

FRUITLAND SCHOOL DISTRICT NO. 373

FINANCIAL STATEMENTS

Year Ended June 30, 2014

FRUITLAND SCHOOL DISTRICT NO. 373

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Fruitland School District No. 373

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fruitland School District No. 373 (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School'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 of 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, each major fund, and the aggregate remaining fund information of the School as of June 30, 2014, and the respective changes in financial position thereof 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 budgetary comparison information listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards (as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Districts*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs, P.C.

Payette, Idaho
August 14, 2014

BASIC FINANCIAL STATEMENTS

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$3,300,089
Receivables:	
Local Sources	552,468
State Sources	207,828
Federal Sources	464,880
Inventory	8,632
Total Current Assets	<u>4,533,897</u>
Noncurrent Assets	
Nondepreciable Capital Assets	1,074,949
Depreciable Net Capital Assets	<u>15,840,875</u>
Total Noncurrent Assets	<u>16,915,824</u>
Total Assets	<u><u>\$21,449,721</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$20,410
Salaries & Benefits Payable	1,167,089
Unspent Grant Allocation	96,664
Accrued Interest	91,245
Long-Term Debt, Current	710,171
Total Current Liabilities	<u>2,085,579</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	<u>9,035,000</u>
Total Noncurrent Liabilities	<u>9,035,000</u>
Total Liabilities	<u>11,120,579</u>
Net Position	
Net Investment in Capital Assets	7,079,408
Restricted:	
Special Programs	204,281
Debt Service	1,395,104
Capital Projects	631,199
Unrestricted	<u>1,019,150</u>
Total Net Position	<u>10,329,142</u>
Total Liabilities and Net Position	<u><u>\$21,449,721</u></u>

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Activities Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	\$2,677,281		\$364,233		(\$2,313,048)
Secondary School	2,760,944	\$9,305	27,407		(2,724,232)
Alternative School	84,602				(84,602)
Special Education	858,884		274,824		(584,060)
Special Education Preschool	0				0
Gifted & Talented	0				0
Interscholastic	159,561				(159,561)
Support Service Programs					
Attendance - Guidance - Health	184,804				(184,804)
Special Education Support Services	129,095		52,067		(77,028)
Instructional Improvement	52,244		51,050		(1,194)
Educational Media	71,926				(71,926)
District Administration	263,467				(263,467)
School Administration	337,395				(337,395)
Buildings - Care	557,103				(557,103)
Maintenance - Student Occupied	181,072				(181,072)
Maintenance - Grounds	21,180				(21,180)
Pupil-To-School Transportation	514,744				(514,744)
Pupil-Activity Transportation	2,069				(2,069)
General Transportation	60				(60)
Non-Instructional Programs					
Child Nutrition	605,303	138,889	427,446		(38,968)
Community Services	5,364				(5,364)
Capital Assets - Student Occupied	804,968				(804,968)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	261,045				(261,045)
Total	\$10,533,111	\$148,194	\$1,197,027	\$0	(9,187,890)
General Revenues					
Local Taxes					1,563,191
Other Local Revenue					235,213
State Revenue					7,968,160
Federal Revenue					0
Total					9,766,564
Change in Net Position					
					578,674
Net Position - Beginning					
					9,750,468
Net Position - Ending					
					\$10,329,142

FRUITLAND SCHOOL DISTRICT NO. 373

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$1,411,480	\$173,139	\$1,112,217	\$479,942
Receivables:				
Local Sources	180,076		282,887	89,505
State Sources	207,828			
Federal Sources				
Due From Other Funds	265,118			
Inventory		8,632		
Total Assets	<u>\$2,064,502</u>	<u>\$181,771</u>	<u>\$1,395,104</u>	<u>\$569,447</u>
Liabilities				
Accounts Payable	\$7,392			\$7,719
Due To Other Funds				
Salaries & Benefits Payable	1,037,960	\$24,443		
Unspent Grant Allocation				
Total Liabilities	<u>1,045,352</u>	<u>24,443</u>	<u>\$0</u>	<u>7,719</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	18,077		39,774	12,585
Total Deferred Inflows of Resources	<u>18,077</u>	<u>0</u>	<u>39,774</u>	<u>12,585</u>
Fund Balances				
Restricted:				
Special Programs		148,696		
Debt Service			1,355,330	
Capital Projects				549,143
Nonspendable		8,632		
Unassigned	1,001,073			
Total Fund Balances	<u>1,001,073</u>	<u>157,328</u>	<u>1,355,330</u>	<u>549,143</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$2,064,502</u>	<u>\$181,771</u>	<u>\$1,395,104</u>	<u>\$569,447</u>

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Balance Sheet - Governmental Funds

June 30, 2014

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$123,311	\$3,300,089
Receivables:		
Local Sources	0	552,468
State Sources	0	207,828
Federal Sources	464,880	464,880
Due From Other Funds	0	265,118
Inventory	0	8,632
Total Assets	<u>\$588,191</u>	<u>\$4,799,015</u>
Liabilities		
Accounts Payable	\$5,299	\$20,410
Due To Other Funds	265,118	265,118
Salaries & Benefits Payable	104,686	1,167,089
Unspent Grant Allocation	96,664	96,664
Total Liabilities	<u>471,767</u>	<u>1,549,281</u>
Deferred Inflows of Resources		
Unavailable Tax Revenues	0	70,436
Total Deferred Inflows of Resources	<u>0</u>	<u>70,436</u>
Fund Balances		
Restricted:		
Special Programs	46,953	195,649
Debt Service	0	1,355,330
Capital Projects	69,471	618,614
Nonspendable	0	8,632
Unassigned	0	1,001,073
Total Fund Balances	<u>116,424</u>	<u>3,179,298</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$588,191</u>	<u>\$4,799,015</u>

Balance Sheet - Governmental Funds

June 30, 2014

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances	\$3,179,298
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,915,824
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	70,436
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(9,836,416)
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Net Position of Governmental Activities	<u><u>\$10,329,142</u></u>
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FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Taxes	\$511,976		\$788,609	\$249,560
Other Local Revenue	68,593	\$138,903	3,651	161,220
State Revenue	7,696,001		235,105	
Federal Revenue		427,446		
Total Revenues	<u>8,276,570</u>	<u>566,349</u>	<u>1,027,365</u>	<u>410,780</u>
Expenditures				
Instructional Programs				
Elementary School	2,313,048			
Secondary School	2,709,510			
Alternative School	84,602			
Special Education	584,060			
Special Education Preschool				
Gifted & Talented				
Interscholastic	159,561			
Support Service Programs				
Attendance - Guidance - Health	184,804			
Special Education Support Services	77,028			
Instructional Improvement	671			523
Educational Media	71,926			
District Administration	263,467			
School Administration	337,395			
Buildings - Care	557,103			
Maintenance - Student Occupied	181,072			
Maintenance - Grounds	21,180			
Pupil-To-School Transportation	480,495			
Pupil-Activity Transportation	2,069			
General Transportation	60			
Non-Instructional Programs				
Child Nutrition	15,143	590,160		
Community Services	5,364			
Capital Assets - Student Occupied				173,654
Capital Assets - Non-Student Occupied				
Debt Service - Principal			765,000	44,784
Debt Service - Interest			295,919	7,024
Total Expenditures	<u>8,048,558</u>	<u>590,160</u>	<u>1,060,919</u>	<u>225,985</u>
Excess (Deficiency) of Revenues Over Expenditures	228,012	(23,811)	(33,554)	184,795
Other Financing Sources (Uses)				
Transfers In				52,445
Transfers Out	(86,694)			
Proceeds of Refunding Bonds			9,024,174	
Payments to Escrow Agents			(9,024,174)	
Total Other Financing Sources (Uses)	<u>(86,694)</u>	<u>0</u>	<u>0</u>	<u>52,445</u>
Net Change in Fund Balances	141,318	(23,811)	(33,554)	237,240
Fund Balances - Beginning	859,755	181,139	1,388,884	311,903
Fund Balances - Ending	<u>\$1,001,073</u>	<u>\$157,328</u>	<u>\$1,355,330</u>	<u>\$549,143</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues		
Local Taxes	\$0	\$1,550,145
Other Local Revenue	11,040	383,407
State Revenue	57,943	7,989,049
Federal Revenue	748,692	1,176,138
Total Revenues	<u>817,675</u>	<u>11,098,739</u>
Expenditures		
Instructional Programs		
Elementary School	364,233	2,677,281
Secondary School	51,434	2,760,944
Alternative School	0	84,602
Special Education	274,824	858,884
Special Education Preschool	0	0
Gifted & Talented	0	0
Interscholastic	0	159,561
Support Service Programs		
Attendance - Guidance - Health	0	184,804
Special Education Support Services	52,067	129,095
Instructional Improvement	51,050	52,244
Educational Media	0	71,926
District Administration	0	263,467
School Administration	0	337,395
Buildings - Care	0	557,103
Maintenance - Student Occupied	0	181,072
Maintenance - Grounds	0	21,180
Pupil-To-School Transportation	0	480,495
Pupil-Activity Transportation	0	2,069
General Transportation	0	60
Non-Instructional Programs		
Child Nutrition	0	605,303
Community Services	0	5,364
Capital Assets - Student Occupied	0	173,654
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	809,784
Debt Service - Interest	0	302,943
Total Expenditures	<u>793,608</u>	<u>10,719,230</u>
Excess (Deficiency) of Revenues Over Expenditures	24,067	379,509
Other Financing Sources (Uses)		
Transfers In	34,249	86,694
Transfers Out	0	(86,694)
Proceeds of Refunding Bonds	0	9,024,174
Payments to Escrow Agents	0	(9,024,174)
Total Other Financing Sources (Uses)	<u>34,249</u>	<u>0</u>
Net Change in Fund Balances	58,316	379,509
Fund Balances - Beginning	58,108	2,799,789
Fund Balances - Ending	<u>\$116,424</u>	<u>\$3,179,298</u>

FRUITLAND SCHOOL DISTRICT NO. 373
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$379,509

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of net capital outlays over (under) depreciation expense in the current period. (665,563)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 13,046

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 809,784

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 41,898

Change in Net Position of Governmental Activities \$578,674

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Fiduciary Net Position

June 30, 2014

	<u>Private Purpose Trust Funds - Scholarship</u>	<u>Agency Funds - Student Activity</u>	<u>Total</u>
Assets			
Cash & Investments	\$3,707	\$293,243	\$296,950
Total Assets	<u>\$3,707</u>	<u>\$293,243</u>	<u>\$296,950</u>
Liabilities			
Due to Student Groups		\$293,243	\$293,243
Total Liabilities	<u>\$0</u>	<u>293,243</u>	<u>293,243</u>
Net Position			
Restricted:			
Scholarships	3,707		3,707
Total Net Position	<u>3,707</u>	<u>0</u>	<u>3,707</u>
Total Liabilities and Net Position	<u>\$3,707</u>	<u>\$293,243</u>	<u>\$296,950</u>

FRUITLAND SCHOOL DISTRICT NO. 373
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014

	<u>Private Purpose Trust Funds - Scholarship</u>
Additions	
Contributions	
Investment Income (Loss)	
Total Additions	<u>\$0</u>
Deductions	
Scholarships Awarded	2,300
Total Deductions	<u>2,300</u>
Change in Net Position	(2,300)
Net Position - Beginning	6,007
Net Position - Ending	<u>\$3,707</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Fruitland School District No. 373 (the School) provides public school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for taxing and school enrollment purposes are located within Payette County.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to school districts. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements - Government-Wide Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

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

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds. Major governmental funds of the School include:

General Fund – The general fund is the School’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of major capital assets. Major capital project funds include the plant facilities fund, used to account for the maintenance of facilities and other capital assets.

Fiduciary funds of the School include:

Private Purpose Trust Funds – Private purpose trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a scholarship trustee.

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash and Investments – Nearly all the cash and investment balances of the School’s funds are pooled for investment purposes. The individual funds’ portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund’s respective investment balance. Investments include monies invested in the local government investment pool and are stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool is materially the same as the fair value of its shares.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method, except for certain transportation vehicles which use the declining balance method.

Compensated Absences and Post-Retirement Benefits – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer’s government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

Deferred Inflows of Resources – The School’s financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period. This situation occurs in instances where certain grant revenues or property tax revenues are not collected within thirty days after the end of the School’s fiscal year (thus not meeting the criteria for revenue recognition under the modified accrual basis of accounting). When such grant revenues or property tax revenues are later collected, they are recognized in the governmental fund financial statements by increasing revenue and decreasing the related deferred inflow of resources account.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Notes to Financial Statements

Concentrations of Credit Risk – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

Risk Management – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$561,034
Investments - Local Government Investment Pool	3,036,005
Total	<u><u>\$3,597,039</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$561,034 and the bank balances were \$838,713. Of the bank balances, \$253,230 was insured and the remainder was uninsured and uncollateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. These investments include insured or registered investments or investments for which the securities are held by the School or its agent in the School's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

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Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Local Sources				
Local Taxes	\$180,076		\$282,887	\$89,505
Total	<u>\$180,076</u>		<u>\$282,887</u>	<u>\$89,505</u>
State Sources				
Foundation Program	\$198,542			
Special Programs	9,286			
Total	<u>\$207,828</u>			
Federal Sources				
Special Programs		\$464,880		
Total		<u>\$464,880</u>		

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

D. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$1,084,949		\$10,000	\$1,074,949
Total	<u>1,084,949</u>	<u>\$0</u>	<u>10,000</u>	<u>1,074,949</u>
Depreciable Capital Assets				
Buildings	22,909,704	33,135	40,199	22,902,640
Equipment	2,024,468	23,441		2,047,909
Transportation	1,260,155			1,260,155
Subtotal	<u>26,194,327</u>	<u>56,576</u>	<u>40,199</u>	<u>26,210,704</u>
Accumulated Depreciation				
Buildings	6,927,082	455,730	22,830	7,359,982
Equipment	1,712,888	204,791		1,917,679
Transportation	1,057,919	34,249		1,092,168
Subtotal	<u>9,697,889</u>	<u>694,770</u>	<u>22,830</u>	<u>10,369,829</u>
Total	<u>16,496,438</u>	<u>(638,194)</u>	<u>17,369</u>	<u>15,840,875</u>
Net Capital Assets	<u>\$17,581,387</u>	<u>(\$638,194)</u>	<u>\$27,369</u>	<u>\$16,915,824</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$660,521
Pupil-To-School Transportation	34,249
Total	<u>\$694,770</u>

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Notes to Financial Statements

E. LONG-TERM DEBT

Bond Refunding – During the 2013/14 year, the School advance refunded a portion of the 2005 and 2006 general obligation bond issues with a 2014 general obligation refunding bond issue. The principle amount of the bonds refunded was \$8,230,000.

Bond sale proceeds were used as follows:

Par Amount of Bonds	\$8,230,000
Original Issue Premium	794,174
Payment to Escrow Agent - Series 2005 & 2006 Bonds	(8,936,823)
Issuance Costs, Underwriters' Discount, Etc.	<u>(87,351)</u>
Total	<u><u>\$0</u></u>

The amount paid to the escrow agent was used to purchase U.S. Treasury Securities which were placed in an irrevocable trust to pay the regularly scheduled debt service requirements of the refunded bonds (i.e. – 2005 and 2006 issues). As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. This advance refunding resulted in a \$797,523 reduction in total debt service payments, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$720,881.

The bond refunding was done to facilitate the retirement of the School's general obligation bonds already outstanding. The proceeds of the refunding issues were placed in an irrevocable escrow account and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the issues being refunded. The refunded bonds are not included in the School's outstanding long-term debt since the School legally satisfied its obligation with respect thereto through consummation of the refunding transaction.

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

Bonded Debt – At year end, the School’s bonded debt was as follows:

	<u>Outstanding</u>
2005 - \$3,175,000 - general obligation bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 4.25% through 2015/16, secured by future taxes, paid through the debt service fund	\$1,120,000
2006 - \$755,000 - general obligation bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 4.50% - 5.00% through 2016/17, secured by future taxes, paid through the debt service fund	345,000
2014 - \$8,230,000 - general obligation refunding bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 2.00% - 4.00% through 2025/26, secured by future taxes, paid through the debt service fund	<u>8,230,000</u>
Total	<u><u>\$9,695,000</u></u>

Maturities on the bonds are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/15	\$660,000	\$303,106
6/30/16	715,000	277,861
6/30/17	750,000	250,275
6/30/18	775,000	226,575
6/30/19	795,000	207,000
6/30/20-24	4,245,000	731,725
6/30/25-26	<u>1,755,000</u>	<u>67,500</u>
Total	<u><u>\$9,695,000</u></u>	<u><u>\$2,064,042</u></u>

Note Payable – At year end, the School’s note payable was as follows:

Note payable - FOF#3, due in annual payments of \$51,792 with interest at 6.00% through 2014/15, secured by real estate, paid through the plant facilities fund	<u>\$50,171</u>
Total	<u><u>\$50,171</u></u>

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Notes to Financial Statements

Maturities on the note are estimated as follows:

Year Ended	Principal	Interest
6/30/15	\$50,171	\$1,621
Total	\$50,171	\$1,621

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2005 G.O. Bonds	\$8,870,000		\$7,750,000	\$1,120,000	\$550,000
2006 G.O. Bonds	1,590,000		1,245,000	345,000	110,000
2014 G.O.R. Bonds	0	\$8,230,000		8,230,000	0
Note Payable - FOF#3	94,955		44,784	50,171	50,171
Total	\$10,554,955	\$8,230,000	\$9,039,784	\$9,745,171	\$710,171

Interest and related costs during the year amounted to \$261,045 and were charged to the debt service – interest program.

F. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available standalone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighter members. The employer rate as a

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$680,880, \$629,779, and \$621,758, for the three years ended June 30, 2014, 2013, and 2012 respectively.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	
	<u>Nonmajor Governmental</u>	<u>Total</u>
General	<u>\$265,118</u>	<u>\$265,118</u>
Total	<u><u>\$265,118</u></u>	<u><u>\$265,118</u></u>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General		\$86,694	Depreciation Allowance: Maintenance
Plant Facilities	\$52,445		Maintenance
Nonmajor Governmental	34,249		Depreciation Allowance
Total	<u><u>\$86,694</u></u>	<u><u>\$86,694</u></u>	

REQUIRED SUPPLEMENTARY INFORMATION

FRUITLAND SCHOOL DISTRICT NO. 373

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2014

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$528,000	\$528,000	\$511,976	(\$16,024)
Other Local Revenue	85,800	85,800	68,593	(17,207)
State Revenue	7,363,152	7,370,922	7,696,001	325,079
Federal Revenue	0	0	0	0
Total Revenues	<u>7,976,952</u>	<u>7,984,722</u>	<u>8,276,570</u>	<u>291,848</u>
Expenditures				
Instructional Programs				
Elementary School	2,352,033	2,352,033	2,313,048	38,985
Secondary School	2,629,381	2,637,151	2,709,510	(72,359)
Alternative School	117,425	117,425	84,602	32,823
Special Education	571,073	571,073	584,060	(12,987)
Special Education Preschool	0	0	0	0
Gifted & Talented	0	0	0	0
Interscholastic	172,259	172,259	159,561	12,698
Support Service Programs				
Attendance - Guidance - Health	193,308	193,308	184,804	8,504
Special Education Support Services	108,177	108,177	77,028	31,149
Instructional Improvement	0	0	671	(671)
Educational Media	72,597	72,597	71,926	671
District Administration	264,926	264,926	263,467	1,459
School Administration	347,919	347,919	337,395	10,524
Buildings - Care	568,049	568,049	557,103	10,946
Maintenance - Student Occupied	114,681	114,681	181,072	(66,391)
Maintenance - Grounds	19,000	19,000	21,180	(2,180)
Pupil-To-School Transportation	424,591	424,591	480,495	(55,904)
Pupil-Activity Transportation	2,000	2,000	2,069	(69)
General Transportation	500	500	60	440
Non-Instructional Programs				
Child Nutrition	14,535	14,535	15,143	(608)
Community Services	4,498	4,498	5,364	(866)
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	<u>7,976,952</u>	<u>7,984,722</u>	<u>8,048,558</u>	<u>(63,836) *</u>
Excess (Deficiency) of Revenues Over Expenditures				
	0	0	228,012	228,012
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	(86,694)	(86,694) *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(86,694)</u>	<u>(86,694)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>141,318</u>	<u>141,318</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>859,755</u>	<u>859,755</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$1,001,073</u>	<u>\$1,001,073</u>

*Total expenditures (over) under appropriations are: (\$150,530)

FRUITLAND SCHOOL DISTRICT NO. 373

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2014

Child Nutrition Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Other Local Revenue	\$155,000	\$155,000	\$138,903	(\$16,097)
Federal Revenue	423,000	423,000	427,446	4,446
Total Revenues	<u>578,000</u>	<u>578,000</u>	<u>566,349</u>	<u>(11,651)</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	578,000	578,000	590,160	(12,160)
Total Expenditures	<u>578,000</u>	<u>578,000</u>	<u>590,160</u>	<u>(12,160) *</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(23,811)	(23,811)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	(23,811)	(23,811)
Fund Balances - Beginning	0	0	181,139	181,139
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$157,328</u>	<u>\$157,328</u>
				<u>*(Total expenditures (over) under appropriations are: (\$12,160)</u>

SUPPLEMENTARY INFORMATION

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			Special Educ. IDEA Part B School-Age
	Technology	Title I-A ESEA IBP	Title I-C ESEA EMC	
Assets				
Cash & Investments	\$53,210			
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$182,330	\$13,479	\$145,677
Due From Other Funds				
Inventory				
Total Assets	<u>\$53,210</u>	<u>\$182,330</u>	<u>\$13,479</u>	<u>\$145,677</u>
Liabilities				
Accounts Payable	\$4,754			\$545
Due To Other Funds		\$137,833	\$2,334	75,933
Salaries & Benefits Payable	1,503	44,497	3,431	49,297
Unspent Grant Allocation			7,714	19,902
Total Liabilities	<u>6,257</u>	<u>182,330</u>	<u>13,479</u>	<u>145,677</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs	46,953			
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>46,953</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$53,210</u>	<u>\$182,330</u>	<u>\$13,479</u>	<u>\$145,677</u>

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			
	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title III ESEA LILEP&I
Assets				
Cash & Investments	\$630			
Receivables:				
Local Sources				
State Sources				
Federal Sources	1,120	\$31,219	\$19,676	\$15,952
Due From Other Funds				
Inventory				
Total Assets	<u>\$1,750</u>	<u>\$31,219</u>	<u>\$19,676</u>	<u>\$15,952</u>
Liabilities				
Accounts Payable				
Due To Other Funds		\$15,006	\$19,676	\$7,737
Salaries & Benefits Payable	\$1,750			4,208
Unspent Grant Allocation		16,213		4,007
Total Liabilities	<u>1,750</u>	<u>31,219</u>	<u>19,676</u>	<u>15,952</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$1,750</u>	<u>\$31,219</u>	<u>\$19,676</u>	<u>\$15,952</u>

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects Funds</u>		<u>Total</u>
	<u>Title II-A</u>			
	<u>Improving</u>	<u>Bus</u>	<u>Insurance</u>	
	<u>Teacher Quality</u>	<u>Depreciation</u>	<u>Adjustment</u>	
Assets				
Cash & Investments		\$34,249	\$35,222	\$123,311
Receivables:				
Local Sources				0
State Sources				0
Federal Sources	\$55,427			464,880
Due From Other Funds				0
Inventory				0
Total Assets	<u>\$55,427</u>	<u>\$34,249</u>	<u>\$35,222</u>	<u>\$588,191</u>
Liabilities				
Accounts Payable				\$5,299
Due To Other Funds	\$6,599			265,118
Salaries & Benefits Payable				104,686
Unspent Grant Allocation	48,828			96,664
Total Liabilities	<u>55,427</u>	<u>\$0</u>	<u>\$0</u>	<u>471,767</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				46,953
Debt Service				0
Capital Projects		34,249	35,222	69,471
Nonspendable				0
Unassigned				0
Total Fund Balances	<u>0</u>	<u>34,249</u>	<u>35,222</u>	<u>116,424</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$55,427</u>	<u>\$34,249</u>	<u>\$35,222</u>	<u>\$588,191</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Funds			
	Technology	Title I-A ESEA IBP	Title I-C ESEA EMC	Special Educ. IDEA Part B School-Age
Revenues				
Local Taxes				
Other Local Revenue	\$11,000			
State Revenue	57,943			
Federal Revenue		\$326,667	\$20,296	\$319,576
Total Revenues	<u>68,943</u>	<u>326,667</u>	<u>20,296</u>	<u>319,576</u>
Expenditures				
Instructional Programs				
Elementary School		326,667		
Secondary School	31,758			
Alternative School				
Special Education				267,509
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				52,067
Instructional Improvement	13,158		20,296	
Educational Media				
District Administration				
School Administration				
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>44,916</u>	<u>326,667</u>	<u>20,296</u>	<u>319,576</u>
Excess (Deficiency) of Revenues Over Expenditures	24,027	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	24,027	0	0	0
Fund Balances - Beginning	<u>22,926</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$46,953</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Funds			
	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title III ESEA LILEP&I
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$7,315	\$15,006	\$19,676	\$22,057
Total Revenues	<u>7,315</u>	<u>15,006</u>	<u>19,676</u>	<u>22,057</u>
Expenditures				
Instructional Programs				
Elementary School		15,006		22,057
Secondary School			19,676	
Alternative School				
Special Education	7,315			
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement				
Educational Media				
District Administration				
School Administration				
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>7,315</u>	<u>15,006</u>	<u>19,676</u>	<u>22,057</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning				
Fund Balances - Ending	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

FRUITLAND SCHOOL DISTRICT NO. 373

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects Funds</u>		
	<u>Title II-A</u>			
	<u>Improving</u>	<u>Bus</u>	<u>Insurance</u>	
	<u>Teacher Quality</u>	<u>Depreciation</u>	<u>Adjustment</u>	<u>Total</u>
Revenues				
Local Taxes				\$0
Other Local Revenue			\$40	11,040
State Revenue				57,943
Federal Revenue	\$18,099			748,692
Total Revenues	<u>18,099</u>	<u>\$0</u>	<u>40</u>	<u>817,675</u>
Expenditures				
Instructional Programs				
Elementary School	503			364,233
Secondary School				51,434
Alternative School				0
Special Education				274,824
Special Education Preschool				0
Gifted & Talented				0
Interscholastic				0
Support Service Programs				
Attendance - Guidance - Health				0
Special Education Support Services				52,067
Instructional Improvement	17,596			51,050
Educational Media				0
District Administration				0
School Administration				0
Buildings - Care				0
Maintenance - Student Occupied				0
Maintenance - Grounds				0
Pupil-To-School Transportation				0
Pupil-Activity Transportation				0
General Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Community Services				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Debt Service - Principal				0
Debt Service - Interest				0
Total Expenditures	<u>18,099</u>	<u>0</u>	<u>0</u>	<u>793,608</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	40	24,067
Other Financing Sources (Uses)				
Transfers In		34,249		34,249
Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>34,249</u>	<u>0</u>	<u>34,249</u>
Net Change in Fund Balances	<u>0</u>	<u>34,249</u>	<u>40</u>	<u>58,316</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>35,182</u>	<u>58,108</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$34,249</u>	<u>\$35,222</u>	<u>\$116,424</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture			
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10.553	\$97,664
National School Lunch Program	10.555	10.555	325,198
Summer Food Service Program for Children	10.559	10.559	4,584
Total Child Nutrition Cluster			<u>427,446</u>
Total US Dept of Agriculture			<u>427,446</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	84.027	319,576
Special Education - Preschool Grants	84.173	84.173	7,315
Total Special Education Cluster			<u>326,891</u>
Title I Grants to Local Educational Agencies	84.010	84.010	326,667
Migrant Education - State Grant Program	84.011	84.011	20,296
Career & Technical Education - Basic Grants to States	84.048	84.048	19,676
Rural Education	84.358	84.358	15,006
English Language Acquisition State Grants	84.365	84.365	22,057
Improving Teacher Quality State Grants	84.367	84.367	18,099
Total US Dept of Education			<u>748,692</u>
Total Expenditures of Federal Awards			<u>\$1,176,138</u>

NOTES:

A. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

B. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

OTHER REPORTS AND SCHEDULES

Audits
Taxes
Special Services



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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
Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Fruitland School District No. 373

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fruitland School District No. 373 (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Quest CPAs, P.C.

Payette, Idaho
August 14, 2014

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Fruitland School District No. 373

Report on Compliance for Each Major Federal Program

We have audited Fruitland School District No. 373 (the School's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the School 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, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance 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 in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
August 14, 2014

FRUITLAND SCHOOL DISTRICT NO. 373

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report being issued:	Unmodified
<i>Internal control over financial reporting:</i>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

<i>Internal control over major programs:</i>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Major program identification:	
a. Special Education Cluster – CFDA #84.027, 84.173	
Dollar threshold used to distinguish between type A and B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes