

FRUITLAND SCHOOL DISTRICT NO. 373

FINANCIAL STATEMENTS

Year Ended June 30, 2016

FRUITLAND SCHOOL DISTRICT NO. 373

Table of Contents

	<u>PAGE (S)</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-3
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities.....	5
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	6-8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	9-11
Statement of Fiduciary Net Position.....	12
Statement of Changes in Fiduciary Net Position.....	13
Notes to Financial Statements.....	14-28
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	29-30
Schedule of Employer’s Share of Net Pension Liability.....	31
Schedule of Employer Contributions.....	32
<u>SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	33-36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	37-40
Schedule of Expenditures of Federal Awards.....	41

FRUITLAND SCHOOL DISTRICT NO. 373

Table of Contents

	<u>PAGE (S)</u>
<u>OTHER REPORTS AND SCHEDULES</u>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ...	42-43
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	44-45
Schedule of Findings and Questioned Costs.....	46

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, 2016, 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.

Basis for Qualified Opinion on Governmental Activities

Management believes the costs of implementing GASB 45 (having actuarial calculations performed for other post-employment benefits) cannot be justified at this time. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2016, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2016, 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 schedules, schedule of employer’s share of net pension liability, and schedule of employer contributions 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 not included 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 information, although not 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 not including this information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards 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 for Federal Awards* and is also 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 July 15, 2016, 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
July 15, 2016

BASIC FINANCIAL STATEMENTS

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$4,496,453
Receivables:	
Local Sources	539,021
State Sources	216,294
Federal Sources	324,942
Inventory	13,152
Total Current Assets	<u>5,589,862</u>
Noncurrent Assets	
Nondepreciable Capital Assets	1,074,949
Depreciable Net Capital Assets	15,057,759
Total Noncurrent Assets	<u>16,132,708</u>
Total Assets	<u>21,722,570</u>
 Deferred Outflows of Resources	
Pension Sources	1,758,592
Total Deferred Outflows of Resources	<u>1,758,592</u>
Total Assets and Deferred Outflows of Resources	<u>\$23,481,162</u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$12,610
Salaries & Benefits Payable	1,179,178
Unspent Grant Allocation	62,897
Accrued Interest	81,737
Long-Term Debt, Current	777,955
Total Current Liabilities	<u>2,114,377</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	7,723,056
Net Pension Liability	2,679,125
Total Noncurrent Liabilities	<u>10,402,181</u>
Total Liabilities	<u>12,516,558</u>
 Deferred Inflows of Resources	
Pension Sources	1,728,075
Total Deferred Inflows of Resources	<u>1,728,075</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,244,633</u>
 Net Position	
Net Investment in Capital Assets	7,549,960
Restricted:	
Special Programs	251,393
Debt Service	1,415,184
Capital Projects	1,065,847
Unrestricted	(1,045,855)
Total Net Position	<u>9,236,529</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$23,481,162</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	
Governmental Activities				
Instructional Programs				
Elementary School	\$3,010,124		\$371,365	(\$2,638,759)
Secondary School	2,867,358	\$10,405	73,618	(2,783,335)
Alternative School	86,120			(86,120)
Special Education	891,651		290,802	(600,849)
Special Education Preschool	7,353		7,353	0
Gifted & Talented	0			0
Interscholastic	167,023			(167,023)
Support Service Programs				
Attendance - Guidance - Health	210,552			(210,552)
Special Education Support Services	65,196		6,452	(58,744)
Instruction Improvement	161,416		62,187	(99,229)
Educational Media	54,010			(54,010)
District Administration	285,072			(285,072)
School Administration	370,019			(370,019)
Buildings - Care	601,838			(601,838)
Maintenance - Student Occupied	158,694			(158,694)
Maintenance - Grounds	37,626			(37,626)
Pupil-To-School Transportation	543,584			(543,584)
Pupil-Activity Transportation	620			(620)
General Transportation	0			0
Non-Instructional Programs				
Child Nutrition	658,233	167,154	491,079	0
Community Services	4,952			(4,952)
Capital Assets - Student Occupied	619,539			(619,539)
Capital Assets - Non-Student Occupied	0			0
Debt Service - Principal	0			0
Debt Service - Interest	270,388			(270,388)
Total	<u>\$11,071,368</u>	<u>\$177,559</u>	<u>\$1,302,856</u>	<u>\$0</u>
General Revenues				
Local Taxes				1,423,309
Other Local Revenue				348,344
State Revenue				8,818,277
Federal Revenue				0
Total				<u>10,589,930</u>
Change in Net Position				998,977
Net Position - Beginning				<u>8,237,552</u>
Net Position - Ending				<u>\$9,236,529</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$2,066,817	\$179,339	\$1,160,064	\$834,429
Receivables:				
Local Sources	142,535		301,187	95,299
State Sources	216,294			
Federal Sources				
Due From Other Funds	174,670			
Inventory		13,152		
Total Assets	<u>\$2,600,316</u>	<u>\$192,491</u>	<u>\$1,461,251</u>	<u>\$929,728</u>
Liabilities				
Accounts Payable	\$8,320			
Due To Other Funds				
Salaries & Benefits Payable	1,063,038	\$28,010		
Unspent Grant Allocation				
Total Liabilities	<u>1,071,358</u>	<u>28,010</u>	<u>\$0</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	25,357		46,067	14,576
Total Deferred Inflows of Resources	<u>25,357</u>	<u>0</u>	<u>46,067</u>	<u>14,576</u>
Fund Balances				
Restricted:				
Special Programs		151,329		
Debt Service			1,415,184	
Capital Projects				765,482
Nonspendable		13,152		
Assigned				149,670
Unassigned	1,503,601			
Total Fund Balances	<u>1,503,601</u>	<u>164,481</u>	<u>1,415,184</u>	<u>915,152</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$2,600,316</u>	<u>\$192,491</u>	<u>\$1,461,251</u>	<u>\$929,728</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Balance Sheet - Governmental Funds

June 30, 2016

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash & Investments	\$255,804	\$4,496,453
Receivables:		
Local Sources	0	539,021
State Sources	0	216,294
Federal Sources	324,942	324,942
Due From Other Funds	0	174,670
Inventory	0	13,152
Total Assets	<u>\$580,746</u>	<u>\$5,764,532</u>
 Liabilities		
Accounts Payable	\$4,290	\$12,610
Due To Other Funds	174,670	174,670
Salaries & Benefits Payable	88,130	1,179,178
Unspent Grant Allocation	62,897	62,897
Total Liabilities	<u>329,987</u>	<u>1,429,355</u>
 Deferred Inflows of Resources		
Unavailable Tax Revenues	0	86,000
Total Deferred Inflows of Resources	<u>0</u>	<u>86,000</u>
 Fund Balances		
Restricted:		
Special Programs	100,064	251,393
Debt Service	0	1,415,184
Capital Projects	150,695	916,177
Nonspendable	0	13,152
Assigned	0	149,670
Unassigned	0	1,503,601
Total Fund Balances	<u>250,759</u>	<u>4,249,177</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$580,746</u>	<u>\$5,764,532</u>

Balance Sheet - Governmental Funds

June 30, 2016

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities**Total Governmental Fund Balances** \$4,249,177

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. 16,132,708

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 86,000

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (8,582,749)

Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds. (2,648,607)

Net Position of Governmental Activities \$9,236,529

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Taxes	\$368,597		\$792,143	\$250,867
Other Local Revenue	160,563	\$167,154	5,610	192,448
State Revenue	8,619,503		198,774	
Federal Revenue		466,630		
Total Revenues	<u>9,148,663</u>	<u>633,784</u>	<u>996,527</u>	<u>443,315</u>
Expenditures				
Instructional Programs				
Elementary School	2,695,243			
Secondary School	2,844,555			
Alternative School	86,120			
Special Education	600,849			
Special Education Preschool				
Gifted & Talented				
Interscholastic	167,023			
Support Service Programs				
Attendance - Guidance - Health	210,552			
Special Education Support Services	58,744			
Instruction Improvement	99,229			
Educational Media	54,010			
District Administration	285,072			
School Administration	370,019			
Buildings - Care	601,838			
Maintenance - Student Occupied	158,694			
Maintenance - Grounds	37,626			
Pupil-To-School Transportation	467,210			
Pupil-Activity Transportation	620			
General Transportation				
Non-Instructional Programs				
Child Nutrition	15,029	643,204		
Community Services	4,952			
Capital Assets - Student Occupied				213,035
Capital Assets - Non-Student Occupied				
Debt Service - Principal			715,000	
Debt Service - Interest			279,261	
Total Expenditures	<u>8,757,385</u>	<u>643,204</u>	<u>994,261</u>	<u>213,035</u>
Excess (Deficiency) of Revenues Over Expenditures	391,278	(9,420)	2,266	230,280
Other Financing Sources (Uses)				
Proceeds from Capital Lease				
Transfers In				
Transfers Out	(70,681)			
Total Other Financing Sources (Uses)	<u>(70,681)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	320,597	(9,420)	2,266	230,280
Fund Balances - Beginning	1,183,004	173,901	1,412,918	684,872
Fund Balances - Ending	<u>\$1,503,601</u>	<u>\$164,481</u>	<u>\$1,415,184</u>	<u>\$915,152</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2016

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$1,411,607
Other Local Revenue	128	525,903
State Revenue	111,463	8,929,740
Federal Revenue	724,763	1,191,393
Total Revenues	836,354	12,058,643
Expenditures		
Instructional Programs		
Elementary School	368,226	3,063,469
Secondary School	73,618	2,918,173
Alternative School	0	86,120
Special Education	290,802	891,651
Special Education Preschool	7,353	7,353
Gifted & Talented	0	0
Interscholastic	0	167,023
Support Service Programs		
Attendance - Guidance - Health	0	210,552
Special Education Support Services	6,452	65,196
Instruction Improvement	62,187	161,416
Educational Media	0	54,010
District Administration	0	285,072
School Administration	0	370,019
Buildings - Care	0	601,838
Maintenance - Student Occupied	0	158,694
Maintenance - Grounds	0	37,626
Pupil-To-School Transportation	247,280	714,490
Pupil-Activity Transportation	0	620
General Transportation	0	0
Non-Instructional Programs		
Child Nutrition	0	658,233
Community Services	0	4,952
Capital Assets - Student Occupied	0	213,035
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	715,000
Debt Service - Interest	0	279,261
Total Expenditures	1,055,918	11,663,803
Excess (Deficiency) of Revenues Over Expenditures	(219,564)	394,840
Other Financing Sources (Uses)		
Proceeds from Capital Lease	213,820	213,820
Transfers In	70,681	70,681
Transfers Out	0	(70,681)
Total Other Financing Sources (Uses)	284,501	213,820
Net Change in Fund Balances	64,937	608,660
Fund Balances - Beginning	185,822	3,640,517
Fund Balances - Ending	\$250,759	\$4,249,177

FRUITLAND SCHOOL DISTRICT NO. 373
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2016

**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 \$608,660

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. (263,365)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 11,703

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 747,810

Receipt of debt principal is a financing source in the governmental funds, but the receipt increases long-term debt in the statement of net position. (213,821)

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 3,830

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. 104,160

Change in Net Position of Governmental Activities \$998,977

FRUITLAND SCHOOL DISTRICT NO. 373

Statement of Fiduciary Net Position

June 30, 2016

	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	\$9,325	\$354,490	\$363,815
Total Assets	<u>\$9,325</u>	<u>\$354,490</u>	<u>\$363,815</u>
Liabilities			
Due to Student Groups		\$354,490	\$354,490
Total Liabilities	<u>\$0</u>	<u>354,490</u>	<u>354,490</u>
Net Position			
Restricted:			
Scholarships	9,325		9,325
Total Net Position	<u>9,325</u>	<u>0</u>	<u>9,325</u>
Total Liabilities and Net Position	<u>\$9,325</u>	<u>\$354,490</u>	<u>\$363,815</u>

FRUITLAND SCHOOL DISTRICT NO. 373
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private Purpose Trust Funds - Scholarship
Additions	
Contributions	\$5,750
Investment Income (Loss)	
Total Additions	5,750
Deductions	
Scholarships Awarded	7,093
Total Deductions	7,093
Change in Net Position	(1,343)
Net Position - Beginning	10,668
Net Position - Ending	\$9,325

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.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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 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 are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. 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.

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

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 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 paid to the general fund unless Idaho Code specifies otherwise. Investments include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants. 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 – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for 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 – 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.

Pensions – For purposes of measuring the net pension liability and pension expense/revenue, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

Deferred Outflows/Inflows of Resources – The School’s financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

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 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 restricted 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.

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

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.

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	\$659,393
Investments - Local Government Investment Pool	4,200,875
Total	<u><u>\$4,860,268</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$659,393 and the bank balances were \$835,124. 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. Government, 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. More information on the local governmental investment pool including regulatory information, restriction on withdrawals, and rating and risk information can be found at sto.idaho.gov. Government accounting standards board statements 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.

FRUITLAND SCHOOL DISTRICT NO. 373

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>	<u>Total</u>
Local Sources					
Local Taxes	\$142,535		\$301,187	\$95,299	\$539,021
Total	<u>\$142,535</u>		<u>\$301,187</u>	<u>\$95,299</u>	<u>\$539,021</u>
State Sources					
Foundation Program	\$204,051				\$204,051
Special Programs	12,243				12,243
Total	<u>\$216,294</u>				<u>\$216,294</u>
Federal Sources					
Special Programs		\$324,942			\$324,942
Total		<u>\$324,942</u>			<u>\$324,942</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	\$1,074,949			\$1,074,949
Total	<u>1,074,949</u>	<u>\$0</u>	<u>\$0</u>	<u>1,074,949</u>
Depreciable Capital Assets				
Buildings	22,902,640	44,349		22,946,989
Equipment	2,047,909	9,009		2,056,918
Transportation	1,351,430	213,820		1,565,250
Subtotal	<u>26,301,979</u>	<u>267,178</u>	<u>0</u>	<u>26,569,157</u>
Accumulated Depreciation				
Buildings	7,815,713	456,617		8,272,330
Equipment	2,029,156	3,245		2,032,401
Transportation	1,135,986	70,681		1,206,667
Subtotal	<u>10,980,855</u>	<u>530,543</u>	<u>0</u>	<u>11,511,398</u>
Total	<u>15,321,124</u>	<u>(263,365)</u>	<u>0</u>	<u>15,057,759</u>
Net Capital Assets	<u>\$16,396,073</u>	<u>(\$263,365)</u>	<u>\$0</u>	<u>\$16,132,708</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$459,862
Pupil-To-School Transportation	70,681
Total	<u>\$530,543</u>

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

E. LONG-TERM DEBT

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

	<u>Outstanding</u>
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	\$120,000
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	8,200,000
Total	<u><u>\$8,320,000</u></u>

Maturities on the bonds are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/17	\$750,000	\$250,275
6/30/18	775,000	226,575
6/30/19	795,000	207,000
6/30/20	805,000	191,000
6/30/21	820,000	174,750
6/30/22-26	4,375,000	433,475
Total	<u><u>\$8,320,000</u></u>	<u><u>\$1,483,075</u></u>

Capital Lease – The School leases buses that qualify as capital lease obligations. The buses cost \$213,820 and at year end, related accumulated depreciation was \$35,231.

Capital leases due in annual installments of \$33,460 with interest at 3.04% through 2021/22, secured by buses, paid through the bus depreciation fund	\$181,011
Total	<u><u>\$181,011</u></u>

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

Maturities on the capital lease are estimated as follows:

Year Ended	
6/30/17	\$33,460
6/30/18	33,460
6/30/19	33,460
6/30/20	33,460
6/30/21	33,460
6/30/22	33,460
Total Future Minimum Lease Payments	<u>200,760</u>
Amount Representing Interest	<u>(19,749)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$181,011</u></u>

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2005 G.O. Bonds	\$570,000		\$570,000	\$0	\$0
2006 G.O. Bonds	235,000		115,000	120,000	120,000
2014 G.O.R. Bonds	8,230,000		30,000	8,200,000	630,000
Capital Leases	0	\$213,821	32,810	181,011	27,955
Total	<u>\$9,035,000</u>	<u>\$213,821</u>	<u>\$747,810</u>	<u>\$8,501,011</u>	<u>\$777,955</u>

Interest and related costs during the year amounted to \$276,081, of which \$270,388 was charged to the debt service – interest program and \$5,693 was charged to the pupil-to-school transportation program.

F. PENSION PLAN

Plan Description

The School contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Active participants	67,008
Terminated and vested	42,657
Retirees and beneficiaries	11,859
Total	121,524

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 8.36% for police and firefighters. The School's contributions were \$675,029 for the year ended June 30, 2016.

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

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

At June 30, 2016, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the School's proportion was 0.2034515 percent.

For the year ended June 30, 2016, the School recognized pension expense (revenue) of \$570,869. At June 30, 2016, the School 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		\$321,170
Changes in assumptions or other inputs	\$97,570	
Net difference between projected and actual earnings on pension plan investments	985,993	1,406,905
Employer contributions subsequent to the measurement date	675,029	
Total	<u>\$1,758,592</u>	<u>\$1,728,075</u>

\$675,029 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2017.

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

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

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

Year Ended	
6/30/17	(\$274,822)
6/30/18	(274,822)
6/30/19	(274,822)
6/30/20	199,472
6/30/21	(19,519)
Total	<u>(\$644,513)</u>

Actuarial Assumptions

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

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

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

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

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

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

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

*Arithmetic Return

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
School's proportionate share of the net pension liability (asset)	\$6,525,376	\$2,679,125	(\$518,522)

Pension plan fiduciary net position

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

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

FRUITLAND SCHOOL DISTRICT NO. 373

Notes to Financial Statements

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		\$174,670	\$174,670
Total		<u>\$174,670</u>	<u>\$174,670</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		\$70,681	Depreciation
Nonmajor Governmental	\$70,681		Depreciation
Total	<u>\$70,681</u>	<u>\$70,681</u>	

REQUIRED SUPPLEMENTARY INFORMATION

FRUITLAND SCHOOL DISTRICT NO. 373

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2016

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$383,000	\$383,000	\$368,597	(\$14,403)
Other Local Revenue	54,800	54,800	160,563	105,763
State Revenue	8,474,025	8,474,025	8,619,503	145,478
Federal Revenue	0	0	0	0
Total Revenues	<u>8,911,825</u>	<u>8,911,825</u>	<u>9,148,663</u>	<u>236,838</u>
Expenditures				
Instructional Programs				
Elementary School	2,581,794	2,581,794	2,695,243	(113,449)
Secondary School	2,924,799	2,924,799	2,844,555	80,244
Alternative School	116,085	116,085	86,120	29,965
Special Education	700,788	700,788	600,849	99,939
Special Education Preschool	0	0	0	0
Gifted & Talented	0	0	0	0
Interscholastic	186,841	186,841	167,023	19,818
Support Service Programs				
Attendance - Guidance - Health	212,521	212,521	210,552	1,969
Special Education Support Services	202,942	202,942	58,744	144,198
Instruction Improvement	0	0	99,229	(99,229)
Educational Media	53,797	53,797	54,010	(213)
District Administration	284,352	284,352	285,072	(720)
School Administration	366,371	366,371	370,019	(3,648)
Buildings - Care	615,344	615,344	601,838	13,506
Maintenance - Student Occupied	148,050	148,050	158,694	(10,644)
Maintenance - Grounds	34,598	34,598	37,626	(3,028)
Pupil-To-School Transportation	460,187	460,187	467,210	(7,023)
Pupil-Activity Transportation	2,169	2,169	620	1,549
General Transportation	542	542	0	542
Non-Instructional Programs				
Child Nutrition	15,766	15,766	15,029	737
Community Services	4,879	4,879	4,952	(73)
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>8,911,825</u>	<u>8,911,825</u>	<u>8,757,385</u>	<u>154,440 *</u>
Excess (Deficiency) of Revenues Over Expenditures				
	0	0	391,278	391,278
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	(70,681)	(70,681) *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(70,681)</u>	<u>(70,681)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>320,597</u>	<u>320,597</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>1,183,004</u>	<u>1,183,004</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$1,503,601</u>	<u>\$1,503,601</u>

*Total expenditures (over) under appropriations are: \$83,759

FRUITLAND SCHOOL DISTRICT NO. 373

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2016

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Other Local Revenue	\$142,500	\$142,500	\$167,154	\$24,654
Federal Revenue	437,000	437,000	466,630	29,630
Total Revenues	<u>579,500</u>	<u>579,500</u>	<u>633,784</u>	<u>54,284</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	579,500	579,500	643,204	(63,704)
Total Expenditures	<u>579,500</u>	<u>579,500</u>	<u>643,204</u>	<u>(63,704) *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	(9,420)	(9,420)
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	(9,420)	(9,420)
Fund Balances - Beginning	0	0	173,901	173,901
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$164,481</u>	<u>\$164,481</u>
				<u>*(Total expenditures (over) under appropriations are: (\$63,704)</u>

FRUITLAND SCHOOL DISTRICT NO. 373
 Schedule of Employer's Share of Net Pension Liability
 PERSI - Base Plan
 Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
School's portion of the net pension liability	0.2034515%	0.2012606%
School's proportionate share of the net pension liability	\$2,679,125	\$1,481,593
School's covered-employee payroll	\$5,963,154	\$5,698,622
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	44.93%	26.00%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured using the beginning fiscal year measurement date (i.e. July 1).

FRUITLAND SCHOOL DISTRICT NO. 373

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$675,029	\$645,084
Contributions in relation to the statutorily required contribution	\$675,029	\$645,084
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
School's covered-employee payroll	\$5,963,154	\$5,698,622
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

SUPPLEMENTARY INFORMATION

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Apple Tech Pilot Grant	Technology	Substance Abuse	Title I-A ESEA IBP
Assets				
Cash & Investments	\$5,801	\$62,135	\$37,173	
Receivables:				
Local Sources				
State Sources				
Federal Sources				\$90,248
Due From Other Funds				
Inventory				
Total Assets	\$5,801	\$62,135	\$37,173	\$90,248
Liabilities				
Accounts Payable		\$1,000	\$1,850	
Due To Other Funds				\$42,115
Salaries & Benefits Payable		2,195		48,133
Unspent Grant Allocation				
Total Liabilities	\$0	3,195	1,850	90,248
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	5,801	58,940	35,323	
Debt Service				
Capital Projects				
Nonspendable				
Assigned				
Unassigned				
Total Fund Balances	5,801	58,940	35,323	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$5,801	\$62,135	\$37,173	\$90,248

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Title I-C ESEA EMC	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool	Title VI-B ESEA REAP
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$10,495	\$98,160		\$22,960
Due From Other Funds				
Inventory				
Total Assets	\$10,495	\$98,160	\$0	\$22,960
Liabilities				
Accounts Payable		\$424		\$996
Due To Other Funds	\$3,357	64,410		14,738
Salaries & Benefits Payable	3,416	33,326		
Unspent Grant Allocation	3,722			7,226
Total Liabilities	10,495	98,160	\$0	22,960
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Assigned				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$10,495	\$98,160	\$0	\$22,960

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue		
	Perkins III Professional Technical Act	Title III ESEA LILEP&I	Title II-A Improving Teacher Quality
Assets			
Cash & Investments			
Receivables:			
Local Sources			
State Sources			
Federal Sources	\$16,588	\$1,060	\$85,431
Due From Other Funds			
Inventory			
Total Assets	<u>\$16,588</u>	<u>\$1,060</u>	<u>\$85,431</u>
Liabilities			
Accounts Payable	\$20		
Due To Other Funds	16,568		\$33,482
Salaries & Benefits Payable		\$1,060	
Unspent Grant Allocation			51,949
Total Liabilities	<u>16,588</u>	<u>1,060</u>	<u>85,431</u>
Deferred Inflows of Resources			
Unavailable Tax Revenues			
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted:			
Special Programs			
Debt Service			
Capital Projects			
Nonspendable			
Assigned			
Unassigned			
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$16,588</u>	<u>\$1,060</u>	<u>\$85,431</u>

FRUITLAND SCHOOL DISTRICT NO. 373
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Capital Projects Funds		
	Bus Depreciation	Insurance Adjustment	Total
Assets			
Cash & Investments	\$115,288	\$35,407	\$255,804
Receivables:			
Local Sources			0
State Sources			0
Federal Sources			324,942
Due From Other Funds			0
Inventory			0
Total Assets	\$115,288	\$35,407	\$580,746
Liabilities			
Accounts Payable			\$4,290
Due To Other Funds			174,670
Salaries & Benefits Payable			88,130
Unspent Grant Allocation			62,897
Total Liabilities	\$0	\$0	329,987
Deferred Inflows of Resources			
Unavailable Tax Revenues			0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted:			
Special Programs			100,064
Debt Service			0
Capital Projects	115,288	35,407	150,695
Nonspendable			0
Assigned			0
Unassigned			0
Total Fund Balances	115,288	35,407	250,759
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$115,288	\$35,407	\$580,746

FRUITLAND SCHOOL DISTRICT NO. 373

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds			
	Apple Tech Pilot Grant	Technology	Substance Abuse	Title I-A ESEA IBP
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue		\$87,239	\$24,224	
Federal Revenue				\$283,237
Total Revenues	\$0	87,239	24,224	283,237
Expenditures				
Instructional Programs				
Elementary School		9,600		283,237
Secondary School		57,030		
Alternative School				
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement		15,395	1,850	
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	0	82,025	1,850	283,237
Excess (Deficiency) of Revenues Over Expenditures	0	5,214	22,374	0
Other Financing Sources (Uses)				
Proceeds from Capital Lease				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	5,214	22,374	0
Fund Balances - Beginning	5,801	53,726	12,949	0
Fund Balances - Ending	\$5,801	\$58,940	\$35,323	\$0

FRUITLAND SCHOOL DISTRICT NO. 373

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds			
	Title I-C ESEA EMC	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool	Title VI-B ESEA REAP
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$19,174	\$297,376	\$7,353	\$20,247
Total Revenues	<u>19,174</u>	<u>297,376</u>	<u>7,353</u>	<u>20,247</u>
Expenditures				
Instructional Programs				
Elementary School				20,247
Secondary School				
Alternative School				
Special Education		290,802		
Special Education Preschool			7,353	
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services		6,452		
Instruction Improvement	19,174	122		
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>19,174</u>	<u>297,376</u>	<u>7,353</u>	<u>20,247</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Proceeds from Capital Lease				
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</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, 2016

	<u>Special Revenue</u>		
	<u>Perkins III Professional Technical Act</u>	<u>Title III ESEA LILEP&I</u>	<u>Title II-A Improving Teacher Quality</u>
Revenues			
Local Taxes			
Other Local Revenue			
State Revenue			
Federal Revenue	\$16,588	\$13,980	\$66,808
Total Revenues	<u>16,588</u>	<u>13,980</u>	<u>66,808</u>
Expenditures			
Instructional Programs			
Elementary School		13,980	41,162
Secondary School	16,588		
Alternative School			
Special Education			
Special Education Preschool			
Gifted & Talented			
Interscholastic			
Support Service Programs			
Attendance - Guidance - Health			
Special Education Support Services			
Instruction Improvement			25,646
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>16,588</u>	<u>13,980</u>	<u>66,808</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Other Financing Sources (Uses)			
Proceeds from Capital Lease			
Transfers In			
Transfers Out			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0
Fund Balances - Beginning	0	0	0
Fund Balances - Ending	<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, 2016

	Capital Projects Funds		
	Bus Depreciation	Insurance Adjustment	Total
Revenues			
Local Taxes			\$0
Other Local Revenue		\$128	128
State Revenue			111,463
Federal Revenue			724,763
Total Revenues	\$0	128	836,354
Expenditures			
Instructional Programs			
Elementary School			368,226
Secondary School			73,618
Alternative School			0
Special Education			290,802
Special Education Preschool			7,353
Gifted & Talented			0
Interscholastic			0
Support Service Programs			
Attendance - Guidance - Health			0
Special Education Support Services			6,452
Instruction Improvement			62,187
Educational Media			0
District Administration			0
School Administration			0
Buildings - Care			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Pupil-To-School Transportation	247,280		247,280
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	247,280	0	1,055,918
Excess (Deficiency) of Revenues			
Over Expenditures	(247,280)	128	(219,564)
Other Financing Sources (Uses)			
Proceeds from Capital Lease	213,820		213,820
Transfers In	70,681		70,681
Transfers Out			0
Total Other Financing Sources (Uses)	284,501	0	284,501
Net Change in Fund Balances	37,221	128	64,937
Fund Balances - Beginning	78,067	35,279	185,822
Fund Balances - Ending	\$115,288	\$35,407	\$250,759

FRUITLAND SCHOOL DISTRICT NO. 373

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
US Dept of Agriculture			
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$114,798
National School Lunch Program	10.555		344,395
Summer Food Service Program for Children	10.559		7,437
Total Child Nutrition Cluster			<u>466,630</u>
Total US Dept of Agriculture			<u>466,630</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027		297,376
Special Education - Preschool Grants	84.173		7,353
Total Special Education Cluster			<u>304,729</u>
Title I Grants to Local Educational Agencies	84.010		283,237
Migrant Education - State Grant Program	84.011		19,174
Career & Technical Education - Basic Grants to States	84.048		16,588
Rural Education	84.358		20,247
English Language Acquisition State Grants	84.365		13,980
Improving Teacher Quality State Grants	84.367		66,808
Total US Dept of Education			<u>724,763</u>
Total Expenditures of Federal Awards			<u>\$1,191,393</u>

NOTES:

A. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*. 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 assets, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OTHER REPORTS AND SCHEDULES

Audits
Taxes
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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***

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, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated July 15, 2016.

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
July 15, 2016



**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2016. 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 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 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 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 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, 2016.

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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
July 15, 2016

FRUITLAND SCHOOL DISTRICT NO. 373

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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 2 CFR section 200.516(a)?	No
Major program identification:	
a. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.559	
Dollar threshold used to distinguish between type A and B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes