



Financial Statements  
June 30, 2016

# Kuna School District

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Independent Auditor’s Report.....	1
Management's Discussion and Analysis .....	4
Financial Statements	
Statement of Net Position .....	10
Statement of Activities.....	11
Balance Sheet - Governmental Funds.....	12
Reconciliation of Governmental Funds - Balance Sheet to the Statement of Net Position .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	16
Agency and Fiduciary Funds Statement of Net Position .....	17
Fiduciary Funds - Statement of Changes in Net Position .....	18
Notes to Financial Statements.....	19
Required Supplementary Information	
Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions .....	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund.....	40
Notes to Required Supplementary Schedules .....	42
Other Financial Information	
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	48
Federal Awards Reports in Accordance with the Single Audit Act and Uniform Guidance	
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 <i>Government Auditing Standards</i> .....	53
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by Uniform Guidance.....	55
Schedule of Expenditures of Federal Awards.....	57
Notes to Schedule of Expenditures of Federal Awards .....	58
Schedule of Findings and Questioned Costs.....	59
Summary Schedule of Prior Year Findings .....	62



## Independent Auditor's Report

To Board of Trustees  
Kuna School District  
Kuna, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kuna School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Opinions**

Management has not performed the actuarial calculations for the other post-employment benefits (OPEB) for the governmental activities and, accordingly, has not considered the District's OPEB liability. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits based on an updated actuarial valuation. It also requires certain updated disclosures regarding the contribution rates, annual required contributions, the net OPEB obligation and expense, and the unfunded actuarial accrued liability. The amount by which this departure would affect net position, liabilities, expenses, and disclosures in the governmental activities is not reasonably determinable.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, the debt service fund, the capital projects fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of net pension liability, the schedule of employer's contributions, and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining nonmajor fund financial statements are presented for additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards is 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 a report dated November 8, 2016 on our consideration of the District'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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
November 8, 2016

The discussion and analysis of the Kuna School District #003's (the District) financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on the District's financial activities for the fiscal year.

### **Financial Highlights**

- The District's remaining plant facility monies were completely spent by year end.
- The District's supplemental levy expired at the end of this year. This amount accounted for approximately 10% of the District's 2015-16 revenue.
- The District has continued to maintain a strong fund balance which has allowed the Board of Trustees to manage the gap in the budget between state funding versus operational spending and mitigate the impact of growth in the District.

### **Overview of the Financial Statements**

This section of the annual financial report consists of three parts: management's discussion and analysis, basic financial statements, and required and other financial supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

### **Government-wide Financial Statements (GWFS)**

The GWFS (i.e. Statement of Net Position and Statement of Activities) provide readers with a broad overview of the District's finances. The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The GWFS report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The *Statement of Net Position* provides information on all of the assets and liabilities of the District, with the difference between the two providing the net position. Increases or decreases in the net position may indicate whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* shows how the net position of the District has changed throughout the fiscal year. Changes in the net position occur as soon as the underlying event gives rise.

The statements present an aggregate view of the District's finances. The GWFS contain useful long-term information as well as information for the just-completed fiscal year.

To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the GWFS, the District's activities are all classified as governmental activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation, and food services. Most of these activities are supported by property taxes and formula aid from the State of Idaho. The GWFS can be found on pages 10-11 of this report.

### **Fund Financial Statements**

Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund financial statements focus on individual parts of the District. Fund statements generally report operation in more detail than the government-wide statements. This statement focuses on its most significant or “major” funds and not on the District as a whole.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. capital project funds). The District has two types of funds: Governmental and Fiduciary.

**Governmental funds** – Governmental funds account for nearly the same functions as the Governmental activities. However, unlike the GWFS, Governmental funds focus on near-term inflows and outflows as well as the balances left at year-end that are available for funding future basic services.

It is useful to compare information found in the Governmental Funds with that of the Governmental Activities. By doing so, readers may better understand the long-term impact of the District’s near-term financing decisions.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

**Agency and Fiduciary funds** – The District serves as a trustee, or fiduciary, for student organizations and two private purpose trust funds. The assets of the organizations and trust belong to the organizations and trusts, and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

**Notes** – The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District’s financial activities and position. Required supplementary information further explains and supports the financial statements by including a comparison of the District’s budget data for the year.

### **Government-Wide Financial Analysis**

Net position may serve as a useful indicator of a district’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,853,755 at the close of the most recent fiscal year.

The restricted portion of the District’s net position reflects debt service proceeds and other resources that are subject to external restrictions. Restricted net position as of June 30, 2016, consisted of \$4,331,050 in debt service money that will be used to pay next year’s required debt principal and interest payments, \$108,992 of federally restricted school lunch program funds, \$699,808 from lottery funds used for maintenance and additions to facilities and \$129,647 of state and federal funded programs.

The net investments in capital assets (i.e. land, buildings, furniture, and equipment less general obligation debt) represents 113.9% of total net position. This percentage will change as resources are expended to complete capital construction projects. These capital assets provide services to students; consequently, these assets are not available for future spending.

	Governmental Activities		
	2016	2015	Change
Current and other assets	\$ 13,475,237	\$ 13,377,701	\$ 97,536
Capital assets	41,834,549	41,861,927	(27,378)
Total assets	<u>55,309,786</u>	<u>55,239,628</u>	<u>70,158</u>
Deferred Outflows			
Deferred loss on refunding	38,162	43,646	(5,484)
Deferred outflows pensions	5,820,984	2,567,538	3,253,446
Total deferred outflows	<u>5,859,146</u>	<u>2,611,184</u>	<u>3,247,962</u>
Current liabilities	5,040,177	4,377,011	(663,166)
Long-term liabilities outstanding			
Due within one year	3,162,067	3,092,068	(69,999)
Due in more then one year	43,377,197	42,646,984	(730,213)
Total liabilities	<u>51,579,441</u>	<u>50,116,063</u>	<u>(1,463,378)</u>
Deferred Inflows			
Deferred inflow pensions	5,735,736	6,823,957	(1,088,221)
Net Position			
Net investment in capital assets	4,387,556	1,322,867	3,064,689
Restricted	5,269,497	5,651,431	(381,934)
Unrestricted	<u>(5,803,298)</u>	<u>(6,063,506)</u>	<u>260,208</u>
Total net position	<u>\$ 3,853,755</u>	<u>\$ 910,792</u>	<u>\$ 2,942,963</u>

The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District's combined net position increased by \$2,942,963 to \$3,853,755. The majority of this increase relates to the donation of land valued at \$1,010,000.

**Changes in Net Position** – The following table shows the changes in net position for the fiscal years 2015-2016 and 2014-2015. The District relies on state funding for 65%, federal and state grants for 11%, and local property taxes from a voter approved supplemental levy, tort levy, emergency levy, and debt service for 20% of its governmental activities. The District had total revenues of \$39,596,955. The total revenues exceeded expenses by \$2,942,963.

	2016	2015	Change
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 756,854	\$ 849,792	\$ (92,938)
Operating grants and contributions	5,677,030	4,469,506	1,207,524
General Revenues			
Property taxes, levied for general purposes	3,302,253	3,358,082	(55,829)
Property taxes, levied for debt services	4,460,605	4,409,746	50,859
State revenues	23,574,392	23,587,557	(13,165)
Medicaid	778,426	960,404	(181,978)
Other general revenues	12,352	2,069	10,283
Donation of land	1,010,000	-	1,010,000
Interest and investment earnings	25,043	11,924	13,119
<b>Total revenues</b>	<b>39,596,955</b>	<b>37,649,080</b>	<b>1,947,875</b>
<b>Expenses</b>			
Instructional Services	21,048,199	19,466,003	1,582,196
Support Services	3,464,465	3,015,475	448,990
School administration	1,731,681	1,574,417	157,264
Attendance-guidance-health	921,849	1,021,653	(99,804)
Transportation	1,542,737	1,235,152	307,585
Maintenance and improvements	2,612,835	2,653,407	(40,572)
School lunch	2,270,125	2,150,340	119,785
Interest and other costs on long-term debt	1,336,954	1,526,381	(189,427)
Depreciation	1,725,147	1,832,116	(106,969)
<b>Total expenses</b>	<b>36,653,992</b>	<b>34,474,944</b>	<b>2,179,048</b>
<b>Change in Net Position</b>	<b>\$ 2,942,963</b>	<b>\$ 3,174,136</b>	<b>\$ (231,173)</b>

**District's Funds Financial Analysis**

As noted earlier, the District uses funds to demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows. The Districts major funds during the fiscal year were:

*General Fund* – The general fund is the general operating fund for the District. At the end of 2015-16 fiscal year, the general fund balance was \$3,317,735, of which \$3,134,749 is unassigned. Fiscal year 2014-2015 general fund balance was \$3,188,322, all of which was classified as unassigned. This represents an increase from the total general fund ending balance of \$129,413.

Expenditures for general District purposes totaled \$27,575,642, an increase of \$1,275,902 from the 2014-15 fiscal year. General Fund revenues in the 2015-16 fiscal year for the District totaled \$27,724,581, an increase of \$978,989 from the 2014-15 fiscal year. Instructional services accounts for 66% of the general fund expenditures.

General fund salaries totaled \$18,237,257. The associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision, and life insurance added \$6,465,146 to arrive at \$24,702,403 or 89% of the District's general fund expenditures.

*Debt Service Fund* – The debt service fund was established to maintain the property tax receipts in relation to the voter approved construction bond offerings. All bond related money is kept in the fund until interest and principal payments are due to the bondholders.

Revenues in the debt service fund consist of property tax receipts of \$4,460,605, investment earnings of \$1,275 and the State's bond equalization payment of \$446,586. The fund paid \$2,930,000 and \$1,530,501 in principal and interest, respectively.

### **General Fund Budgetary Highlights**

The District adopts an original budget in July for the subsequent year. The difference between the original budget and final amended budget was a net increase to the current year for additional funding from the State of Idaho for the differential pay, additional vocational education funding, and other special State projects.

The Budget to Actual shows the following programs to be over spent during the fiscal year: Secondary school programs, alternative school programs, exceptional child, gifted and talented, student media, school administration, activity transportation, technology and transfers to other funds. The largest overspent programs were transfers and secondary school programs. The large transfers' overage was a result of the general fund refunding the bus depreciation fund. Secondary school overage was due to a higher than expected teacher salary costs.

### **Capital Assets**

The capital projects fund is used primarily to account for the costs incurred while acquiring and improving sites, constructing and remodeling facilities, and producing equipment necessary for providing educational programs for all students within the District. The District has invested \$67,362,426 in a broad range of capital assets. The total accumulated depreciation on these assets amounts to \$25,527,877.

Asset acquisitions, net of disposals and transfers, for governmental activities totaled \$1,697,769 while depreciation expense was \$1,725,147 for the fiscal year. Fixed asset additions for the year include a large land donation for \$1,064,355 and the conclusion of the Kuna Middle School roof for \$325,938.

Additional information regarding the District's capital assets can be found in Note 5 to the basic financial statements.

### **Long-Term Debt**

At year end the District had \$37,446,993 in general obligation bonds. The debt of the District is secured by an annual tax levy authorized by the patrons of the District by a two-thirds majority vote. The District paid \$2,930,000 in principal payments and \$1,530,501 in interest payments during Fiscal Year 2016.

### **Economic Factors and the 2016 Budget**

Although the District has a positive fund balance, it will still maintain tight spending controls.

The Kuna School District patrons approved a supplemental levy in May 2014 for \$3.19 million. The levy is due to expire June 30, 2016. This decrease in revenue has resulted in a focus on spending controls for the 2016-17 budget and a designed deficit spending of \$2.1 million.

Effective July 1, 2016, the state increased discretionary spending by 7.7% and continued to fund the Career ladder. These changes are projected to increase the total state funding to the District by approximately 7% for the 2016-17 year.

The District has experienced tremendous growth and expects this trend to continue into the near future. The city has approved the construction of over a thousand new homes within the District boundaries which is expected to increase the student population. The District is still analyzing how this population increase will affect the facility usage and education expenses.

The State Legislature has made recent progress to improving operational funding. However, funding has still not caught up to 2009 levels (inflation adjusted) and the state has indicated that it will take up to five more years until school districts will be funded to 2009 levels (inflation adjusted). Until funding has returned to 2009 levels the District will continue to investigate alternative revenue sources to fill the gap.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Department at the Kuna School District Offices, 711 East Porter, Kuna Idaho 83634 and (208) 922-1000.

Kuna School District  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 4,837,352
Restricted cash and investments	3,597,098
Property taxes receivables	3,232,405
State and federal receivables	1,343,648
Inventories and prepaid assets	464,734
Capital assets (not subject to depreciation)	4,416,023
Capital assets (net of depreciation)	37,418,526
Total assets	55,309,786
<b>Deferred Outflows of Resources</b>	
Deferred loss on refunding	38,162
Deferred outflows pensions	5,820,984
Total deferred outflows of resources	5,859,146
	61,168,932
<b>Liabilities</b>	
Accounts, salaries, and other payables	4,552,400
Accrued interest payable bonds	487,777
Long-term liabilities	
Due within one year - bonds	3,162,067
Due in more than one year - bonds	34,284,926
Compensated absences	265,442
Net Pension Liability	8,826,829
Total liabilities	51,579,441
<b>Deferred Inflows of Resources</b>	
Deferred inflows pensions	5,735,736
<b>Net Position</b>	
Net investment in capital assets	4,387,556
Restricted for	
Debt service	4,331,050
School lunch program	108,992
Maintenance and additions to facilities	699,808
Federal and state programs	129,647
Unrestricted	(5,803,298)
Total net position	\$ 3,853,755

Kuna School District  
Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities</i>					
Instruction					
Elementary programs	\$ 9,247,907	\$ -	\$ 1,220,711	\$ -	\$ (8,027,196)
Secondary/alternative programs	7,882,732	-	129,395	-	(7,753,337)
Exceptional/preschool programs	3,220,403	-	786,252	-	(2,434,151)
Other instructional programs	697,157	-	305,944	-	(391,213)
Support Services					
Attendance-guidance-health	921,849	-	68,171	-	(853,678)
Safety Program	265,708	-	69,621	-	(196,087)
Special services program	452,818	-	-	-	(452,818)
Instructional improvement program	413,171	229,816	61,976	-	(121,379)
Educational media program	216,619	-	-	-	(216,619)
District Administration program	482,649	-	-	-	(482,649)
Business Operations program	590,196	-	-	-	(590,196)
School administration program	1,731,681	-	-	-	(1,731,681)
Maintenance and improvements buildings, grounds, and equipment	2,612,835	-	110,193	-	(2,502,642)
Classroom Technology	1,040,344	-	349,911	-	(690,433)
Pupil transportation	1,542,737	36,842	994,513	-	(511,382)
Board of Education	2,960	-	-	-	(2,960)
Food services program	2,270,125	490,196	1,580,343	-	(199,586)
Interest and financing costs	1,336,954	-	-	-	(1,336,954)
Depreciation Unallocated	1,725,147	-	-	-	(1,725,147)
<b>Total Governmental Activities</b>	<b>\$ 36,653,992</b>	<b>\$ 756,854</b>	<b>\$ 5,677,030</b>	<b>\$ -</b>	<b>(30,220,108)</b>
General revenues					
Taxes					
					3,302,253
					4,460,605
Grants and contributions not restricted to specific programs					
					23,127,806
					446,586
					25,043
					1,010,000
					12,352
					778,426
<b>Total General Revenues</b>					<b>33,163,071</b>
<b>Changes in Net Position</b>					<b>2,942,963</b>
<b>Net Position, Beginning of Year</b>					<b>910,792</b>
<b>Net Position, End of Year</b>					<b>\$ 3,853,755</b>

Kuna School District  
Balance Sheet - Governmental Funds  
June 30, 2016

	General	Debt Service	Capital Projects	Non-Major Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$4,837,352	\$ -	\$ -	\$ -	\$ 4,837,352
Restricted cash and cash equivalents	-	2,593,450	481,241	522,407	3,597,098
<b>Receivables</b>					
Current property taxes	1,280,812	1,737,600	-	-	3,018,412
Delinquent property taxes	175,323	38,670	-	-	213,993
State and federal receivable	388,368	-	-	955,280	1,343,648
Interfund balances	483,754	-	130,707	2,625,672	3,240,133
Inventories and prepaid assets	231,021	-	-	233,713	464,734
	<u>\$7,396,630</u>	<u>\$4,369,720</u>	<u>\$ 611,948</u>	<u>\$ 4,337,072</u>	<u>\$ 16,715,370</u>
<b>Liabilities</b>					
Accounts payable	\$ 705,433	\$ -	\$ 15,826	\$ 112,240	\$ 833,499
Accrued payroll and related liabilities	3,198,139	-	-	520,762	3,718,901
Revenue anticipation note	-	-	-	-	-
Interfund balances	-	-	-	3,240,133	3,240,133
Total liabilities	<u>3,903,572</u>	<u>-</u>	<u>15,826</u>	<u>3,873,135</u>	<u>7,792,533</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	175,323	38,670	-	-	213,993
<b>Fund Balance</b>					
<b>Nonspendable</b>					
Inventories and prepaid assets	182,986	-	-	121,612	304,598
<b>Restricted for</b>					
Debt service	-	4,331,050	-	-	4,331,050
School lunch program	-	-	-	108,992	108,992
Federal and state programs	-	-	-	129,647	129,647
Maintenance and additions to facilities	-	-	596,122	103,686	699,808
<b>Unassigned</b>					
Unassigned	3,134,749	-	-	-	3,134,749
Total fund balance	<u>3,317,735</u>	<u>4,331,050</u>	<u>596,122</u>	<u>463,937</u>	<u>8,708,844</u>
	<u>\$7,396,630</u>	<u>\$4,369,720</u>	<u>\$ 611,948</u>	<u>\$ 4,337,072</u>	<u>\$ 16,715,370</u>

Kuna School District  
 Reconciliation of Governmental Funds - Balance Sheet to the Statement of Net Position  
 June 30, 2016

Total fund balances - governmental funds		\$ 8,708,844
<p>The cost of capital assets (land, buildings, and equipment) purchased is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.</p>		
Costs of capital assets	67,362,426	
Depreciation expense to date	(25,527,877)	41,834,549
<p>Property taxes receivable, as recorded in the Statement of Net Position, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.</p>		
		213,993
<p>Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:</p>		
Accrued Interest on Bonds	(487,777)	
Bonds payable	(36,215,000)	
Unamortized premiums	(1,231,993)	
Unamortized loss on bond refunding	38,162	(37,896,608)
<p>Compensated absences applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.</p>		
		(265,442)
<p>The net pension obligation is not due and payable in the current period and, therefore is not reported in the funds, but is reported on the Statement of Net Position.</p>		
		(8,826,829)
Balances at June 30, 2016 are:		
Deferred outflows of resources related to pension obligations		
Deferred outflows of resources pension expense	3,569,978	
Deferred outflows of resources - 2016 employer contributions related made after the measurement date of the net pension liability.		
	2,251,006	5,820,984
Deferred inflows of resources related to pensions		(5,735,736)
Net Position		\$ 3,853,755

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

	Governmental Fund Types				Total Gov't Funds
	General	Debt Service	Capital Projects	Non Major Funds	
<b>Revenues</b>					
Local revenues					
Property taxes	\$ 3,315,991	\$ 4,460,605	\$ -	\$ 1,331	\$ 7,777,927
Earnings on investments	18,552	1,275	4,104	1,112	25,043
Charges for services	266,658	-	-	490,196	756,854
State revenue					
Foundation	23,099,320	446,586	-	-	23,545,906
Program specific	1,022,999	-	-	586,000	1,608,999
Federal and state grant revenue	-	-	-	4,096,517	4,096,517
Medicaid	-	-	-	778,426	778,426
Other revenue	1,061	-	-	11,291	12,352
Total revenues	<u>27,724,581</u>	<u>4,908,466</u>	<u>4,104</u>	<u>5,964,873</u>	<u>38,602,024</u>
<b>Expenditures</b>					
Instructional					
Elementary school program	8,292,348	-	-	1,122,771	9,415,119
Secondary school program	7,575,590	-	-	133,297	7,708,887
Alternative school program	316,375	-	-	-	316,375
Exceptional school program	1,367,007	-	-	1,753,301	3,120,308
Preschool school program	140,001	-	-	18,323	158,324
21st Century	-	-	-	294,151	294,151
Gifted and talented school program	35,940	-	-	-	35,940
Summer School program	28,020	-	-	41,785	69,805
Interscholastic school program	307,187	-	-	-	307,187
School activity program	-	-	-	2,632	2,632
Total instructional	<u>18,062,468</u>	<u>-</u>	<u>-</u>	<u>3,366,260</u>	<u>21,428,728</u>
Support Services					
Attendance-guidance-health	870,346	-	-	68,171	938,517
Safety Program	199,648	-	-	70,864	270,512
Special services program	461,006	-	-	-	461,006
Instructional improvement program	273,178	-	-	147,464	420,642
Educational media program	220,536	-	-	-	220,536
District Administration program	491,376	-	-	-	491,376
Business Operations program	577,969	-	-	-	577,969
School administration program	1,762,992	-	-	-	1,762,992
Maintenance and improvements buildings, grounds, and equipment	2,590,068	-	589,299	121,237	3,300,604
Classroom Technology	663,227	-	-	377,117	1,040,344
Pupil transportation	1,354,191	-	-	188,546	1,542,737
Board of Education	2,960	-	-	-	2,960
Total support services	<u>9,467,497</u>	<u>-</u>	<u>589,299</u>	<u>973,399</u>	<u>11,030,195</u>

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

	Governmental Fund Types				Total Gov't Funds
	General	Debt Service	Capital Projects	Non Major Funds	
Food services program	45,677	-	-	2,224,448	2,270,125
Debt services program					
Principal	-	2,930,000	-	-	2,930,000
Interest	-	1,530,501	-	-	1,530,501
Total debt service program	-	4,460,501	-	-	4,460,501
Total expenditures	27,575,642	4,460,501	589,299	6,564,107	39,189,549
Excess (Deficiency) of Revenues Over (Under) Expenditures	148,939	447,965	(585,195)	(599,234)	(587,525)
Other Financing Sources (Uses)					
Bond issue costs	-	2,500	-	-	2,500
Interfund transfers	(19,526)	-	-	19,526	-
Total other financing sources (uses)	(19,526)	2,500	-	19,526	2,500
Net Change in Fund Balance	129,413	445,465	(585,195)	(579,708)	(590,025)
Fund Balance, Beginning of Year	3,188,322	3,885,585	1,181,317	1,043,645	9,298,869
Fund Balance, End of Year	<u>\$ 3,317,735</u>	<u>\$ 4,331,050</u>	<u>\$ 596,122</u>	<u>\$ 463,937</u>	<u>\$ 8,708,844</u>

Kuna School District  
 Reconciliation of Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances to  
 the Statement of Activities  
 Year Ended June 30, 2016

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Total net change in fund balance - governmental funds.	\$	(590,025)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds 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 amount by which depreciation exceeded capital outlays during the fiscal year:</p>		
Depreciation expense	(1,725,147)	
Donation of land	1,010,000	
Capital outlays	687,769	(27,378)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Bond repayment	2,930,000	
Amortization of premium	162,067	3,092,067
<p>Amortization of Loss on Bond Refunding is recognized as a reduction of a deferred outflow on the Statement of Net Position.</p>		
		(5,484)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, thus requiring the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		39,464
<p>Some property taxes will not be collected for several months after the District's fiscal year end they are not considered available revenues in the governmental funds, but are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.</p>		
		(15,069)
<p>Compensated absences applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. This represents the change in compensated absences.</p>		
		(22,492)
<p>In the Governmental Funds, pension contributions are considered an expense, while on the Statement of Activities the contributions are considered a deferred outflow.</p>		
		2,251,006
<p>In the Governmental Funds, benefits earned net of employee contributions is not recognized as revenue.</p>		
		(1,779,126)
Change in Net Position of Governmental Activities	\$	2,942,963

Kuna School District  
 Agency and Fiduciary Funds Statement of Net Position  
 June 30, 2016

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	<u>Student Activity Funds</u>	<u>Private Purpose Trust Funds</u>
Assets		
Cash and cash equivalents	\$ 510,923	\$ -
Investments	<u>-</u>	<u>1,917</u>
	<u>\$ 510,923</u>	<u>\$ 1,917</u>
Liabilities		
Due to student groups	<u>\$ 510,923</u>	<u>\$ -</u>
Total liabilities	<u>\$ 510,923</u>	<u>-</u>
Net Position		
Restricted for scholarships		<u>\$ 1,917</u>

Kuna School District  
 Fiduciary Funds - Statement of Changes in Net Position  
 Year Ended June 30, 2016

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	Private Purpose Trust Funds
Revenues	
Earnings on investments	\$ 2
Expenses	
Scholarships	-
Change in Net Position	2
Net Position, Beginning of Year	1,915
Net Position, End of Year	\$ 1,917

## **Note 1 - Summary of Significant Accounting Policies**

The Kuna School District #003 (the District) is a public educational agency operating under the applicable laws and regulations of the State of Idaho. It is governed by a five member Board of Trustees (the Board) elected by the public. The Board has the authority to make decisions, appoint administrators, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB. There are no component units included within the reporting entity.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below:

### **Financial Reporting Entity**

The District follows GASB in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by the District's Board. Control or dependence on the District was determined on the basis of appointment authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District and legal standing.

The District contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho. A ten-year history is provided in PERSI's annual report.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

### **Governmental Funds**

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The general fund, debt service fund, and capital projects fund are considered major funds while the remaining governmental funds are considered non-major.

Governmental funds include:

General fund – the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt service funds – account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital project fund – accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

### **Fiduciary Funds**

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Agency and trust funds are used to account for assets that the government holds for others in an agency capacity. The District has the following agency and trust funds:

Student activity fund – accounts for assets held by the District as an agent for the individual schools and school organizations.

Private purpose trust funds - used to account for donations of funds from private individuals and organizations to provide scholarships. The District maintains two private purpose trust funds: Kuhlman Scholarship Fund, and Reynolds Scholarship Fund.

### **Measurement Focus and Basis of Accounting**

#### **Government-Wide Financial Statements (GWFS)**

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities and deferred outflows/inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows/inflows of resources resulting from nonexchange transactions are recognized in accordance with GASB requirements.

#### **Program revenues**

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include charges to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

### **Allocation of indirect expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is not specifically identified by function and is considered an unallocated indirect expense. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **Fund Financial Statements**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets, current liabilities and deferred inflows/outflows of resources are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

#### Revenues

*Ad valorem taxes* are susceptible to accrual.

*Entitlements and shared revenues* (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

*Other receipts* become measurable and available when cash is received by the District and are recognized as revenue at that time.

#### Expenditures

*Salaries* are recorded as paid. Salaries for nine-month employees are accrued at June 30.

#### Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

### **Cash and Cash Equivalents**

The District pools cash of all funds, except the debt service and school lunch funds, into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho.

### **Restricted Cash and Investments**

The restricted cash and investments are comprised of debt service and school lunch funds that are restricted for use on specifically identified debt service payments and school lunch programs.

### **Investments**

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

- Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

- Time deposit accounts, tax anticipation and interest-bearing notes.

- Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

- Repurchase agreements secured by the above.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (the Pool) is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

### **Short-term Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as interfund balances on the fund financial statements balance sheet.

**Inventories**

Inventories are valued at the lower of cost (first-in, first- out) or market. Inventories in the General and Food Service Funds consist of expendable supplies held for consumption. The costs of inventories are recorded as expenditures when consumed.

**Prepaid Assets**

Prepaid assets consist primarily of a deposit required by the Idaho State Insurance Fund and miscellaneous other prepaid payroll accounts.

**Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position but are not reported in the Governmental Fund Financial Statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for equipment, buildings and improvements. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15 – 40 years
Equipment and Buses	5 – 15 years

The District does not possess any material amounts of infrastructure capital assets (e.g. roads, bridges, parking lots, and sewer). Amounts expended for such items prior to June 30, 2001, were considered part of the cost of the buildings or other immovable property. Subsequent to June 30, 2001, there have been no such items built or constructed that appear to be material in cost compared to all capital assets. To the extent future infrastructure capital assets are material, they will be capitalized and depreciated over their estimated useful lives as with all other depreciable capital assets.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category: the deferred charge on debt refunding and the pension obligation, both reported on the government-wide Statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension obligation results from changes in the assumptions or other inputs in the actuarial calculation of the District’s net pension liability.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the employer pension obligation. The employer pension obligation results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of the District's net pension liability. On the fund level financial statements, the District has one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category: unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Encumbrances**

Purchase orders, contracts, and other commitments for the expenditure of funds are considered to be encumbrances for budgeting control purposes during the year. Outstanding encumbrances at year-end do not constitute expenditures and are either charged to an appropriation the following year or the contractual commitment is canceled.

### **Long-Term Liabilities**

For government-wide reporting, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are recognized in the period the bonds are issued.

For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

### **Unavailable and Advanced Revenue**

The District reports unavailable and advanced revenues on its Statement of Net Position and Fund Balance Sheet. Advanced revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized. There were no such advances outstanding as of June 30, 2016. On the Governmental Fund Financial Statements, property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end; however in the Government-Wide Financial Statements all property taxes are recognized in the year they are measurable.

### **Compensated Absences**

The District provides personal and sick leave to its employees. Unused personal leave is paid in the current year. Sick leave is granted to each employee at the rate of ten days per year, but is paid only for actual absences from work. Therefore, the costs of compensated absences are recognized when payments are made to employees.

### **Restricted Net Position**

For the Government-Wide Statement of Net Position, net position is reported as restricted when constraints are placed on net position use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

### **Fund Balances of Fund Financial Statements**

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

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has inventories and prepaid assets as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the general obligations and are restricted through debt covenants. The Capital Projects Fund and the Food Service Fund resources are restricted for their respective purpose.

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

**Assigned:** This classification includes amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board by the Board delegating this responsibility to the Superintendent or his designee through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

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

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

## **Property Taxes**

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year-end, are accrued on the fund financial statements. Property tax revenues are recognized when levied with appropriate accrual made at year-end on the government-wide financial statements. The District's property taxes, levied on the Thursday prior to the second Monday in September on a market value basis, are billed to the taxpayers in November. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Occupancy taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year.

Delinquent property tax receivable is recognized as revenue in the Government-Wide Financial Statements. Only the portion that meets the revenue recognition criteria is recognized as revenue on the Governmental Fund Financial Statements.

Under State law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Canyon County and Ada County bill and collect property taxes for the District.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no material allowance for uncollectible taxes.

## **Interfund Transfers**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers.

## **Grants and Other Intergovernmental Revenues**

Federal and State reimbursement-type grants are recorded as intergovernmental revenues when the related expenditures/expenses are incurred and, in the Governmental Funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

## **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Accordingly, actual results could differ from those estimates.

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental fund types.

**Pensions**

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

**Note 2 - Cash and Cash Equivalents**

As of June 30, 2016, cash and cash equivalent balances, excluding fiduciary funds, consisted of the following:

	Bank Deposit Balance	Carrying Amount
Cash	\$ 5,251,410	\$ 5,217,090
Total deposits	\$ 5,251,410	\$ 5,217,090
Cash equivalents	Rating	Duration
State Treasurer's local investment government pool	Unrated	109 days
Zions Bank - collateralized		\$ 2,636,704
Zions Bank - noncollateralized		244,888
Wells Fargo Savings		236,353
		99,415
Total cash equivalents		\$ 3,217,360
Total cash and cash equivalents		\$ 8,434,450

### **Custodial Credit Risk**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District is authorized to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements and the Pool. The Pool is managed by the State of Idaho Treasurer's Office and is established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

### **Credit Risk**

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The District does not have a policy limiting credit risk.

### **Concentration of Credit Risk**

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when 5% of the entity's total investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District does not have a policy limiting concentration of credit risk.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. At June 30, 2016, the District is not subject to interest rate risk as all investments are held in the Pool and repurchase agreements, which have short maturities. The District's investment policy is not limited to specific duration, but is structured to meet the District's anticipated cash flows and spending rate.

**Note 3 - Interfund Transfers**

The interfund receivables are the result of the general fund advancing funds to the other non-major funds to cover expenditures until reimbursement occurs. The other governmental funds interfund payable to general fund is related to the indirect costs. The general fund interfund payables to the other non-major funds are to remove negative fund balances.

	Transfers Out		
	General Fund	Non-Major Funds	Total
Transfer In			
General fund	\$ -	\$ 19,526	\$ 19,526
Other governmental funds	(19,526)	-	(19,526)
	\$ (19,526)	\$ 19,526	\$ -

**Note 4 - Due From Other Agencies and Units of Government**

Amounts due from other agencies and units of government were as follows as of June 30, 2016:

State agencies	\$ 449,071
Federal agencies	894,577
	1,343,648
County agencies	3,232,405
Total	\$ 4,576,053

**Note 5 - Capital Assets**

A summary of activity in the Capital Assets is as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Governmental Activities					
Not depreciated					
Land	\$ 3,351,668	\$ 1,064,355	\$ -	\$ -	\$ 4,416,023
Depreciated					
Buildings and improvement	57,401,290	340,458	-	-	57,741,748
Equipment and buses	4,911,699	292,956	-	-	5,204,655
	<u>65,664,657</u>	<u>1,697,769</u>	<u>-</u>	<u>-</u>	<u>67,362,426</u>
Total at historical cost					
Less accumulated depreciation					
Buildings	(20,244,540)	(1,372,103)	-	-	(21,616,643)
Furniture and equipment	(3,558,190)	(353,044)	-	-	(3,911,234)
	<u>(23,802,730)</u>	<u>(1,725,147)</u>	<u>-</u>	<u>-</u>	<u>(25,527,877)</u>
Total depreciation					
Governmental Activities					
Capital Assets, net	<u>\$ 41,861,927</u>	<u>\$ (27,378)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,834,549</u>

**Note 6 - Unavailable Revenues**

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the Governmental Fund Financial statements. The following revenues are measurable but do not represent available expendable resources for the Governmental Fund Financial Statements or where received in advance before the District has legal claim to them for the fiscal year ended June 30, 2016:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Delinquent taxes	\$ 175,323	\$ 38,670	\$ 213,993

**Note 7 - General Obligation Bonds Payable**

A summary of activity in the long-term debt is as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>	<u>Amount Due in One Year</u>
Series 2007A	2022	4% to 5%	\$ 6,265,000	\$ -	\$ (770,000)	\$ 5,495,000	\$ 810,000
Series 2008A	2028	3.5% to 5%	17,770,000	-	(1,445,000)	16,325,000	1,280,000
Series 2009	2028	3.5% to 5%	5,060,000	-	-	5,060,000	-
Series 2012 GOB	2025	2.5% to 5%	7,770,000	-	(715,000)	7,055,000	910,000
Series 2014 GOB	2025	4%	2,280,000	-	-	2,280,000	-
Bond Premium	2028		1,394,060	-	(162,067)	1,231,993	162,067
Totals			<u>\$40,539,060</u>	<u>\$ -</u>	<u>\$ (3,092,067)</u>	<u>\$37,446,993</u>	<u>\$ 3,162,067</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments.

General obligation bonds payable as of June 30, 2016, consist of the following:

Series 2007A Bond in the original principal amount of \$9,665,000 maturing through August 15, 2022. Principal payments are due annually on August 15 starting in 2008, and interest is payable semi-annually on February 15, and August 15 of each year. Interest rates on the bonds range from 4% to 5% on the outstanding bonds. The bonds are not subject to redemption prior to their stated maturities.	\$ 5,495,000
Series 2008A Bond in the original principal amount of \$20,090,000 maturing through August 15, 2028. Principal payments are due annually on August 1 starting in 2009, and interest is payable semi-annually on February 15, and August 15 of each year. Interest rates on the bonds range from 3.5% to 5% on the outstanding bonds. The bonds are not subject to redemption prior to their stated maturities.	16,325,000
Series 2009 Bond in the original principal amount of \$5,060,000 maturing through August 15, 2028. Principal payments are due annually on August 15 starting in 2010, and interest is payable semi-annually on February 15, and August 15 of each year. Interest rates on the bonds range from 3.5% to 5% on the outstanding bonds. The bonds are not subject to redemption prior to their stated maturities.	5,060,000
Series 2012 Bond in the original principal amount of \$8,015,000 maturing through August 15, 2025. Principal payments are due annually on August 15 starting in 2013, and interest is payable semi-annually on February 15, and August 15 of each year. Interest rates on the bonds range from 2.5% to 5% on the outstanding bonds. The bonds are not subject to redemption prior to their stated maturities.	7,055,000

Series 2014 Bond in the original principal amount of \$2,280,000 maturing through August 15, 2025. Principal payments are due annually on August 15 starting in 2023, and interest is payable semi-annually on February 15, and August 15 of each year. Interest rate on the bond is 4% of the outstanding bonds. The bonds are not subject to redemption prior to their stated maturities.

	2,280,000
Subtotal bonds outstanding	<u>36,215,000</u>
Premium on 2008A bonds	372,491
Premium on 2009 bonds	21,651
Premium on 2012 bonds	583,306
Premium on 2014 bonds	<u>254,545</u>
Subtotal premium on bonds	<u>1,231,993</u>
	<u><u>\$ 37,446,993</u></u>

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows:

Year Ending				GOB				
<u>June 30</u>	<u>Series 2007A</u>	<u>Series 2008A</u>	<u>Series 2009</u>	<u>Series 2012</u>	<u>Series 2014</u>	<u>Interest</u>	<u>Total</u>	
2017	\$ 810,000	\$ 1,280,000	\$ -	\$ 910,000	\$ -	\$ 1,402,133	\$ 4,402,133	
2018	850,000	1,335,000	-	940,000	-	1,270,883	4,395,883	
2019	895,000	1,380,000	-	970,000	-	1,132,958	4,377,958	
2020	940,000	1,450,000	-	1,010,000	-	989,870	4,389,870	
2021	980,000	1,310,000	-	1,040,000	-	854,395	4,184,395	
2022-2026	1,020,000	6,015,000	2,490,000	2,185,000	2,280,000	2,636,191	16,626,191	
2027-2028	-	3,555,000	2,570,000	-	-	251,676	6,376,676	
	<u>\$ 5,495,000</u>	<u>\$ 16,325,000</u>	<u>\$ 5,060,000</u>	<u>\$ 7,055,000</u>	<u>\$ 2,280,000</u>	<u>\$ 8,538,106</u>	<u>\$ 44,753,106</u>	

The general obligation bonded debt of the District is limited by State law to 5% of the market value for assessment purposes, less the aggregate outstanding indebtedness.

## **Note 8 - Pension Plan**

Plan Description - the District 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](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members of the board who are Idaho citizens and not members of the Base Plan except by reason of having served on the Board.

Pension Benefits - The Base Plan provides retirement, disability, and 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. Amounts in parenthesis represent police/firefighters.

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

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

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2015, it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The District's contributions were \$2,251,006 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2015, the District's proportion was .6703052 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,779,128. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,058,147
Changes in assumptions or other inputs	321,459	-
Net difference between projected and actual earnings on pension plan investments	3,248,519	4,635,283
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	42,306
District contributions subsequent to the measurement date	2,251,006	-
Total	\$ 5,820,984	\$ 5,735,736

\$2,251,006 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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.

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

Year Ended June 30		\$	
2017			(914,848)
2018			(914,848)
2019			(914,848)
2020			647,793
2021			(69,007)

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 June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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 for that date.

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.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

Discount Rate - The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 21,498,949	\$ 8,826,829	\$ (1,708,358)

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](http://www.persi.idaho.gov).

Payables to the pension plan

At June 30, 2016, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Note 9 - Contingent Liabilities**

The District has been named as defendant in various legal actions. The results are not presently determinable but, in the opinion of the District's counsel, any loss that might be sustained would not materially affect the District's financial position.

**Note 10 - Related Party Transactions**

The District has purchased property and casualty insurance coverage through the Idaho Counties Risk Management Program (ICRMP), a Company that employs one of the Board members of the District. For the year ended June 30, 2016, the District paid ICRMP \$144,291.

**Note 11 - Subsequent Events**

On September 21, 2016 Kuna School District #003 refunded its Series 2008A and 2009 Bonds into a Series 2016 Bond. This refunding resulted in a present value savings of \$2,105,405. The refunding meets all the criteria of Idaho Code 33-1121 and did not extend the life of the bond but reduced the yearly payments.



Required Supplementary Information  
June 30, 2016

# Kuna School District

Kuna School District  
 Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions  
 Year Ended June 30, 2016

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**Schedule of Employer's Share of Net Pension Liability**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years \***

	2016	2015
Employer's portion of the net pension liability	0.6703052%	0.6733679%
Employer's proportionate share of the net pension liability	\$ 8,826,829	\$ 4,934,495
Employer's covered-employee payroll	\$ 18,775,062	\$ 18,527,479
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.01%	26.63%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.

Data reported is measured as of the measurement date, which lags one year behind the fiscal year.

**Schedule of Employer's Contributions**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years \***

	2016	2015
Statutorily required contribution	\$ 2,251,006	\$ 2,154,908
Contributions in relation to the statutorily required contribution	\$ 2,251,006	\$ 2,154,908
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered- employee payroll	\$ 19,868,298	\$ 18,775,062
Contributions as a percentage of the covered-employee payroll	11.33%	11.48%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.

Data reported is measured as of the fiscal year end.

**Kuna School District**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Local revenues				
Property taxes	\$ 3,272,434	\$ 3,272,434	\$ 3,315,991	\$ 43,557
Earnings on investments	7,300	7,300	18,552	11,252
Charges for services	264,900	291,400	266,658	(24,742)
State revenue				
Foundation	23,569,597	23,515,776	23,099,320	(416,456)
Program specific	1,357,556	1,094,993	1,022,999	(71,994)
Other revenue	-	-	1,061	1,061
<b>Total revenues</b>	<b>28,471,787</b>	<b>28,181,903</b>	<b>27,724,581</b>	<b>(457,322)</b>
<b>Expenditures</b>				
Instructional				
Elementary school program	8,479,423	8,564,997	8,292,348	(272,649)
Secondary school program	7,093,327	7,114,266	7,575,590	461,324
Alternative school program	335,200	340,356	316,375	(23,981)
Exceptional school program	1,701,100	1,342,937	1,367,007	24,070
Preschool school program	140,800	139,304	140,001	697
Gifted and talented school program	77,600	77,200	35,940	(41,260)
Interscholastic school program	295,100	293,700	307,187	13,487
School activity program	6,200	6,100	-	(6,100)
Summer School Program	215,434	213,448	28,020	(185,428)
<b>Total instructional</b>	<b>18,344,184</b>	<b>18,092,308</b>	<b>18,062,468</b>	<b>(29,840)</b>
Support Services				
Attendance-guidance-health	883,400	884,691	870,346	(14,345)
Safety Program	205,700	201,600	199,648	(1,952)
Special services program	581,300	485,683	461,006	(24,677)
Instructional improvement program	373,100	371,922	273,178	(98,744)
Educational media program	235,600	235,441	220,536	(14,905)
District Administration program	610,900	570,344	491,376	(78,968)
Business Operations program	529,600	567,723	577,969	10,246
School administration program	1,668,500	1,668,886	1,762,992	94,106
Maintenance and improvements buildings, grounds, and equipment	2,538,900	2,530,027	2,590,068	60,041
Classroom Technology	636,200	638,771	663,227	24,456
Pupil transportation	1,292,100	1,279,807	1,354,191	74,384
Board of Education	6,100	6,000	2,960	(3,040)
<b>Total support services</b>	<b>9,561,400</b>	<b>9,440,895</b>	<b>9,467,497</b>	<b>26,602</b>

Kuna School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund  
Year Ended June 30, 2016

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Food Services Program	<u>-</u>	<u>-</u>	<u>45,677</u>	<u>45,677</u>
Total expenditures	<u>27,905,584</u>	<u>27,533,203</u>	<u>27,575,642</u>	<u>42,439</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>566,203</u>	<u>648,700</u>	<u>148,939</u>	<u>(499,761)</u>
Other Financing Sources (Uses)				
Contingency Reserve	(200,000)	(623,405)	-	623,405
Interfund transfers	<u>(170,000)</u>	<u>(25,295)</u>	<u>(19,526)</u>	<u>5,769</u>
Total other financing sources (uses)	<u>(370,000)</u>	<u>(648,700)</u>	<u>(19,526)</u>	<u>629,174</u>
Net Change in Fund Balance	<u>\$ 196,203</u>	<u>\$ -</u>	<u>129,413</u>	<u>\$ 129,413</u>
Fund Balance, Beginning of Year			<u>3,188,322</u>	
Fund Balance, End of Year			<u>\$ 3,317,735</u>	

**Note 1 - Budgets and Budgetary Accounting**

**Basis of Budgeting**

The District prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures by department, fund, or service as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.

**Note 2 - Amended Budget**

The Fiscal 2016 budget was formally amended during the year to reflect changes in the programs, staffing changes and to adjust for unforeseen or greater than expected expenditures.



Other Financial Information  
June 30, 2016

# Kuna School District

Kuna School District  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2016

	Forest Fund	Exceptional Child	Local Grants	Teacher of The Year	Drivers Education
<b>Assets</b>					
Restricted cash and investments	\$ 837	\$ -	\$ 33,390	\$ 1,509	\$ -
State and federal receivable	-	228,068	-	-	18,825
Interfund balances	838	507,274	35,063	1,539	4,606
Inventories and prepaid assets	-	2,263	-	-	-
<b>Total assets</b>	<b><u>\$ 1,675</u></b>	<b><u>\$ 737,605</u></b>	<b><u>\$ 68,453</u></b>	<b><u>\$ 3,048</u></b>	<b><u>\$ 23,431</u></b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	117,560	-	-	-
Interfund balances	837	620,045	36,151	1,538	13,607
<b>Total liabilities</b>	<b><u>837</u></b>	<b><u>737,605</u></b>	<b><u>36,151</u></b>	<b><u>1,538</u></b>	<b><u>13,607</u></b>
<b>Fund Balance</b>					
Nonspendable					
Inventories and prepaid assets	-	2,263	-	-	-
Restricted for					
School lunch program	-	-	-	-	-
Federal and state programs	838	(2,263)	32,302	1,510	9,824
Assigned for					
Special Projects	-	-	-	-	-
<b>Total fund balance</b>	<b><u>838</u></b>	<b><u>-</u></b>	<b><u>32,302</u></b>	<b><u>1,510</u></b>	<b><u>9,824</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 1,675</u></b>	<b><u>\$ 737,605</u></b>	<b><u>\$ 68,453</u></b>	<b><u>\$ 3,048</u></b>	<b><u>\$ 23,431</u></b>

Kuna School District  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2016

	Professional Technical	State Vocational	Technology Grant	Safe & Drug Free	Title I
<b>Assets</b>					
Restricted cash and investments	\$ -	\$ 61,743	\$ -	\$ 4,570	\$ -
State and federal receivable	41,427	451	-	-	274,112
Interfund balances	28,317	96,062	130,073	45,048	485,041
Inventories and prepaid assets	1,205	-	110,080	-	816
<b>Total assets</b>	<b>\$ 70,949</b>	<b>\$ 158,256</b>	<b>\$ 240,153</b>	<b>\$ 49,618</b>	<b>\$ 759,969</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,205	\$ -	\$ 110,080	\$ -	\$ 816
Accrued payroll	-	284	-	4,570	138,950
Interfund balances	44,218	96,062	130,073	45,048	620,203
<b>Total liabilities</b>	<b>45,423</b>	<b>96,346</b>	<b>240,153</b>	<b>49,618</b>	<b>759,969</b>
<b>Fund Balance</b>					
Nonspendable					
Inventories and prepaid assets	-	-	-	-	-
Restricted for					
School lunch program	-	-	-	-	-
Federal and state programs	25,526	61,910	-	-	-
Assigned for					
Special Projects	-	-	-	-	-
<b>Total fund balance</b>	<b>25,526</b>	<b>61,910</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 70,949</b>	<b>\$ 158,256</b>	<b>\$ 240,153</b>	<b>\$ 49,618</b>	<b>\$ 759,969</b>

Kuna School District  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2016

	Title I-C	Title VI-B	Early Childhood	Carl Perkins	Title III-B Eng Lang
<b>Assets</b>					
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
State and federal receivable	10,921	189,397	4,642	75,527	-
Interfund balances	28,504	371,960	9,496	-	5,932
Inventories and prepaid assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 39,425</b>	<b>\$ 561,357</b>	<b>\$ 14,138</b>	<b>\$ 75,527</b>	<b>\$ 5,932</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	5,708	101,865	2,993	-	-
Interfund balances	33,717	459,492	11,145	75,527	5,932
<b>Total liabilities</b>	<b>39,425</b>	<b>561,357</b>	<b>14,138</b>	<b>75,527</b>	<b>5,932</b>
<b>Fund Balance</b>					
Nonspendable					
Inventories and prepaid assets	-	-	-	-	-
Restricted for					
School lunch program	-	-	-	-	-
Federal and state programs	-	-	-	-	-
Assigned for					
Special Projects	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 39,425</b>	<b>\$ 561,357</b>	<b>\$ 14,138</b>	<b>\$ 75,527</b>	<b>\$ 5,932</b>

Kuna School District  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2016

	Title II	21st Cent	Phys. Ed. Grants	TAH Federal Grant	Food Service
<b>Assets</b>					
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 316,672
State and federal receivable	10,119	65,514	-	-	36,277
Interfund balances	55,930	149,668	-	-	186,861
Inventories and prepaid assets	-	-	-	-	119,349
<b>Total assets</b>	<b>\$ 66,049</b>	<b>\$ 215,182</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 659,159</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 139	\$ -	\$ -	\$ -
Accrued payroll	2,618	27,538	-	-	118,676
Interfund balances	63,431	187,505	-	-	312,142
<b>Total liabilities</b>	<b>66,049</b>	<b>215,182</b>	<b>-</b>	<b>-</b>	<b>430,818</b>
<b>Fund Balance</b>					
Nonspendable					
Inventories and prepaid assets	-	-	-	-	119,349
Restricted for					
School lunch program	-	-	-	-	108,992
Federal and state programs	-	-	-	-	-
Assigned for					
Special Projects	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,341</b>
<b>Total liabilities and fund balance</b>	<b>\$ 66,049</b>	<b>\$ 215,182</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 659,159</b>

Kuna School District  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2016

	Plant Facility	Bus Depreciation	Total
<b>Assets</b>			
Restricted cash and investments	\$ -	\$ 103,686	\$ 522,407
State and federal receivable	-	-	955,280
Interfund balances	191,228	292,232	2,625,672
Inventories and prepaid assets	-	-	233,713
	<b>\$ 191,228</b>	<b>\$ 395,918</b>	<b>\$ 4,337,072</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 112,240
Accrued payroll	-	-	520,762
Interfund balances	191,228	292,232	3,240,133
	<b>191,228</b>	<b>292,232</b>	<b>3,873,135</b>
<b>Fund Balance</b>			
Nonspendable			
Inventories and prepaid assets	-	-	121,612
Restricted for			
School lunch program	-	-	108,992
Federal and state programs	-	-	129,647
Assigned for			
Special Projects	-	103,686	103,686
	<b>-</b>	<b>103,686</b>	<b>463,937</b>
Total fund balance	<b>-</b>	<b>103,686</b>	<b>463,937</b>
Total liabilities and fund balance	<b>\$ 191,228</b>	<b>\$ 395,918</b>	<b>\$ 4,337,072</b>

Kuna School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue  
Funds  
Year Ended June 30, 2016

	Forest Fund	Exceptional Child	Local Grants	Teacher of The Year	Drivers Education
<b>Revenues</b>					
Local revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	-
Charges for services	-	-	-	1,500	8,070
State revenue					
Program specific	-	-	4,167	-	18,700
Federal and state grant revenue	156	-	-	-	-
Medicaid	-	778,426	-	-	-
Other revenue	-	-	-	-	272
<b>Total revenues</b>	<b>156</b>	<b>778,426</b>	<b>4,167</b>	<b>1,500</b>	<b>27,042</b>
<b>Expenditures</b>					
Instructional					
Elementary school program	-	-	-	-	-
Secondary school program	-	-	-	-	22,820
Exceptional school program	-	1,029,957	-	-	-
Preschool school program	-	-	-	-	-
21st Century	-	-	-	-	-
Summer school	-	-	-	-	-
School activity program	-	-	-	-	-
<b>Total instructional</b>	<b>-</b>	<b>1,029,957</b>	<b>-</b>	<b>-</b>	<b>22,820</b>
Support Services					
Attendance-guidance-health	-	-	-	-	-
Safety program	-	-	-	-	-
Instructional improvement	-	-	2,978	304	-
Maintenance and improvements	-	-	-	-	-
Classroom technology	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Food services program	-	-	-	-	-
<b>Total support services</b>	<b>-</b>	<b>-</b>	<b>2,978</b>	<b>304</b>	<b>-</b>
<b>Total expenditures</b>	<b>-</b>	<b>1,029,957</b>	<b>2,978</b>	<b>304</b>	<b>22,820</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	156	(251,531)	1,189	1,196	4,222
Other Financing Sources (Uses)					
Transfers in	-	137,256	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>137,256</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in Fund Balances	156	(114,275)	1,189	1,196	4,222
Fund Balances, Beginning	682	114,275	31,113	314	5,602
Fund Balances, Ending	<b>\$ 838</b>	<b>\$ -</b>	<b>\$ 32,302</b>	<b>\$ 1,510</b>	<b>\$ 9,824</b>

Kuna School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue  
Funds  
Year Ended June 30, 2016

	Professional Technical	State Vocational	Technology Grant	Safe & Drug Free	Title I
<b>Revenues</b>					
Local revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	-
Charges for services	-	-	-	-	-
State revenue					
Program specific	110,695	32,906	349,911	69,621	-
Federal grant revenue	-	-	-	-	1,131,762
Medicaid	-	-	-	-	-
Other revenue	-	-	11,019	-	-
<b>Total revenues</b>	<b>110,695</b>	<b>32,906</b>	<b>360,930</b>	<b>69,621</b>	<b>1,131,762</b>
<b>Expenditures</b>					
Instructional					
Elementary school program	-	159	-	-	1,078,130
Secondary school program	110,477	-	-	-	-
Exceptional school program	-	-	-	-	-
Preschool school program	-	-	-	-	-
21st Century	-	-	-	-	-
Summer school	-	-	-	-	36,984
School activity program	-	2,632	-	-	-
<b>Total instructional</b>	<b>110,477</b>	<b>2,791</b>	<b>-</b>	<b>-</b>	<b>1,115,114</b>
Support Services					
Attendance-guidance-health	-	-	-	-	-
Safety Program	-	-	-	70,864	-
Instructional improvement	-	50,199	-	18,261	-
Maintenance and improvements	-	-	-	-	-
Classroom technology	-	-	377,117	-	-
Pupil transportation	-	-	-	-	-
Food services program	-	-	-	-	-
<b>Total support services</b>	<b>-</b>	<b>50,199</b>	<b>377,117</b>	<b>89,125</b>	<b>-</b>
<b>Total expenditures</b>	<b>110,477</b>	<b>52,990</b>	<b>377,117</b>	<b>89,125</b>	<b>1,115,114</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	218	(20,084)	(16,187)	(19,504)	16,648
Other Financing Sources (Uses)					
Transfers in	-	-	16,187	-	-
Transfers out	-	-	-	-	(16,648)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>16,187</b>	<b>-</b>	<b>(16,648)</b>
Change in Fund Balances	218	(20,084)	-	(19,504)	-
Fund Balances, Beginning	25,308	81,993	-	19,504	-
Fund Balances, Ending	<u>\$ 25,526</u>	<u>\$ 61,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kuna School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue  
Funds  
Year Ended June 30, 2016

	Title I-C	Title VI-B	Early Childhood	Carl Perkins	Title III-B Eng Lang
<b>Revenues</b>					
Local revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	-
Charges for services	-	-	-	-	-
State revenue					
Program specific	-	-	-	-	-
Federal and state grant revenue	57,390	767,566	18,686	68,171	6,069
Medicaid	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>57,390</b>	<b>767,566</b>	<b>18,686</b>	<b>68,171</b>	<b>6,069</b>
<b>Expenditures</b>					
Instructional					
Elementary school program	44,482	-	-	-	-
Secondary school program	-	-	-	-	-
Exceptional school program	-	723,344	-	-	-
Preschool school program	-	-	18,323	-	-
21st Century	-	-	-	-	-
Summer school	4,453	348	-	-	-
School activity program	-	-	-	-	-
<b>Total instructional</b>	<b>48,935</b>	<b>723,692</b>	<b>18,323</b>	<b>-</b>	<b>-</b>
Support Services					
Attendance-guidance-health	-	-	-	68,171	-
Safety program	-	-	-	-	-
Instructional improvement	-	-	-	-	7,220
Maintenance and improvements	-	-	-	-	-
Classroom technology	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Food services program	-	-	-	-	-
<b>Total support services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,171</b>	<b>7,220</b>
<b>Total expenditures</b>	<b>48,935</b>	<b>723,692</b>	<b>18,323</b>	<b>68,171</b>	<b>7,220</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,455	43,874	363	-	(1,151)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	1,151
Transfers out	(8,455)	(43,874)	(363)	-	-
<b>Total other financing sources (uses)</b>	<b>(8,455)</b>	<b>(43,874)</b>	<b>(363)</b>	<b>-</b>	<b>1,151</b>
Change in Fund Balances	-	-	-	-	-
Fund Balances, Beginning	-	-	-	-	-
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kuna School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue  
Funds  
Year Ended June 30, 2016

	Title II	21st Cent	Phys. Ed. Grants	TAH Federal Grant	Food Service
<b>Revenues</b>					
Local revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	906
Charges for services	-	-	-	-	480,626
State revenue					
Program specific	-	-	-	-	-
Federal and state grant revenue	51,740	305,788	-	-	1,578,996
Medicaid	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>51,740</b>	<b>305,788</b>	<b>-</b>	<b>-</b>	<b>2,060,528</b>
<b>Expenditures</b>					
Instructional					
Elementary school program	-	-	-	-	-
Secondary school program	-	-	-	-	-
Exceptional school program	-	-	-	-	-
Preschool school program	-	-	-	-	-
21st Century	-	294,151	-	-	-
Summer school	-	-	-	-	-
School activity program	-	-	-	-	-
<b>Total instructional</b>	<b>-</b>	<b>294,151</b>	<b>-</b>	<b>-</b>	<b>-</b>
Support Services					
Attendance-guidance-health	-	-	-	-	-
Safety program	-	-	-	-	-
Instructional improvement	67,459	1,043	-	-	-
Maintenance and improvements	-	-	-	-	-
Classroom technology	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Food services program	-	-	-	-	2,224,448
<b>Total support services</b>	<b>67,459</b>	<b>1,043</b>	<b>-</b>	<b>-</b>	<b>2,224,448</b>
<b>Total expenditures</b>	<b>67,459</b>	<b>295,194</b>	<b>-</b>	<b>-</b>	<b>2,224,448</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,719)	10,594	-	-	(163,920)
Other Financing Sources (Uses)					
Transfers in	15,719	-	-	-	-
Transfers out	-	(10,594)	(23,326)	(2,870)	(44,657)
<b>Total other financing sources (uses)</b>	<b>15,719</b>	<b>(10,594)</b>	<b>(23,326)</b>	<b>(2,870)</b>	<b>(44,657)</b>
Change in Fund Balances	-	-	(23,326)	(2,870)	(208,577)
Fund Balances, Beginning	-	-	23,326	2,870	436,918
Fund Balances, Ending	\$ -	\$ -	\$ -	\$ -	\$ 228,341

Kuna School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue  
Funds  
Year Ended June 30, 2016

	Plant Facility	Bus Depreciation	Total
<b>Revenues</b>			
Local revenues			
Property taxes	\$ 1,331	\$ -	\$ 1,331
Earnings on investments	206	-	1,112
Charges for services	-	-	490,196
State revenue			
Program specific	-	-	586,000
Federal and state grant revenue	-	110,193	4,096,517
Medicaid	-	-	778,426
Other revenue	-	-	11,291
	<u>1,537</u>	<u>110,193</u>	<u>5,964,873</u>
<b>Expenditures</b>			
Instructional			
Elementary school program	-	-	1,122,771
Secondary school program	-	-	133,297
Exceptional school program	-	-	1,753,301
Preschool school program	-	-	18,323
21st Century	-	-	294,151
Summer school	-	-	41,785
School activity program	-	-	2,632
Total instructional	<u>-</u>	<u>-</u>	<u>3,366,260</u>
Support Services			
Attendance-guidance-health	-	-	68,171
Safety program	-	-	70,864
Instructional improvement	-	-	147,464
Maintenance and improvements	121,237	-	121,237
Classroom technology	-	-	377,117
Pupil transportation	-	188,546	188,546
Food services program	-	-	2,224,448
Total support services	<u>121,237</u>	<u>188,546</u>	<u>3,197,847</u>
Total expenditures	<u>121,237</u>	<u>188,546</u>	<u>6,564,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(119,700)</u>	<u>(78,353)</u>	<u>(599,234)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	170,313
Transfers out	-	-	(150,787)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,526</u>
Change in Fund Balances	<u>(119,700)</u>	<u>(78,353)</u>	<u>(579,708)</u>
Fund Balances, Beginning	<u>119,700</u>	<u>182,040</u>	<u>1,043,645</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 103,687</u>	<u>\$ 463,937</u>



Federal Awards Reports in Accordance with the Single  
Audit Act and Uniform Guidance  
June 30, 2016

**Kuna School District**



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees  
Kuna School District  
Kuna, Idaho

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kuna School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 8, 2016.

In our report, our opinions on the financial statements was qualified, as discussed in the “Basis for Qualified Opinions” paragraph in the report on the financial statements. Management did not obtain an actuarial valuation for the other-post employment benefits (OPEB) liability and therefore, did not record an OPEB liability in the Statement of Net Position.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2016-A described in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiencies 2016-B and 2016-C described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

### **Compliance and Other Matters**

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

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

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
November 8, 2016



## **Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by Uniform Guidance**

To the Board of Trustees  
Kuna School District  
Kuna, Idaho

### **Report on Compliance for the Major Federal Program**

We have audited the Kuna School District's (the District) compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is 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 the compliance for the District's major federal program 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 compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2016.

## Report on Internal Control over Compliance

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

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

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

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



Boise, Idaho  
November 8, 2016

Kuna School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<u>U.S. Department of Education</u>	Federal CFDA Number	Pass- Through Grant Number	Expenditures	Pass through Expenditures
Passed Through State Superintendent of Public Instruction:				
Title I Local Program	84.010	S010A120012, S010A140012, S010A150012	\$ 1,112,528	\$ -
Title I-C Migrant	84.011	S011A140012, S011A150012	50,243	-
Carl Perkins	84.048	V048A140012	68,171	-
Title VI-B	84.027	H027A140088, H027A150088	748,306	-
Title VI-B Preschool	84.173	H173A140030, H173A150030	18,684	-
<i>Cluster total</i>			<u>766,990</u>	<u>-</u>
Title II EESA	84.367	S367A150011	51,770	-
Title III- English Language	84.365	S365A130012, S365A140012	5,845	-
Title IV 21st Century	84.287	S287C140012, S287C150012	303,068	-
Education of Homeless	84.196	S196A140013, S196A150013	19,234	-
Total U.S. Department of Education			<u>2,377,849</u>	<u>-</u>
<u>U. S. Department of Agriculture</u>				
Passed Through State Superintendent of Public Instruction:				
Commodities	10.555	2015IN109947,	124,556	-
School Lunch Program	10.555	201616N109947	832,200	-
School Breakfast Program	10.553	2015IN109947, 201616N109947	511,672	-
Summer Food Service Program	10.559	2015IN109947, 201616N109947	75,638	-
<i>Cluster total</i>			<u>1,544,066</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>1,544,066</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 3,921,915</u>	<u>\$ -</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. The District received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note 2 - Significant Accounting Policies**

Governmental fund types account for the District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The District's summary of significant accounting policies is presented in Note 1 in the District's basic financial statements.

The District did not use the 10% de minimis cost rate.

**Note 3 - Subrecipients of Grant Awards**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the District did not provide federal awards to subrecipients.

**Note 4 - Food Donation**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2016, the District had received food commodities totaling \$124,556.

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued:	Modified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	None Reported
Type of auditor’s report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with Uniform Guidance, Section .510(a)?	Yes
Identification of major programs:	

**CFDA Number(s)**

Child Nutrition Cluster	10.553, 10.555, 10.559
Title VI-B Cluster	84.027, 84.173
Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Auditee qualified as low-risk auditee?	No

## Section II – Financial Statement Findings

### 2016-A - Material Audit Adjustments

**Criteria:**

During the audit, we proposed material adjustments to properly state assets, liabilities, revenues, and expenses for various funds. Our proposed adjustments were identified as a result of our audit procedures.

**Condition:**

The District should design and implement internal controls to ensure that all adjusting entries are recorded and reviewed at an appropriate level to prevent and detect material adjustments to the financial statements.

**Cause:**

The District does not have effectively operating internal controls in place to identify all adjustments to properly state ending balances.

**Effect:**

As a result, during the course of our engagement, we proposed material audit adjustments to the District's recorded account balances.

**Recommendation:**

Management should develop, implement, and monitor policies, procedures, and internal controls to identify and post all adjusting entries to properly state account balances.

**Management's Response and Corrective Plan:**

The District made significant improvements and reduced the number of adjustments from prior years. Management will continue to evaluate improvements to ensure adjustments to account balances are identified and posted.

### 2016-B Segregation of Duties

**Criteria:**

To ensure proper segregation of duties, the individual with record keeping responsibilities should be separate from those that have access to assets.

**Condition:**

The same individual responsible for accounting functions also has access to cash accounts.

**Cause:**

Due to the smaller size of the management staff, the individual responsible for accounting functions also has access to cash accounts.

**Effect:**

Cash accounts could be at higher risk without proper segregation of duties.

**Recommendation:**

No one individual should be able to initiate, approve, and review a transaction.

**Management's Response and Corrective Plan:**

The District is currently reviewing our internal controls, policies, and procedures within the business department. We will continue to refine our controls to create the most secure financial environment as possible. However, management has separated out the preparation of the bank reconciliation to an individual that does not have access to cash accounts.

**2016-C Entity Level Controls over Journal Entries**

**Criteria:**

During our review of controls over journal entries, it was noted that manual journal entries are not being reviewed and approved.

**Condition:**

The District should implement an internal control process for the review and approval of journal entries, particularly for non-standard journal entries.

**Cause:**

The District has not implemented an internal control process for the review and approval of journal entries.

**Effect:**

The oversight provided by an effective review and approval process is important to the District as a result of the limited segregation of duties that exists due to the size of the accounting staff. The lack of a review and approval process for recorded journal entries increases the risk of material misstatement in the financial statements, either due to error or fraud.

**Recommendation:**

Management should develop, implement, and monitor policies, procedures, and internal controls over the review of journal entries.

**Management's Response and Corrective Plan:**

The District has implemented a new review process through the Skyward system that will prevent journal entries from being made without approval. This process was partially implemented in 2016 and will be fully implemented in 2017.

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

None

No findings reported in the prior year.