

POST FALLS SCHOOL DISTRICT No. 273

FINANCIAL STATEMENT
JUNE 30, 2015

Post Falls School District No. 273

June 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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, 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, 2015, 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, 2015, 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, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273, as of June 30, 2015, 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.

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 analysis (pages 3-8), the schedule of funding progress for postemployment benefit plans (page 41), and budgetary comparison information (pages 42-43) 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the 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 1, 2015 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 1, 2015

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

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 held an election on March 10, 2015 for two separate issues. The first issue was an increase of \$400,000 each year to the supplemental levy which assists the district in providing a quality education to our students. This levy passed with 80.7% of the voters in favor. This increase puts the annual levy to the taxpayers at \$4,655,000 for each of the next two years. The second issue was for a bond levy to complete several facility projects in the amount of \$19.5 million. This issue passed with 79.3% approval of the patrons of the district. The district immediately began construction of a second story on our River City Middle School so that it will be ready for students in September of 2015.
- The school district finished the year with a general fund balance of \$1,065,620 which represents 3.55% of general fund revenues. This is an increase from the prior year of \$359,869. Revenues came in approximately \$105,000 over the budgeted amount and expenditures were reduced by \$210,000 from the budgeted amount. This moves the district general fund balance back to within the district policy recommendation of 3% – 5%.
- The State of Idaho's economy continues to grow and recover from the economic recession experienced for the prior several years. Funding for education has increased by 5.7% in the just completed year, and that, combined with the increased supplemental levy, should allow the district to be able to operate the same quality programming.
- The district combined the above mentioned supplemental levy and bond levy passages with a refunding of existing debt incurred by the district to deliver a package which did not increase taxes to the district patrons. This was made possible by a net present value savings of \$275,398 included in the refunding. Moodys assigned an underlying A1 rating to the bond issue and the refunding issue and also removed the negative outlook that it had assigned to the district's debt in September of 2013. The District's bonds also had the benefit of the school bond guaranty program which provided credit enhancement for the bonds further lowering the District's borrowing costs.

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.

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

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.

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

- 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, 2015 and 2014.

**Table 1
Statement of Net Position
June 30, 2015 and 2014**

	2015	2014
ASSETS:		
Cash and cash equivalents	\$ 21,220,266	\$ 3,899,056
Receivables	4,654,649	4,778,738
Capital assets, net of accumulated depreciation	33,269,591	32,193,366
Total assets	<u>59,144,506</u>	<u>40,871,160</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension outflows	2,882,231	-
Total deferred outflows of resources	<u>2,882,231</u>	<u>-</u>
LIABILITIES:		
Accounts payable	254,440	87,806
Accrued payroll and related costs	3,802,758	3,688,625
Interest payable	115,216	162,217
Long-term liabilities:		
Due within one year	1,575,696	2,643,082
Due in more than one year	24,993,406	8,275,161
Net pension liability	3,283,621	-
Net OPEB obligation	161,227	51,679
Total liabilities	<u>34,186,364</u>	<u>14,908,570</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension inflows	7,748,023	-
Total deferred inflows of resources	<u>7,748,023</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	6,841,185	21,658,366
Restricted for:		
Debt service	2,103,928	3,247,503
School Lunch	196,997	121,905
Capital Construction	17,337,484	
Plant Facility	237,928	223,735
Federal Title programs	174,701	113,487
Unrestricted	(6,799,873)	597,594
Total net position	<u>\$ 20,092,350</u>	<u>\$ 25,962,590</u>

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

FINANCIAL ANALYSIS (CONTINUED)

The district's combined net position decreased by 22.6% to \$20,092,350. This represents an overall decrease of \$5,870,240. The decrease in net position is mostly the result of the district implementing GASB 68, the new pension accounting standard.

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 2015 and 2014.

Table 2
Changes in Net Position from Operating Results
Government Activities 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
Program revenues:		
Charges for services	\$ 1,255,435	\$ 1,140,722
Operating grants and contributions	4,935,579	4,569,941
General revenues:		
Property taxes, levied for general purposes	4,602,455	4,383,985
Property taxes, levied for debt services	3,142,278	2,689,619
State revenues	25,811,026	24,505,107
Grants and contributions not restricted to specific purposes:		
Loss on disposal of capital assets	-	(386)
Federal Forest	37,329	40,511
Interest and investment earnings	72,418	66,381
Donated Capital Assets	-	400,000
Miscellaneous	101,706	102,771
Total general revenues and special items	<u>39,958,226</u>	<u>37,898,651</u>
EXPENSES:		
Instructional services:		
Elementary programs	11,594,433	10,852,844
Secondary programs	9,617,421	9,471,005
Alternative school programs	604,598	583,997
Exceptional child programs	3,055,947	2,711,378
Activity programs	422,904	387,778
Other programs	61,528	61,463
Support services:		
Guidance and health programs	1,119,571	1,137,395
Special services	898,442	811,994
Improvement and media	339,195	327,301
District administration	319,739	319,083
School administration	1,914,753	1,812,667
Business administration	541,531	484,481
Maintenance	3,020,282	3,152,558
Transportation	1,681,094	1,716,726
Security	55,052	-
Non-instructional services:		
School lunch	1,973,159	2,303,521
Interest on long-term debt	349,856	417,381
Change in OPEB Obligation	109,548	(12,841)
Unallocated actual PERSI expense	(2,413,724)	-
Change in net pension liability	(1,718,614)	-
Total expenses	<u>33,546,715</u>	<u>36,538,731</u>
Change in net position	<u>\$ 6,411,511</u>	<u>\$ 1,359,920</u>

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

FINANCIAL ANALYSIS (CONCLUDED)

Changes in net position. (Concluded)

As shown in Table 2, the Post Falls School District relies on local property taxes for 19.4% of its governmental activities. The district had total revenues of \$39.9 million.

Governmental Funds

The district completed the year with a total governmental fund balance of \$21,513,093 which is an increase of 347% from the ending balance in fiscal year 2014 that was \$4,811,482.

- The general fund had an increase in fund balance of \$359,868 for a net total of \$1,065,619 at fiscal year-end. Revenues over and above expenditures in the amount of \$317,678 was the principal reason for this decrease.
- The food service fund had an increase in fund balance of \$75,092. The department ended the fiscal year with a positive fund balance of \$196,997.
- The debt service fund had a decrease in fund balance of \$1,050,163. The fund ended the fiscal year with a fund balance of \$2,230,968. The district prepaid its August 15, 2015 bond payment on GO Refunding Bonds, Series 2005 as part of a second refunding of this issue. This brought the payment into the Fiscal Year 2015 expenses, thus reducing the fund balance.
- The bond capital construction fund had an ending fund balance of \$17,337,484. The district sold bonds in May, 2015 after a voter approved levy was passed on March 10, 2015 for \$19.5 million. Just over \$2.0 million of these funds were expended on projects prior to June 30, 2015.

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 2014-2015 fiscal year to reflect increases in revenue and expenses.

Stronger than expected collections of state assistance and reimbursements resulted in a favorable variance in total revenues of \$104,546 when comparing final budget to actual. General Fund expenses were down in several programs resulting in a favorable variance of \$210,901. The final result is the general fund ended the fiscal year with a fund balance with a favorable variance of \$315,447 when compared to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Post Falls School District has invested approximately \$60.4 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 2015. Total accumulated depreciation on these assets amounts to \$27.1 million.

- Asset acquisitions for governmental activities totaled \$2,451,078 for the fiscal year. This figure represents \$183,630 in purchases for equipment.

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

Long Term Debt

At year end the district had \$26.4 million in general obligation bonds and other long-term debt outstanding. The district retired \$7,600,000 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 1998 for \$17.97 million and in 2006 for \$10.875 million and again in 2015 for \$19.5 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, 2015 however a new agreement was reached which extends the agreement to June 30, 2016.
- The economy of the State of Idaho continues to recover and the forecast for the next fiscal year indicates moderate improvement. State revenues increased by 5.7% for the school districts in the state in this fiscal year.

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 Sid Armstrong, 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, 2015

ASSETS

Cash and cash equivalents	\$ 21,220,266
Receivables	4,654,649
Land	1,555,331
Construction in progress	2,169,764
Capital assets, net of accumulated depreciation	29,544,496
Total assets	<u>59,144,506</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	2,882,231
Total deferred outflows of resources	<u>2,882,231</u>

LIABILITIES

Accounts payable	254,440
Accrued payroll and related costs	3,802,758
Interest payable	115,216
Long-term liabilities:	
Due within one year:	
Compensated absences	140,696
Long term debt	1,435,000
Due in more than one year:	
Long term debt	24,993,406
Net pension liability	3,283,621
Net OPEB obligation	161,227
Total liabilities	<u>34,186,364</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	7,748,023
Total deferred inflows of resources	<u>7,748,023</u>

NET POSITION

Net investment in capital assets	6,841,185
Restricted for:	
School lunch	196,997
Debt service	2,103,928
Capital projects	17,337,484
Federal title programs	174,701
Unrestricted	(6,561,945)
Total net position	<u><u>\$ 20,092,350</u></u>

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, 2015

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instructional services:					
Elementary programs	\$ 11,594,433	\$ 197,213	\$ 2,071,678	\$ -	\$ (9,325,542)
Secondary programs	9,617,421	556,225	181,385	-	(8,879,811)
Alternative school programs	604,598	-	-	-	(604,598)
Exceptional child programs	3,055,947	-	1,180,292	-	(1,875,655)
Activity programs	422,904	-	-	-	(422,904)
Other programs	61,528	-	-	-	(61,528)
Support services:					
Guidance and health programs	1,119,571	-	-	-	(1,119,571)
Special services	898,442	-	-	-	(898,442)
Improvement and media	339,195	-	-	-	(339,195)
District administration	319,739	-	-	-	(319,739)
School administration	1,914,753	-	-	-	(1,914,753)
Business administration	541,531	-	-	-	(541,531)
Maintenance	3,020,282	-	-	-	(3,020,282)
Transportation	1,681,094	-	-	-	(1,681,094)
Security	55,052				(55,052)
Non-instructional services:					
School lunch	1,973,159	501,997	1,502,224	-	31,062
Interest and amortization	349,856	-	-	-	(349,856)
Change in OPEB obligation	109,548	-	-	-	(109,548)
Unallocated actual PERSI expense	(2,413,724)	-	-	-	2,413,724
Change in GASB 68 NPL	(1,718,614)	-	-	-	1,718,614
Total governmental activities	\$ 33,546,715	\$ 1,255,435	\$ 4,935,579	\$ -	\$ (27,355,701)
General revenues:					
Property taxes, levied for general purposes					4,602,455
Property taxes, levied for debt services					3,142,278
State revenue					25,811,026
Grants and contributions not restricted to specific purposes:					
Federal Forest					37,329
Interest and investment earnings					72,418
Miscellaneous					101,706
Total general revenues					33,767,212
Change in net position					6,411,511
Net position beginning					25,962,590
Prior period adjustment					(12,281,751)
Net position ending					\$ 20,092,350

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, 2015**

	General	Child Nutrition	Debt Service
ASSETS			
Cash and cash equivalents	\$ 2,234,372	\$ 159,975	\$ 1,020,145
Accounts receivable:			
Kootenai County	1,922,314	-	1,337,863
State of Idaho	755,587	54,476	-
Other receivable	-	-	-
Total assets	<u>\$ 4,912,273</u>	<u>\$ 214,451</u>	<u>\$ 2,358,008</u>
LIABILITIES			
Accounts payable	\$ 99,655	\$ 8,347	\$ -
Accrued payroll	3,574,732	9,107	-
Total liabilities	<u>3,674,387</u>	<u>17,454</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	172,267	-	127,040
Total deferred inflows of resources	<u>172,267</u>	<u>-</u>	<u>127,040</u>
FUND BALANCES			
Restricted to:			
School lunch, debt service and capital projects, respectively	-	196,997	2,230,968
State and federal title programs	-	-	-
Assigned to:			
State and federal non title funding	-	-	-
Unassigned	1,065,619	-	-
Total fund balances	<u>1,065,619</u>	<u>196,997</u>	<u>2,230,968</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,912,273</u>	<u>\$ 214,451</u>	<u>\$ 2,358,008</u>

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

Capital Construction Project	Other Governmental	Total
\$17,475,820	\$ 329,954	\$ 21,220,266
-	5,329	3,265,506
-	571,704	1,381,767
1,073	6,303	7,376
<u>\$17,476,893</u>	<u>\$ 913,290</u>	<u>\$ 25,874,915</u>
\$ 139,409	\$ 7,029	\$ 254,440
-	218,919	3,802,758
<u>139,409</u>	<u>225,948</u>	<u>4,057,198</u>
-	5,317	304,624
<u>-</u>	<u>5,317</u>	<u>304,624</u>
17,337,484	-	19,765,449
-	412,629	412,629
-	269,396	269,396
-	-	1,065,619
<u>17,337,484</u>	<u>682,025</u>	<u>21,513,093</u>
<u>\$17,476,893</u>	<u>\$ 913,290</u>	<u>\$ 25,874,915</u>

Post Falls School District No. 273

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015**

Total fund balances at June 30, 2015 - Governmental funds		\$ 21,513,093
Cost of capital assets at June 30, 2015	\$ 60,405,784	
Less: Accumulated depreciation as of June 30, 2015		
Buildings and portables	(22,805,446)	
Buses and other transportation	(2,479,480)	
Equipment and library books	<u>(1,851,267)</u>	33,269,591
Elimination of deferred revenue		304,624
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:		
Districts proportionate share of the net pension liability		(3,283,621)
Proportionate share of collective deferred outflows of resources		2,882,231
Proportionate share of collective deferred inflows of resources		(7,748,023)
Long-term liabilities at June 30, 2015		
Bonds payable	(24,095,000)	
Premium on bonds payable, net of accumulated amortization of \$825,509	(2,333,406)	
Compensated absences	(140,696)	
Net OPEB obligation	(161,227)	
Accrued interest payable	<u>(115,216)</u>	<u>(26,845,545)</u>
Net position at June 30, 2015		<u><u>\$ 20,092,350</u></u>

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, 2015**

	General	Child Nutrition	Debt Service
REVENUES			
Property taxes	\$ 4,387,712	\$ -	\$ 3,137,858
Interest and investment earnings	72,418	-	-
Other local revenue	101,706	501,997	-
State assistance and reimbursements	25,489,318	-	70,591
Title programs and other federal revenues	-	1,502,224	-
Total revenues	<u>30,051,154</u>	<u>2,004,221</u>	<u>3,208,449</u>
EXPENDITURES			
Instructional services:			
Elementary programs	9,011,182	-	-
Secondary programs	7,955,667	-	-
Alternative school programs	549,808	-	-
Exceptional child programs	1,875,960	-	-
Activity programs	422,904	-	-
Other programs	61,528	-	-
Total instructional services	<u>19,877,049</u>	<u>-</u>	<u>-</u>
Support services:			
Guidance and health programs	1,119,571	-	-
Special services	898,442	-	-
Improvement and media	337,816	-	-
District administration	319,739	-	-
School administration	1,914,753	-	-
Business administration	523,829	-	-
Maintenance	2,984,585	-	-
Transportation	1,540,806	-	-
Security	55,052	-	-
Total support services	<u>9,694,593</u>	<u>-</u>	<u>-</u>
Non-instructional services:			
Food services	-	1,973,159	-
Total non-instructional services	<u>-</u>	<u>1,973,159</u>	<u>-</u>
Capital outlay	8,091	-	-
Debt service:			
Principal retirement	-	-	3,695,000
Interest	-	-	563,612
Bond issuance costs	-	-	11,807
Total debt service	<u>-</u>	<u>-</u>	<u>4,270,419</u>
Total expenditures	<u>29,579,733</u>	<u>1,973,159</u>	<u>4,270,419</u>
Excess (deficiency) of revenues over expenditures	<u>471,421</u>	<u>31,062</u>	<u>(1,061,970)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	44,030	-
Transfers (out)	(111,553)	-	-
Other items related to refunding of bonds:			
Payments to refunded bond	-	-	(3,905,000)
Proceeds from the issuance of refunding bonds	-	-	3,745,000
Proceeds from original issue premium on refunding bonds	-	-	171,807
Total other financing sources (uses)	<u>(111,553)</u>	<u>44,030</u>	<u>11,807</u>
Net change in fund balance	359,868	75,092	(1,050,163)
Fund balance - beginning	705,751	121,905	3,281,131
Fund balance - ending	<u>\$ 1,065,619</u>	<u>\$ 196,997</u>	<u>\$ 2,230,968</u>

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

Capital Construction Project	Other Governmental	Total
\$ -	\$ 4,420	\$ 7,529,990
-	-	72,418
-	232,061	835,764
2,444	1,665,043	27,227,396
-	2,575,691	4,077,915
<u>2,444</u>	<u>4,477,215</u>	<u>39,743,483</u>
16,609	2,118,385	11,146,176
13,178	875,505	8,844,350
-	54,790	604,598
-	1,179,987	3,055,947
-	-	422,904
-	-	61,528
<u>29,787</u>	<u>4,228,667</u>	<u>24,135,503</u>
-	-	1,119,571
-	-	898,442
-	-	337,816
-	-	319,739
-	-	1,914,753
-	-	523,829
-	28,927	3,013,512
-	-	1,540,806
-	-	55,052
<u>-</u>	<u>28,927</u>	<u>9,723,520</u>
-	-	1,973,159
<u>-</u>	<u>-</u>	<u>1,973,159</u>
2,217,497	225,490	2,451,078
-	-	3,695,000
-	-	563,612
52,845	-	64,652
<u>52,845</u>	<u>-</u>	<u>4,323,264</u>
2,300,129	4,483,084	42,606,524
<u>(2,297,685)</u>	<u>(5,869)</u>	<u>(2,863,041)</u>
-	67,523	111,553
-	-	(111,553)
-	-	(3,905,000)
17,415,000	-	21,160,000
2,137,845	-	2,309,652
<u>19,552,845</u>	<u>67,523</u>	<u>19,564,652</u>
17,255,160	61,654	16,701,611
<u>82,324</u>	<u>620,371</u>	<u>4,811,482</u>
<u>\$ 17,337,484</u>	<u>\$ 682,025</u>	<u>\$ 21,513,093</u>

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, 2015**

Total net changes in fund balances for year ended June 30, 2015	\$ 16,701,611
Add: Capital outlay which is considered expenditures	2,451,078
Less: Depreciation expense for the year ended June 30, 2015	(1,374,853)
Less: Proceeds from long term debt	(21,160,000)
Less: Premium on new and refunding bond	(2,309,652)
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	111,553
Less: Interfund transfers in	(111,553)
Add: Debt principal retirement considered as an expenditure	7,600,000
Less: Change in compensated absences	(12,614)
Less: Change in OPEB obligation	(109,548)
Add: Difference between interest on long-term debt on modified accrual basis and interest on long-term debt on accrual basis	278,408
Add: Difference between revenue earned on property taxes on modified accrual basis and revenue on property taxes on accrual basis	214,743
Add: Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date	2,413,724
Add: Change in net pension liability	<u>1,718,614</u>
Change in net position for year ended June 30, 2015	<u><u>\$ 6,411,511</u></u>

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, 2015**

ASSETS

Cash and cash equivalents	\$ 614,019
Total assets	<u>\$ 614,019</u>

LIABILITIES

Deposits due to others	\$ 614,019
Total liabilities	<u>\$ 614,019</u>

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

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT 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.

New Pronouncements – During the year ended June 30, 2015, the School District implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*.

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)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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 – The capital projects fund accounts for other resources for and the payment of costs that are assigned or legally restricted for maintenance or capital projects.

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)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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.

Expenses/Expenditures – 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)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Concluded)

During the fiscal year ended June 30, 2015, investments were limited to the Idaho State Investment Pool and the Diversified Bond Fund. The Idaho State Investment Pool and Diversified Bond Fund are investment pools, which allow school districts within the state of Idaho to pool their funds for investment purposes. Investments in Idaho State Investment Pool and the Diversified Bond Fund are valued at their fair market value.

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:

<u>Description</u>	<u>Estimated Lives</u>
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

G. Accrued Liabilities and Long-term Obligations

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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accrued Liabilities and Long-term Obligations (Concluded)

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 only has one item that qualifies for reporting in this category. It is 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.

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)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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 to 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)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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 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.

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.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONCLUDED)

- 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, 2015, 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, 2015, 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:

Deposits without exposure to custodial credit risk:

Deposits:

Amount insured by FDIC or other agencies	\$ 2,477,093
Amount collateralized with securities held in trust, but not in the District's name	20,834,957
Total deposits without exposure to custodial credit risk	<u>\$ 23,312,050</u>

The carrying amount of deposits is displayed in the statements as follows:

Cash and cash equivalents	\$ 21,220,266
Student body agency funds	614,019
Total carrying value of cash and cash equivalents	<u>\$ 21,834,285</u>

Fair Value:

The School District's investments in 2a-7-like pools are valued based upon the value of pool shares. The School District invests in two 2a-7-like pools, the Idaho State Investment Pool and the Idaho Diversified Bond Fund. The advisory board of the Idaho State Investment Pool and the Idaho Diversified Bond Fund are composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool and the Idaho Diversified Bond

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Fund are 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.

NOTE 3: CASH AND INVESTMENTS (CONCLUDED)

The balances that the School District has in the State Investment Pool are carried at its market value of \$7,834,957. The School District's portion of the State Investment Pool had an unrealized gain of \$11,752. This amount has been recognized as a component of interest and investment earnings for the fiscal year ending June 30, 2015.

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

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, 2015 consist of the following:

Taxes receivable	\$3,265,506
State of Idaho	1,381,767
Other	<u>7,376</u>
	<u>\$4,654,649</u>

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS June 30, 2015

NOTE 5: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended June 30, 2015:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 1,555,331	\$ -	\$ -	\$ 1,555,331
Construction-in-progress	-	2,169,764	-	2,169,764
Total nondepreciable capital assets	1,555,331	2,169,764	-	3,725,095
Depreciable capital assets:				
Buildings and sites	50,719,614	-	-	50,719,614
Portable classrooms	582,943	-	-	582,943
Buses	2,633,614	97,684	-	2,731,298
Other vehicles	170,328	-	-	170,328
Equipment	2,162,090	183,630	-	2,345,720
Library books	130,786	-	-	130,786
Total depreciable capital assets	56,399,375	281,314	-	56,680,689
Less accumulated depreciation for:				
Buildings and sites	21,087,818	1,134,685	-	22,222,503
Portable classrooms	582,943	-	-	582,943
Buses	2,221,001	108,262	-	2,329,263
Other vehicles	143,117	7,100	-	150,217
Equipment	1,601,189	123,429	-	1,724,618
Library books	125,272	1,377	-	126,649
Total accumulated depreciation	25,761,340	1,374,853	-	27,136,193
Total depreciable capital assets, net	30,638,035	(1,093,539)	-	29,544,496
Total capital assets, net	\$ 32,193,366	\$ 1,076,225	\$ -	\$ 33,269,591

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 5: CAPITAL ASSETS (CONCLUDED)

Depreciation expense of \$1,374,853 for the year ended June 30, 2015 was charged to the following governmental functions:

INSTITUTIONAL SERVICES:

Elementary	\$ 448,257
Secondary	773,071
Improvement and media	1,379
Business administration	5,088
Maintenance	6,770
Transportation	<u>140,288</u>
	<u>\$1,374,853</u>

Following is a recap of the June 30, 2015 balances by generic location:

	Elementary	Secondary	Administration	Total
Land	\$ 527,702	\$ 1,025,534	\$ 2,095	\$ 1,555,331
Construction in process	773,825	1,395,939	-	2,169,764
Buildings and portables	18,921,242	31,104,340	1,276,975	51,302,557
Buses and other vehicles	-	-	2,901,626	2,901,626
Equipment	1,033,396	972,717	339,607	2,345,720
Library books	34,349	96,437	-	130,786
	<u>\$ 21,290,514</u>	<u>\$ 34,594,967</u>	<u>\$ 4,520,303</u>	<u>\$ 60,405,784</u>

NOTE 6: ACCRUED PAYROLL AND VACATION BENEFITS

Accrued payroll includes amounts due to contracted teachers and other employees at June 30, 2015, which were not paid until July and August 2015, in conformity with contractual stipulations.

NOTE 7: BONDS PAYABLE

On July 26, 2006, the School District issued General Obligation Bonds, Series 2006A (Tax-Exempt) in the amount of \$9,750,000 and 2006B (Taxable) in the amount of \$990,000. The proceeds of these bonds were used to finance the construction of a new elementary school, the eight classroom addition to the high school and a new transportation building as well as provide funds for the purchase of a second high school site for the future.

GENERAL OBLIGATION BONDS, 2006A (Tax-Exempt) & 2006B (Taxable)

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.50%	\$ 1,435,000	\$ 99,788	\$ 1,534,788
2017	4.50%	1,500,000	33,750	1,533,750
		<u>\$ 2,935,000</u>	<u>\$ 133,538</u>	<u>\$ 3,068,538</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 7: BONDS PAYABLE (CONTINUED)

On May 21, 2015, the School District advance refunded the 2005A Series General Obligation bonds in the amount of \$5,085,000. Of this, the District paid early \$1,180,000 of bonds originally due on August 15, 2015 and the balance of \$3,905,000 was paid by establishing an escrow in an account to pay off the bonds that were callable on that same day. Funds in the escrow account were to be used to pay in advance of their stated maturity the refunded bonds. As a result, the refunded bonds are considered to be deceased and the liability has been removed from the Statement of Net Assets. The advance refunding was undertaken to reduce future debt service payments by \$251,702 and resulted in an economic gain of \$275,398.

GENERAL OBLIGATION REFUNDING BONDS, 2015A

SERIES 2015A REFUNDING BONDS

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016		\$ -	\$ 82,023	\$ 82,023
2017	2.00%	50,000	111,350	161,350
2018	3.00%	1,820,000	83,550	1,903,550
2019	3.00%	1,875,000	28,125	1,903,125
		<u>\$ 3,745,000</u>	<u>\$ 305,048</u>	<u>\$ 4,050,048</u>

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 7: BONDS PAYABLE (CONCLUDED)

GENERAL OBLIGATION REFUNDING BONDS, 2015B

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016		\$ -	\$ 558,690	\$ 558,690
2017		-	761,850	761,850
2018		-	761,850	761,850
2019		-	761,850	761,850
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
		<u>\$ 17,415,000</u>	<u>\$ 9,871,765</u>	<u>\$ 27,286,765</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS June 30, 2015

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

	Total General Obligation Bonds Payable
Balance, beginning of year	\$ 10,790,161
New debt - 2015A Series Refunding Bonds	3,745,000
2015A Refunding bonds premium	171,807
Payment of principal--2015A refunding bonds	-
Amortization of bond premium-2015A bonds	(4,405)
New debt--2015 B Bonds	17,415,000
2015B Bonds premium less underwriter's discount	2,137,845
Amortization of 2015B bond premiums	(9,255)
Payment of principal---2015B bonds--none	-
Payment of principal - 2006A & 2006B Bonds	(1,370,000)
Amortization of bond premium-2006 bonds	(24,943)
Payment of principal -2005 GO Refunding Bonds	(1,145,000)
Refunding of 2005 GO Refunding bonds	(5,085,000)
Payment of principal - new bonds	-
Amortization of bond premium - refunded bonds	(192,804)
Amortization of bond premium - new bonds	-
Balance, end of year	<u>\$ 26,428,406</u>
Current portion	\$ 1,435,000
Long-term portion, net of premium	<u>24,993,406</u>
	<u>\$ 26,428,406</u>

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, 2014	\$ 10,790,161	\$ 128,082	\$ 10,918,243
Additions	23,469,652	-	23,469,652
Amortization of bond premium	(231,407)	-	(231,407)
Retirements/payments	(7,600,000)	12,614	(2,413,868)
Balance, June 30, 2015	26,428,406	140,696	31,742,620
Current portion	1,435,000	140,696	2,643,082
Long-term portion, net of premium	<u>\$ 24,993,406</u>	<u>\$ -</u>	<u>\$ 29,099,538</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2014 was as follows:

Retirees and beneficiaries receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	<u>66,223</u>
	<u>118,503</u>

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. Amounts in parenthesis represent police/firefighters.

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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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% (72%) of the employer rate. As of June 30, 2014 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. Post Falls School District's contributions were \$2,413,724 for the year ended June 30, 2015.

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

At June 30, 2015, Post Falls School District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, 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 July 1, 2014, the District's proportion was 0.7646 percent.

For the year ended June 30, 2015, the District recognized pension revenue of \$1,718,613. At June 30, 2015, 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	\$ -	\$ 698,666
Changes of assumptions	468,507	-
Net difference between projected and actual earnings on pension plan investments	-	7,049,357
Post Falls School District contributions subsequent to the measurement	2,413,724	-
Total	<u>\$ 2,882,231</u>	<u>\$ 7,748,023</u>

\$2,413,724 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, 2015.

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, 2013 the beginning of the measurement period ended June 30, 2014 is 5.6 years.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

2015	\$ 1,812,374
2016	\$ 1,812,374
2017	\$ 1,812,374
2018	\$ 1,812,374
2019	\$ 30,021

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 July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5-10.25%
Salary inflation	3.75%
Investment rate of return	7.1%, net of investment expenses
Cost of Living (COLA) adjustments	1.00%

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

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

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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Concluded)

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

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

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

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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's net pension liability (asset) - Employer	\$19,545,442	\$ 5,628,300	\$ (5,940,902)

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, 2015, 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, Title VI-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.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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.

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN

Plan Description. Post Falls School District No. 273 operates a single – employer retiree benefit plan that provides post-employment comprehensive medical and dental benefits to all Post Falls School District employees who retire and satisfy the eligibility requirements for PERSI. Eligibility for Post Falls School District post-employment benefits is tied to pension eligibility under PERSI. Thus, all members receiving post-employment benefits are also members in the PERSI retirement plan.

Funding Policy. The School District had not established a fund to supplement the costs for the net OPEB obligation. Contributions are made on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation:

Annual required contribution	\$ 218,612
Adjustment to annual required contribution	129
Annual OPEB cost (expense)	218,741
Estimated contributions made	(109,193)
Increase in net OPEB obligation	109,548
Net OPEB obligation - beginning of year	51,679
Net OPEB obligation - end of year	<u>\$ 161,227</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS June 30, 2015

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The School Districts annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$233,341	83%	\$64,521
6/30/2014	\$229,071	106%	\$51,679
6/30/2015	\$218,740	50%	\$161,227

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$1.45 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.43 million. The covered payroll (annual payroll of active employees covered by the plan) was \$21.19 million, and the ratio of the UAAL to the covered payroll was 7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONCLUDED)

In the July 1, 2012, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 9.2 percent investment rate of return (net of investment expenses), calculated based on the expected return on the School District's general funds at the valuation date. Health care cost trend rates for medical is 4.9% for the first year and then starting in 2013 9.0% decreasing by half percent decrements until leveling off at 5% at 2021. Health care cost trend rates for Prescription Drugs is 9.2% for the first year and then starting in 2012 9.0% decreasing by one percent decrements until leveling off at 5% at 2021. Health care cost trend rates for Dental is 0.0% for the first year and then starting in 2013 8.0% decreasing by half percent decrements until leveling off at 5% at 2021. Retiree contribution increases for medical and prescription drugs is 4.9% for the first year and then starting in 2013 9.0% decreasing by .6% increments until leveling off at 5% at 2021. Retiree contribution increases for dental is 2.0% for the first year and then starting in 2013 9.0% decreasing by half percent increments until leveling off at 5% at 2021. The UAAL is amortized as a level percentage of the projected salaries of present and future members of the School District, on an open basis, over a 25-year period from the valuation date. General wage increase and assumed payroll growth is 2.5 percent. The remaining amortization period at July 1, 2012, was twenty five years.

NOTE 13: INTERFUND TRANSACTIONS

For the fiscal year ending June 30, 2015 the District transferred \$111,553 out of the General Fund. This transfer was to cover employer payroll taxes for the Child Nutrition Fund in the amount of \$44,030 and bus depreciation in the Bus Depreciation Fund in the amount of \$67,523.

NOTE 14: PRIOR PERIOD ADJUSTMENT

Beginning fund balance for the government-wide governmental activities was adjusted in order to implement GASB 68, the new pension accounting standard, which became effective this year. Accordingly, beginning fund balance was decreased by a net \$12,281,751, deferred outflows of resources were increased by \$2,344,679, and the beginning balance of the District's proportional share of the pension plan's collective net pension liability was established at \$14,626,430. See Note 9 for further disclosures on the pension plan and related accounting.

(Concluded)

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Post Falls School District No. 273

**SCHEDULE OF FUNDING PROGRESS FOR
POSTEMPLOYMENT BENEFIT PLANS
For the Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) /c)
July 1, 2010	\$ -	\$ 1,449,512	\$ 1,449,512	0%	\$ 21,191,957	7%
July 1, 2012	\$ -	\$ 2,429,179	\$ 2,429,179	0%	\$ 21,586,755	11%
July 1, 2014	\$ -	\$ 1,864,877	\$ 1,864,877	0%	\$ 22,030,738	8%

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

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 4,470,000	\$ 4,470,000	\$ 4,387,712	\$ (82,288)
Interest and investment earnings	60,000	60,000	72,418	12,418
Other local revenue	53,323	53,323	101,706	48,383
State assistance and reimbursements	25,140,939	25,363,285	25,489,318	126,033
Total revenues	29,724,262	29,946,608	30,051,154	104,546
EXPENDITURES				
Instructional services:				
Elementary programs	9,082,073	9,060,073	9,011,182	48,891
Secondary programs	8,168,301	8,107,861	7,955,667	152,194
Alternative school programs	577,883	577,883	549,808	28,075
Exceptional child programs	1,750,614	1,823,854	1,875,960	(52,106)
Activity programs	488,005	488,005	422,904	65,101
Other programs	60,065	60,065	61,528	(1,463)
Total instructional services	20,126,941	20,117,741	19,877,049	240,692
Support services:				
Guidance and health programs	1,082,978	1,082,978	1,119,571	(36,593)
Special services	808,937	843,512	898,442	(54,930)
Improvement and media	333,289	333,289	337,816	(4,527)
District administration	325,837	325,837	319,739	6,098
School administration	1,894,370	1,907,920	1,914,753	(6,833)
Business administration	527,493	527,493	523,829	3,664
Maintenance	2,919,587	2,964,587	2,984,585	(19,998)
Transportation	1,526,420	1,570,420	1,540,806	29,614
Security	83,000	83,000	55,052	27,948
Total support services	9,501,911	9,639,036	9,694,593	(55,557)
Capital outlay	2,500	2,500	8,091	(5,591)
Total expenditures	29,631,352	29,759,277	29,579,733	179,544
Excess (deficiency) of revenues over expenditures	92,910	187,331	471,421	284,090
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	-	-	-
Transfers (out)	(142,910)	(142,910)	(111,553)	31,357
Total other financing sources (uses)	(92,910)	(142,910)	(111,553)	31,357
Net change in fund balances	-	44,421	359,868	315,447
Fund balances - beginning	-	705,751	705,751	-
Fund balances - ending	\$ -	\$ 750,172	\$ 1,065,619	\$ 315,447

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

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, 2015

	Budget Amounts		Variance with Final Budget
	Final *	Actual	
REVENUES			
Other local revenue	\$ 628,727	\$ 501,997	\$ (126,730)
Title programs and other federal revenues	1,560,000	1,502,224	(57,776)
Total revenues	2,188,727	2,004,221	(184,506)
EXPENDITURES			
Non-instructional services:			
Food services	2,222,365	1,973,159	249,206
Capital Outlay	18,000	-	18,000
Total expenditures	2,240,365	1,973,159	267,206
Excess (deficiency) of revenues over expenditures	(51,638)	31,062	82,700
OTHER FINANCING SOURCES			
Transfers in	51,638	44,030	(7,608)
Total other financing sources	51,638	44,030	(7,608)
Net change in fund balances	-	75,092	75,092
Fund balances - beginning	-	121,905	121,905
Fund balances - ending	\$ -	\$ 196,997	\$ 196,997

* Budget was not amended

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

Post Falls School District No. 273
GASB 68 Required Supplementary Information
For the Year Ended June 30, 2015

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 - Fiscal Years *

	June 30, 2015
Employer's portion of the net pension liability	0.7646%
Employer's proportionate share of the net pension liability	\$ 5,628,300
Employer's covered-employee payroll	\$ 20,665,425
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	27.24%
Plan fiduciary net position as a percentage of the total pension liability	94.95%

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years *

	June 30, 2015
Statutorily required contribution	\$ 2,402,598
Contributions in relation to the statutorily required contribution	2,402,598
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll of its covered employee payroll	\$ 21,219,407
Contributions as a percentage of covered-employee payroll	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 Employer will present information for those years for which information is available.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

Post Falls School District No. 273

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - BY FUND TYPE
June 30, 2015**

	Special Revenue	Nonmajor Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 85,632	\$ 244,322	\$ 329,954
Accounts receivable:			
Kootenai County	-	5,329	5,329
State of Idaho	571,704	-	571,704
Other receivable	6,303	-	6,303
Total assets	<u>\$ 663,639</u>	<u>\$ 249,651</u>	<u>\$ 913,290</u>
LIABILITIES			
Accounts payable	\$ 7,029	\$ -	\$ 7,029
Accrued payroll	218,919	-	218,919
Total liabilities	<u>225,948</u>	<u>-</u>	<u>225,948</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues- property taxes	<u>-</u>	<u>5,317</u>	<u>5,317</u>
Total deferred inflows of resources	<u>-</u>	<u>5,317</u>	<u>5,317</u>
FUND BALANCES			
Restricted	174,701	237,928	412,629
Assigned	262,990	6,406	269,396
Total fund balances	<u>437,691</u>	<u>244,334</u>	<u>682,025</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 663,639</u>	<u>\$ 249,651</u>	<u>\$ 913,290</u>

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, 2015

	Special Revenue	Nonmajor Capital Projects	Total
REVENUES			
Property taxes	\$ -	\$ 4,420	\$ 4,420
Other local revenue	232,061	-	232,061
State assistance and reimbursements	1,416,370	248,673	1,665,043
Title programs and other federal revenues	2,575,691	-	2,575,691
Total revenues	4,224,122	253,093	4,477,215
EXPENDITURES			
Instructional services:			
Elementary programs	2,000,787	117,598	2,118,385
Secondary programs	775,471	100,034	875,505
Alternative school program	54,790	-	54,790
Exceptional child program	1,179,987	-	1,179,987
Support services:			
Maintenance	-	28,927	28,927
Capital outlay	131,825	93,665	225,490
Total expenditures	4,142,860	340,224	4,483,084
Excess (deficiency) of revenues over expenditures	81,262	(87,131)	(5,869)
OTHER FINANCING SOURCES			
Transfers in	-	67,523	67,523
Total other financing sources	-	67,523	67,523
Net change in fund balances	81,262	(19,608)	61,654
Fund balance beginning	356,429	263,942	620,371
Fund balances - ending	\$ 437,691	\$ 244,334	\$ 682,025

Post Falls School District No. 273

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	Forest Reserve Fund	Medicaid	Before and After School Program	Family Resources
ASSETS				
Cash and cash equivalents	\$ 47,079	\$ (36,408)	\$ 87,585	\$ -
Accounts receivable:				
State of Idaho	-	130,249	1,258	-
Other receivable	-	-	-	-
Total assets	<u>\$ 47,079</u>	<u>\$ 93,841</u>	<u>\$ 88,843</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ 35	\$ -	\$ -
Accrued payroll	-	2,590	1,081	-
Total liabilities	<u>-</u>	<u>2,625</u>	<u>1,081</u>	<u>-</u>
FUND BALANCE				
Restricted	-	-	-	-
Assigned	47,079	91,216	87,762	-
Total fund balances	<u>47,079</u>	<u>91,216</u>	<u>87,762</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 47,079</u>	<u>\$ 93,841</u>	<u>\$ 88,843</u>	<u>\$ -</u>

Rural Nursing Grant	School Building Maintenance	Driver Education	Vocational Program
\$ 44,706	\$ 85,122	\$ (1,218)	\$ (8,211)
-	-	20,517	12,929
-	-	-	-
<u>\$ 44,706</u>	<u>\$ 85,122</u>	<u>\$ 19,299</u>	<u>\$ 4,718</u>
\$ -	\$ -	\$ 535	\$ 24
<u>7,773</u>	<u>-</u>	<u>239</u>	<u>-</u>
<u>7,773</u>	<u>-</u>	<u>774</u>	<u>24</u>
-	85,122	18,525	4,694
<u>36,933</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>36,933</u>	<u>85,122</u>	<u>18,525</u>	<u>4,694</u>
<u>\$ 44,706</u>	<u>\$ 85,122</u>	<u>\$ 19,299</u>	<u>\$ 4,718</u>

<u>Public School Technology</u>	<u>Drug Free State Money</u>	<u>Ponderosa IT Grant</u>	<u>Mullan Trail IT Grant</u>
\$ 17,284	\$ -	\$ 41,282	\$ 6,759
-	-	-	-
-	-	-	-
<u>\$ 17,284</u>	<u>\$ -</u>	<u>\$ 41,282</u>	<u>\$ 6,759</u>
\$ 3,501	\$ -	\$ -	\$ -
-	-	4,148	-
<u>3,501</u>	<u>-</u>	<u>4,148</u>	<u>-</u>
13,783	-	37,134	6,759
-	-	-	-
<u>13,783</u>	<u>-</u>	<u>37,134</u>	<u>6,759</u>
<u>\$ 17,284</u>	<u>\$ -</u>	<u>\$ 41,282</u>	<u>\$ 6,759</u>

Title 1 Disadvantaged	Title VI-B	Title VI-B Preschool	Carl Perkins
\$ (89,326)	\$ (97,840)	\$ (2,285)	\$ -
197,572	173,041	4,934	-
-	-	-	-
<u>\$ 108,246</u>	<u>\$ 75,201</u>	<u>\$ 2,649</u>	<u>\$ -</u>
135	\$ 150	\$ 2,649	\$ -
<u>108,111</u>	<u>75,051</u>	<u>-</u>	<u>-</u>
<u>108,246</u>	<u>75,201</u>	<u>2,649</u>	<u>-</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 108,246</u>	<u>\$ 75,201</u>	<u>\$ 2,649</u>	<u>\$ -</u>

Eisenhower Math/Science DDEMSEA	Community Garden	Total
\$ (11,278)	\$ 2,381	\$ 85,632
31,204	-	571,704
-	6,303	6,303
<u>\$ 19,926</u>	<u>\$ 8,684</u>	<u>\$ 663,639</u>
\$ -	\$ -	\$ 7,029
<u>19,926</u>	<u>-</u>	<u>218,919</u>
<u>19,926</u>	<u>-</u>	<u>225,948</u>
-	8,684	174,701
-	-	262,990
<u>-</u>	<u>8,684</u>	<u>437,691</u>
<u>\$ 19,926</u>	<u>\$ 8,684</u>	<u>\$ 663,639</u>

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, 2015**

	Forest Reserve Fund	Medicaid	Before and After School Program	Family Resources
REVENUES				
Local revenue	\$ -	\$ -	\$ 197,213	\$ -
State assistance and reimbursements	-	522,800	19,938	-
Title programs and other federal revenues	37,329	-	-	-
Total revenues	37,329	522,800	217,151	-
EXPENDITURES				
Instructional services:				
Elementary programs	-	-	183,876	-
Secondary programs	-	587,747	-	8,840
Alternative school program	-	-	-	-
Exceptional child program	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	587,747	183,876	8,840
Net change in fund balance	37,329	(64,947)	33,275	(8,840)
Fund balances - beginning	9,750	156,163	54,487	8,840
Fund balances - ending	\$ 47,079	\$ 91,216	\$ 87,762	\$ -

Rural Nursing Grant	School Building Maintenance	Driver Education	Vocational Program
\$ -	\$ -	\$ 33,425	\$ -
70,059	-	22,185	43,095
-	-	-	-
70,059	-	55,610	43,095
46,828	-	-	-
-	-	47,138	34,251
-	-	-	9,002
-	-	-	-
-	-	-	-
46,828	-	47,138	43,253
23,231	-	8,472	(158)
13,702	85,122	10,053	4,852
\$ 36,933	\$ 85,122	\$ 18,525	\$ 4,694

Public School Technology	Drug Free State Money	Ponderosa IT Grant	Mullan Trail IT Grant
\$ -	\$ -	\$ -	\$ -
245,448	38,470	249,910	204,465
-	-	-	-
<u>245,448</u>	<u>38,470</u>	<u>249,910</u>	<u>204,465</u>
102,895	-	212,776	197,706
-	38,470	-	-
-	-	-	-
-	-	-	-
<u>131,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>234,720</u>	<u>38,470</u>	<u>212,776</u>	<u>197,706</u>
10,728	-	37,134	6,759
3,055	-	-	-
<u>\$ 13,783</u>	<u>\$ -</u>	<u>\$ 37,134</u>	<u>\$ 6,759</u>

Title 1 Disadvantaged	Title VI-B	Title VI-B Preschool	Carl Perkins
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>1,129,040</u>	<u>1,147,598</u>	<u>32,694</u>	<u>77,635</u>
<u>1,129,040</u>	<u>1,147,598</u>	<u>32,694</u>	<u>77,635</u>
1,127,665	-	-	-
-	-	-	52,025
-	-	-	37,695
-	1,147,293	32,694	-
-	-	-	-
<u>1,127,665</u>	<u>1,147,293</u>	<u>32,694</u>	<u>89,720</u>
1,375	305	-	(12,085)
<u>(1,375)</u>	<u>(305)</u>	<u>-</u>	<u>12,085</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Eisenhower Math/Science DDEMSEA	Community Garden	Total
\$ -	\$ 1,423	\$ 232,061
-	-	1,416,370
136,041	15,354	2,575,691
136,041	16,777	4,224,122
129,041	-	2,000,787
7,000	-	775,471
-	8,093	54,790
-	-	1,179,987
-	-	131,825
136,041	8,093	4,142,860
-	8,684	81,262
-	-	356,429
\$ -	\$ 8,684	\$ 437,691

Post Falls School District No. 273

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

	Lottery Fund	Plant Facility Fund	Bus Depreciation Fund	Total
ASSETS				
Cash and cash equivalents	\$ 6,406	\$ 228,143	\$ 9,773	\$ 244,322
Accounts receivable - Kootenai County	-	5,329	-	5,329
Total assets	<u>\$ 6,406</u>	<u>\$ 233,472</u>	<u>\$ 9,773</u>	<u>\$ 249,651</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues- property taxes	-	5,317	-	5,317
Total deferred inflows of resources	<u>-</u>	<u>5,317</u>	<u>-</u>	<u>5,317</u>
FUND BALANCES				
Restricted	-	228,155	9,773	237,928
Assigned	6,406	-	-	6,406
Total fund balances	<u>6,406</u>	<u>228,155</u>	<u>9,773</u>	<u>244,334</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,406</u>	<u>\$ 233,472</u>	<u>\$ 9,773</u>	<u>\$ 249,651</u>

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, 2015**

	Lottery Fund	Plant Facility Fund	Bus Depreciation Fund	Total
REVENUES				
Property taxes	\$ -	\$ 4,420	\$ -	\$ 4,420
Other State revenue	248,673	-	-	248,673
Total revenues	<u>248,673</u>	<u>4,420</u>	<u>-</u>	<u>253,093</u>
EXPENDITURES				
Instructional services:				
Elementary programs	\$ 117,598	\$ -	\$ -	\$ 117,598
Secondary programs	100,034	-	-	100,034
Support services:		-		
Maintenance	28,927	-	-	28,927
Capital outlay	-	-	93,665	93,665
Total expenditures	<u>246,559</u>	<u>-</u>	<u>93,665</u>	<u>340,224</u>
Excess (deficiency) of revenues over expenditures	<u>2,114</u>	<u>4,420</u>	<u>(93,665)</u>	<u>(87,131)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	67,523	67,523
Total other financing sources	<u>-</u>	<u>-</u>	<u>67,523</u>	<u>67,523</u>
Net change in fund balances	2,114	4,420	(26,142)	(19,608)
Fund balances - beginning	<u>4,292</u>	<u>223,735</u>	<u>35,915</u>	<u>263,942</u>
Fund balances - ending	<u>\$ 6,406</u>	<u>\$ 228,155</u>	<u>\$ 9,773</u>	<u>\$ 244,334</u>

Post Falls School District No. 273

AGENCY FUNDS SCHEDULE OF CHANGES IN DEPOSIT BALANCES OF INDIVIDUAL SCHOOLS For the Year Ended June 30, 2015

School	Cash June 30, 2014	Receipts	Disbursements	Cash June 30, 2015
Westridge Elementary	\$ 31,832	\$ 61,288	\$ 56,426	\$ 36,694
Kindergarten Center	4,668	25,168	18,346	11,490
Prairie View Elementary	21,114	65,448	61,491	25,071
Ponderosa Elementary	44,945	63,785	50,223	58,507
Seltice Elementary	16,701	40,497	37,428	19,770
Mullan Trail Elementary	23,944	45,381	33,794	35,531
Post Falls Middle School	61,294	90,044	93,966	57,372
River City Middle School	30,640	76,397	74,716	32,321
Post Falls High School	246,661	883,711	818,669	311,703
New Vision High School	24,584	17,964	16,988	25,560
	<u>\$ 506,383</u>	<u>\$ 1,369,683</u>	<u>\$ 1,262,047</u>	<u>\$ 614,019</u>

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 AUDITORS' 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, 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, 2015, 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 September 30, 2014.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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. However, material weaknesses may exist that have not been identified.

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)

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 1, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

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

Compliance

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) Circular A-133 *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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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

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, 2015.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Restricted Use

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Magnuson, McHugh & Company, P.A.

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

October 1, 2015

Post Falls School District No. 273

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended June 30, 2015

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	826000813	\$ 1,127,665
Improving Teacher Quality State Grants (Title II-A)	84.367	826000813	136,041
Special Education _Grants to States (Title VI-B IDEA)	84.027	826000813	1,147,293
Special Education State Improvement for Child Disabilities	84.323	826000813	-
Special Education_Preschool Grant (Title VI-B Preschool)	84.173	826000813	32,694
Vocational Education_Basic Grants to States (Carl Perkins)	84.048A	826000813	89,720
Safe and Drug-Free Schools and Communities_ State Grants	84.186	826000813	
21st Century Community Learning Centers	84.287	826000813	
State Library ProgramState	84.372	826000813	
State Stablization Funds	84.394	826000813	
Education Jobs Bill	84.410A	826000813	-
Technology Literacy Challenge Fund Grants ARRA	84.318	826000813	
<i>Total Department of Education</i>			<u>2,533,413</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Idaho Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	826000813	216,079
National School Lunch Program	10.555	826000813	1,009,463
Summer Food Service Program	10.559	826000813	186,055
Child Nutrition Discretionary Grants	10.579	826000813	84,438
Fresh Fruit and Vegetable Program	10.582	826000813	6,189
Passed through State of Idaho:			
School and Roads- Federal Forest Grant	10.665	826000813	
<i>Total Department of Agriculture</i>			<u>1,502,224</u>
<u>U.S. Department of Justice</u>			
Juvenile Justice and Delinquency Prevention	16.540	826000813	8,093
<i>Total Department of Justice</i>			<u>8,093</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE			 <u>\$ 4,043,730</u>

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, 2015

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Post Falls School District No. 273 under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. 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 position 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the School District had received food commodities totaling \$84,438.

Post Falls School District No. 273

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section I – Summary of Auditors' 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) _____ Yes X 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 section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s):

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

84.367

Improving Teacher Quality-Title II-A

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Post Falls School District No. 273
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section II. – Financial Statement Findings

We noted no findings relating to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

Section III. – Federal Programs Findings

We noted no findings relating to the financial statements, which are required to be reported in accordance with generally accepted *OMB Circular A-133*.

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

We noted no findings in the prior year audit relating to the financial statements, which are required to be reported in accordance with *OMB Circular A-133*.