy Revenue Recognition
- School Fees
- Minimum School Program (State Office of Education)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

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 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. However, our audit does not provide a legal determination of the District's compliance.

Opinion on General State Compliance Requirements

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 for the year ended June 30, 2016.

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 of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District 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 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 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 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 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.

Wiggins & Co., PC

Brigham City, Utah
October 21, 2016

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

INTERNAL CONTROL FINDINGS-SIGNIFICANT DEFICIENCY

16-01 PROPERTY, PLANT AND EQUIPMENT

Condition:

The District's policy is to capitalize property items with an acquisition cost exceeding \$5,000 and a life expectancy of more than one year. During our audit testing, we noted that many vehicles and several construction projects had not been added to the property records. There was no reconciliation performed between the fixed asset system and the property records to ensure that material transactions were captured in the accounting process.

Criteria:

GASB statement 34 requires that governmental units establish a capitalization policy, record and track items specified in the policy, and report on those items in the financial statements. The District's policy is to capitalize property items with an acquisition cost of \$5,000 or more with a life expectancy of more than one year.

Cause of Condition:

There was turnover in the accounting department with the duties for capital asset accounting. The new capital asset accountant was not properly trained regarding where the additions may be charged in the general ledger and which assets needed to be capitalized.

Potential Effect of Condition:

The District invests substantial amounts in capital assets. These assets must be recorded in accordance with District policy or the amounts reported in the District's financial statements could be materially misstated. Proper accounting of the capital assets also assists with the safeguarding of the District's capital assets.

Recommendation:

We recommend that the new accounting personnel be better trained to know how to track and record the District's capital assets, including where additions and disposals records are kept and the expenditure amounts recorded in the general ledger. We also recommend that a reconciliation of the capital asset records be performed, at least, annually to ensure that all applicable transactions have been properly recorded and reported.

Response:

The District did have turnover in the fixed asset accounting function as stated. The last change was eight years ago and there was not proper cross training and the procedures had not been properly followed by the previous clerk. This made it necessary to reconstruct the accounting procedures and processes for fixed assets. The District will resolve this by doing the following: a) provide more training to the new Fixed Asset Accounting Clerk; b) document the procedures and processes that are used in detail; c) establish cross training in case of turnover in the future.

BOX ELDER SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Status:

Implemented.

BOX ELDER SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

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

Status:

Implemented.

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
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Status:

Disposal accounting was much better in 2016 but there were still disposed assets that were missed by accounting personnel. See 2016 finding.

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
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Status:

Implemented.