POST FALLS SCHOOL DISTRICT NO. 273

FINANCIAL STATEMENTS
JUNE 30, 2019

Post Falls School District No. 273
June 30, 2019

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June 30, 2019

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MM&CO.
MAGNUSON, McHUGH & COMPANY, P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Post Falls School District No. 273
Post Falls, ID 83854

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Post Falls School District No. 273's basic financial statements as listed in the table of contents. We also have audited each fiduciary fund type of Post Falls School District No. 273, as of June 30, 2019, as displayed in the Post Falls School District No. 273's basic financial statements.

Management's Responsibility for the Financial Statements

Post Falls School District No. 273's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Post Falls School District No. 273's financial statements. The combining and individual nonmajor fund financial statements, the schedule of changes in deposit balances of individual schools, and the schedule of expenditures of federal awards, required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of changes in deposit balances of individual schools, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of changes in deposit balances of individual schools, and the schedule of expenditures of federal awards are 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 9, 2019 on our consideration of Post Falls School District No. 273'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 Post Falls School District No. 273's internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh, & Co., P.A.

October 9, 2019

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

The discussion and analysis of the Post Falls School District's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial activities for the fiscal year. Efforts have been made to provide comparison to prior year data when such data is available.

FINANCIAL HIGHLIGHTS

- The school district finished the year with a general fund balance of $2,787,750, The unassigned fund balance, as noted on page 12 represents 7.3% of general fund revenues. This is an increase from the prior year of $744,153.

- Revenues came in approximately $252,200 over the projected budgeted amount, which was due to greater than anticipated tax collections, strong interest on investment return, insurance reimbursements, and adjusted state foundation support. Meanwhile expenditures came in under $479,431 from the budgeted amount. The district has continued to maintain a strong fund balance, which is a direct result of the Board of Trustees continued successful management of the budget. The District's general fund balance is tracking 2.3% above the recommended minimum of 3% – 5%. This undistributed reserve has been set-aside for unexpected contingencies, cash flow purposes within the district, and to establish a sufficient balance which was a key credit consideration for obtaining the District's credit enhanced "Aaa" school bond guaranty and underlying A1 rating by Moody's Investors Service.

- In March 2019, the District with a 72.68% favorable vote, passed a $19 million bond for construction and remodel projects. $12.5 million will be used to build a new 500 student capacity elementary school, for occupancy in the fall of 2020. The remaining $6.5 million will be used to update and remodel senior school facilities, and for purchase of future school sites. The District was able to layer its debt due to retiring/paying off a 2015A Series bond balance in August 2018.

- During this past fiscal year, and to keep up with transportation demands, the district purchased and added to their fleet three new buses. Security enhancements were added and included upgrading security and buzz in door systems at each school building site, and adding in cameras in blind spot areas for safety. System upgrades included implementation of new student information system, and the purchase of a new student transportation management routing, scheduling, and mapping technology system that includes enhanced GPS systems. The system should be fully integrated by the end of school year 2020. New curriculum was integrated and added to schools, and added chrome book purchases to support student achievement.

- The State of Idaho's economy continues to grow and all indications and forecasts support continued strength going forward. State general fund dollars over last year's appropriation for education increased by 6.3% in the completed year. The local market values percent of annual change in taxable assessed value increased by 15.21% increase, as comparable to last year's 7.13%. The student population grew at a steady 1.6% growth rate and 95% attendance rate.

- Due to the strength of the local economy, and changes in market value, the District's levy rate decreased from the prior year of 2.44 to 2.08 per 1,000. Despite growth and a robust economy, the District has been able to conservatively manage expenditures, while keeping up with the rising inflationary costs of doing business.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the comprehensive annual financial report consists of three parts: management's discussion and analysis; basic financial statements, including notes to the 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.

- The statement of net position and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the district's finances. District-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.

- The remaining statements are fund financial statements that focus on individual parts of the district. Fund statements generally report operations in more detail than the district-wide statements.

The notes to the financial statements provides further explanation of some of the information in the statements and provides additional disclosures so statement users have a complete picture of the district's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the district's budget data for the year.

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The two district-wide statements report the district's net assets and how they have changed. Net position, the difference between the district's assets and liabilities, are one way to measure the district's overall financial position.

- Increases or decreases in the district's net assets are one indicator of whether its financial position is improving or deteriorating, respectively.
- 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 district-wide financial statements, the district's activities are all classified as governmental activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation and food services. Most of these activities are supported by property taxes and formula aid from the State of Idaho.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds and not on the district as a whole. 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.

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The district has two types of funds.

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Governmental fund information does not report on long-term commitments as is reported on the district-wide statements. Therefore an explanation of the differences between the governmental funds and the district-wide statements is included either at the bottom of the governmental funds statements or as a separate statement.
- 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.

FINANCIAL ANALYSIS

The District as a Whole

Net Position. Table I, below, provides a summary of the district's net position for the years ended June 30, 2019 and 2018.

Table 1
Statement of Net Position
June 30, 2019 and 2018

	2019	2018
ASSETS:		
Cash and cash equivalents	$ 25,004,123	$ 6,746,371
Receivables	4,872,710	4,476,471
Net OPEB asset - PERSI	1,518,959	1,400,992
Capital assets, net of accumulated depreciation	45,529,771	45,695,376
Total assets	76,925,563	58,319,210
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred OPEB outflows - District	350,908	291,233
Deferred OPEB outflows - PERSI	204,326	-
Deferred pension outflows	5,094,499	4,635,630
Total deferred outflows of resources	5,649,733	4,926,863
LIABILITIES:		
Accounts payable	848,866	268,402
Accrued payroll and related costs	4,503,123	4,344,977
Interest payable	342,223	272,700
Long-term liabilities:		
Due within one year	949,859	2,002,431
Due in more than one year	37,494,955	19,232,890
Net pension liability	11,288,046	11,774,113
Total OPEB liability - District	2,414,330	2,212,437
Total liabilities	57,841,402	40,107,950
DEFERRED INFLOWS OF RESOURCES:		
Deferred OPEB inflows - District	199,491	199,491
Deferred OPEB inflows - PERSI	90,228	-
Deferred pension inflows	2,106,687	1,912,987
Total deferred inflows of resources	2,396,406	2,112,478
NET POSITION:		
Net investment in capital assets	7,244,816	24,587,486
Restricted for:		
Debt service	2,766,503	3,020,852
School Lunch	227,758	335,018
Capital Construction	17,977,108	-
Plant Facility	209,408	351,673
Federal and State Title programs	129,896	292,945
Unrestricted	(6,218,001)	(7,562,329)
Total net position	$ 22,337,488	$ 21,025,645

FINANCIAL ANALYSIS (CONTINUED)

The district's combined net position increased by $1,311,843 for an ending total of $22,337,488.

The district calculation of net position uses a historical cost of school buildings that may not accurately reflect the true value. Post Falls' buildings are in very good condition as a result of sufficient annual operating funds appropriated for maintenance and repair.

Changes in net position. Table 2 shows the changes in net position for fiscal years 2019 and 2018.

Table 2
Changes in Net Position from Operating Results
Government Activities 2019 and 2018

	2019	2018
REVENUES:		
Program revenues:		
Charges for services	$ 1,443,704	$ 1,511,818
Operating grants and contributions	5,111,705	4,936,949
General revenues:		
Property taxes, levied for general purposes	5,151,085	5,106,126
Property taxes, levied for debt services	2,335,108	2,375,519
State revenues	33,218,801	31,204,179
Grants and contributions not restricted to specific purposes:		
Loss on disposal of capital assets	-	-
Federal Forest	30,200	32,899
Interest and investment earnings	298,756	146,062
Donated Capital Assets	(7,000)	-
Miscellaneous	165,235	31,199
Total general revenues and special items	47,747,594	45,344,751
EXPENSES:		
Instructional services:		
Elementary programs	14,084,530	14,119,790
Secondary programs	11,638,877	10,396,052
Alternative school programs	690,134	703,491
Exceptional child programs	3,804,205	3,684,028
Activity programs	522,062	512,740
Other programs	67,810	67,234
Support services:		
Guidance and health programs	1,492,495	1,339,633
Special services	1,393,559	1,252,790
Improvement and media	437,841	431,426
District administration	354,670	363,682
School administration	2,376,673	2,304,152
Business administration	1,365,182	731,498
Maintenance	3,981,110	3,778,467
Transportation	2,094,713	1,986,103
Security	340	45,737
Non-instructional services:		
School lunch	2,061,070	2,015,888
Interest on long-term debt	747,957	663,279
Bond issuance costs	163,606	-
Change in OPEB Obligation	(89,847)	(93,548)
Unallocated actual PERSI expense	(2,914,255)	(2,786,809)
Change in net pension liability	2,163,019	1,861,713
Total expenses	46,435,751	43,377,346
Change in net position	$ 1,311,843	$ 1,967,405

FINANCIAL ANALYSIS (CONCLUDED)

Changes in net position (Concluded)

As shown in Table 2, the Post Falls School District relies on local property taxes for 15.6% of its governmental activities. The district had total revenues of $47.8 million.

Governmental Funds

The district completed the year with a total governmental fund balance of $24,316,716 resulting in an increase of $17,926,109 from the comparison ending balance from the prior fiscal year 2018 that was $6,390,607.

- The general fund had a net increase in fund balance of $744,153 for a net total of $2,787,750 at fiscal year-end. The net increase was primarily due to increase in collected tax revenue, local and state assistance, and strong fiscal management.
- The food service fund had a decrease in fund balance of $107,260. The food service department purchased new lunch tables and seats for the cafeterias in multiple schools. Additionally, they expended funds on unanticipated needed repairs of their equipment. Overall the fund ended the fiscal year with a positive fund balance of $227,758.
- The debt service fund had a decrease in fund balance of $254,349. The fund ended the fiscal year with a fund balance of $2,766,503. Primary reasons were receipt of a smaller bond levy equalization payment of $74,940, in comparison to the prior year, and less tax dollars levied due to the anticipated 2015A Ref G.O. bond balance pay off rendered in the 2018-19 school year.
- The bond capital construction fund had an ending fund balance of $17,977,108. The district sold bonds in May 2019 after a voter approved bond levy was passed on March 12, 2019 for $19 million. Just over $1.2 million of these funds were expended on projects during the 2018-19 fiscal year.

General Fund Budgetary Highlights

The district adopts an original budget in June for the subsequent year. The budget is then often amended later in the fiscal year, typically in February or March, following determination of the first attendance period and certification of all levies on property taxes. State revenues are primarily driven through the measurement of attendance for the first nine weeks of the school year. The district amended its budget in the 2018-2019 fiscal year to reflect increases in revenue and expenses.

When comparing final budget to actual, stronger than expected property tax collections, local reimbursements, and state assistance resulted in a favorable revenue variance in the amount of $252,200. Overall General fund expenses were less than budgeted. This was due in large part to the budgeted variance of $355,910, which was primarily due to a few grant/local funding opportunities that resulted in covered costs associated with Security and Nursing programs, and covered HVAC maintenance projects by the bond. General fund overall resulted in maintaining a positive and or net favorable overall variance of $690,785 when compared to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Post Falls School District has invested approximately $79.1 million in a broad range of capital assets, including buildings, sites, library books, transportation equipment and other equipment as of the end of fiscal year 2019. Total accumulated depreciation on these assets amounts to $33.6 million.

- Asset acquisitions for governmental activities totaled $1,762,381 for the fiscal year. This figure represents primarily the purchase of three new buses, various equipment, and purchases for construction in progress.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt

At year end the district had $33.4 million in general obligation bonds and other long-term debt outstanding. The district retired $1,983,921 of outstanding debt. The debt of the district is secured by an annual tax levy authorized by the patrons of the school district by a two-thirds majority vote in 2015 for $19.5 million and in 2019 for $19 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the district's financial status in the future are:

- The existing labor agreement for teachers expires June 30, 2019 however a new agreement was reached which extends the agreement to June 30, 2020.
- The district increased enrollment during the 2018-2019 school year, however budgeted for less students, resulting in receiving more state funding than was originally budgeted. The district expects to see an increase in enrollment by approximately 150 new students for the 2019-2020 school year. The state of Idaho has also funded the fifth year of the career ladder placement and has increased the beginning and professional teacher pay amounts. Because of the anticipated increase of students and projected increase of state appropriations, the district anticipates receiving more state dollars for the upcoming 2019-2020 budget year.
- The district's geographical area is the third largest growing community in the state. Latest statistics indicate that the City of Post Falls grew by 5.57%, Kootenai County 2.93%, and was above the State of Idaho growth at 2.14%. All indications predict that Kootenai County and Post Falls population will continue to rise, and that the market values will continue to increase by that upward mobility as we enter into the 2019-20 school year, thus resulting in a continued strong economic condition for the area.
- The economy of the State of Idaho continues to remain strong. The Idaho General Fund Revenue Report dated August 2019 forecast projection FY2020 general fund revenue forecast projection is 3,928.6 million which is a 5.2% increase over FY2019. Additionally, Idaho's unemployment rate was 2.6% as reported in August 2019, and remains well below the National Unemployment rate of 3.7%.
- The local strength paired with the State of Idaho's economy continues to remain strong and the better than anticipated forecasts are projected for the upcoming state budget year. It is with that strength that the state funding is predicted to remain strong and carry forward and reflected into the next fiscal year's budget for the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 Wendy J. Lee, CFO and Director of Business Services, Post Falls School District #273, 206 West Mullan Avenue, Post Falls, ID 83854.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Post Falls School District No. 273

STATEMENT OF NET POSITION
June 30, 2019

ASSETS	
Cash and cash equivalents	$ 25,004,123
Receivables	4,872,710
Net OPEB asset - PERSI	1,518,959
Land	1,555,331
Construction in progress	1,065,527
Capital assets, net of accumulated depreciation	42,908,913
Total assets	76,925,563
DEFERRED OUTFLOWS OF RESOURCES	
Deferred OPEB outflows - District	350,908
Deferred OPEB outflows - PERSI	204,326
Deferred pension outflows	5,094,499
Total deferred outflows of resources	5,649,733
LIABILITIES	
Accounts payable	848,866
Accrued payroll and related costs	4,503,123
Interest payable	342,223
Long-term liabilities:	
Due within one year:	
Compensated absences	159,859
Long-term debt	790,000
Due in more than one year:	
Long-term debt	37,494,955
Net pension liability	11,288,046
Net OPEB obligation - District	2,414,330
Total liabilities	57,841,402
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB inflows - District	199,491
Deferred OPEB inflows - PERSI	90,228
Deferred pension inflows	2,106,687
Total deferred inflows of resources	2,396,406
NET POSITION	
Net investment in capital assets	7,244,816
Restricted for:	
School lunch	227,758
Debt service	2,766,503
Capital projects	17,977,108
Federal and state title programs	129,896
Plant facility	209,408
Unrestricted	(6,218,001)
Total net position	$ 22,337,488

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Post Falls School District No. 273

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

			Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental activities:					
Instructional services:					
Elementary programs	$ 14,084,530	$ 357,325	$ 2,282,329	$ -	$ (11,444,876)
Secondary programs	11,638,877	544,348	216,633	-	(10,877,896)
Alternative school programs	690,134	-	-	-	(690,134)
Exceptional child programs	3,804,205	-	1,212,405	-	(2,591,800)
Activity programs	522,062	-	-	-	(522,062)
Other programs	67,810	-	-	-	(67,810)
Support services:					
Guidance and health programs	1,492,495	-	-	-	(1,492,495)
Special services	1,393,559	-	-	-	(1,393,559)
Improvement and media	437,841	-	-	-	(437,841)
District administration	354,670	-	-	-	(354,670)
School administration	2,376,673	-	-	-	(2,376,673)
Business administration	1,365,182	-	-	-	(1,365,182)
Maintenance	3,981,110	-	-	-	(3,981,110)
Transportation	2,094,713	-	-	-	(2,094,713)
Security	340				(340)
Non-instructional services:					
School lunch	2,061,070	542,031	1,400,338	-	(118,701)
Interest and amortization	747,957	-	-	-	(747,957)
Bond issuance costs	163,606	-	-	-	(163,606)
Change in OPEB obligation	(89,847)	-	-	-	89,847
Unallocated actual PERSI expense	(2,914,255)	-	-	-	2,914,255
Change in GASB 68 NPL	2,163,019	-	-	-	(2,163,019)
Total governmental activities	$ 46,435,751	$ 1,443,704	$ 5,111,705	$ -	(39,880,342)
	General revenues:				
	Property taxes, levied for general purposes				5,151,085
	Property taxes, levied for debt services				2,335,108
	State revenue				33,218,801
	Grants and contributions not restricted to specific purposes:				
	Federal Forest				30,200
	Interest and investment earnings				298,756
	Donated capital assets				(7,000)
	Miscellaneous				165,235
	Total general revenues				41,192,185
	Change in net position				1,311,843
	Net position beginning				21,025,645
	Net position ending				$ 22,337,488

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Post Falls School District No. 273

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	General	Child Nutrition	Debt Service
ASSETS			
Cash and cash equivalents	$ 4,028,683	$ 210,437	$ 1,932,964
Accounts receivable:			
Kootenai County	2,020,023	-	907,432
State of Idaho	1,293,812	52,848	-
Interest receivable	-	-	-
Total assets	$ 7,342,518	$ 263,285	$ 2,840,396
LIABILITIES			
Accounts payable	$ 126,632	$ 8,881	$ -
Accrued payroll	4,293,901	26,646	-
Total liabilities	4,420,533	35,527	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	134,235	-	73,893
Total deferred inflows of resources	134,235	-	73,893
FUND BALANCES			
Restricted to:			
School lunch, debt service and capital projects, respectively	-	227,758	2,766,503
State and federal title programs	-	-	-
Assigned to:			
State and federal non title funding	-	-	-
Unassigned	2,787,750	-	-
Total fund balances	2,787,750	227,758	2,766,503
Total liabilities, deferred inflows of resources, and fund balances	$ 7,342,518	$ 263,285	$ 2,840,396

The accompanying "Notes to Financial Statements"
are an integral part of this statement.

Capital Construction Project	Other Governmental	Total
$18,274,552	$ 557,487	$ 25,004,123
-	(838)	2,926,617
-	559,476	1,906,136
39,957	-	39,957
$18,314,509	$ 1,116,125	$ 29,876,833
$ 337,401	$ 375,952	$ 848,866
-	182,576	4,503,123
337,401	558,528	5,351,989
-	-	208,128
-	-	208,128
17,977,108	209,408	21,180,777
-	129,896	129,896
-	218,293	218,293
-	-	2,787,750
17,977,108	557,597	24,316,716
$18,314,509	$ 1,116,125	$ 29,876,833

Post Falls School District No. 273

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances at June 30, 2019 - Governmental funds		$ 24,316,716
Cost of capital assets at June 30, 2019	$ 79,145,710	
Less: Accumulated depreciation as of June 30, 2019		
Buildings and portables	(28,710,624)	
Buses and other transportation	(2,454,552)	
Equipment and library books	(2,450,763)	45,529,771
Elimination of deferred revenue		208,128
Pension liabilities and deferred outflows of resources and deferred inflows of resouces related to pensions:		
District's proportionate share of the net pension liability		(11,288,046)
Proportionate share of collective deferred outflows of resources		5,094,499
Proportionate share of collective deferred inflows of resources		(2,106,687)
OPEB liabilities and deferred outflows of resources and deferred inflows of resouces related to OPEB:		
District's proportionate share of the net OPEB asset		1,518,959
Total OPEB liability - District		(2,414,330)
Deferred outflows of OPEB resources		555,234
Deferred inflows of OPEB resources		(289,719)
Long-term liabilities at June 30, 2019		
Bonds payable	(33,350,000)	
Premium on bonds payable, net of accumulated amortization of $603,303	(4,934,955)	
Compensated absences	(159,859)	
Accrued interest payable	(342,223)	(38,787,037)
Net position at June 30, 2019		$ 22,337,488

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Post Falls School District No. 273

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	General	Child Nutrition	Debt Service
REVENUES			
Property taxes	$ 5,161,813	$ -	$ 2,335,503
Interest and investment earnings	255,938	-	183
Other local revenue	164,036	542,031	-
State assistance and reimbursements	32,783,918	-	74,940
Title programs and other federal revenues	-	1,400,338	-
Total revenues	38,365,705	1,942,369	2,410,626
EXPENDITURES			
Instructional services:			
Elementary programs	11,074,070	-	-
Secondary programs	9,728,754	-	-
Alternative school programs	661,250	-	-
Exceptional child programs	2,677,911	-	-
Activity programs	522,062	-	-
Other programs	67,810	-	-
Total instructional services	24,731,857	-	-
Support services:			
Guidance and health programs	1,492,495	-	-
Special services	1,337,865	-	-
Improvement and media	427,131	-	-
District administration	354,670	-	-
School administration	2,376,673	-	-
Business administration	1,110,221	-	-
Maintenance	3,559,516	-	-
Transportation	1,911,514	-	-
Security	340	-	-
Total support services	12,570,425	-	-
Non-instructional services:			
Food services	-	2,061,070	-
Total non-instructional services	-	2,061,070	-
Capital outlay	237,421	-	-
Debt service:			
Principal retirement	-	-	1,875,000
Interest	-	-	789,975
Bond issuance costs	-	-	-
Total debt service	-	-	2,664,975
Total expenditures	37,539,703	2,061,070	2,664,975
Excess (deficiency) of revenues over expenditures	826,002	(118,701)	(254,349)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of asset	-	-	-
Transfers in	96,882	44,124	-
Transfers (out)	(178,731)	(32,683)	-
Proceeds from the issuance of general obligation bonds	-	-	-
Total other financing sources (uses)	(81,849)	11,441	-
Net change in fund balance	744,153	(107,260)	(254,349)
Fund balance - beginning	2,043,597	335,018	3,020,852
Fund balance - ending	$ 2,787,750	$ 227,758	$ 2,766,503

The accompanying "Notes to Financial Statements"
are an integral part of this statement.

Capital Construction Project	Other Governmental	Total
$ -	$ (395)	$ 7,496,921
42,635	-	298,756
-	471,592	1,177,659
-	1,236,956	34,095,814
-	3,295,834	4,696,172
42,635	5,003,987	47,765,322
-	2,309,527	13,383,597
-	898,816	10,627,570
-	28,884	690,134
-	1,126,294	3,804,205
-	-	522,062
-	-	67,810
-	4,363,521	29,095,378
-	-	1,492,495
-	55,694	1,393,559
-	10,710	437,841
-	-	354,670
-	-	2,376,673
-	209,342	1,319,563
-	409,238	3,968,754
-	-	1,911,514
-	-	340
-	684,984	13,255,409
-	-	2,061,070
-	-	2,061,070
1,065,527	459,433	1,762,381
-	-	1,875,000
-	-	789,975
163,606	-	163,606
163,606	-	2,828,581
1,229,133	5,507,938	49,002,819
(1,186,498)	(503,951)	(1,237,497)
-	-	-
-	134,607	275,613
-	(64,199)	(275,613)
19,163,606	-	19,163,606
19,163,606	70,408	19,163,606
17,977,108	(433,543)	17,926,109
-	991,140	6,390,607
$ 17,977,108	$ 557,597	$ 24,316,716

Post Falls School District No. 273

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Total net changes in fund balances for year ended June 30, 2019	$ 17,926,109
Add: Capital outlay which is considered expenditures	1,762,381
Less: Depreciation expense for the year ended June 30, 2019	(1,920,986)
Less: Donated capital assets	(7,000)
Less: Proceeds from long term debt	(19,163,606)
Add: Amortization expense on bond	111,541
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	275,613
Less: Interfund transfers in	(275,613)
Add: Debt principal retirement considered as an expenditure	1,875,000
Less: Change in compensated absences	(32,428)
Add: Change in OPEB obligation	89,847
Less: Difference between interest on long-term debt on modified accrual basis and interest on long-term debt on accrual basis	(69,523)
Less: Difference between revenue earned on property taxes on modified accrual basis and revenue on property taxes on accrual basis	(10,728)
Add: Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date	2,914,255
Less: Change in net pension liability	(2,163,019)
Change in net position for year ended June 30, 2019	$ 1,311,843

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Post Falls School District No. 273

AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

ASSETS	
Cash and cash equivalents	$ 725,014
Total assets	$ 725,014
LIABILITIES	
Deposits due to others	$ 725,014
Total liabilities	$ 725,014

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNFICIANT ACCOUNTING POLICIES

A. Reporting Entity

Post Falls School District No. 273 (the "School District") operates under a locally elected five-member Board form of government and provides educational and supportive services as mandated by the State of Idaho and/or federal agencies. This Board of Trustees controls the School District's instructional and support facilities.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Post Falls School District No. 273, this includes general operations, school lunch, and debt service and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

The financial statements of Post Falls School District No. 273 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The most significant of the School District's accounting policies are described below:

B. Basis of Presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. Basis of Presentation – fund financial statements

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into two categories; governmental and fiduciary.

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – fund financial statements (Concluded)

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to the laws of the State of Idaho.

Child Nutrition Fund – Child nutrition is a program that provides nourishing meals to students in all grades. This program is supplemented by federal funds that are based on reimbursement and participation.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for and the payment of general long-term obligation bonds including principal, interest and related costs.

Capital Construction Project Fund – The Capital Construction Project fund is used to account for the accumulation of resources for and payment of costs that are legally restricted for major capital improvements currently related to the proceeds of the 2019 general obligation bonds.

The School District reports the following non-major governmental fund types:

Special Revenue Funds – The special revenue funds account for other resources for and the payment of costs in which the use is restricted or assigned to a particular purpose.

Capital Projects - Nonmajor – The plant facilities fund accounts for tax revenue sources that are legally restricted for capital improvements.

Additionally, the School District reports the following fund types:

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The only fund accounted for in this category by the School District is the agency fund. The agency fund accounts for assets held by the School District as an agent for schools and school organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Concluded)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the School District.

Fiduciary funds are reported using the economic resources measurement focus. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

<u>Expenses/Expenditures</u> – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

E. Cash and Cash Equivalents

In the following funds, cash received by the School District is pooled for investment purposes and is presented as “Cash and Cash Equivalents” on the financial statements: General fund, child nutrition fund, debt service fund, capital projects, and other governmental. Interest earned in the pooled accounts is allocated to the participating funds in proportion to the average daily balances in each fund.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Concluded)

During the fiscal year ended June 30, 2019, investments were limited to the Idaho State Investment Pool.

The District invests in one 2a-7-like pools, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

Following GASB 72, ¶69 and ¶B62 the balance that the District has in the Idaho State Investment Pool is carried at cost, which materially approximates fair market value.

The District considers funds held in the Idaho State Investment Pool to be cash equivalents, as the District is able to liquidate their account at any time.

For presentation on the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Capital Assets

General capital assets typically result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of four thousand dollars. The School District does not possess any infrastructure. Improvements and interest incurred during the construction of capital assets are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Land and construction in progress are not depreciated. The other property, equipment, vehicles and infrastructure of the School District are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and improvements	40 years
Modulars	15 years
Furniture and equipment	5 - 20 years
Library books	10 years
Buses	10 years
Other vehicles	5 years

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums and bond discounts. Bond issuance costs are reported as expenses in the year incurred. In the fund financial statements, governmental funds recognize bond premiums, bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources.

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability. The benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered, and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees who qualify.

Sick leave benefits are not accrued as a liability, since sick leave benefits are only paid when used and not upon termination.

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The district has two items that qualify for reporting in this category. They are the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions, and in accordance with GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Concluded)

The District has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide statement of net position. The government-wide statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

J. Fund Balance Classifications

The School District has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the School District to classify and report amounts in the appropriate fund balance classifications. The School District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned.

The School District reports the following classifications:

Nonspendable Fund Balance — Nonspendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form—such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

Restricted Fund Balance — Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds—such as the School District's federal award revenue, which must be used to fund federally defined title programs. Legal enforceability means that the School District can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance — Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Trustees. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board of Trustees. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance Classifications (Concluded)

Assigned Fund Balance — Assigned fund balances are amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Director of Finance, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Trustees have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the School District itself.

Unassigned Fund Balance — Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

K. Fund Balance Flow Assumptions

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance o have been depleted before using any of the components of unrestricted fund balances. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

L. Net Position Flow Assumptions

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g. restrict bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restrict – net position to have been depleted before unrestricted – net position is applied.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Property Taxes

Property taxes levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied.

N. Extraordinary and Special Items

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Trustees and that are either unusual in nature or infrequent in occurrence.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 the 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.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho (PERSI or System) Sick Leave Insurance Reserve Fund and additions to/deductions from Sick Leave Insurance Reserve Fund's fiduciary net position have been determined on the same basis as they are reported by the Sick Leave Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the general, special revenue, debt service, and capital project funds. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund, special revenue funds, and debt service funds. This is in conformance with Idaho State Statutes which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

a) The School District publishes a proposed budget for public review.

b) Public hearings are set to obtain taxpayer comments.

c) Prior to July 1, the budget is adopted by resolution of the Board of Trustees and published.

d) The final budget is then filed with the State Department of Education. Expenditures may not legally exceed budgeted appropriations at the fund level.

During the fiscal year ended June 30, 2019, the budget was amended to reflect revised revenue and expense estimates. The amendment was properly approved by the Board of Trustees.

Lapsing of Appropriations – At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

NOTE 3: CASH AND INVESTMENTS

State statutes authorize the School District’s investments and deposits. The School District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an “A” rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the School District’s deposits and investments may not be returned to it. As of June 30, 2019, the School District’s deposits and investments were not exposed to custodial credit risk. The School District’s deposits and investments are insured and collateralized as follows:

(Continued)

NOTE 3: CASH AND INVESTMENTS (CONCLUDED)

Deposits without exposure to custodial credit risk:	
Deposits:	
Amount insured by FDIC or other agencies	$ 1,894,444
Amount collateralized with securities held in trust, but not in the District's name	24,725,343
Total deposits without exposure to custodial credit risk	$ 26,619,787

The carrying amount of deposits is displayed in the statements as follows:	
Cash and cash equivalents	$ 25,004,123
Student body agency funds	725,014
Total carrying value of cash and cash equivalents	$ 25,729,137

Credit Risk:

The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

NOTE 4: RECEIVABLES

The receivables as of June 30, 2019 consist of the following:

Taxes receivable	$2,926,617
State of Idaho	1,906,136
Interest	39,957
	$4,872,710

NOTE 5: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended June 30, 2019:

Governmental activities:	Beginning Balance	Adjustments	Additions	Deletions	Transfers	Ending Balance
Nondepreciable capital assets:						
Land	$ 1,555,331	$ -	$ -	$ -	$ -	$ 1,555,331
Construction-in-progress	-	-	1,065,527	-	-	1,065,527
Total nondepreciable capital assets	1,555,331	-	1,065,527	-	-	2,620,858
Depreciable capital assets:						
Buildings and sites	68,703,535	-	-	-	-	68,703,535
Portable classrooms	582,943	-	-	-	-	582,943
Buses	3,036,180	-	266,097	152,145	-	3,150,132
Other vehicles	184,084	-	24,218	-	-	208,302
Equipment	3,506,584	12,491	394,046	33,181	-	3,879,940
Total depreciable capital assets	76,013,326	12,491	684,361	185,326	-	76,524,852
Less accumulated depreciation for:						
Buildings and sites	26,580,143	-	1,547,538	-	-	28,127,681
Portable classrooms	582,943	-	-	-	-	582,943
Buses	2,297,740	-	142,295	152,145	-	2,287,890
Other vehicles	154,383	-	12,279	-	-	166,662
Equipment	2,258,074	-	218,873	26,184	-	2,450,763
Total accumulated depreciation	31,873,283	-	1,920,985	178,329	-	33,615,939
Total depreciable capital assets, net	44,140,043	12,491	(1,236,624)	6,997	-	42,908,913
Total capital assets, net	$ 45,695,374	$ 12,491	$ (171,097)	$ 6,997	$ -	$ 45,529,771

(Continued)

NOTE 5: CAPITAL ASSETS (CONCLUDED)

Depreciation expense of $1,920,985 for the year ended June 30, 2019 was charged to the following governmental functions:

INSTITUTIONAL SERVICES:	
Elementary	$ 700,933
Secondary	1,011,307
Business administration	13,191
Maintenance	12,356
Transportation	183,199
	$1,920,985

Following is a recap of the June 30, 2019 balances by generic location:

	Elementary	Secondary	Administration	Total
Land	$ 527,702	$ 1,025,534	$ 2,095	$ 1,555,331
Construction in process	1,006,680	58,111	736	1,065,527
Buildings and portables	29,026,647	38,982,856	1,276,975	69,286,478
Buses	-	-	3,150,132	3,150,132
Other vehicles	-	-	208,302	208,302
Equipment	1,430,071	1,920,703	529,166	3,879,940
	$ 31,991,100	$ 41,987,204	$ 5,167,406	$ 79,145,710

NOTE 6: ACCRUED PAYROLL AND VACATION BENEFITS

Accrued payroll includes amounts due to contracted teachers and other employees at June 30, 2019, which were not paid until July and August 2019, in conformity with contractual stipulations.

(Continued)

NOTE 7: BONDS PAYABLE

GENERAL OBLIGATION BONDS, 2019

On March 12, 2019, School District 273 voters approved $15,935,000 of General Obligation Bonds, Series 2019, with interest ranging from 4% to 5%. Pursuant to this authority, the sale of bonds followed on May 15, 2019, with net proceeds of $19,163,607 (including principal of $15,935,000, premiums of $3,228,607 less issuance costs of $163,607) and repayment that begins in the fiscal year ending June 30, 2020. The bond sale proceeds were for the construction of a new elementary school in the amount of $12,500,000 and $6,500,000 to be used to update and enhance numerous schools. Bond funds would also be used to purchase land for future school sites. During the year ended June 30, 2019, the series 2015A bond was paid off.

SERIES 2019

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2020	4.00%	$ -	$ 588,485	$ 588,485
2021	4.00%	315,000	737,050	686,675
2022	4.00%	545,000	719,850	1,275,750
2023	4.00%	565,000	697,650	1,273,950
2024	4.00%	590,000	674,550	1,276,350
2025	4.00%	615,000	650,450	1,277,750
2026	4.00%	640,000	625,350	1,278,150
2027	4.00%	665,000	599,250	1,277,550
2028	4.00%	690,000	572,150	1,275,950
2029	4.00%	715,000	544,050	1,273,350
2030	5.00%	745,000	511,125	1,274,750
2031	5.00%	785,000	472,875	1,277,500
2032	5.00%	825,000	432,625	1,278,250
2033	5.00%	865,000	390,375	1,277,000
2034	5.00%	905,000	346,125	1,273,750
2035	5.00%	950,000	299,750	1,273,500
2036	5.00%	1,000,000	251,000	1,276,000
2037	5.00%	1,050,000	199,750	1,276,000
2038	5.00%	1,100,000	146,000	1,273,500
2039	5.00%	1,155,000	89,625	1,273,500
2040	5.00%	1,215,000	30,375	1,275,750
		$ 15,935,000	$ 9,578,460	$ 25,513,460

(Continued)

NOTE 7: BONDS PAYABLE (CONCLUDED)

GENERAL OBLIGATION REFUNDING BONDS, 2015B

SERIES 2015B

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2020	4.00%	$ 790,000	$ 746,050	$ 1,536,050
2021	4.00%	820,000	713,850	1,533,850
2022	4.00%	855,000	680,350	1,535,350
2023	4.00%	890,000	645,450	1,535,450
2024	4.00%	925,000	609,150	1,534,150
2025	4.00%	960,000	571,450	1,531,450
2026	4.00%	1,000,000	532,250	1,532,250
2027	4.00%	1,040,000	491,450	1,531,450
2028	4.00%	1,080,000	449,050	1,529,050
2029	5.00%	1,125,000	399,325	1,524,325
2030	5.00%	1,180,000	341,700	1,521,700
2031	4.00%	1,240,000	287,400	1,527,400
2032	4.00%	1,290,000	236,800	1,526,800
2033	5.00%	1,340,000	177,500	1,517,500
2034	5.00%	1,405,000	108,875	1,513,875
2035	5.00%	1,475,000	36,875	1,511,875
		$ 17,415,000	$ 7,027,525	$ 24,442,525

NOTE 8: CHANGES IN LONG-TERM DEBT AND CURRENT MATURITIES

	Total General Obligation Bonds Payable
Balance, beginning of year	$ 21,107,890
Payment of principal - 2015A Series Refunding Bonds	(1,875,000)
Amortization of bond premium-2015A bonds	(13,216)
Payment of principal - 2015B Bonds	-
Amortization of 2015B bond premiums	(98,326)
Proceeds - 2019 General Obligation Bonds	15,935,000
2019 Bond premium	3,228,607
Balance, end of year	$ 38,284,955
Current portion	$ 790,000
Long-term portion, net of premium	37,494,955
	$ 38,284,955

(Continued)

NOTE 8: CHANGES IN LONG-TERM DEBT AND CURRENT MATURITIES (CONCLUDED)

The following is a summary of long-term debt transactions this past year and amounts due within the next year:

	Bonds Payable	Compensated Absences	Total
Balance, July 1, 2018	$ 21,107,890	$ 127,431	$ 21,235,321
Additions	19,163,607	32,428	19,196,035
Amortization of bond premium	(111,542)	-	(111,542)
Retirements/payments	(1,875,000)	-	(1,875,000)
Balance, June 30, 2019	38,284,955	159,859	38,444,814
Current portion	790,000	159,859	949,859
Long-term portion, net of premium	$ 37,494,955	$ -	$ 37,494,955

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

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

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% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

(Continued)

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. Post Falls School District's contributions were $2,913,865 for the year ended June 30, 2019.

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

At June 30, 2018, Post Falls School District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.7653 percent.

For the year ended June 30, 2019, the District recognized pension expense of $2,163,019. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,254,166
Changes of assumptions	734,510	-
Net difference between projected and actual earnings on pension plan investments	1,239,107	852,521
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	207,017	-
Post Falls School District contributions subsequent to the measurement	2,913,865	-
Total	$ 5,094,499	$ 2,106,687

(Continued)

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

$2,913,865 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, 2020.

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, 2017 the beginning of the measurement period ended June 30, 2019 is 5.5 and 4.9 for the measurement period June 30, 2018.

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

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:		
2019	$	917,574
2020	$	108,118
2021	$	(924,974)
2022	$	(233,787)
2023	$	-

Actuarial Assumptions

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

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1.00%

(Continued)

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 for the period July 1, 2007 through June 30, 2013 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, 2019 is based on the results of an actuarial valuation date July 1, 2018.

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, 2018.

(Continued)

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Nominal Rate of Return (Arithmetic)	Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			**7.05%**

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's net pension liability (asset) - Employer	$28,256,533	$ 11,288,046	$(2,762,557)

(Continued)

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At June 30, 2019, the District had no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 10: CONTINGENT LIABILITIES

The School District participates in a number of state and federally assisted grant programs including the National Child Nutrition Program, Title I, IDEA-B, and Carl Perkins grants. These programs are subject to further review and audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

NOTE 11: RISK MANAGEMENT

Post Falls School District No. 273 is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District contracts with an insurance company for property insurance and general liability insurance.

General and professional liability is protected by an outside insurance company with a $2,000,000 single occurrence limit, $5,000,000 aggregate limit and a deductible of $2,500. Vehicles are also covered by the same insurance company and have a $1,000 deductible for comprehensive and collision. Automobile liability has a $3,000,000 combined single limit of liability.

The School District pays the State Workers' Compensation System a premium based on a predetermined rate. This rate is calculated based on accident history and administrative costs.

Post Falls School District No. 273 provides medical and dental insurance to most employees.

(Continued)

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

Post Falls School District No. 273 contributes to the Sick Leave Insurance Reserve Fund (Sick Leave Plan) which is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits that are administered by 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 the Sick Leave Plan. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Sick Leave 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.

OPEB Benefits

Group retiree health, dental, accident, and life insurance premiums may qualify as a benefit. Retirees who have a sick leave account can use their balance as a credit towards these premiums paid directly to the applicable insurance company.

Employer Contributions

The contribution rate for employers are set by statute at .065% of covered compensation for state members. Covered school members contribution rates are set by statute based on the number of sick days offered by the employer. The contribution rate of 1.16% for school members with nine or ten sick days, 1.26% for school members with 11-14 sick days. If a school member has more than 14 days of sick leave then the contribution rate will be set by the PERSI Retirement Board based on current cost and actuarial data and reviewed annually. The District's contributions were $298,594 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on the District's share of contributions relative to the total contributions of all participating Sick Leave employers. At June 30, 2019, the District's proportion was 1.8312852 percent.

(Continued)

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

For the year ended June 30, 2019 the District recognized OPEB expense (expense offset) of ($216,164). $204,326 reported as deferred outflows of resources related to OPEBs resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ending June 30, 2019.

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. The Sick Leave Plan amortizes any net OPEB asset based on a level percentage of payroll. The maximum amortization period for the Sick Leave Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses

The long-term expected rate of return on OPEB 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 OPEB 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. The health care trend rate is not applicable as the benefit amount a participant will receive is established with a set amount upon retirement thus would have no impact.

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.

(Continued)

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			**7.05%**

Discount Rate

The discount rate used to measure the total OPEB liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense.

(Continued)

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONCLUDED)

Sensitivity of the total OPEB Asset to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net OPEB asset calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Total June 30, 2019 OPEB asset	$ 1,341,192	$ 1,518,959	$ 1,685,908

OPEB Plan Fiduciary Net Position

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

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

Payables to the OPEB Plan

At June 30, 2019, the District reported payables to the defined benefit OPEB plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 13: OTHER POST EMPLOYMENT BENEFITS

Plan Description and OPEB Benefits

Upon separation from public school employment by retirement in accordance with Chapter 13, Title 59, Idaho Code, a retiree may continue to pay premiums for the retiree and the retiree's dependents at the rate for the active employee’s group health, long-term care, vision, prescription drug and dental insurance programs as maintained by the employer for the active employees until the retiree and/or the retiree’s spouse becomes eligible for Medicare at which time the District shall make available a supplemental program to Medicare for the eligible individual.

Total OPEB Liability

The District’s total OPEB liability of $2,414,330 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

(Continued)

NOTE 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Salary increases	3.75%
Discount rate	3.50%
Retirees' share of benefit-related costs	100% of projected health premiums for retirees

Healthcare cost trend rates:

Fiscal year ending	Medical	Prescription Drugs	Dental
2018*	10.00%	10.00%	1.70%
2019*	8.60%	8.60%	3.10%
2020	6.50%	6.50%	3.00%
2021	6.00%	6.00%	2.50%
2022	5.90%	5.90%	2.00%
2023	5.70%	5.70%	2.00%
2024	5.60%	5.60%	2.00%
2025	5.50%	5.50%	2.00%
2026	5.30%	5.30%	2.00%
2027-2043	5.20%	5.20%	2.00%
2044	5.10%	5.10%	2.00%
2045-2046	5.00%	5.00%	2.00%
2047-2049	4.90%	4.90%	2.00%
2050-2053	4.80%	4.80%	2.00%
2054-2058	4.70%	4.70%	2.00%
2059-2065	4.60%	4.60%	2.00%
2066	4.50%	4.50%	2.00%
2067	4.40%	4.40%	2.00%
2068	4.30%	4.30%	2.00%
2069-2070	4.20%	4.20%	2.00%
2071	4.10%	4.10%	2.00%
2072-2073	4.00%	4.00%	2.00%
2074	3.90%	3.90%	2.00%
2075+	3.80%	3.80%	2.00%

*Trends based on actual renewal rates.

The discount rate used to measure the OPEB liability was 3.50%. The discount rate was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years. Mortality rates were based on the RP-2000 Mortality Table with generational mortality adjustments.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of a 2016 PERSI Investigation of Experience Study.

(Continued)

NOTE 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

		Total OPEB Liability
Balance as of June 30, 2018	$	2,212,437
Changes for the year:		
Service cost		175,526
Interest on total OPEB liability		80,481
Effect of plan changes		-
Effect of differences in experience		-
Effect of assumptions changes or inputs		75,576
Expected benefit payments		(129,690)
Balance as of June 30, 2019	$	2,414,330

Sensitivity of the total OPEB liability to changes in the discount rate and health-care cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total June 30, 2019 OPEB liability	$ 2,603,147	$ 2,414,330	$ 2,241,039

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total June 30, 2019 OPEB liability	$ 2,142,986	$ 2,414,330	$ 2,734,396

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense (offset) of ($89,847). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 199,491
Changes in assumptions and other inputs	350,908	-
Total	$ 350,908	$ 199,491

(Continued)

NOTE 13: OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement period ending June 30:		
2019	$	5,180
2020		10,648
2021		10,648
2022		10,648
Thereafter		114,294

NOTE 14: INTERFUND TRANSACTIONS

Interfund transfers occur for many reasons and may occur either one time or be annually reoccurring. Some of these reasons include covering operations expenses and charging allowable indirect costs to federal title programs. The following is a summary of current year transfers:

	Transfer in	Transfer out
General fund	$ 96,882	$ 178,731
Child Nutrition	44,124	32,683
Non-major	134,607	64,199
Total	$ 275,613	$ 275,613

NOTE 15: DEFICIT FUND BALANCES

The funds listed below had a deficit balance as of June 30, 2019:

Nonmajor Special Revenue Funds	
Vocational Program	$ 2,511
Title 1	12
IDEA-B School Age	60
Nonmajor Capital Projects Funds	
Lottery Fund	$25,960

NOTE 16: EXCESS ACTUAL EXPENDITURES OVER BUDGET

The following is a schedule of an excess of functional expenditures over appropriations for the year ended June 30, 2019. Also included are the actual revenues realized in each of those funds.

Funds	Final Budgeted Expenditures	Actual Expenditures	Excess of Budgeted Expenditures	Actual Revenues
Child Nutrition	$ 2,015,505	$ 2,061,070	$ 45,565	$ 1,942,369

(Concluded)

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Post Falls School District

GASB 75 Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Employer's Share of Net OPEB Asset
PERSI – OPEB Plan
Last 10 - Fiscal Years *

PERSI - OPEB PLAN	2019	2018
Employer's portion of net the OPEB asset	1.8312852%	1.8250891%
Employer's proportionate share of the net OPEB asset	$ 1,518,959	$ 1,400,992
Employer's covered-employee payroll	$ 25,740,859	$ 24,618,453
Employer's proportional share of the net OPEB asset as a percentage of its covered-employee payroll	5.90%	5.69%
Plan fiduciary net position as a percentage of the total OPEB Asset	135.69%	136.78%

* GASB Statement No. 75 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 years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

Schedule of Employer Contributions
PERSI – OPEB Plan
Last 10 - Fiscal Years *

	2019	2018
Statutorily required contribution	$ 298,594	$ 285,574
Contributions in relation to the statutorily required contribution	298,594	285,574
Contribution (deficiency) excess	$ -	$ -
Employer's covered-employee payroll	$ 25,740,859	$ 24,618,453
Contributions as a percentage of covered-employee payroll	1.16%	1.16%

* GASB Statement No. 75 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 years for which information is available.

Data reported is measured as of June 30, 2019.

Post Falls School District

GASB 75 Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Last 10 - Fiscal Years *

Total OPEB Liability	**2019**	**2018**
Service cost	$ 175,526	$ 168,891
Interest on total OPEB liability	80,481	80,728
Changes of benefit terms	-	-
Effect of differences in experience	-	(199,491)
Effect of assumption changes or inputs	75,576	275,332
Expected benefit payments	(129,690)	(115,386)
Net change in total OPEB liability	201,893	210,074
Total OPEB liability, beginning	2,212,437	2,002,363
Total OPEB liability, ending	$ 2,414,330	$ 2,212,437
Covered employee payroll	$25,740,859	$24,618,453
Total OPEB liability as a % of covered employee payroll	9.38%	8.99%

* GASB Statement No. 75 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 years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

Post Falls School District No. 273

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 5,081,915	$ 5,111,619	$ 5,161,813	$ 50,194
Interest and investment earnings	110,000	247,000	255,938	8,938
Other local revenue	41,000	51,400	164,036	112,636
State assistance and reimbursements	32,322,372	32,703,486	32,783,918	80,432
Total revenues	37,555,287	38,113,505	38,365,705	252,200
EXPENDITURES				
Instructional services:				
Elementary programs	11,948,966	11,075,318	11,074,070	1,248
Secondary programs	9,364,902	9,745,802	9,728,754	17,048
Alternative school programs	734,605	704,985	661,250	43,735
Exceptional child programs	2,763,853	2,763,853	2,677,911	85,942
Activity programs	516,600	536,600	522,062	14,538
Other programs	65,800	65,800	67,810	(2,010)
Total instructional services	25,394,726	24,892,358	24,731,857	160,501
Support services:				
Guidance and health programs	1,452,831	1,617,976	1,492,495	125,481
Special services	1,216,884	1,329,884	1,337,865	(7,981)
Improvement and media	441,727	420,927	427,131	(6,204)
District administration	379,201	359,201	354,670	4,531
School administration	2,372,553	2,372,553	2,376,673	(4,120)
Business administration	732,130	1,109,330	1,110,221	(891)
Maintenance	3,526,671	3,793,671	3,559,516	234,155
Transportation	1,880,461	1,841,461	1,911,514	(70,053)
Security	83,000	81,332	340	80,992
Total support services	12,085,458	12,926,335	12,570,425	355,910
Capital outlay	184,100	200,441	237,421	(36,980)
Total expenditures	37,664,284	38,019,134	37,539,703	479,431
Excess (deficiency) of revenues over expenditures	(108,997)	94,371	826,002	731,631
OTHER FINANCING SOURCES (USES)				
Transfers in	143,265	143,265	96,882	(46,383)
Transfers (out)	(184,268)	(184,268)	(178,731)	5,537
Total other financing sources (uses)	(41,003)	(41,003)	(81,849)	(40,846)
Net change in fund balances	(150,000)	53,368	744,153	690,785
Fund balances - beginning	1,450,000	2,043,597	2,043,597	-
Fund balances - ending	$ 1,300,000	$ 2,096,965	$ 2,787,750	$ 690,785

Post Falls School District No. 273

CHILD NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget Amounts Final *	Actual	Variance with Final Budget
REVENUES			
Other local revenue	$ 539,000	$ 542,031	$ 3,031
Title programs and other federal revenues	1,450,000	1,400,338	(49,662)
Total revenues	1,989,000	1,942,369	(46,631)
EXPENDITURES			
Non-instructional services:			
Food services	1,965,505	2,061,070	(95,565)
Capital outlay	50,000	-	50,000
Total expenditures	2,015,505	2,061,070	(45,565)
Excess (deficiency) of revenues over expenditures	(26,505)	(118,701)	(92,196)
OTHER FINANCING SOURCES			
Transfers in	50,490	44,124	(6,366)
Transfers (out)	(23,985)	(32,683)	(8,698)
Total other financing sources	50,490	11,441	(15,064)
Net change in fund balances	23,985	(107,260)	(107,260)
Fund balances - beginning	-	335,018	335,018
Fund balances - ending	$ 23,985	$ 227,758	$ 227,758

* Budget was not amended

Post Falls School District

GASB 68 Required Supplementary Information
For the Year Ended June 30, 2019

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

	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	0.7652822%	0.7490712%	0.7601928%	0.7614323%	0.7646000%
Employer's proportionate share of the net pension liability	$ 11,288,046	$ 11,774,113	$ 15,410,276	$ 10,026,825	$ 5,628,300
Employer's covered-employee payroll	$ 25,740,859	$ 24,618,453	$ 23,382,298	$ 22,248,569	$ 20,665,425
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	43.85%	47.83%	65.91%	45.07%	27.24%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	90.68%	87.26%	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 years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

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

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 2,913,865	$ 2,786,809	$ 2,646,875	$ 2,518,538	$ 2,402,598
Contributions in relation to the statutorily required contribution	2,913,865	2,786,809	2,646,875	2,518,538	2,402,598
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll of its covered employee payroll	$ 25,740,859	$ 24,618,453	$ 23,382,298	$ 22,248,569	$ 21,219,407
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%	11.32%	11.32%

* 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 years for which information is available.

Data reported is measured as of June 30, 2019.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

Post Falls School District No. 273

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - BY FUND TYPE
June 30, 2019

	Special Revenue	Nonmajor Capital Projects	Total
ASSETS			
Cash and cash equivalents	$ 316,398	$ 241,089	$ 557,487
Accounts receivable:			
Kootenai County	-	(838)	(838)
State of Idaho	559,476	-	559,476
Total assets	$ 875,874	$ 240,251	$ 1,116,125
LIABILITIES			
Accounts payable	$ 319,149	$ 56,803	$ 375,952
Accrued payroll	182,576	-	182,576
Total liabilities	501,725	56,803	558,528
FUND BALANCES			
Restricted	129,896	209,408	339,304
Assigned	244,253	(25,960)	218,293
Total fund balances	374,149	183,448	557,597
Total liabilities, deferred inflows of resources and fund balances	$ 875,874	$ 240,251	$ 1,116,125

Post Falls School District No. 273

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BY FUND TYPE
For the Year Ended June 30, 2019

	Special Revenue	Nonmajor Capital Projects	Total
REVENUES			
Property taxes	$ -	$ (395)	$ (395)
Other local revenue	470,393	1,199	471,592
State assistance and reimbursements	877,013	359,943	1,236,956
Title programs and other federal revenues	3,295,834	-	3,295,834
Total revenues	4,643,240	360,747	5,003,987
EXPENDITURES			
Instructional services:			
Elementary programs	2,309,527	-	2,309,527
Secondary programs	898,816	-	898,816
Alternative school program	28,884	-	28,884
Exceptional child program	1,126,294	-	1,126,294
Support services:			
Business administration	209,342	-	209,342
Maintenance	66,375	342,863	409,238
Special services	55,694	-	55,694
Improvement and media	10,710	-	10,710
Capital outlay	138,717	320,716	459,433
Total expenditures	4,844,359	663,579	5,507,938
Excess (deficiency) of revenues over expenditures	(201,119)	(302,832)	(503,951)
OTHER FINANCING SOURCES			
Transfers in	-	134,607	134,607
Transfers (out)	(64,199)	-	(64,199)
Total other financing sources	(64,199)	134,607	70,408
Net change in fund balances	(265,318)	(168,225)	(433,543)
Fund balance beginning	639,467	351,673	991,140
Fund balances - ending	$ 374,149	$ 183,448	$ 557,597

Post Falls School District No. 273

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Forest Reserve Fund	Medicaid	Before and After School Program	Rural Nursing Grant
ASSETS				
Cash and cash equivalents	$ 31,217	$ (120,442)	$ 207,665	$ 497
Accounts receivable:				
State of Idaho	-	202,853	4,212	-
Total assets	$ 31,217	$ 82,411	$ 211,877	$ 497
LIABILITIES				
Accounts payable	$ -	$ 65,885	$ -	$ -
Accrued payroll	-	7,689	8,174	1
Total liabilities	-	73,574	8,174	1
FUND BALANCE				
Restricted	-	-	-	-
Assigned	31,217	8,837	203,703	496
Total fund balances	31,217	8,837	203,703	496
Total liabilities and fund balances	$ 31,217	$ 82,411	$ 211,877	$ 497

Driver Education	Vocational Program	Public School Technology
$ 3,947	$ (2,451)	$ 339,310
11,624	-	15,577
$ 15,571	$ (2,451)	$ 354,887
$ 525	$ 60	$ 249,099
239	-	-
764	60	249,099
14,807	(2,511)	105,788
-	-	-
14,807	(2,511)	105,788
$ 15,571	$ (2,451)	$ 354,887

Drug Free State Money	Title 1 Disadvantaged	IDEA-B School Age	IDEA-B Preschool
$ 7,419	$ 21,718	$ (25,553)	$ 2,154
-	96,510	74,219	933
$ 7,419	$ 118,228	$ 48,666	$ 3,087
$ -	$ -	$ 3,580	$ -
-	118,240	45,146	3,087
-	118,240	48,726	3,087
7,419	(12)	(60)	-
-	-	-	-
7,419	(12)	(60)	-
$ 7,419	$ 118,228	$ 48,666	$ 3,087

Carl Perkins	Improving Teacher Quality	Title IV-A Student Support	Total
$ (88,199)	$ (60,549)	$ (335)	$ 316,398
88,720	64,493	335	559,476
$ 521	$ 3,944	$ -	$ 875,874
$ -	$ -	$ -	$ 319,149
-	-	-	182,576
-	-	-	501,725
521	3,944	-	129,896
-	-	-	244,253
521	3,944	-	374,149
$ 521	$ 3,944	$ -	$ 875,874

Post Falls School District No. 273

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	Forest Reserve Fund	Medicaid	Before and After School Program	Rural Nursing Grant
REVENUES				
Local revenue	$ -	$ -	$ 357,325	$ 90,058
State assistance and reimbursements	-	-	39,166	-
Title programs and other federal revenues	30,200	521,338	-	-
Total revenues	30,200	521,338	396,491	90,058
EXPENDITURES				
Instructional services:				
Elementary programs	-	210,057	322,014	90,449
Secondary programs	-	475,272	-	-
Alternative school program	-	-	-	-
Exceptional child program	-	-	-	-
Support services:				
Business administration	-	8,532	-	-
Maintenance	-	-	-	-
Special services	-	-	-	-
Impovement and media	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	693,861	322,014	90,449
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(30,200)	-	(3,832)	-
Total other financing (uses)	(30,200)	-	(3,832)	-
Net change in fund balance	-	(172,523)	70,645	(391)
Fund balances - beginning	31,217	181,360	133,058	887
Fund balances - ending	$ 31,217	$ 8,837	$ 203,703	$ 496

Driver Education	Vocational Program	Public School Technology
$ 23,010	$ -	$ -
17,370	37,529	709,275
-	-	-
40,380	37,529	709,275
-	-	347,498
38,894	42,905	189,062
-	-	3,040
-	-	-
-	-	200,810
-	-	-
-	-	-
-	-	-
-	-	133,186
38,894	42,905	873,596
-	-	-
-	-	-
1,486	(5,376)	(164,321)
13,321	2,865	270,109
$ 14,807	$ (2,511)	$ 105,788

Drug Free State Money	Title 1 Disadvantaged	IDEA-B School Age	IDEA-B Preschool
$ -	$ -	$ -	$ -
73,673	-	-	-
-	1,145,576	1,177,060	35,345
73,673	1,145,576	1,177,060	35,345
-	1,132,118	-	-
73,423	-	-	-
-	-	-	-
-	-	1,091,743	34,551
-	-	-	-
-	-	-	-
-	-	55,316	378
-	-	10,710	-
-	-	5,531	-
73,423	1,132,118	1,163,300	34,929
-	(13,472)	(13,820)	(416)
-	(13,472)	(13,820)	(416)
250	(14)	(60)	-
7,169	2	-	-
$ 7,419	$ (12)	$ (60)	$ -

Carl Perkins	Improving Teacher Quality	Title IV-A Student Support	Total
$ -	$ -	$ -	$ 470,393
-	-	-	877,013
88,061	209,047	89,207	3,295,834
88,061	209,047	89,207	4,643,240
-	184,559	22,832	2,309,527
61,675	17,585	-	898,816
25,344	500	-	28,884
-	-	-	1,126,294
-	-	-	209,342
-	-	66,375	66,375
-	-	-	55,694
-	-	-	10,710
-	-	-	138,717
87,019	202,644	89,207	4,844,359
-	(2,459)	-	(64,199)
-	(2,459)	-	(64,199)
1,042	3,944	-	(265,318)
(521)	-	-	639,467
$ 521	$ 3,944	$ -	$ 374,149

Post Falls School District No. 273

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Lottery Fund	Plant Facility Fund	Bus Depreciation Fund	Total
ASSETS				
Cash and cash equivalents	$ 30,843	$ 84,372	$ 125,874	$ 241,089
Accounts receivable - Kootenai County	-	(838)	-	(838)
Total assets	$ 30,843	$ 83,534	$ 125,874	$ 240,251
LIABILITIES				
Accounts payable	$ 56,803	$ -	$ -	$ 56,803
Total liabilities	56,803	-	-	56,803
FUND BALANCES				
Restricted	-	83,534	125,874	209,408
Assigned	(25,960)	-	-	(25,960)
Total fund balances	(25,960)	83,534	125,874	183,448
Total liabilities, deferred inflows of resources and fund balances	$ 30,843	$ 83,534	$ 125,874	$ 240,251

Post Falls School District No. 273

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	Lottery Fund	Plant Facility Fund	Bus Depreciation Fund	Total
REVENUES				
Property taxes	$ -	$ (395)	$ -	$ (395)
Other local revenue	-	-	1,199	1,199
Other State revenue	359,943	-	-	359,943
Total revenues	359,943	(395)	1,199	360,747
EXPENDITURES				
Support services:				
Maintenance	342,863	-	-	342,863
Capital outlay	43,040	144,628	133,048	320,716
Total expenditures	385,903	144,628	133,048	663,579
Excess (deficiency) of revenues over expenditures	(25,960)	(145,023)	(131,849)	(302,832)
OTHER FINANCING SOURCES				
Transfers in	-	-	134,607	134,607
Total other financing sources	-	-	134,607	134,607
Net change in fund balances	(25,960)	(145,023)	2,758	(168,225)
Fund balances - beginning	-	228,557	123,116	351,673
Fund balances - ending	$ (25,960)	$ 83,534	$ 125,874	$ 183,448

Post Falls School District No. 273

AGENCY FUNDS
SCHEDULE OF CHANGES IN DEPOSIT BALANCES
OF INDIVIDUAL SCHOOLS
For the Year Ended June 30, 2019

School	Cash June 30, 2018	Receipts	Disbursements	Cash June 30, 2019
Westridge Elementary	$ 38,361	$ 82,199	$ 70,557	$ 50,003
Kindergarten Center	5,339	18,362	19,300	4,401
Prairie View Elementary	25,867	60,607	52,543	33,931
Ponderosa Elementary	22,360	72,171	67,246	27,285
Seltice Elementary	19,715	51,970	46,434	25,251
Mullan Trail Elementary	36,944	63,029	69,798	30,175
Post Falls Middle School	49,027	76,337	63,599	61,765
River City Middle School	29,932	82,641	78,922	33,651
Post Falls High School	318,047	828,457	759,978	386,526
New Vision High School	34,878	25,336	29,303	30,911
Greensferry Elementary	23,404	64,825	47,114	41,115
	$ 603,874	$ 1,425,934	$ 1,304,794	$ 725,014

SINGLE AUDIT SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Post Falls School District No. 273
Post Falls, ID 83854

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Post Falls School District No. 273's basic financial statements, and have issued our report thereon dated October 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Post Falls School District No. 273'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 Post Falls School District No. 273's internal control. Accordingly, we do not express an opinion on the effectiveness of Post Falls School District No. 273's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Post Falls School District No. 273'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.*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONCLUDED)

Post Falls School District No. 273's Response to Findings

Post Falls School District No. 273's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Post Falls School District No. 273's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh, & Co., P.A.

October 9, 2019

2100 NW Blvd., Suite 400, Coeur d'Alene, ID 83814 mmcocpa.com // p 208-765-9500 // f 208-667-9174

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMAND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Post Falls School District No. 273
Post Falls, ID 83854

Report on Compliance for Each Major Federal Program

We have audited Post Falls School District No. 273's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Post Falls School District's major federal programs for the year ended June 30, 2019. Post Falls School District No. 273's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Post Falls School District No. 273's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Post Falls School District No. 273's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Post Falls School District No. 273's compliance.

Opinion on Each Major Federal Program

In our opinion, Post Falls School District No. 273 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONCLUDED)

Report on Internal Control over Compliance

Management of Post Falls School District No. 273 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Post Falls School District No. 273 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Post Falls School District No. 273 's internal control over compliance.

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

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

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

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh, & Co., P.A.

October 9, 2019

2100 NW Blvd., Suite 400, Coeur d'Alene, ID 83814 mmcocpa.com // p 208-765-9500 // f 208-667-9174

Post Falls School District No. 273

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Program Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through State Department of Education:			
Special Education Cluster:			
Special Education Grants to States (IDEA, Part B)	84.027	826000813	$ 1,177,120
Special Education Preschool Grant (IDEA Preschool)	84.173	826000813	35,345
Total Special Education Cluster:			1,212,465
Title I Grants to Local Educational Agencies	84.010	826000813	1,145,590
Improving Teacher Quality State Grants (Title II-A)	84.367	826000813	205,103
Vocational Education Basic Grants to States			
(Carl Perkins)	84.048A	826000813	87,019
Title IV-A Student Support and Academic Enrichment Program	84.424	826000813	89,207
Total Department of Education			2,739,384
U.S. Department of Agriculture			
Passed through State of Idaho Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	826000813	212,159
National School Lunch Program	10.555	826000813	998,548
Summer Food Service Program	10.559	826000813	189,631
Total Nutrition Cluster:			1,400,338
Passed through State of Idaho:			
Forest Service Schools and Roads Cluster:			
School and Roads - Grants to States	10.665	826000813	30,200
Total Forest Service Schools and Roads Cluster:			30,200
Total Department of Agriculture			1,430,538
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 4,169,922

See accompanying notes to the schedule of expenditures of federal awards.

Post Falls School District No. 273

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Post Falls School District No. 273 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Post Falls School District No. 273, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Post Falls School District No. 273.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Post Falls School District No. 273 has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(2) Pass-through identifying numbers are presented where available.

NOTE C: FOOD DISTRUBITION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the School District had received food commodities totaling $103,723.

Post Falls School District No. 273

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)	__X__ Yes _____ None reported
Noncompliance material to financial statements noted?	_____ Yes __X__ No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes __X__ No

Identification of major programs:

CFDA Number(s):	*Name of Federal Program or Cluster*
	Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program

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

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II. - Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards

We noted a significant deficiency relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

2019-001 Financial records were misstated due to an error in year-end cutoff procedures.

Criteria: There is an expectation that the financial statements should be materially accurate when an auditor begins their final fieldwork on the audit after year-end. Minor adjustments are expected but overall the balances should materially reflect the financial position of the entity.

Condition: During our fieldwork, it was necessary to make an adjustment to properly reflect the balance in two major key areas. For example, there were duplicate invoice amounts coded to Capital Outlay and the Cash accounts were showing a negative balance as a result. Proper cutoffs are critical for the accuracy of the accrual basis of accounting.

Cause: We would like to acknowledge that the District does have good controls over their bank reconciliation process. The error that occurred happened after the Business Manager had reviewed the year-end June 30, 2019 bank reconciliation promptly on 7/2/19 and verified that it reconciled. The AP clerk inadvertently posted 7/5/19 checks with a 6/30/19 date in their computerized system in error. As a result, the cash balance was decreased to a negative balance and Capital Outlay was increased which duplicated the latter expense account when the District posted their year-end accruals. Our final fieldwork began in the last week of July 2019 before the District normally would prepare their bank reconciliation for the month ending July 31st. Due to having strong controls in the bank reconciliation area, we believe the error would have been caught at that time, well before the audit was completed. However, we believe there is a need for the District to establish protocols that will mitigate the risk of this happening again in the future.

Effect: The financial records were misstated when the auditor arrived.

Recommendation: It is our recommendation the District establish stronger controls in response to the identified problems or relevant risks identified. As noted above, we recommend additional training, communication and review of year-end reports by and between all parties with the objective of accurate financial records in mind. These parties should include the AP clerk and all those responsible for the accuracy of general ledger accruals and balances at year-end. We believe the implementation of these recommendations will provide the District with a stronger and more efficient system of internal controls. We will be happy to discuss these recommendations in more detail as you consider necessary.

Views of the Responsible Officials and Planned Corrective Actions: We understand the recommendations above and will take corrective action to implement the changes needed to ensure that errors in the financial records are reconciled in all matters prior to the auditor's final fieldwork is begun. We have already discussed this and other matters among all parties, establishing additional communication and reconciling controls to assure this will not occur in the future.

Section III. - Findings and questioned costs for Federal Awards

We noted no findings relating to the financial statement which are required in accordance with generally accepted government auditing standards.

Section IV. – Summary of Prior Year Audit Findings Relating to Federal Awards

There were no findings relating to prior year audit findings relating to federal awards in accordance with generally accepted government auditing standards.

POST FALLS SCHOOL DISTRICT #273
DISTRICT ADMINISTRATIVE OFFICE

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

Corrective Action Plan

Finding 2019-001

Financial records were misstated due to an error in year-end cutoff procedures.

School District's Response:

The Audit team requested a Trial Balance to be provided prior to the District's month and year end processing had been concluded.

Planned Corrective Action:

Post Falls School District and all relevant parties involved have reviewed the audit entries. The PFSD will initiate proper cutoffs to ensure accuracy and accounting of year end entries. Additionally, the Accounts Payable Clerk will work directly with the Business Manager to determine how each year end entry is to be posted and accrued. They will document the process so that it can be replicated each year.

To mitigate the risk of this type of finding in the future, the District will not call for the Audit team nor present a preliminary Trial Balance until year end has been verified and completed. Delaying the audit allows the District to fully utilize their existing checks and balances and to allow time to find and correct any errors prior to the Auditor's arrival.

As stated in the finding, the Auditor believed that the PFSD had strong audit controls, and that the error would have been caught at the time well before the audit was completed. Timing the audit to a later schedule, would allow the PFSD to fully exercise the use of those strong controls.

Responsible Contact Person: Wendy Lee, Business Manager

Projected Implementation Date: FY 2020