



Financial Statements  
June 30, 2016

# Mountain Home School District #193

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## Independent Auditor's Report

The Board of Trustees  
Mountain Home School District #193  
Mountain Home, 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 Mountain Home School District #193 (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.

## **Opinions**

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

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer contributions and budgetary comparison information 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 basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 14, 2016

The discussion and analysis of the Mountain Home School District's financial performance provides an overall review of financial activities, with the focus on the District's financial activities for the 2015-2016 fiscal year, ending on June 30, 2016. Efforts have been made to provide comparison to prior years' data, when such data is available.

#### *FINANCIAL HIGHLIGHTS*

- The District ended the fiscal year with General Fund revenues exceeding expenses, including transfers, by \$530,472 or 2.3% of revenue. Total General Fund revenue was over budget by \$255,010 or 1.1% of budget. Impact Aid was \$482,535 under budget or 35.1%. State revenue, including other revenue, was over budget by \$673,290 or 3.7%. Transfers into the General Fund were \$526,847. Total expenses were over budget by \$243,885 or 1.1% of budget. This gives the General Fund an unrestricted Fund Balance of \$71,093 or .3% of revenue at the end of FY 2016.
- Federal revenue from Impact Aid was \$949,135 in FY 2016 which is \$656,430 less than last year. This program supplements educational expenses for children affiliated with the military. Impact Aid payments received in FY 2016 included \$176,108 from FY 2014 voucher #3, \$612,924 from FY 2016 voucher #1 and \$160,103 from FY 2016 voucher #2. On the FY 2016 application, students whose parents live and work on the base decreased from 379 students to 374 for a decrease of 5 students. Uniformed services living off the base were 509 on October 2014 and decreased by 38 to 471 in October of 2015. Civilians working on Federal Property were 366 on the FY 2015 application and increased to 401 on the FY 2016 application. Impact Aid revenue in FY 2016 is 22.1% of what the District received in FY 2008 of \$4,298,396.
- District enrollment as of the middle of May increased by 88 students to 3,846 in fiscal year 2015-2016 from the previous year's end of school enrollment of 3,758. This is an increase over the prior fiscal year of 2.3%. The Mountain Home High School and East Elementary had the largest declines of 6 and 24 students, respectively. Hacker and West had an increase of 41 and 35 students, respectively over the prior school year. Bennett Mountain High School showed an increase of 9 students for a total of 85. The grade showing the largest decrease is the senior class, decreasing by 25 students from the previous year. The sixth grade class increased 48 students from the prior year's class. Total elementary enrollment was 2,289 and secondary enrollment was 1,557 for a total of 3,846 for FY 2016.

#### *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 other required 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) provides readers with a broad overview of the District's finances. The Statement of Net Position and the Statement of Activities displays information about the reporting entity 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 have changed throughout the fiscal year. Changes in the net position occur as soon as the underlying events give rise.

The statements present an aggregate view of the District's finances. *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 government activities. Governmental activities include all regular and special education, educational support activities, administration, transportation, and food services. Funding for these services come from property taxes, the State of Idaho, and Federal Impact Aid.

The *GWFS* can be found on pages 12-13 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. Plant Facility 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 government's near-term financing decisions.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**Fiduciary Funds** – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, 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. Fiduciary funds can be found on page 19.

Notes – The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the District’s financial activities and position. Notes to the financial statements begin on page 20.

Required supplementary information further explains and supports the financial statements by including a comparison of the District’s budget data for the year as well as the District’s share of the net pension liability and employer contributions related to PERSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current and Other Assets	\$ 4,650,396	\$ 5,548,011	\$ (897,615)
Capital Assets	10,708,269	11,707,670	(999,401)
Total Assets	<u>15,358,665</u>	<u>17,255,681</u>	<u>(1,897,016)</u>
Deferred Outflow of Resources	4,247,025	1,903,896	2,343,129
Long-Term Liabilities Outstanding	6,657,427	3,900,200	2,757,227
Other Liabilities	4,397,075	5,832,429	(1,435,354)
Total Liabilities	<u>11,054,502</u>	<u>9,732,629</u>	<u>1,321,873</u>
Deferred Inflow of Resources	4,408,562	5,170,084	(761,522)
Net Position			
Invested in Capital Assets, Net of Related Debt	10,708,269	11,037,670	(329,401)
Restricted	649,526	927,920	(278,394)
Unrestricted	<u>(6,733,797)</u>	<u>(7,708,726)</u>	<u>974,929</u>
Total Net Position	<u>\$ 4,623,998</u>	<u>\$ 4,256,864</u>	<u>\$ 367,134</u>

Net assets may serve as a useful indicator of a District’s financial position. In the case of the District, total assets exceeded liabilities by \$4,623,998 at the close of the most recent fiscal year. This represents an overall decrease of \$367,134 from the prior year.

The largest portion of the District's net assets reflect investments in capital assets (i.e. land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending. The District calculation of net assets uses a historical cost of school buildings that does not accurately reflect current replacement value.

Restricted net position decreased \$410,816 from the prior year. These resources are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to students, employees, and creditors.

Unrestricted net assets decreased from the prior fiscal year amount of \$(7,708,726) to a current year balance in FY 2016 of \$(7,082,747). This balance is a result of the recognition of the unfunded PERSI liability recognized by GASB 68. It is not expected that the District will ever actually have to incur this obligation, it is for reporting purposes only.

The following statement for Changes in Net Position from Operating Results reflects fund level activity and includes all funds. Total revenue has increased in FY 2016 over FY 2015 by \$793,593. The majority of this increase is in State Revenue. The majority of this increase is in dedicated use funds for other programs as mandated by the State Department of Education.

**Mountain Home School District #193**  
**Changes in Net Position from Operating Results**  
**Government Activities**

	2016	2015	Change
<b>REVENUES</b>			
Program Revenues			
Program Revenues	\$ 320,111	\$ 300,393	\$ 19,718
Operating Grants and Contributions	4,925,039	4,599,791	325,248
General Revenues			
Property Taxes levied for General Purposes	2,789,886	2,778,979	10,907
Property Taxes levied for Debt Services	11,412	658,978	(647,566)
Property Taxes levied for Capital Outlay	979,650	109	979,541
Revenue in Lieu of Taxes	23,455	37,098	(13,643)
State Revenues	16,505,522	15,668,292	837,230
Grants and Contributions not Restricted to Specific Purposes			
Federal Impact Aid	892,464	1,516,571	(624,107)
Other Federal Revenue	397,640	344,460	53,180
Interest and Investment Earnings	18,700	4,909	13,791
Miscellaneous	593,604	754,310	(160,706)
Total Revenue	<u>27,457,483</u>	<u>26,663,890</u>	<u>793,593</u>
<b>EXPENSES</b>			
Instructional Services			
Elementary Programs	6,403,914	5,859,318	544,596
Secondary/Alternative Programs	5,817,847	5,366,970	450,877
Exceptional Child Programs	2,198,273	2,152,104	46,169
Other Programs	681,264	423,807	257,457
Support Services			
Student Services	2,187,224	2,428,466	(241,242)
Instructional Improvement	417,769	300,207	117,562
Educational Media	278,201	228,335	49,866
District Administration	1,653,292	1,782,264	(128,972)
School Administration	1,568,577	1,593,493	(24,916)
Maintenance and Improvements	2,047,687	2,053,151	(5,464)
Pupil Transportation Services	1,219,174	1,229,730	(10,556)
Non-Instructional Services			
School Lunch	1,234,414	1,097,525	136,889
Capital Improvements	714,590	143,506	571,084
Capital Outlays	1,019	-	1,019
Interest/Bond Issuance Cost on Long-Term Debt	3,350	(6,265)	9,615
Depreciation	663,754	720,121	(56,367)
Total Expenses	<u>27,090,349</u>	<u>25,372,732</u>	<u>1,717,617</u>
Changes in Net Position	<u>\$ 367,134</u>	<u>\$ 1,291,158</u>	<u>\$ (924,024)</u>

## DISTRICT'S FUNDS FINANCIAL ANALYSIS

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

### *Governmental Funds*

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.

*General Fund* – The General Fund is the general operating fund for the District. At the end of the 2015-2016 fiscal year, this fund balance was \$71,093 which is an increase of \$530,472 from the fiscal year 2014-2015 ending balance of \$(459,379). In the General Fund in FY 2016, 81.0% of the revenue comes from the State of Idaho, up from 77.6% in FY 2015. Federal sources provided 4.0% of revenue (6.8% in FY 2015), and support from the local community provided 12.4% of the revenue. The remainder of the revenue comes from other sources and transfers into the General Fund. General Fund expenses were 97.5% of revenue resulting in an increase of the fund balance.

Actual revenues for the General Fund totaled \$22,493,010. Total revenue funding was \$255,010 over the budgeted projection of \$22,238,000. Total Federal revenue was under budget by \$482,536, due to the inability to claim students of civilian workers on the FY 2016 Impact Aid Application. State revenue was over budget by \$155,225 due to appropriations for specific programs and an increase in legislative appropriations.

Expenditures for general District purposes totaled \$22,462,885, an increase of \$243,885 or 1.1% from the 2015-2016 fiscal year budget of \$22,219,000. The total expenditures in FY 2016 of \$27,090,349 increased from FY 2015 by \$1,717,617. This is due to substantial adjustments caused by changes in the PERSI and OPEB obligations that created liabilities that the District will never pay for, but must show on the financial statements due to GASB requirements. This instructional expenses category accounts for 55.7% of all general fund expenditures this year. Support services constitute 34.62% of government-wide general fund expenditures. Capital improvements increased \$571,084 due to building improvements related to the passing of the Plant Facility levy.

*Forest Fund* – This fund historically is used for technology and textbook purchases. The main expenditures in the current year was a transfer into General Fund to offset IDEA expenses allocated into the General Fund. Revenues of \$397,640 from the Department of Defense and Federal Forest funding exceeded budget of \$250,000 by \$147,640. There is discussion about Federal Forest revenue legislation sun setting and the Department of Defense is appropriately annually. Revenue in this fund is not considered stable or dependable. Federal Forest revenue in FY 2015 was \$344,460.

*Plant Facility Fund* – The Plant Facility Fund is the fund used to pay for capital construction and building repair and remodeling throughout the District. On May 25<sup>th</sup> 2015, the patrons of Mountain Home generously approved a \$1,000,000 Plant Facility levy each year for five years. The District used this fund to pay for the removal of the old fabric on the roof of Hacker Middle School and replace it with a new 20-year membrane. Other student safety and asset preservation projects were implemented.

## GENERAL FUND BUDGETARY HIGHLIGHTS

In June, the District adopted an original budget for the subsequent year. The budget for the FY 2015-2016 was approved by the Board of Trustees on June 16, 2015. The budget was not amended.

### 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 Mountain Home School District has invested \$30,982,572 in a broad range of capital assets over the years. The total accumulated depreciation on these assets at June 30, 2016 amounts to \$19,792,931.

- Asset additions for governmental activities totaled \$145,725 for the current fiscal year.

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 has retired its general obligation Bonds. These Bonds were originally used to construct the Junior High school. The District has no other long term debt.

Additional information regarding the District's long-term debt can be found in Note 9 to the basic financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District continues to balance current needs versus available resources. Mandatory requirements by the State and Federal Government have increased the administrative burden to the District. Student achievement and academic growth will continue to be the focus of resource allocation in FY 2017. The District continues to face difficult choices over the allocation of available resources.

The District witnessed a slight increase in student enrollment in FY 2016. Enrollment increased 88 students over the FY 2014-2015 level. This reflects a 2.3% growth since last year. Since fiscal year 2000-2001, enrollment has dropped from a high of 4,454 enrolled students to 3,846 at the end of fiscal year 2015-2016. In FY 2017, there will be a new Charter Montessori elementary school open. This will take approximately 30-35 children out of the District each year for the following six years as that school is phased in. Student enrollment was budgeted at 3,800 students for the FY 2017 school year. The student enrollment on the air base has fallen from a high of 1,022 students in fiscal year 2000-2001 to a current enrollment of 374. Housing reconstruction has stabilized and there are no indications of any significant increase of student enrollment.

In May of 2016, the voters of Mountain Home approved a supplemental levy of \$2.7 million per year for 2 years to stabilize the funding for the District during the revenue cutbacks from the State and Federal governments. This levy prevented employee layoffs, service cutbacks, and provided athletic opportunities in the District which would have resulted in significant operational changes. In FY 2017, this levy accounts for 12.1% of total funding for the District's general fund revenue.

For the fiscal year 2017 budget, staffing was adjusted to reflect the student enrollment needs. Salary scales reflected a slight increase due to increased funding by the State Department of Education. In FY 2017, the District converted the existing salary scale to a career ladder format in correlation with the funding method to the District used by the State Department of Education. Educational and experience advances were implemented in this career ladder conversion. Total salary funding from the State however, remains behind the high in FY 2009, with several

areas of funding not reinstated from prior year cuts. There were several positions re-defined this year to meet student needs in a more economical means.

The budget for FY 2017 reflected a relative stabilization of student enrollment. We have budgeted a constant certified staff in FY 2017 as in FY 2016. Funds from the State are becoming more available but still lag behind the funding from FY 2009.

State funding continues to allocate funds for specific purposes with usage restrictions. Funding in FY 2017 for discretionary spending per support unit increased \$3,295 per support unit from \$22,401 to the FY 2009 level of \$25,696. This was a 14.7% increase. Although the discretionary amount per support unit is back at the 2009 level, other funding appropriations such as transportation and salaries still lag behind. Expenses have substantially increased since the State had to cut funding. Since the dramatic decrease in funding in FY 2009, inflation has increased about 12% between June of 2009 to June 2016. Achieving a revenue reimbursement level equal to that in FY 2009, does not compensate for the inflation that has occurred over the past seven years. The General Fund balance is a positive balance for FY 2016 of \$71,093.

Insurance continues to be a major expense for the District. The District pays for healthcare, vision, and dental for all eligible employees. Effective September 1, 2015, the FY 2016 insurance premiums increased 17.1% over the FY 2015 rates. This is an extremely costly benefit amounting to \$2,417,000 of total benefits. This was an increase of approximately \$350,000 in costs that are not specifically reimbursed by any revenue source. In the FY 2017 budget, the insurance premium increase was an incredibly low 3.3% increase due to lower than anticipated claims experience.

Base occupancy rates have stabilized and there is no expectation of any increase in enrollment of students living on the base. There continues to be a drop in students of civilians working on Federal property, in FY 2016, the District did not qualify with enough students of civilians working on Federal property. This prevented the District from counting the civilian students on the 2016 Impact Aid application and reduced our funding by approximately \$375,000. The District has budgeted not to receive compensation for students of civilian workers in FY 2017 based on the results of the FY 2016 application. The Department of Defense is attempting to continue to reduce the number of civilian contractors it employs.

Federal funding is uncertain from year to year especially with the recent sequestration, federal shutdown, and future legislative priorities. Federal posturing on issues such as the debt ceiling, continuing resolutions, and federal programs will continue to raise concerns with adequate sustained Federal funds.

#### *CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT*

This financial report is designed to provide 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:

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Mountain Home School District #193  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,099,964
Restricted cash and cash equivalents	215,743
Property taxes receivable	1,606,285
State and federal receivables	681,746
Other receivables	21,840
Inventories	24,818
Capital assets (not subject to depreciation)	481,372
Capital assets (net of depreciation)	10,226,897
Total assets	15,358,665
<b>Deferred Outflows of Resources</b>	
Pension obligations	4,247,025
<b>Liabilities</b>	
Accounts payable	458,944
Accrued payroll and related liabilities	2,804,925
Advanced revenue	206,901
Other post employment benefits obligation	926,305
Long-term liabilities due in more than one year	
Compensated absences	125,737
Net pension liability	6,531,690
Total liabilities	11,054,502
<b>Deferred Inflows of Resources</b>	
Employer pension assumption	4,408,562
<b>Net Position</b>	
Net investment in capital assets	10,708,269
Restricted for	
Food service	132,363
Capital projects	345,434
Grant programs	171,729
Unrestricted	(6,733,797)
Total net position	\$ 4,623,998

Mountain Home School District #193  
Statement of Activities  
Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Program Revenues</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
<i>Governmental activities</i>					
Instruction					
Elementary programs	\$ 6,403,914	\$ -	\$ 744,019	\$ -	\$ (5,659,895)
Secondary/alternative programs	5,817,847	-	485,511	-	(5,332,336)
Exceptional/preschool programs	2,198,273	-	683,921	-	(1,514,352)
Other instructional programs	681,264	-	6,346	-	(674,918)
Support services					
Student services	2,187,224	-	668,743	-	(1,518,481)
Instructional improvement	417,769	-	392,277	-	(25,492)
Educational media	278,201	-	-	-	(278,201)
District administration	1,653,292	-	-	-	(1,653,292)
School administration	1,568,577	-	55,040	-	(1,513,537)
Maintenance and improvements	2,047,687	-	39,757	-	(2,007,930)
Pupil transportation services	1,219,174	-	891,257	-	(327,917)
Food services	1,234,414	320,111	950,835	-	36,532
Capital improvements	714,590	-	7,333	-	(707,257)
Community service program	1,019	-	-	-	(1,019)
Interest on long-term debt	3,350	-	-	-	(3,350)
Depreciation-unallocated	663,754	-	-	-	(663,754)
<b>Total Governmental Activities</b>	<b>\$ 27,090,349</b>	<b>\$ 320,111</b>	<b>\$ 4,925,039</b>	<b>\$ -</b>	<b>(21,845,199)</b>
General revenues					
State revenue					16,505,522
Taxes					
Property taxes, levied for general purposes					2,789,886
Property taxes, levied for debt services					11,412
Property taxes, levied for capital outlay					979,650
State revenue in lieu of taxes					23,455
Grants and contributions not restricted to specific programs					
Federal impact aid					892,464
Other federal revenue					397,640
Interest, penalties, and investment earnings					18,700
Miscellaneous					593,604
<b>Total general revenues</b>					<b>22,212,333</b>
Changes in Net Position					367,134
Net Position, Beginning of Year					4,256,864
Net Position, End of Year					<b>\$ 4,623,998</b>

Mountain Home School District #193  
Balance Sheet – Governmental Funds  
June 30, 2016

Assets	General	Forest Fees	Non Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,210,044	\$ 320,260	\$ 569,660	\$ 2,099,964
Restricted cash and cash equivalents	-	-	215,743	215,743
Property taxes receivable	1,203,846	-	402,439	1,606,285
State and federal receivables	512,771	143,050	25,925	681,746
Other receivables	-	-	21,840	21,840
Inventories	24,818	-	-	24,818
	<u>\$ 2,951,479</u>	<u>\$ 463,310</u>	<u>\$ 1,235,607</u>	<u>\$ 4,650,396</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 284,669	\$ 2,700	\$ 171,575	\$ 458,944
Accrued payroll and related liabilities	2,483,798	-	321,127	2,804,925
Advanced revenue	-	-	206,901	206,901
Total liabilities	<u>2,768,467</u>	<u>2,700</u>	<u>699,603</u>	<u>3,470,770</u>
 Deferred Inflows of Resources				
Unavailable property taxes	<u>111,919</u>	<u>-</u>	<u>18,900</u>	<u>130,819</u>
 Fund Balance				
Nonspendable	24,818	-	-	24,818
Restricted for				
Food service	-	-	132,363	132,363
Capital projects	-	-	345,434	345,434
Grant programs	-	-	171,729	171,729
Unassigned	<u>46,275</u>	<u>460,610</u>	<u>(132,422)</u>	<u>374,463</u>
Total fund balance	<u>71,093</u>	<u>460,610</u>	<u>517,104</u>	<u>1,048,807</u>
	<u>\$ 2,951,479</u>	<u>\$ 463,310</u>	<u>\$ 1,235,607</u>	<u>\$ 4,650,396</u>

Mountain Home School District #193  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2016

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Total fund balances - governmental funds		\$ 1,048,807
<p>The cost of capital assets purchased or constructed 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 government funds.</p>		
Costs of capital assets	30,982,572	
Depreciation expense to date	<u>(19,792,931)</u>	11,189,641
<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 reported as deferred inflow of resources in the Governmental Fund Statements.</p>		
		130,819
<p>Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at June 30, 2016 are:</p>		
Compensated absences payable	(125,737)	
Other post employment benefits obligation	(926,305)	
Due in more than one year - pension liabilities	<u>(6,531,690)</u>	(7,583,732)
Deferred outflows of resources related to pension obligations		4,247,025
Deferred inflows of resources related to pension obligations		<u>(4,408,562)</u>
Net Position		<u>\$ 4,623,998</u>

Mountain Home School District #193  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2016

	Governmental Fund Types			Total Governmental Funds
	General	Forest Fees	Non Major Funds	
<b>Revenues</b>				
Local revenues				
Property taxes	\$ 2,810,167	\$ -	\$ 991,062	\$ 3,801,229
Interest, penalties, and investment earnings	17,584	-	1,116	18,700
Other	51,505	-	344,145	395,650
State revenue	18,203,225	-	146,940	18,350,165
Federal revenue				
Impact aid	892,464	-	56,671	949,135
Other	-	397,640	3,047,180	3,444,820
Other revenue	518,065	-	-	518,065
	<u>22,493,010</u>	<u>397,640</u>	<u>4,587,114</u>	<u>27,477,764</u>
<b>Expenditures</b>				
Instructional				
Elementary school program	5,818,695	2,543	646,738	6,467,976
Secondary/alternative school program	5,443,334	12,351	420,357	5,876,042
Exceptional school program	1,707,200	-	513,062	2,220,262
Preschool school program	146,006	-	26,650	172,656
Gifted and talented school program	79,506	-	-	79,506
Interscholastic school program	412,187	-	-	412,187
Summer school program	21,792	-	-	21,792
School activity program	1,937	-	-	1,937
	<u>13,630,657</u>	<u>14,894</u>	<u>1,606,807</u>	<u>15,252,358</u>
Support Services				
Attendance-guidance	548,018	-	11,291	559,309
Educational services	1,530,062	-	119,731	1,649,793
Instructional improvement program	161,367	-	260,580	421,947
Educational media program	280,984	-	-	280,984
District administration program	1,603,303	35,651	54,567	1,693,521
School administration program	1,470,448	-	113,819	1,584,267
Maintenance and improvements buildings, grounds, and equipment	2,011,570	-	56,599	2,068,169
Pupil transportation	1,218,503	-	671	1,219,174
	<u>8,824,255</u>	<u>35,651</u>	<u>617,258</u>	<u>9,477,164</u>

Mountain Home School District #193  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2016

	Governmental Fund Types			Total Governmental Funds
	General	Forest Fees	Non Major Funds	
Community services program	-	-	1,019	1,019
Food services program	-	-	1,234,414	1,234,414
Capital assets program	7,973	22,657	829,685	860,315
Debt services program				
Principal	-	-	670,000	670,000
Interest	-	-	13,400	13,400
Total debt service program	-	-	683,400	683,400
Total expenditures	22,462,885	73,202	4,972,583	27,508,670
Excess (Deficiency) of Revenues over (under) Expenditures	30,125	324,438	(385,469)	(30,906)
Other Financing Sources (Uses)				
Interfund transfers in	526,847	-	26,500	553,347
Interfund transfers out	(26,500)	(475,000)	(51,847)	(553,347)
Total other financing sources (uses)	500,347	(475,000)	(25,347)	-
Changes in Fund Balance	530,472	(150,562)	(410,816)	(30,906)
Fund (Deficit) Balance, Beginning of Year	(459,379)	611,172	927,920	1,079,713
Fund Balance, End of Year	\$ 71,093	\$ 460,610	\$ 517,104	\$ 1,048,807

Mountain Home School District #193

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 balances - governmental funds	\$	(30,906)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<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	(663,754)	
Capital outlays	<u>145,725</u>	(518,029)
<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	670,000	
Amortization of premium	<u>4,633</u>	674,633
<p>Because 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>		
		(20,281)
<p>Benefits paid on behalf of retirees for other post employment benefits (OPEB) in the Statement of Activities differs from the amount reported in the governmental funds because these costs are recognized as an expenditure in the governmental funds when they are paid, thus requiring the use of current financial resources. In the Statement of Activities, however, the OPEB obligation is recognized based on the actuarial valuation, regardless of when it is paid.</p>		
		(95,757)
<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>		
		10,050
<p>In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, vacation amounts earned is more than the amounts used.</p>		
		18,824
<p>In the Governmental Funds, benefits earned net of employee contributions is not recognized as an expense.</p>		
		(1,276,708)
<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>		
		<u>1,605,308</u>
Change in Net Position	\$	<u><u>367,134</u></u>

Mountain Home School District #193  
Statement of Fiduciary Funds  
June 30, 2016

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	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 479,287</u>
Total assets	<u><u>\$ 479,287</u></u>
Liabilities	
Due to student groups	<u>\$ 479,287</u>
Total liabilities	<u><u>\$ 479,287</u></u>

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

Mountain Home School District #193 of Mountain Home, Idaho (the District) operates under a School Board form of government and provides education to students as authorized under Title 33 of the Idaho Code.

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 and to state laws applicable to school districts. 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 of Trustees. 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 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 and the federal forest 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 funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

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

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

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

The Statement of Net Position and the Statement of Activities displays 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 Funds 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. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

### **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 is not allocated to those functions, but is reported separately in the Statement of Activities. Depreciation 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 (FFS)

### **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, defined as 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 government 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 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 and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current position. 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 when resources are available 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 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**

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

### **Local Government Investment Pool**

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 (LGIP) 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.

Since the LGIP is recorded at amortized cost and has a maturity of less than 90 days, the District considers these deposits as cash equivalents.

### **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 to 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 District has adopted an investment policy that further specifies that the following investments are allowed following types of securities:

1. United States Securities
2. United States Governmental Agencies
3. Federal Instrumentalities
4. Certificates of Deposit
5. Repurchase Agreements of Governmental Securities
6. Bankers' Acceptance
7. Registered Investment Companies (Money Market Mutual Funds)
8. Investment Pools composed entirely of instruments that are legal for direct investment by an intermediate school district (Idaho State Investment Pool)

The District did not have any investment at June 30, 2016.

#### **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 due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

#### **Inventories**

School operating supplies and maintenance supplies are stated at the lower of cost (first-in, first-out) or market.

Inventories on hand at year end are reflected as assets and are fully reserved in the fund financial statements indicating the inventories are unavailable for appropriation even though they are a component of reported assets.

#### **Eliminations**

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Estimates**

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

**Property Taxes**

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year end, they are accrued on the government 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 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. Other property 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 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. Elmore County bills and collects property taxes for the District.

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

**Capital Assets**

The District's policy is to capitalize capital assets in excess of \$20,000. Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	15-40 years
Furniture and equipment	3-15 years

The costs of land and buildings acquired before 1994 are recorded at estimated historical cost. Land and buildings acquired after 1994 are recorded at historical cost. The cost of equipment and vehicles is based on historical cost.

The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

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, 2002 were considered part of the cost of the buildings or other immovable property. From July 1, 2002 forward, such items that are built or constructed, and appear to be material in cost compared to all capital assets, are capitalized and depreciated over their estimated useful lives.

### **Deferred Outflows and 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which is the pension obligation reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will include 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 reported on the government-wide statement of net position related to the pension obligation. The District also has one item that also qualifies for this reporting on the governmental funds financial statements, which is the delinquent property taxes.

### **Restricted Net Position**

For the government-wide statement of net position, net position is reported as restricted when constraints 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**

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 classified inventories 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. The District has classified debt service resources as restricted as they are to be used for future servicing of the general obligation bond and are restricted through debt covenants. The Local Specific Grants 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 of Trustees. These amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action 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. The District did not have any committed resources as of June 30, 2016.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Trustees or through the Trustees delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District did not have any assigned resources within the General Fund as of June 30, 2016.
- 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.

### **Interfund Transactions**

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.

### **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. 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**

All 12-month or full-time employees earn vacation and sick leave in amounts varying with tenure and classification. Upon retirement, unused vacation leave is paid to employees. No reimbursement or accrual is made for unused sick leave.

The District's recognition and measurement criteria for compensated absences follow:

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

1. The employees' right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "Accrued payroll and related liabilities" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

### **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 and other restricted sources are applied to expenditures first.

### **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**

At June 30, 2016, the District's cash and cash equivalents consisted of the following:

	Governmental Funds	Agency Funds
Bank balance		
Insured	\$ 250,000	\$ 248,802
Uninsured	2,427,209	-
Bank deposit balance	\$ 2,677,209	\$ 248,802
Carrying amount	\$ 2,064,691	\$ 214,582

At June 30, 2016, the District's cash equivalents consisted of the following:

	Amortized Cost
State Treasurer's investment pool	\$ 251,016
State Treasurer's investment pool - Agency	\$ 264,705

**Custodial Credit Risk**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party.

The District's investment policy only allows securities to be purchased from the following institutions organized in the United States that have \$500,000,000. The following is a list of the authorized institutions:

1. Primary and regional dealers who qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), and
2. Capital of no less than \$10,000,000, and
3. Registered as a dealer under the Securities Exchange Act of 1934, and
4. A member of the National Association of Securities Dealers (NASD), and
5. Registered to sell securities in the State of Idaho, and
6. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five consecutive years or,
7. Any Public Depository qualified in accordance with Idaho Code (I.C.) 67-1210.

The securities must be registered and collateralized in the District's name. The District was in compliance with their policy at June 30, 2016.

**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’s policy only allows for investments that have an AAA or AA rating as prescribed by S&P and Moody’s. Investments in the State Treasurer’s Pool are not required to be rated. The District was in compliance with the policy at June 30, 2016.

**Interest Rate Risk**

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The District’s policy is not to purchase investments with maturities greater than 185 calendar days, and repurchase agreements cannot exceed one business day. The District’s investment in the State Treasurer’s Investment Pool has a weighted average maturity of 118 days as of June 30, 2016. The District was in compliance with this policy at June 30, 2016.

**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 principal that governments should provide note disclosure when 5% of the total entities 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’s policy is to not allow more than 50% of the total portfolio in Certificate of Deposits, Bankers Acceptance, non-governmental money market mutual funds, or any combination thereof. As of June 30, 2016, no amounts represented more than 5% of the investments.

**Note 3 - 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	\$ 519,539
Federal Agencies	162,207
	681,746
County Agencies	1,606,285
	\$ 2,288,031

**Note 4 - Interfund Transfers**

During the year ended June 30, 2016, the General Fund transferred \$26,500 to the Non Major Funds in compliance with Federal mandates to supplement support services to students requiring and qualifying for certain benefits to cover costs in excess of federal awards. The Federal Forest fund transferred \$475,000 to the General Fund for general use, and the Non Major Funds transferred \$51,847 to the General Fund for indirect cost reimbursement in relation to the administration of State and Federal funded programs.

**Note 5 - Capital Assets**

A summary of activity in the capital assets is as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016
Governmental activities				
Capital assets				
Non depreciable capital assets				
Land	\$ 481,372	\$ -	\$ -	\$ 481,372
Depreciable capital assets				
Land improvements	1,827,622	-	-	1,827,622
Buildings	24,785,506	-	-	24,785,506
Furniture and equipment	3,963,263	145,725	(220,916)	3,888,072
Total capital assets	30,576,391	145,725	(220,916)	30,501,200
Less accumulated depreciation for				
Land improvements	(1,700,395)	-	-	(1,700,395)
Buildings	(14,381,035)	(558,344)	-	(14,939,379)
Furniture and equipment	(3,268,663)	(105,410)	220,916	(3,153,157)
Total accumulated depreciation	(19,350,093)	(663,754)	220,916	(19,792,931)
Total capital assets, net	\$ 11,226,298	\$ (518,029)	\$ -	\$ 10,708,269

**Note 6 - Unavailable and Advanced Revenues**

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

	General Fund	Non Major Funds	Total
Delinquent property taxes	\$ 111,919	\$ 18,900	\$ 130,819
Advanced revenue	-	206,901	206,901
	\$ 111,919	\$ 225,801	\$ 337,720

**Note 7 - Post-Retirement Healthcare Plan**

*Plan Description.* The District provides comprehensive medical, vision and dental benefits to all District employees who retire and satisfy the eligibility requirements. This is a single employer defined benefit healthcare plan administered by Regence Blue Shield, Willamette, and VSP. To be eligible for the District’s retiree group medical, dental and vision plans, a retiree must satisfy the PERSI retirement eligibility requirements of 55 years of age (or disability) and 5 years of service. Once a retiree becomes eligible for Medicare, the spouse can continue medical and dental coverage until the spouse is eligible for Medicare. Retirees and spouses are eligible for vision benefits for life. Disabled members and their dependents can receive medical, dental, and vision benefits until they qualify for SSDI and Medicare. Surviving spouses are eligible for medical and dental benefits until the survivor is 65 and vision benefits for life.

*Funding Policy.* The contribution requirement of plan members is established by the District’s insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the District contributed approximately \$177,714 to the plan or approximately 38 percent of estimated retiree costs. Plan members receiving benefits contributed approximately \$273,471 or approximately 62 percent of estimated retiree costs. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool. Monthly contribution rates in effect for retirees under age 65 during fiscal year 2016, which represents the blending of the September 1, 2013 and September 1, 2014 rates, were as follows:

<u>Pre-65 rates</u>	<u>Medical Regence Premium</u>	<u>Dental Delta Dental Premium</u>	<u>Dental Willamette Premium</u>	<u>Vision LifeMap Premium*</u>
Retiree Only	\$ 445.17	\$ 40.31	\$ 41.42	\$ 6.53
Retiree + Spouse	976.08	76.57	70.89	13.05
Retiree + Child	683.67	76.57	70.89	13.81
Retiree + Children	792.50	112.85	103.38	15.23
Retiree + Family	1,126.67	112.85	103.38	22.10

\* The vision plan is also for post 65 retirees.

*Annual OPEB Cost and Net OPEB Obligation.* The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the District’s post-retirement healthcare plan:

Annual required contribution	\$ 274,384
Interest on net OPEB obligation	23,274
Adjustment to annual required contribution	<u>(24,187)</u>
Annual OPEB cost (expense)	273,471
Contributions made by the District	<u>(177,714)</u>
Increase in net OPEB obligation	95,757
Net OPEB obligation—beginning of year	<u>830,548</u>
Net OPEB obligation—end of year	<u><u>\$ 926,305</u></u>

The three year disclosure of the District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is shown below:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Expense (AOE)</u>	<u>Estimated Contribution as a Percentage of AOE *</u>	<u>Net OPEB Obligation at End of Year **</u>
June 30, 2014	\$ 276,729	57%	\$ 727,326
June 30, 2015	262,534	62%	830,548
June 30, 2016	273,471	65%	926,305

\* Equals estimated actual incurred claims plus administration less retiree contributions as a percentage of AOE.

\*\* Equals prior year Net OPEB obligation plus current year AOE less estimated current year contributions.

*Funded Status and Funding Progress.* As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$2,854,396. The District’s plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$14,129,343 and the ratio of the UAAL to the covered payroll was 20 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$2,852,210	\$2,852,210	0%	\$15,373,251	19%
July 1, 2012	\$ -	\$2,967,519	\$2,967,519	0%	\$13,821,703	21%
July 1, 2014	\$ -	\$2,854,396	\$2,854,396	0%	\$14,129,343	20%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 3.2 percent discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. This is calculated based on the expected long-term rate of return on the District's general funds at the valuation date. A 2.75 percent implied inflation rate assumption (CPI) is used. The valuation assumes that the probability of initial enrollment upon retirement of medical, dental, and vision is 60 percent, 60 percent, and 70 percent, respectively. The valuation also assumes that the percent of retirees who will enroll dependents in medical, dental, and vision is 15 percent, 20 percent, and 25 percent, respectively. Annual medical healthcare cost trend rates of 17.7 percent in the first year, 8.1 percent in the second year, 6.0 percent in the third year and decreasing gradually per year until an ultimate rate of 4.7 percent by 2090, are used. Annual dental trend rates of 1.2 percent in the first year, 4.2 percent in the second year, and 5.0 percent thereafter are used. Annual vision trend rates of 4.8 percent in the first year, 5.4 percent in the second year, and 5.0 percent thereafter are used. It was assumed salary increases will be 3.25 percent per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling thirty year time period.

**Note 8 - Long-Term Debt**

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

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Governmental activities				
Bonds payable				
2004 Refunding bond	\$ 670,000	\$ -	\$ (670,000)	\$ -

**Note 9 - Deficit Fund Balances**

At June 30, 2016, in the following Non Major Funds also had deficit balances:

- Local grants and awards
- Drivers Education
- State Vocational Education
- State Technology
- Title VI – B
- Miscellaneous grants

The District intends to reduce expenses and/or transfer funds to remediate deficit fund balances.

**Note 10 - 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) 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 who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

*Pension Benefits*

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

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

*Member and Employer Contributions*

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

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2015 it was 6.79%. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were \$1,605,308 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 portion was .4960134 percent.

For the year ended June 30, 2016, the District recognized a pension expense of \$1,276,708. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 783,009
Changes in assumptions or other inputs	237,874	-
Net difference between projected and actual earnings on pension plan investments	2,403,843	3,430,024
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	195,529
District contributions subsequent to the measurement date	<u>1,605,308</u>	<u>-</u>
Total	<u><u>\$ 4,247,025</u></u>	<u><u>\$ 4,408,562</u></u>

\$1,605,308 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 (revenue) as follows:

Year ended June 30:	
2017	\$ (713,465)
2018	(713,465)
2019	(713,465)
2020	442,861
2021	(69,311)

#### *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 individuals between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2014 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.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Borad 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%
Long-Term Expected Rate of Return, Net of Investment Expenses			7.10%

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.10 percent. 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 the 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 represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District'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)	\$ 15,908,823	\$ 6,531,690	\$ (1,264,153)

*Pension Plan Fiduciary Net Position*

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

PERSI issues a publicly available financial report that includes financial statements from which certain required supplementary information is derived. 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 11 - Operating Leases**

The District contracts out for copier services and pays a monthly rental fee per machine and a per copy charge for all copies run. The estimated annual charge for the 60 month contract is \$223,957. The lease period started in 2015 and runs through 2020.



Required Supplementary Information  
June 30, 2016

# Mountain Home School District #193

Mountain Home School District #193

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local revenues				
Property taxes	\$ 2,780,000	\$ 2,780,000	\$ 2,810,167	\$ 30,167
Earnings on investments	8,000	8,000	17,584	9,584
Other	27,000	27,000	51,505	24,505
State revenue	18,048,000	18,048,000	18,203,225	155,225
Federal revenue				
Impact aid	1,375,000	1,375,000	892,464	(482,536)
Other revenue	-	-	518,065	518,065
Total revenue	<u>22,238,000</u>	<u>22,238,000</u>	<u>22,493,010</u>	<u>255,010</u>
<b>Expenditures</b>				
Instructional				
Elementary school program	6,129,493	6,129,493	5,818,695	310,798
Secondary/alternative school program	5,578,981	5,578,981	5,443,334	135,647
Exceptional school program	1,176,918	1,176,918	1,707,200	(530,282)
Preschool school program	140,966	140,966	146,006	(5,040)
Gifted and talented school program	80,088	80,088	79,506	582
Interscholastic school program	369,954	369,954	412,187	(42,233)
School activity program	1,000	1,000	1,937	(937)
Summer school program	145,354	145,354	21,792	123,562
Total instructional	<u>13,622,754</u>	<u>13,622,754</u>	<u>13,630,657</u>	<u>(7,903)</u>

Mountain Home School District #193

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

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Support Services				
Attendance-Guidance	538,773	538,773	548,018	(9,245)
Educational services	1,096,412	1,096,412	1,530,062	(433,650)
Instructional improvement program	326,752	326,752	161,367	165,385
Educational media program	232,418	232,418	280,984	(48,566)
District administration program	1,372,974	1,372,974	1,603,303	(230,329)
School administration program	1,806,726	1,806,726	1,470,448	336,278
Maintenance and improvements buildings, grounds, and equipment	2,023,191	2,023,191	2,011,570	11,621
Pupil transportation	1,185,000	1,185,000	1,218,503	(33,503)
Total support services	<u>8,582,246</u>	<u>8,582,246</u>	<u>8,824,255</u>	<u>(242,009)</u>
Capital assets program	14,000	14,000	7,973	6,027
Total expenditures	<u>22,219,000</u>	<u>22,219,000</u>	<u>22,462,885</u>	<u>(243,885)</u>
Excess of Revenues over Expenditures	19,000	19,000	30,125	11,125
Other Financing Sources (Uses)				
Operating transfer in	35,000	35,000	526,847	491,847
Operating transfer out	(45,000)	(45,000)	(26,500)	18,500
Changes in Fund Balance	<u>\$ 9,000</u>	<u>\$ 9,000</u>	530,472	<u>\$ 521,472</u>
Fund Deficit, Beginning of Year			<u>(459,379)</u>	
Fund Balance, End of Year			<u>\$ 71,093</u>	

## **Note 1 - Basis of Budgeting**

### **Basis of Budgeting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The District annually 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.
2. The proposed budget is published in the local newspaper.
3. A public hearing is conducted to obtain citizen comments.
4. The budget is formally adopted through approval by the Board of Trustees and published in the local newspaper.
5. The District may, after school starts and actual enrollments figures are known, amend the budget using the same procedure that was used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was not amended for the fiscal year ended June 30, 2016.
6. Formal budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.
7. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The level of control (level at which expenditures may not exceed budget) is the fund.
8. All annual appropriations lapse at fiscal year-end.

Mountain Home School District #193  
Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
June 30, 2016

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**Schedule of Employer's Share of Net Pension Liability**

**PERSI - Base Plan  
Last 10 - Fiscal Years \***

	2015	2014
Employer's portion of net pension liability	0.4960134%	0.5101686%
Employer's proportionate share of the net pension liability	\$ 6,531,690	\$ 3,755,639
Employer's covered-employee payroll	\$ 14,009,719	\$ 14,129,343
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.62%	26.58%
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 July 1 (measurement date)

**Schedule of Employer Contributions**

**PERSI - Base Plan  
Last 10 - Fiscal Years \***

	2016	2015
Statutorily required contribution	\$ 1,605,308	\$ 1,564,552
Contributions in relation to the statutorily required contribution	\$ (1,605,308)	\$ (1,564,552)
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 14,239,555	\$ 14,009,719
Contributions as a pcentage of covered-employee payroll	11.27%	11.17%

\*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 is reported is measured as of June 30 of the respective fiscal year.



Single Audit  
June 30, 2016

# Mountain Home School District #193



**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  
Mountain Home School District #193  
Mountain Home, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountain Home School District #193 (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 October 14, 2016.

**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.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

## **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 cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
October 14, 2016



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

To the Board of Trustees  
Mountain Home School District #193  
Mountain Home, Idaho

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

We have audited the Mountain Home School District #193'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.

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

Boise, Idaho  
October 14, 2016

Mountain Home School District #193  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Expenditures</u>	<u>Pass through Expenditures</u>
<u>U.S. Department of Education</u>				
<i>Direct Grants</i>				
Impact Aid - Elementary and Secondary Education Act (ESEA) Section 8003(d)	84.041		\$ 56,671	\$ -
<i>Passed through the State of Idaho Department of Education</i>				
Career and Technical Education	84.048A	V048A160012	51,081	-
Title I Grants to Local Educational Agencies	84.010	S010A150012 / S010A160012	851,859	-
Migrant Education, State Grant Program	84.011	S011A150012 / S011A160012	44,157	-
<i>Special Education Cluster</i>				
Special Education, Grants to States	84.027	H027A150133 / H027A160133	751,578	-
Special Education, Preschool Grants	84.173	H173A150030 / H173A160030	26,650	-
<i>Cluster total</i>			<u>778,228</u>	<u>-</u>
English Language Acquisition State Grants	84.365	S365A150012 / S365A160012	23,257	-
Improving Teacher Quality, State Grants	84.367	S367A140011 / S367A146011	171,653	-
Rural Education	84.358	S358B140012	93,125	-
Total U.S. Department of Education			<u>2,070,031</u>	<u>-</u>
<u>U. S. Department of Agriculture</u>				
<i>Direct Grants</i>				
Schools and Roads, Grants to States	10.665		397,640	-
<i>Passed through the State of Idaho Department of Education</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program (Commodities)	10.553	2015IN109947 / 2016IN109947	160,877	-
National School Lunch Program	10.555	2015IN109947 / 2016IN109947	797,291	-
<i>Cluster total</i>			<u>958,168</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>958,168</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 3,425,839</u>	<u>\$ -</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) 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.

**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.

**Note 3 - Food Donation**

Nonmonetary assistance is reported in the SEFA at the fair market value of the commodities received and disbursed, which was approximately \$86,000 for the year ended June 30, 2016.

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

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Title I	84.010
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

None

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

None

No findings in prior year.