

POST FALLS SCHOOL DISTRICT No. 273

FINANCIAL STATEMENT
JUNE 30, 2017

Post Falls School District No. 273
June 30, 2017

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Post Falls School District No. 273
June 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S 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, 2017, 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, 2017, 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, 2017, 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, the schedule of changes in deposit balances of individual schools, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of changes in deposit balances of individual schools, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 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.

September 25, 2017

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

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 14, 2017 for a replacement supplemental levy. In an effort to provide quality education, the new supplemental levy was increased by \$300,000 each year; to assist the district in purchasing much needed state of the art curriculum. The levy was passed with 75% of the voters in favor. The increase puts the annual levy to the taxpayers at \$4,955,000 for each of the next two years.
- The school district finished the year with a general fund balance of \$1,444,911 which represents 4.3% of general fund revenues. This is a decrease from the prior year of \$215,366. The district however had anticipated this reduction of fund balance as it was a reflection of the opening and full operations capacity of the new Greensferry Elementary School.
- Revenues came in approximately \$168,070 over the projected budgeted amount and expenditures came in over at \$89,134 from the budgeted amount. Even with the decrease in fund balance, the district's general fund balance remains solidly secure within the district policy recommendation of 3% – 5%.
- During this past fiscal year the district completed all projects remaining from the March 2015 \$19.5 million bond levy. All expenditures and projects were completed both on time and within budget.
- The State of Idaho's economy continues to grow and all indications and forecasts support continued strength going forward following the recession. Funding for education has increased by 6.1% 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The statement of net position and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the district's finances. District-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the district. Fund statements generally report operations in more detail than the district-wide statements.

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

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

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

District-wide Statements

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

- Increases or decreases in the district's net assets are one indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the district, additional non-financial factors, such as changes in the district's property tax base and the condition of school buildings and other facilities, should be considered.

In the district-wide financial statements, the district's activities are all classified as governmental activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation and food services. Most of these activities are supported by property taxes and formula aid from the State of Idaho.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds and not on the district as a whole. Funds are accounting devices the district uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements.

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

The district has two types of funds.

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Governmental fund information does not report on long-term commitments as is reported on the district-wide statements. Therefore an explanation of the differences between the governmental funds and the district-wide statements is included either at the bottom of the governmental funds statements or as a separate statement.
- Fiduciary funds – The district serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the district. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the district cannot use these assets to finance its operations.

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

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, 2017 and 2016.

**Table 1
Statement of Net Position
June 30, 2017 and 2016**

	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 5,971,711	\$ 9,920,405
Receivables	4,443,541	4,569,860
Capital assets, net of accumulated depreciation	47,223,493	44,612,363
Total assets	<u>57,638,745</u>	<u>59,102,628</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension outflows	10,489,929	6,573,850
Total deferred outflows of resources	<u>10,489,929</u>	<u>6,573,850</u>
LIABILITIES:		
Accounts payable	137,284	140,057
Accrued payroll and related costs	4,113,499	3,916,290
Interest payable	290,900	313,733
Long-term liabilities:		
Due within one year	1,977,194	1,689,567
Due in more than one year	21,271,811	23,404,803
Net pension liability	15,410,276	10,026,825
Net OPEB obligation	348,656	245,313
Total liabilities	<u>43,549,620</u>	<u>39,736,588</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension inflows	5,056,219	6,511,439
Total deferred inflows of resources	<u>5,056,219</u>	<u>6,511,439</u>
NET POSITION:		
Net investment in capital assets	24,131,682	19,657,560
Restricted for:		
Debt service	3,225,742	2,843,594
School Lunch	301,691	261,167
Capital Construction	-	4,485,944
Plant Facility	267,769	246,222
Federal and State Title programs	395,083	510,642
Unrestricted	(8,799,132)	(8,576,678)
Total net position	<u>\$ 19,522,835</u>	<u>\$ 19,428,451</u>

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

FINANCIAL ANALYSIS (CONTINUED)

The district's combined net position slightly increased by \$94,384 for an ending total of \$19,522,835.

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 2017 and 2016.

Table 2
Changes in Net Position from Operating Results
Government Activities 2017 and 2016

	2017	2016
REVENUES:		
Program revenues:		
Charges for services	\$ 1,289,241	\$ 1,351,769
Operating grants and contributions	4,539,730	4,649,500
General revenues:		
Property taxes, levied for general purposes	4,792,073	4,753,071
Property taxes, levied for debt services	2,618,317	2,732,591
State revenues	29,326,612	27,411,830
Grants and contributions not restricted to specific purposes:		
Loss on disposal of capital assets	(4,569)	(6,211)
Federal Forest	3,814	35,650
Interest and investment earnings	72,116	33,207
Miscellaneous	25,124	37,343
Total general revenues and special items	<u>42,662,458</u>	<u>40,998,750</u>
EXPENSES:		
Instructional services:		
Elementary programs	13,697,653	12,007,526
Secondary programs	10,210,476	10,358,083
Alternative school programs	671,874	668,978
Exceptional child programs	3,397,360	3,295,371
Activity programs	475,188	454,246
Other programs	66,462	60,346
Support services:		
Guidance and health programs	1,252,138	1,121,782
Special services	1,072,870	1,020,654
Improvement and media	382,350	353,034
District administration	332,039	322,933
School administration	2,187,827	1,996,721
Business administration	638,119	524,555
Maintenance	3,670,635	2,988,403
Transportation	1,817,916	1,707,220
Security	42,843	21,121
Non-instructional services:		
School lunch	1,971,204	1,962,174
Interest on long-term debt	565,625	900,415
Change in OPEB Obligation	103,343	84,086
Unallocated actual PERSI expense	(2,646,875)	(2,518,538)
Change in net pension liability	2,659,027	1,988,860
Total expenses	<u>42,568,074</u>	<u>39,317,970</u>
Change in net position	<u>\$ 94,384</u>	<u>\$ 1,680,780</u>

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

FINANCIAL ANALYSIS (CONCLUDED)

Changes in net position. (Concluded)

As shown in Table 2, the Post Falls School District relies on local property taxes for 17.4% of its governmental activities. The district had total revenues of \$42.7 million.

Governmental Funds

The district completed the year with a total governmental fund balance of \$5,861,866 which is a decrease of 42% from the ending balance in fiscal year 2016 that was \$10,155,130.

- The general fund had a decrease in fund balance of \$215,366 for a net total of \$1,444,911 at fiscal year-end. Expenditures over and above revenues in the amount of \$137,142 were the principal reason for this decrease.
- The food service fund had an increase in fund balance of \$40,524. The department ended the fiscal year with a positive fund balance of \$301,691.
- The debt service fund had an increase in fund balance of \$382,148. The fund ended the fiscal year with a fund balance of \$3,225,742. The receipt of the bond levy equalization payment of \$215,344 makes up the significant portion of the increase.
- The bond capital construction fund had an ending fund balance of \$0. The district completed within budget and on time all capital construction projects that were initiated following the March 2015 bond election. \$19.5 million dollars in total was fully expended.

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 2016-2017 fiscal year to reflect increases in revenue and expenses.

When comparing final budget to actual, stronger than expected collections of state and local reimbursements resulted in a favorable revenue variance in the amount of \$164,482. General fund expenses were up in several programs resulting in an unfavorable variance of \$89,134. The final result is that the general fund balance ended the fiscal year with a net favorable variance of \$78,936 when compared to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Post Falls School District has invested approximately \$77.3 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 2017. Total accumulated depreciation on these assets amounts to \$30.1 million.

- Asset acquisitions for governmental activities totaled \$4,545,074 for the fiscal year. This figure represents \$4,068,018 in purchases for construction in progress.

Post Falls School District No. 273

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

Long Term Debt

At year end the district had \$23.0 million in general obligation bonds and other long-term debt outstanding. The district retired \$1,550,000 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 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, 2017 however a new agreement was reached which extends the agreement to June 30, 2018.
- State revenues increased by 6.2% for the school districts in the state in this fiscal year. The economy of the State of Idaho continues to remain strong and the better than anticipated forecast are projected for the upcoming state budget 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 Wendy Lee, 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, 2017

ASSETS

Cash and cash equivalents	\$ 5,971,711
Receivables	4,443,541
Land	1,555,331
Capital assets, net of accumulated depreciation	<u>45,668,162</u>
Total assets	<u>57,638,745</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	<u>10,489,929</u>
Total deferred outflows of resources	<u>10,489,929</u>

LIABILITIES

Accounts payable	137,284
Accrued payroll and related costs	4,113,499
Interest payable	290,900
Long-term liabilities:	
Due within one year:	
Compensated absences	157,194
Long term debt	1,820,000
Due in more than one year:	
Long term debt	21,271,811
Net pension liability	15,410,276
Net OPEB obligation	<u>348,656</u>
Total liabilities	<u>43,549,620</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	<u>5,056,219</u>
Total deferred inflows of resources	<u>5,056,219</u>

NET POSITION

Net investment in capital assets	24,131,682
Restricted for:	
School lunch	301,691
Debt service	3,225,742
Federal and state title programs	395,083
Plant facility	267,769
Unrestricted	<u>(8,799,132)</u>
Total net position	<u>\$ 19,522,835</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, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instructional services:					
Elementary programs	\$ 13,697,653	\$ 247,497	\$ 2,010,929	\$ -	\$ (11,439,227)
Secondary programs	10,210,476	540,111	210,086	-	(9,460,279)
Alternative school programs	671,874	-	-	-	(671,874)
Exceptional child programs	3,397,360	-	851,122	-	(2,546,238)
Activity programs	475,188	-	-	-	(475,188)
Other programs	66,462	-	-	-	(66,462)
Support services:					
Guidance and health programs	1,252,138	-	-	-	(1,252,138)
Special services	1,072,870	-	-	-	(1,072,870)
Improvement and media	382,350	-	-	-	(382,350)
District administration	332,039	-	-	-	(332,039)
School administration	2,187,827	-	-	-	(2,187,827)
Business administration	638,119	-	-	-	(638,119)
Maintenance	3,670,635	-	-	-	(3,670,635)
Transportation	1,817,916	-	-	-	(1,817,916)
Security	42,843	-	-	-	(42,843)
Non-instructional services:					
School lunch	1,971,204	501,633	1,467,593	-	(1,978)
Interest and amortization	565,625	-	-	-	(565,625)
Change in OPEB obligation	103,343	-	-	-	(103,343)
Unallocated actual PERSI expense	(2,646,875)	-	-	-	2,646,875
Change in GASB 68 NPL	2,659,027	-	-	-	(2,659,027)
Total governmental activities	\$ 42,568,074	\$ 1,289,241	\$ 4,539,730	\$ -	(36,739,103)
General revenues:					
Property taxes, levied for general purposes					4,792,073
Property taxes, levied for debt services					2,618,317
State revenue					29,326,612
Grants and contributions not restricted to specific purposes:					
Federal Forest					3,814
Interest and investment earnings					72,116
Gain (Loss) on disposal of assets					(4,569)
Miscellaneous					25,124
Total general revenues					<u>36,833,487</u>
Change in net position					94,384
Net position beginning					<u>19,428,451</u>
Net position ending					<u>\$ 19,522,835</u>

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, 2017

	General	Child Nutrition	Debt Service
ASSETS			
Cash and cash equivalents	\$ 2,879,240	\$ 253,696	\$ 2,252,847
Accounts receivable:			
Kootenai County	2,022,975	-	1,083,434
State of Idaho	772,789	63,887	-
Total assets	<u>\$ 5,675,004</u>	<u>\$ 317,583</u>	<u>\$ 3,336,281</u>
LIABILITIES			
Accounts payable	\$ 111,416	\$ 8,780	\$ -
Accrued payroll	3,926,613	7,112	-
Total liabilities	<u>4,038,029</u>	<u>15,892</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	192,064	-	110,539
Total deferred inflows of resources	<u>192,064</u>	<u>-</u>	<u>110,539</u>
FUND BALANCES			
Restricted to:			
School lunch, debt service and capital projects, respectively	-	301,691	3,225,742
State and federal title programs	-	-	-
Assigned to:			
State and federal non title funding	-	-	-
Unassigned	1,444,911	-	-
Total fund balances	<u>1,444,911</u>	<u>301,691</u>	<u>3,225,742</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,675,004</u>	<u>\$ 317,583</u>	<u>\$ 3,336,281</u>

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

Capital Construction Project	Other Governmental	Total
\$ -	\$ 585,928	\$ 5,971,711
-	-	3,106,409
-	500,456	1,337,132
<u>\$ -</u>	<u>\$ 1,086,384</u>	<u>\$ 10,415,252</u>
\$ -	\$ 17,088	\$ 137,284
-	179,774	4,113,499
<u>-</u>	<u>196,862</u>	<u>4,250,783</u>
-	-	302,603
<u>-</u>	<u>-</u>	<u>302,603</u>
-	267,769	3,795,202
-	395,083	395,083
-	226,670	226,670
-	-	1,444,911
<u>-</u>	<u>889,522</u>	<u>5,861,866</u>
<u>\$ -</u>	<u>\$ 1,086,384</u>	<u>\$ 10,415,252</u>

Post Falls School District No. 273

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total fund balances at June 30, 2017 - Governmental funds		\$ 5,861,866
Cost of capital assets at June 30, 2017	\$ 77,306,265	
Less: Accumulated depreciation as of June 30, 2017		
Buildings and portables	(25,615,548)	
Buses and other transportation	(2,413,817)	
Equipment and library books	<u>(2,053,407)</u>	47,223,493
Elimination of deferred revenue		302,603
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:		
Districts proportionate share of the net pension liability		(15,410,276)
Proportionate share of collective deferred outflows of resources		10,489,929
Proportionate share of collective deferred inflows of resources		(5,056,219)
Long-term liabilities at June 30, 2017		
Bonds payable	(21,110,000)	
Premium on bonds payable, net of accumulated amortization of \$825,509	(1,981,811)	
Compensated absences	(157,194)	
Net OPEB obligation	(348,656)	
Accrued interest payable	<u>(290,900)</u>	<u>(23,888,561)</u>
Net position at June 30, 2017		<u>\$ 19,522,835</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, 2017**

	General	Child Nutrition	Debt Service
REVENUES			
Property taxes	\$ 4,768,258	\$ -	\$ 2,618,254
Interest and investment earnings	72,116	-	-
Other local revenue	25,124	501,633	-
State assistance and reimbursements	28,754,527	-	215,344
Title programs and other federal revenues	-	1,467,593	-
Total revenues	<u>33,620,025</u>	<u>1,969,226</u>	<u>2,833,598</u>
EXPENDITURES			
Instructional services:			
Elementary programs	10,524,100	-	-
Secondary programs	8,446,637	-	-
Alternative school programs	619,963	-	-
Exceptional child programs	2,546,238	-	-
Activity programs	475,188	-	-
Other programs	66,462	-	-
Total instructional services	<u>22,678,588</u>	<u>-</u>	<u>-</u>
Support services:			
Guidance and health programs	1,252,138	-	-
Special services	1,072,870	-	-
Improvement and media	378,734	-	-
District administration	332,039	-	-
School administration	2,187,827	-	-
Business administration	613,935	-	-
Maintenance	3,267,444	-	-
Transportation	1,652,764	-	-
Security	42,843	-	-
Total support services	<u>10,800,594</u>	<u>-</u>	<u>-</u>
Non-instructional services:			
Food services	-	1,971,204	-
Total non-instructional services	<u>-</u>	<u>1,971,204</u>	<u>-</u>
Capital outlay	<u>277,985</u>	<u>1,182</u>	<u>-</u>
Debt service:			
Principal retirement	-	-	1,550,000
Interest	-	-	901,450
Total debt service	<u>-</u>	<u>-</u>	<u>2,451,450</u>
Total expenditures	<u>33,757,167</u>	<u>1,972,386</u>	<u>2,451,450</u>
Excess (deficiency) of revenues over expenditures	<u>(137,142)</u>	<u>(3,160)</u>	<u>382,148</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	80,000	43,684	-
Transfers (out)	(158,224)	-	-
Total other financing sources (uses)	<u>(78,224)</u>	<u>43,684</u>	<u>-</u>
Net change in fund balance	(215,366)	40,524	382,148
Fund balance - beginning	<u>1,660,277</u>	<u>261,167</u>	<u>2,843,594</u>
Fund balance - ending	<u>\$ 1,444,911</u>	<u>\$ 301,691</u>	<u>\$ 3,225,742</u>

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

Capital Construction Project	Other Governmental	Total
\$ -	\$ 63	\$ 7,386,575
-	-	72,116
-	272,697	799,454
5,586	1,626,230	30,601,687
-	2,315,787	3,783,380
5,586	4,214,777	42,643,212
346,413	2,085,164	12,955,677
59,100	705,021	9,210,758
-	51,911	671,874
-	851,122	3,397,360
-	-	475,188
-	-	66,462
405,513	3,693,218	26,777,319
-	-	1,252,138
-	-	1,072,870
-	-	378,734
-	-	332,039
-	-	2,187,827
-	-	613,935
-	390,835	3,658,279
-	-	1,652,764
-	-	42,843
-	390,835	11,191,429
-	-	1,971,204
-	-	1,971,204
4,086,017	179,890	4,545,074
-	-	1,550,000
-	-	901,450
-	-	2,451,450
4,491,530	4,263,943	46,936,476
(4,485,944)	(49,166)	(4,293,264)
-	114,540	238,224
-	(80,000)	(238,224)
-	34,540	-
(4,485,944)	(14,626)	(4,293,264)
4,485,944	904,148	10,155,130
\$ -	\$ 889,522	\$ 5,861,866

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, 2017

Total net changes in fund balances for year ended June 30, 2017	\$ (4,293,264)
Add: Capital outlay which is considered expenditures	4,545,074
Less: Depreciation expense for the year ended June 30, 2017	(1,929,375)
Less: Loss on disposal of assets	(4,569)
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	238,224
Less: Interfund transfers in	(238,224)
Add: Debt principal retirement considered as an expenditure	1,550,000
Add: Change in compensated absences	(17,627)
Less: Change in OPEB obligation	(103,343)
Less: Difference between interest on long-term debt on modified accrual basis and interest on long-term debt on accrual basis	335,825
Less: Difference between revenue earned on property taxes on modified accrual basis and revenue on property taxes on accrual basis	23,815
Add: Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date	2,646,875
Less: Change in net pension liability	<u>(2,659,027)</u>
Change in net position for year ended June 30, 2017	<u>\$ 94,384</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, 2017**

ASSETS

Cash and cash equivalents	\$ 600,680
Total assets	<u>\$ 600,680</u>

LIABILITIES

Deposits due to others	\$ 600,680
Total liabilities	<u>\$ 600,680</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, 2017

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.

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, 2017

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, 2017

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Concluded)

During the fiscal year ended June 30, 2017, investments were limited to the Idaho State Investment Pool.

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

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

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

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

F. Capital Assets

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

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

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

<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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accrued Liabilities and Long-term Obligations

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

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

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

H. Compensated Absences

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

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

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The district 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, 2017

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, 2017

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Property Taxes

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

N. Extraordinary and Special Items

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

O. Pensions

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

P. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

- a) The School District publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

- 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, 2017, 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, 2017, 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	\$ 1,578,271
Amount collateralized with securities held in trust, but not in the District's name	5,823,773
Total deposits without exposure to custodial credit risk	<u>\$ 7,402,044</u>

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

Cash and cash equivalents	\$ 5,971,711
Student body agency funds	600,680
Total carrying value of cash and cash equivalents	<u>\$ 6,572,391</u>

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.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: RECEIVABLES

The receivables as of June 30, 2017 consist of the following:

Taxes receivable	\$3,106,409
State of Idaho	<u>1,337,132</u>
	<u>\$4,443,541</u>

NOTE 5: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended June 30, 2017:

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Nondepreciable capital assets:					
Land	\$ 1,555,331	\$ -	\$ -	\$ -	\$ 1,555,331
Construction-in-progress	10,507,216	4,086,018	-	(14,593,234)	-
Total nondepreciable capital assets	<u>12,062,547</u>	<u>4,086,018</u>	<u>-</u>	<u>(14,593,234)</u>	<u>1,555,331</u>
Depreciable capital assets:					
Buildings and sites	54,365,186	-	-	14,338,350	68,703,536
Portable classrooms	582,943	-	-	-	582,943
Buses	2,842,784	260,439	150,833	-	2,952,390
Other vehicles	180,503	17,400	23,419	-	174,484
Equipment	2,782,231	173,310	26,000	254,884	3,184,425
Library books	145,249	7,907	-	-	153,156
Total depreciable capital assets	<u>60,898,896</u>	<u>459,056</u>	<u>200,252</u>	<u>14,593,234</u>	<u>75,750,934</u>
Less accumulated depreciation for:					
Buildings and sites	23,448,328	1,584,277	-	-	25,032,605
Portable classrooms	582,943	-	-	-	582,943
Buses	2,295,089	126,813	150,833	-	2,271,069
Other vehicles	156,452	9,715	23,419	-	142,748
Equipment	1,736,794	204,954	21,431	-	1,920,317
Library books	129,474	3,616	-	-	133,090
Total accumulated depreciation	<u>28,349,080</u>	<u>1,929,375</u>	<u>195,683</u>	<u>-</u>	<u>30,082,772</u>
Total depreciable capital assets, net	<u>32,549,816</u>	<u>(1,470,319)</u>	<u>4,569</u>	<u>14,593,234</u>	<u>45,668,162</u>
Total capital assets, net	<u>\$ 44,612,363</u>	<u>\$ 2,615,699</u>	<u>\$ 4,569</u>	<u>\$ -</u>	<u>\$ 47,223,493</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: CAPITAL ASSETS (CONCLUDED)

Depreciation expense of \$1,929,375 for the year ended June 30, 2017 was charged to the following governmental functions:

INSTITUTIONAL SERVICES:

Elementary	\$ 741,976
Secondary	999,718
Improvement and media	3,616
Business administration	6,557
Maintenance	12,356
Transportation	<u>165,152</u>
	<u>\$1,929,375</u>

Following is a recap of the June 30, 2017 balances by generic location:

	Elementary	Secondary	Administration	Total
Land	\$ 527,702	\$ 1,025,534	\$ 2,095	\$ 1,555,331
Buildings and portables	29,026,647	38,982,856	1,276,976	69,286,479
Buses	-	-	2,952,390	2,952,390
Other vehicles	-	-	174,484	174,484
Equipment	1,483,345	1,313,739	387,341	3,184,425
Library books	56,719	96,437	-	\$ 153,156
	<u>\$ 31,094,413</u>	<u>\$ 41,418,566</u>	<u>\$ 4,793,286</u>	<u>\$ 77,306,265</u>

NOTE 6: ACCRUED PAYROLL AND VACATION BENEFITS

Accrued payroll includes amounts due to contracted teachers and other employees at June 30, 2017, which were not paid until July and August 2017, 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. These bonds were paid off during the year ended June 30, 2017.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: BONDS PAYABLE (CONCLUDED)

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 defeased 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
2018	3.00%	\$ 1,820,000	\$ 83,550	\$ 1,903,550
2019	3.00%	1,875,000	28,125	1,903,125
		<u>\$ 3,695,000</u>	<u>\$ 111,675</u>	<u>\$ 3,806,675</u>

GENERAL OBLIGATION REFUNDING BONDS, 2015B

SERIES 2015B

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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>\$ 8,551,225</u>	<u>\$ 25,966,225</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

	Total General Obligation Bonds Payable
Balance, beginning of year	\$ 24,954,803
Payment of principal - 2015A Series Refunding Bonds	(50,000)
Amortization of bond premium-2015A bonds	(96,917)
Payment of principal - 2015 B Bonds	-
Amortization of 2015B bond premiums	(203,604)
Payment of principal - 2006A & 2006B Bonds	(1,500,000)
Amortization of bond premium-2006 bonds	(12,471)
Balance, end of year	<u>\$ 23,091,811</u>
Current portion	\$ 1,820,000
Long-term portion, net of premium	21,271,811
	<u>\$ 23,091,811</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, 2016	\$ 24,954,803	\$ 139,567	\$ 25,094,370
Additions	-	17,627	17,627
Amortization of bond premium	(312,992)	-	(312,992)
Retirements/payments	(1,550,000)	-	(1,550,000)
Balance, June 30, 2017	23,091,811	157,194	23,249,005
Current portion	1,820,000	157,194	1,977,194
Long-term portion, net of premium	<u>\$ 21,271,811</u>	<u>\$ -</u>	<u>\$ 21,271,811</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. Post Falls School District's contributions were \$2,646,875 for the year ended June 30, 2017.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

At June 30, 2017, Post Falls School District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the District's proportion was 0.7602 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,659,027. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,500,494	\$ 1,535,520
Changes of assumptions	342,560	-
Net difference between projected and actual earnings on pension plan investments	-	3,504,582
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	16,117
Post Falls School District contributions subsequent to the measurement	2,646,875	-
Total	<u>\$ 10,489,929</u>	<u>\$ 5,056,219</u>

\$2,646,875 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, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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:

2017	\$ 15,661
2018	\$ 15,661
2019	\$ 1,787,852
2020	\$ 983,779
2021	\$ -

Actuarial Assumptions

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

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Concluded)

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date July 1, 2016.

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, 2016.

Asset Class	Index	Long-Term	
		Target Allocation	Expected Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.35%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.30%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.08%
Portfolio Standard Deviation			12.59%
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, 2017

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:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's net pension liability (asset) - Employer	\$30,229,492	\$ 15,410,276	\$ 3,086,461

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, 2017, 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, 2017

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	\$ 247,250
Adjustment to annual required contribution	(644)
Annual OPEB cost (expense)	246,606
Estimated contributions made	(143,263)
Increase in net OPEB obligation	103,343
Net OPEB obligation - beginning of year	245,313
Net OPEB obligation - end of year	<u>\$ 348,656</u>

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$218,740	50%	\$161,227
6/30/2016	\$218,762	62%	\$245,313
6/30/2017	\$246,606	58%	\$348,656

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$1.86 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.86 million. The covered payroll (annual payroll of active employees covered by the plan) was \$23.38 million, and the ratio of the UAAL to the covered payroll was 8 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, 2017

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

In the July 1, 2016, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.72 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 Rate

Plan year	Medical	Prescription	
		Drugs	Dental
2016 *	12.3%	12.3%	1.9%
2017	7.5%	7.5%	7.5%
2018	7.0%	7.0%	7.0%
2019	6.5%	6.5%	6.5%
2020	6.0%	6.0%	6.0%
2021	5.5%	5.5%	5.5%
2022	5.0%	5.0%	5.0%
2023 +	4.5%	4.5%	4.5%

* Trends based on actual renewal rates.

Retiree Contribution Increases

Medical and prescription drug

Plan year	Retiree / Surviving Spouse	Spouse
2016 *	12.3%	12.3%
2017	7.1%	7.1%
2018	6.6%	6.6%
2019	6.1%	6.1%
2020	5.6%	5.6%
2021	5.1%	5.1%
2022	4.6%	4.6%
2023 +	4.5%	4.5%

(Continued)

Post Falls School District No. 273

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 12: POST EMPLOYMENT HEALTHCARE PLAN (CONCLUDED)

Dental

<u>Plan year</u>	<u>Retiree / Surviving Spouse</u>	<u>Spouse</u>
2016 *	1.9%	4.6%
2017	7.5%	7.5%
2018	7.0%	7.0%
2019	6.5%	6.5%
2020	6.0%	6.0%
2021	5.5%	5.5%
2022	5.0%	5.0%
2023 +	4.5%	4.5%

* Trends based on actual renewal rates

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 20-year period from the valuation date. General wage increase and assumed payroll growth is 3.75 percent. The remaining amortization period at July 1, 2014, was twenty five years.

NOTE 13: INTERFUND TRANSACTIONS

For the fiscal year ending June 30, 2017 the District transferred \$158,224 out of the General Fund. This transfer was to cover employer payroll taxes for the Child Nutrition Fund in the amount of \$43,684 and bus depreciation in the Bus Depreciation Fund in the amount of \$114,540.

For the fiscal year ending June 30, 2017 the District transferred \$80,000 out of the Federal Forest Fund into the General Fund. This transfer was to cover operating expenses.

NOTE 14: EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

The following is a schedule of an excess of functional expenditures over appropriations for the year ended June 30, 2017. Also included are the actual revenues realized in each of those funds.

<u>Funds</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Budgeted Expenditures</u>	<u>Actual Revenues</u>
General	\$ 33,668,033	\$ 33,757,167	\$ 89,134	\$ 33,620,025
Child Nutrition	1,860,322	1,972,386	112,064	1,969,226

(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, 2017**

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, 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%
July 1, 2016	\$ -	\$ 1,863,059	\$ 1,863,059	0%	\$ 23,382,298	8%

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, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 4,673,000	\$ 4,673,000	\$ 4,768,258	\$ 95,258
Interest and investment earnings	40,000	40,000	72,116	32,116
Other local revenue	50,000	50,000	25,124	(24,876)
State assistance and reimbursements	28,517,380	28,692,593	28,754,527	61,934
Total revenues	<u>33,280,380</u>	<u>33,455,593</u>	<u>33,620,025</u>	<u>164,432</u>
EXPENDITURES				
Instructional services:				
Elementary programs	10,056,068	10,248,205	10,524,100	(275,895)
Secondary programs	8,712,431	8,712,431	8,446,637	265,794
Alternative school programs	645,124	645,124	619,963	25,161
Exceptional child programs	2,390,781	2,501,263	2,546,238	(44,975)
Activity programs	506,005	506,005	475,188	30,817
Other programs	60,065	60,065	66,462	(6,397)
Total instructional services	<u>22,370,474</u>	<u>22,673,093</u>	<u>22,678,588</u>	<u>(5,495)</u>
Support services:				
Guidance and health programs	1,209,852	1,223,975	1,252,138	(28,163)
Special services	1,032,857	1,076,359	1,072,870	3,489
Improvement and media	381,652	381,652	378,734	2,918
District administration	338,822	338,822	332,039	6,783
School administration	2,147,411	2,184,900	2,187,827	(2,927)
Business administration	593,663	593,663	613,935	(20,272)
Maintenance	3,204,237	3,207,237	3,267,444	(60,207)
Transportation	1,653,050	1,683,832	1,652,764	31,068
Security	83,000	83,000	42,843	40,157
Total support services	<u>10,644,544</u>	<u>10,773,440</u>	<u>10,800,594</u>	<u>(27,154)</u>
Capital outlay	183,500	221,500	277,985	(56,485)
Total expenditures	<u>33,198,518</u>	<u>33,668,033</u>	<u>33,757,167</u>	<u>(89,134)</u>
Excess (deficiency) of revenues over expenditures	<u>81,862</u>	<u>(212,440)</u>	<u>(137,142)</u>	<u>75,298</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Transfers (out)	(161,862)	(161,862)	(158,224)	3,638
Total other financing sources (uses)	<u>(81,862)</u>	<u>(81,862)</u>	<u>(78,224)</u>	<u>3,638</u>
Net change in fund balances	-	(294,302)	(215,366)	78,936
Fund balances - beginning	<u>1,660,277</u>	<u>1,660,277</u>	<u>1,660,277</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,660,277</u>	<u>\$ 1,365,975</u>	<u>\$ 1,444,911</u>	<u>\$ 78,936</u>

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, 2017**

	Budget Amounts		Variance with Final Budget
	Final *	Actual	
REVENUES			
Other local revenue	\$ 513,000	\$ 501,633	\$ (11,367)
Title programs and other federal revenues	1,300,000	1,467,593	167,593
Total revenues	<u>1,813,000</u>	<u>1,969,226</u>	<u>156,226</u>
EXPENDITURES			
Non-instructional services:			
Food services	1,845,322	1,971,204	(125,882)
Capital Outlay	15,000	1,182	13,818
Total expenditures	<u>1,860,322</u>	<u>1,972,386</u>	<u>(112,064)</u>
Excess (deficiency) of revenues over expenditures	<u>(47,322)</u>	<u>(3,160)</u>	<u>44,162</u>
OTHER FINANCING SOURCES			
Transfers in	47,322	43,684	(3,638)
Total other financing sources	<u>47,322</u>	<u>43,684</u>	<u>(3,638)</u>
Net change in fund balances	-	40,524	40,524
Fund balances - beginning	-	261,167	261,167
Fund balances - ending	<u>\$ -</u>	<u>\$ 301,691</u>	<u>\$ 301,691</u>

* Budget was not amended

Post Falls School District

GASB 68 Required Supplementary Information For the Year Ended June 30, 2017

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

	2017	2016	2015
Employer's portion of the net pension liability	0.7601928%	0.7614323%	0.7646000%
Employer's proportionate share of the net pension liability	\$ 15,410,276	\$ 10,026,825	\$ 5,628,300
Employer's covered-employee payroll	\$ 23,382,298	\$ 22,248,569	\$ 20,665,425
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	65.91%	45.07%	27.24%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

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

Data reported is measured as of June 30, 2016 (measurement date).

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

	2017	2016	2015
Statutorily required contribution	\$ 2,646,875	\$ 2,518,538	\$ 2,402,598
Contributions in relation to the statutorily required contribution	2,646,875	2,518,538	2,402,598
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll of its covered employee payroll	\$ 23,382,298	\$ 22,248,569	\$ 21,219,407
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%

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

Data reported is measured as of June 30, 2017.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

Post Falls School District No. 273

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - BY FUND TYPE
June 30, 2017**

	Special Revenue	Nonmajor Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 312,580	\$ 273,348	\$ 585,928
Accounts receivable:			
State of Idaho	500,456	-	500,456
Total assets	<u>\$ 813,036</u>	<u>\$ 273,348</u>	<u>\$ 1,086,384</u>
LIABILITIES			
Accounts payable	\$ 17,088	\$ -	\$ 17,088
Accrued payroll	179,774	-	179,774
Total liabilities	<u>196,862</u>	<u>-</u>	<u>196,862</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues- property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	395,083	267,769	662,852
Assigned	221,091	5,579	226,670
Total fund balances	<u>616,174</u>	<u>273,348</u>	<u>889,522</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 813,036</u>	<u>\$ 273,348</u>	<u>\$ 1,086,384</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, 2017**

	Special Revenue	Nonmajor Capital Projects	Total
REVENUES			
Property taxes	\$ -	\$ 63	\$ 63
Other local revenue	272,697	-	272,697
State assistance and reimbursements	1,275,075	351,155	1,626,230
Title programs and other federal revenues	<u>2,315,787</u>	<u>-</u>	<u>2,315,787</u>
Total revenues	<u>3,863,559</u>	<u>351,218</u>	<u>4,214,777</u>
EXPENDITURES			
Instructional services:			
Elementary programs	2,085,164	-	2,085,164
Secondary programs	705,021	-	705,021
Alternative school program	51,911	-	51,911
Exceptional child program	851,122	-	851,122
Support services:			
Maintenance	-	390,835	390,835
Capital outlay	<u>32,900</u>	<u>146,990</u>	<u>179,890</u>
Total expenditures	<u>3,726,118</u>	<u>537,825</u>	<u>4,263,943</u>
Excess (deficiency) of revenues over expenditures	<u>137,441</u>	<u>(186,607)</u>	<u>(49,166)</u>
OTHER FINANCING SOURCES			
Transfers in	-	114,540	114,540
Transfers (out)	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Total other financing sources	<u>(80,000)</u>	<u>114,540</u>	<u>34,540</u>
Net change in fund balances	57,441	(72,067)	(14,626)
Fund balance beginning	<u>558,733</u>	<u>345,415</u>	<u>904,148</u>
Fund balances - ending	<u><u>\$ 616,174</u></u>	<u><u>\$ 273,348</u></u>	<u><u>\$ 889,522</u></u>

Post Falls School District No. 273

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2017

	Forest Reserve Fund	Medicaid	Before and After School Program	Rural Nursing Grant
ASSETS				
Cash and cash equivalents	\$ 6,543	\$ 86,558	\$ 109,971	\$ 17,365
Accounts receivable:				
State of Idaho	-	25,887	2,089	-
Total assets	<u>\$ 6,543</u>	<u>\$ 112,445</u>	<u>\$ 112,060</u>	<u>\$ 17,365</u>
LIABILITIES				
Accounts payable	\$ -	\$ 125	\$ 21	\$ -
Accrued payroll	-	4,883	5,815	16,478
Total liabilities	<u>-</u>	<u>5,008</u>	<u>5,836</u>	<u>16,478</u>
FUND BALANCE				
Restricted	-	-	-	-
Assigned	6,543	107,437	106,224	887
Total fund balances	<u>6,543</u>	<u>107,437</u>	<u>106,224</u>	<u>887</u>
Total liabilities and fund balances	<u>\$ 6,543</u>	<u>\$ 112,445</u>	<u>\$ 112,060</u>	<u>\$ 17,365</u>

School Building Maintenance	Driver Education	Vocational Program	Public School Technology
\$ 85,122	\$ 7,543	\$ (8,753)	\$ 303,821
-	10,249	13,424	-
<u>\$ 85,122</u>	<u>\$ 17,792</u>	<u>\$ 4,671</u>	<u>\$ 303,821</u>
\$ -	\$ 405	\$ -	\$ 15,677
-	239	-	-
<u>-</u>	<u>644</u>	<u>-</u>	<u>15,677</u>
85,122	17,148	4,671	288,144
-	-	-	-
<u>85,122</u>	<u>17,148</u>	<u>4,671</u>	<u>288,144</u>
<u>\$ 85,122</u>	<u>\$ 17,792</u>	<u>\$ 4,671</u>	<u>\$ 303,821</u>

Drug Free State Money	Ponderosa IT Grant	Mullan Trail IT Grant	Title 1 Disadvantaged
\$ -	\$ -	\$ -	\$ (150,591)
-	-	-	276,343
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,752</u>
\$ -	\$ -	\$ -	\$ 750
-	-	-	125,004
<u>-</u>	<u>-</u>	<u>-</u>	<u>125,754</u>
-	-	-	(2)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,752</u>

Title VI-B	Title VI-B Preschool	Carl Perkins
\$ (70,321)	\$ (2,994)	\$ (71,684)
97,786	2,994	71,684
<u>\$ 27,465</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 110	\$ -	\$ -
27,355	-	-
<u>27,465</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
<u>\$ 27,465</u>	<u>\$ -</u>	<u>\$ -</u>

Eisenhower Math/Science DDEMSEA	Community Garden	Total
\$ -	\$ -	\$ 312,580
-	-	500,456
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813,036</u>
\$ -	\$ -	\$ 17,088
-	-	179,774
<u>-</u>	<u>-</u>	<u>196,862</u>
-	-	395,083
<u>-</u>	<u>-</u>	<u>221,091</u>
<u>-</u>	<u>-</u>	<u>616,174</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813,036</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, 2017**

	Forest Reserve Fund	Medicaid	Before and After School Program	Rural Nursing Grant
REVENUES				
Local revenue	\$ -	\$ -	\$ 247,497	\$ -
State assistance and reimbursements	-	514,911	30,845	90,059
Title programs and other federal revenues	3,814	-	-	-
Total revenues	<u>3,814</u>	<u>514,911</u>	<u>278,342</u>	<u>90,059</u>
EXPENDITURES				
Instructional services:				
Elementary programs	-	-	279,767	96,222
Secondary programs	-	504,359	-	-
Alternative school program	-	-	-	-
Exceptional child program	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>504,359</u>	<u>279,767</u>	<u>96,222</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(80,000)	-	-	-
Total other financing (uses)	<u>(80,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(76,186)	10,552	(1,425)	(6,163)
Fund balances - beginning	<u>82,729</u>	<u>96,885</u>	<u>107,649</u>	<u>7,050</u>
Fund balances - ending	<u>\$ 6,543</u>	<u>\$ 107,437</u>	<u>\$ 106,224</u>	<u>\$ 887</u>

School Building Maintenance	Driver Education	Vocational Program	Public School Technology
\$ -	\$ 25,200	\$ -	\$ -
-	17,731	46,607	500,858
-	-	-	-
-	42,931	46,607	500,858
-	-	-	316,301
-	40,305	36,969	-
-	-	9,717	-
-	-	-	-
-	-	-	32,900
-	40,305	46,686	349,201
-	-	-	-
-	-	-	-
-	2,626	(79)	151,657
85,122	14,522	4,750	136,487
\$ 85,122	\$ 17,148	\$ 4,671	\$ 288,144

Drug Free State Money	Ponderosa IT Grant	Mullan Trail IT Grant	Title 1 Disadvantaged
\$ -	\$ -	\$ -	\$ -
74,064	-	-	-
-	-	-	1,251,332
74,064	-	-	1,251,332
-	9,373	1,833	1,251,333
76,790	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
76,790	9,373	1,833	1,251,333
-	-	-	-
-	-	-	-
(2,726)	(9,373)	(1,833)	(1)
2,726	9,373	1,833	(1)
\$ -	\$ -	\$ -	\$ (2)

Title VI-B	Title VI-B Preschool	Carl Perkins
\$ -	\$ -	\$ -
-	-	-
817,742	33,380	71,684
817,742	33,380	71,684
-	-	-
-	-	39,098
-	-	32,586
817,742	33,380	-
-	-	-
817,742	33,380	71,684
-	-	-
-	-	-
-	-	-
-	-	-
\$ -	\$ -	\$ -

Eisenhower Math/Science DDEMSEA	Community Garden	Total
\$ -	\$ -	\$ 272,697
-	-	1,275,075
137,835	-	2,315,787
137,835	-	3,863,559
130,335	-	2,085,164
7,500	-	705,021
-	9,608	51,911
-	-	851,122
-	-	32,900
137,835	9,608	3,726,118
-	-	(80,000)
-	-	(80,000)
-	(9,608)	57,441
-	9,608	558,733
\$ -	\$ -	\$ 616,174

Post Falls School District No. 273

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2017**

	Lottery Fund	Plant Facility Fund	Bus Depreciation Fund	Total
ASSETS				
Cash and cash equivalents	\$ 5,579	\$ 228,494	\$ 39,275	\$ 273,348
Total assets	<u>\$ 5,579</u>	<u>\$ 228,494</u>	<u>\$ 39,275</u>	<u>\$ 273,348</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues- property taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	228,494	39,275	267,769
Assigned	5,579	-	-	5,579
Total fund balances	<u>5,579</u>	<u>228,494</u>	<u>39,275</u>	<u>273,348</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,579</u>	<u>\$ 228,494</u>	<u>\$ 39,275</u>	<u>\$ 273,348</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, 2017**

	Lottery Fund	Plant Facility Fund	Bus Depreciation Fund	Total
REVENUES				
Property taxes	\$ -	\$ 63	\$ -	\$ 63
Other State revenue	351,155	-	-	351,155
Total revenues	<u>351,155</u>	<u>63</u>	<u>-</u>	<u>351,218</u>
EXPENDITURES				
Support services:				
Maintenance	390,835	-	-	390,835
Capital outlay	53,934	-	93,056	146,990
Total expenditures	<u>444,769</u>	<u>-</u>	<u>93,056</u>	<u>537,825</u>
Excess (deficiency) of revenues over expenditures	<u>(93,614)</u>	<u>63</u>	<u>(93,056)</u>	<u>(186,607)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	114,540	114,540
Total other financing sources	<u>-</u>	<u>-</u>	<u>114,540</u>	<u>114,540</u>
Net change in fund balances	(93,614)	63	21,484	(72,067)
Fund balances - beginning	<u>99,193</u>	<u>228,431</u>	<u>17,791</u>	<u>345,415</u>
Fund balances - ending	<u>\$ 5,579</u>	<u>\$ 228,494</u>	<u>\$ 39,275</u>	<u>\$ 273,348</u>

Post Falls School District No. 273

AGENCY FUNDS SCHEDULE OF CHANGES IN DEPOSIT BALANCES OF INDIVIDUAL SCHOOLS For the Year Ended June 30, 2017

School	Cash June 30, 2016	Receipts	Disbursements	Cash June 30, 2017
Westridge Elementary	\$ 26,356	\$ 57,491	\$ 53,093	\$ 30,754
Kindergarten Center	5,507	17,111	20,765	1,853
Prairie View Elementary	27,246	49,606	45,950	30,902
Ponderosa Elementary	53,711	42,523	57,707	38,527
Seltice Elementary	23,891	39,297	47,608	15,580
Mullan Trail Elementary	45,137	43,742	56,693	32,186
Post Falls Middle School	35,043	79,117	70,421	43,739
River City Middle School	28,754	74,530	73,603	29,681
Post Falls High School	295,161	760,721	735,088	320,794
New Vision High School	18,641	31,878	21,291	29,228
Greensferry Elementary School	-	87,596	60,160	27,436
	<u>\$ 559,447</u>	<u>\$ 1,283,612</u>	<u>\$ 1,242,379</u>	<u>\$ 600,680</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 AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2017, 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 25, 2017.

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.

September 25, 2017

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Post Falls School District No. 273's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Post Falls School District's major federal programs for the year ended June 30, 2017. Post Falls School District No. 273's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Post Falls School District No. 273 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

Report on Internal Control over Compliance

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

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

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

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

Magnuson, McHugh & Company, P.A.

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

September 25, 2017

Post Falls School District No. 273

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2017

Program Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
Special Education Cluster:			
Special Education _Grants to States (Title VI-B IDEA)	84.027	826000813	\$ 817,742
Special Education_Preschool Grant (Title VI-B Preschool)	84.173	826000813	33,380
Total Special Education Cluster:			851,122
Title I Grants to Local Educational Agencies	84.010	826000813	1,251,333
Improving Teacher Quality State Grants (Title II-A)	84.367	826000813	137,835
Vocational Education_Basic Grants to States (Carl Perkins)	84.048A	826000813	71,684
<i>Total Department of Education</i>			<u>2,311,974</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Idaho Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	826000813	208,814
National School Lunch Program	10.555	826000813	1,065,351
Summer Food Service Program	10.559	826000813	193,428
Total Nutrition Cluster:			1,467,593
Passed through State of Idaho:			
School and Roads- Federal Forest Grant	10.665	826000813	80,000
<i>Total Department of Agriculture</i>			<u>1,547,593</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 3,859,567</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, 2017

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Post Falls School District No. 273 under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Post Falls School District No. 273, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Post Falls School District No. 273.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the School District had received food commodities totaling \$75,267.

Post Falls School District No. 273

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es) _____ 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 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s):

Name of Federal Program or Cluster

84.027

Special Education Grants-Title VI-B IDEA

84.173

Special Education- Preschool Grants-Title VI-B Preschool

84.367

Improving Teacher Quality-Title II

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

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

Post Falls School District No. 273

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

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

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

Section III. - Findings and questioned costs for Federal Awards

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

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

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