

**GENERAL PURPOSE FINANCIAL
STATEMENTS AND REPORT
OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**TWIN FALLS SCHOOL DISTRICT
NUMBER 411**

**TWIN FALLS COUNTY
STATE OF IDAHO
June 30, 2012**

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	3
STATEMENT OF NET ASSETS	5
STATEMENT OF ACTIVITIES	6
BALANCE SHEET - GOVERNMENTAL FUNDS	7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	10
NOTES TO BASIC FINANCIAL STATEMENTS	12
BUDGETARY COMPARISON SCHEDULE (REQUIRED SUPPLEMENTARY INFORMATION)	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	32
BUDGETARY COMPARISON SCHEDULE - BOND FUND	34
BUDGETARY COMPARISON SCHEDULE - CAPITAL CONSTRUCTION PROJECTS	35
OPTIONAL SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE - NON MAJOR FUNDS	37

CONTENTS - CONTINUED

Page

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	40
--	----

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
--	----

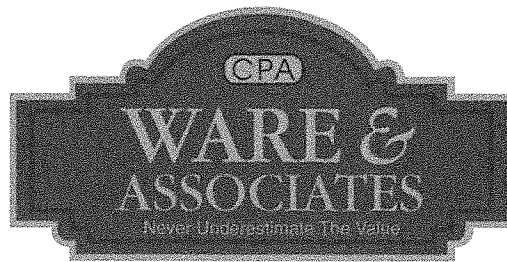
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	43
---	----

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	44
---	----

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	46
--	----

OTHER INFORMATION

REVENUES - ALL GOVERNMENTAL FUNDS PIE CHART	48
EXPENDITURES - ALL GOVERNMENTAL FUNDS PIE CHART	49
FUND BALANCE - GENERAL FUND	50
NET ASSETS	51



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Twin Falls School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Falls School District, as of and for the year ended June 30, 2012, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund, and the aggregate remaining fund information of the Twin Falls School District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 24, 2012, on our consideration of Twin Falls School District's internal control over financial reporting and 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 provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

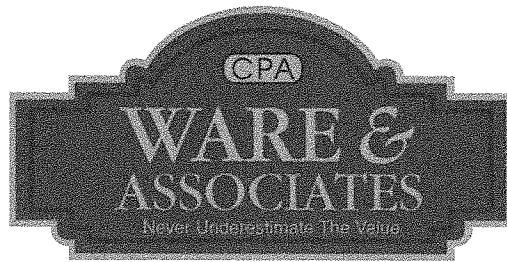
The Twin Falls School District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 32 through 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Twin Falls School District financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Ware & Associates

Twin Falls, Idaho
October 24, 2012



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

Board of Trustees
Twin Falls School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Falls School District, as of and for the year ended June 30, 2012, which collectively comprise the Twin Falls School District's financial statements and have issued our report thereon dated October 24, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Twin Falls School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Twin Falls School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Twin Falls School District's internal control over financial reporting.

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 Twin Falls School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twin Falls School District's financial statements are free of 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*.

This report is intended solely for the information and use of the school board, management, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ware & Associates

Twin Falls, Idaho
October 24, 2012

Twin Falls School District No. 411

Twin Falls, Idaho

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 9,050,460
Property taxes receivables	583,308
State, federal and other receivables (net)	7,410,466
Inventories	278,388
Prepaid expenses	282,161
Capital assets - Land	2,732,301
Depreciable capital assets (net of depreciation)	<u>65,938,481</u>
Total assets	<u>86,275,565</u>
LIABILITIES	
Accounts, salaries and other payables	5,433,211
Deferred revenue	1,108,364
Current Long-term liabilities	
Bonds due within one year	2,710,000
Accrued interest	649,604
Other liabilities due within one year	557,536
Long-term liabilities	
Bonds due in more than one year	36,615,000
Other liabilities due in more than one year	<u>6,008,768</u>
Total liabilities	<u>53,082,483</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,440,886
Restricted for:	
Debt service	4,055,684
Capital improvement and maintenance	561,695
Unrestricted	<u>5,134,817</u>
Total net assets	<u><u>\$ 33,193,082</u></u>

The accompanying notes are an integral part of this basic financial statement.

Twin Falls School District No. 411

Twin Falls, Idaho

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

		<u>Program Revenues</u>			<u>Net (expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>			
FUNCTION/PROGRAMS						
Governments activities						
Instruction	\$ 27,323,912	\$ 1,540,640	\$ 3,252,962	(	\$ 22,530,310)	
Support services	19,725,389	1,133,769	1,659,610	(	16,932,010)	
Non-instruction	3,503,181	785,390	2,754,126		36,335	
Capital outlay	96,979	7,188	8,668	(	81,123)	
Long-term debt interest	2,231,133	54,376	0	(	2,176,757)	
Depreciation unallocated	<u>4,554,663</u>	<u>0</u>	<u>0</u>	(	<u>4,554,663</u>)	
Total governmental activities	<u>\$ 57,435,257</u>	<u>\$ 3,521,363</u>	<u>\$ 7,675,366</u>	(	46,238,528)	
General Revenues						
Taxes						
Property taxes, supplemental levy					3,750,000	
Property taxes, tort levy					178,825	
Property taxes, levied for debt services					3,578,866	
Property taxes, levied for plant facilities					3,300,000	
Grants and contributions not restricted to specific programs						
State foundation program					35,778,777	
Federal forest lands					16,381	
Interest and investment earnings						
General fund					4,180	
Bond interest and redemption					3,005	
Capital construction					1	
Other funds					4,358	
Special items						
Sale of assets					<u>22,170</u>	
Total general revenues and special items					<u>46,636,563</u>	
Changes in net assets					398,035	
Net assets - beginning					<u>32,795,047</u>	
Net assets - ending					<u>\$ 33,193,082</u>	

The accompanying notes are an integral part of this basic financial statement.

Twin Falls School District No. 411

Twin Falls, Idaho

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2012

	General	Bond Interest and Redemption	Capital Construction	Non Major Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,801,392	\$ 3,125,513	\$ 0	\$ 2,123,555	\$ 9,050,460
Receivable					
Property taxes	0	583,308	0	0	583,308
Other receivables	2,346,383	871,687	0	4,192,396	7,410,466
Prepaid	1,587	0	0	89,522	91,109
Total assets and other debits	<u>\$ 6,149,362</u>	<u>\$ 4,580,508</u>	<u>\$ 0</u>	<u>\$ 6,405,473</u>	<u>\$ 17,135,343</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 144,057	\$ 500	\$ 0	\$ 367,580	\$ 512,137
Salaries and benefits payable	4,287,646	0	0	634,287	4,921,933
Deferred revenue	11,614	524,324	0	1,096,750	1,632,688
Total liabilities	<u>4,443,317</u>	<u>524,824</u>	<u>0</u>	<u>2,098,617</u>	<u>7,066,758</u>
Fund equity - fund balances					
Non-spendable	0	0	0	0	0
Restricted	0	4,055,684	0	4,306,856	8,362,540
Committed	1,150,000	0	0	0	1,150,000
Assigned	0	0	0	0	0
Unassigned	556,045	0	0	0	556,045
Total fund balance	<u>1,706,045</u>	<u>4,055,684</u>	<u>0</u>	<u>4,306,856</u>	<u>10,068,585</u>
Total liabilities and fund balance	<u>\$ 6,149,362</u>	<u>\$ 4,580,508</u>	<u>\$ 0</u>	<u>\$ 6,405,473</u>	<u>\$ 17,135,343</u>

The accompanying notes are an integral part of this basic financial statement.

Twin Falls School District No. 411

Twin Falls, Idaho

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balances for governmental funds **\$ 10,068,585**

**Total net assets reported for governmental activities in the statement of
net assets are different from the amount reported above as total
governmental funds fund balance because:**

**Capital assets used in government activities are not financial
resources and therefore are not reported in the fund statements.
Amounts reported for governmental activities in the statement
of net assets:**

Governmental capital asset	\$ 107,890,812	
Governmental accumulated depreciation	(39,220,030)	
		68,670,782

**Long-term liabilities, including bonds and notes payable, are not due
in the current period and therefore are not reported in the fund
statements. Long-term liabilities reported in the statement of net
assets that are not reported in the funds balance sheet are:**

General obligation debt	(45,271,600)	
GASB 45 obligations	(619,703)	
Accrued interest on general obligation debt	(649,604)	
		(46,540,907)

Elimination of deferred tax allowances	524,324
--	---------

Recognition of inventories and prepaids

Inventories	278,388	
Insurance	191,910	
		470,298

\$ 33,193,082

The accompanying notes are an integral part of this basic financial statement.

Twin Falls School District No. 411

Twin Falls, Idaho

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the year ended June 30, 2012

	General	Bond Interest and Redemption	Capital Construction	Non Major Funds	Total Governmental Funds
REVENUES					
Local revenue					
Property taxes	\$ 3,928,825	\$ 3,448,143	\$ 0	\$ 3,300,000	\$ 10,676,968
Other local	734,116	51,269	1	2,803,949	3,589,335
Total local revenue	4,662,941	3,499,412	1	6,103,949	14,266,303
State revenue	32,962,666	142,383	0	2,673,728	35,778,777
Federal revenue	843,434	0	0	6,996,633	7,840,067
Other revenue	898	0	0	21,272	22,170
Total revenues	38,469,939	3,641,795	1	15,795,582	57,907,317
EXPENDITURES					
Instructional	23,229,580	0	0	3,667,056	26,896,636
Support services	15,576,178	500	0	4,490,327	20,067,005
Non-instruction	92,879	0	0	3,789,544	3,882,423
Capital outlay	50,169	0	0	232,078	282,247
Debt service	0	4,382,150	0	2,831,694	7,213,844
Total expenditures	38,948,806	4,382,650	0	15,010,699	58,342,155
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(478,867)	740,855)	1	784,883 (	434,838)
Other financing sources (uses)					
Net transfer in (out)	(115,131)	0 (	8,193)	123,324	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(593,998)	740,855) (	8,192)	908,207 (	434,838)
Fund balance, beginning of year	2,300,043	4,796,539	8,192	3,398,649	10,503,423
Fund balance, end of year	\$ 1,706,045	\$ 4,055,684	\$ 0	\$ 4,306,856	\$ 10,068,585

The accompanying notes are an integral part of this basic financial statement.

Twin Falls School District No. 411

Twin Falls, Idaho

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Net change in fund balances - total governmental funds	(\$	434,838)
--	-----	----------

Amounts reported for governmental activities in the statement of
activities are different because:

Revenues for property taxes are reduced for deferred revenue in the
governmental funds. These funds are shown as receivables but are not
considered to be available to liquidate liabilities of the current period.
That portion of taxes receivable not collected within 60 days after
fiscal year end has been deferred in the governmental funds, but is
reported as revenue in the statement of activities.

The amount of deferred property taxes in the current year is:	\$	524,324	
The amount of deferred property taxes in the prior year is:	(	<u>393,601</u>	
Net increase (decrease) in revenues for property taxes			130,723

The cost of benefits are reported in the governmental funds as
expenditures as due. In the Statement of Activities amounts
are measured by the amounts earned during the year.

GASB 45 amounts earned more than amounts used in the current year	(	619,703)	
GASB 45 amounts earned more than amounts used in the prior year		<u>415,744</u>	
			(203,959)

The change in inventories are reported in the governmental funds as
expenditures, however these costs are considered an asset on the
statement of net assets.

The inventory amounts in the current year is:		278,388	
The inventory amounts in the prior year is:	(	<u>52,204</u>	
Net increase (decrease) in inventories			226,184

The cost of insurance is reported as expenditures in the governmental
funds when paid. These amounts represent insurance coverage
for the entire fiscal year. The prepayment of insurance is considered
an asset on the statement of net assets.

The amount of prepaid insurance in the current fiscal year is:	(	195,534)	
The amount of prepaid insurance in the prior fiscal year is:		<u>191,910</u>	
Current fiscal year prepaid insurance is greater (less) than prior fiscal year			(3,624)

Twin Falls School District No. 411

Twin Falls, Idaho

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CONTINUED

For the year ended June 30, 2012

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay report in governmental fund statements	\$	282,247	
Depreciation expense reported in statement of activities	(	4,554,663)	
Capital outlay reclassified due to capitalization limits	(	<u>81,121</u>)	
Amount by which capital outlays are greater (less) than depreciation in the current period	(\$		4,353,537)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	2,995,382
---	-----------

Short term borrowing activity:

Payment on short-term debt	2,000,000
----------------------------	-----------

Interest payments on outstanding debt are reported as an expenditure in the governmental funds when paid. Interest is reported as it accrues in the statement of activities.

The amount of interest accrued in the prior period is:	691,308	
The amount of interest accrued during the current period is:	(	<u>649,604</u>)
Current fiscal year accrual is greater (less) than prior fiscal year		<u>41,704</u>

Change in net assets	\$	<u><u>398,035</u></u>
----------------------	----	-----------------------

The accompanying notes are an integral part of this basic financial statement.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Twin Falls School District No. 411 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the government's accounting policies are described as follows:

1. Reporting Entity

Each Idaho school district is a body corporate (Idaho Code 33-301). The authority to govern, which resides in the Board of Trustees, has been extended to the District by the state (Idaho Code 33-501). In its corporate capacity, Twin Falls School District No. 411 may sue and be sued and may acquire, hold and convey real and personal property necessary to its existence. The District has the authority to issue negotiable bonds and incur other debt as provided by law. As provided by Idaho Law, the board of trustees of each school district has the power to levy taxes for school purposes. Also, each school district is a political subdivision of the State of Idaho. The Board has broad financial responsibilities including approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation, construction and maintenance of District facilities, and food services.

2. Government - Wide and Fund Financial Statement

The government - wide financial statements (i.e. the statements of net assets and the statement of activities) present financial information about the District as a whole. The reported information includes all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. These statements are to distinguish between the *governmental* and *business type* activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The district does not have any business type activities.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state aid, and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for government and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

Government - Wide Financial Statements - The government - wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as is the fiduciary fund financial statement. 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 grantor or provider have been met. As a general rule the effect of inter-fund activity has been eliminated from the government - wide financial statements.

Fund Financial Statements - 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 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 resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, state aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statements Presentation - continued

Delinquent property taxes and property taxes for which there is an enforceable legal claim as the fiscal year, have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the government fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Construction Fund - The Capital Construction accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Bond Interest and Redemption Fund - The Bond Interest and Redemption Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Bureau.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

4. Investments

Investment are deposited in the Idaho State Treasurer's Local Government Investment Pool (LGIP). State Statute authorizes the District to invest in obligations of the U.S. Treasury, The State of Idaho, or county, city or other taxing district of the State of Idaho, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value which approximates market value. The State Treasurer LGIP funds are invested in FDIC and SLIC insured accounts. Interest earned from investments is allocated to major funds based on their average balances for the month interest is earned. Funds to which interest is always allocated include the General Fund, the Debt Service Fund and the Capital Projects funds.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Investment Income

Investment income is composed of interest and net changes in the fair market value of applicable investments. Investment income is reported as earnings on investment in the fund financial statements.

6. Receivables and Payables

Receivables as stated in the balance sheet are considered collectible by the Board of Trustees; accordingly, an allowance for uncollectible accounts is not considered necessary nor is one applied to receivables.

Idaho counties are responsible for collecting property taxes, assessing penalties and if necessary, sale of the property. In addition, the county maintains all the records and is responsible for remitting property tax amounts to the various taxing entities within the county boundaries.

All real property is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable to the area in which the property is located. Taxes on real property are a lien on the property and attach on July 1, of the year for which the taxes are levied.

Taxes on property for Twin Falls County are due on the 20th of December; however, they may be paid in two installments with the second installment due June 20. Twelve percent APR interest is charged and two percent penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a three year waiting period, a tax deed is issued conveying the property to the county with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest and costs before sale.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation. The major classifications of personal property are commercial, mobile homes, marine, aircraft and agricultural.

The District's property tax is levied each September on the market value as of December 1st of the prior calendar year. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from" other funds.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Prepaid Supplies and Inventories

Prepaid supplies are valued at cost on a first-in, first-out basis. The District maintains a limited inventory of high volume items that are best purchased in large lots and are expensed when used. These are carried in current assets in fund financial statements and are always consumed within one year.

8. Capital Assets

Capital assets which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the government - wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$25,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the estimated useful life using the following as a guideline:

Land and improvements	20-25 years
Buildings and improvements	20-50 years
Vehicles, furniture and equipment	5- 15 years

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Compensated Absences

Accumulated Employee Benefit Amounts - Employee benefit amounts are recognition of corresponding liabilities are as follows:

1. Personal Leave - Certified and classified employees receive up to three personal leave days. Two unused leave days may be accrued each year, but the total accrued may not be more than five days.
2. Vacation Pay - Full year (12 months) administrators receive twenty days paid vacation. All other full year (12 month) employees are entitled to ten days (15 days after seven years continuous service). After an accumulation of two years vacation additional vacation days cannot be accumulated without approval from the Superintendent of Schools. Vacation pay is expensed in the current year.
3. Sick Pay - Each employee is entitled to one sick leave day for each month of service rendered up to one hundred thirty days accumulation. No compensation is paid employees who leave the district by reason of death, termination or retirement.

Retirement System - The District participates in the Public Employee Retirement System of Idaho (PERSI). PERSI is a multiple employer retirement plan with cost-sharing arrangements shared equally. All risks and costs, including benefit costs, are shared proportionately by the participating entities.

10. Long-Term Obligations

In the government - wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Leases Payable - The long-term liability payments for the District's Phase I and Phase II are recorded in the Governmental Funds as expenditures.

General Obligation Bonds Payable - The long-term liability payments for the District's general obligation bonds are recorded in the Governmental Funds as expenditures.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Adopted Change in Accounting Standards

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement 54 is effective for the District's fiscal year ending September 30, 2011, and was adopted by the District.

12. Equity Classifications

- a. District-Wide Financial Statements - The District reports net assets in three categories - invested in capital assets, restricted and unrestricted.
- b. Fund Financial Statements - As of these financial statements, the District has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) which redefines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balance as presented below:

Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

Restricted - These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed - Fund balances in this category are limited by the government's highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of fiscal year, though the exact amount may be determined subsequently.

Assigned - These funds are intended to be used for specific purposes, intent is expressed by: governing body or an official delegated by the governing body.

Unassigned - This classification is the default for all funds that do not fit into the other categories. This, however should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Beginning fund balances for the District's governmental fund and the governmental activities have been reclassified to reflect the above classifications.

Order of Use of Fund Balance - The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Inter-fund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers between government funds are eliminated in the statement of activities. Inter-fund financial statements are reported as a subset of other financing sources/uses.

14. Estimates

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with governmental accounting principles utilizing the modified accrual basis of accounting. Annual appropriated revenue and expenditure budgets are adopted for general, special revenue, debt service and capital funds. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the fund total level.

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. At the end of the year these items are expensed and accrued to the balance sheet as liabilities to report them in the period they were actually committed.

Twin Falls School District Number 411 adheres to school district budget requirements in Title 33, Chapter 8 of the Idaho Code. The provisions of this section include the following procedures to establish the budgetary data which is reflected in these financial statements.

1. No later than 28 days prior to the Board's annual meeting a budget shall be prepared and a public hearing held thereon.
2. No later than 14 days after the public hearing the budget shall be adopted by a favorable vote of a majority of the members of the Board. The final budget must be forwarded to the State Department of Education.
3. Budget revisions exceeding \$15,000 may not be made without prior approval of the School District's Board, following a scheduled and noticed public hearing. The adjustment must be approved by 60% of the Board. Management may amend the budget by transferring account allocations within a fund that do not increase the total budget without seeking approval of the Board of Trustees.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE C - CASH AND EQUIVALENTS

Deposits and investment are carried at fair value. A reconciliation of cash and investments at June 30, 2012, as shown on the financial statements is as follows:

Carrying amounts of deposits	\$ 2,536,133
Carrying amounts of investments	<u>6,514,327</u>
Total cash and investments	<u>\$ 9,050,460</u>
Statement of net assets cash and investments	<u>\$ 9,050,460</u>

The District complies with the Idaho Code, Title 67, Chapter 12 in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Code. The Idaho Code authorizes the District to invest.

Investments are deposited in the Idaho State Treasurer's Local Government Investment Pool (LGIP). State Statute authorizes the District to invest in obligations of the U.S. Treasury, the State of Idaho, or county, city or other taxing district of the State of Idaho, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value which approximates market value. The State Treasurer LGIP funds are invested in FDIC and SLIC insured accounts. The degree of risk of the LGIP depends upon the underlying portfolio.

The code governs the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of depository shall remain in effect. The District considers the actions of the State to be helpful oversight for protection of its uninsured bank deposits.

1. Deposits:

At June 30, 2012, the District had the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Twin Falls School District	<u>\$ 2,536,133</u>	<u>\$ 3,903,896</u>	<u>\$ 250,000</u>

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, a governments' deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2012, \$3,653,896 of the District's bank deposits was uninsured and uncollateralized.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE C - CASH AND EQUIVALENTS - CONTINUED

2. Investments:

At June 30, 2012, the District had the following investments summarized by investment type and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>	<u>More Than 10</u>
Twin Falls School Dist.:					
Idaho State Treasurer	\$ 1,397,316	\$ 1,397,316	\$ 0	\$ 0	\$ 0
US Bank - Municipal Investors	<u>5,117,011</u>	<u>5,117,011</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,514,327</u>	<u>\$ 6,514,327</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

- a. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Idaho code which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested.
- b. Credit Risk - Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Idaho Code and related rules. The District has no investment policy that would further limit its investment choices. At June 30, 2012, the district has the following investments subject to credit risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>		
		<u>AA/A</u>	<u>Less Than A</u>	<u>Unrated</u>
Twin Falls School District:				
Idaho State Treasurers	\$ 1,397,316	\$ 0	\$ 0	\$ 1,397,316
US Bank - Municipal Investors	<u>5,117,011</u>	<u>0</u>	<u>0</u>	<u>5,117,011</u>
	<u>\$ 6,514,327</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,514,327</u>

- c. Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Code and related rules.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE C - CASH AND EQUIVALENTS - CONTINUED

2. Investments - Continued

- d. **Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counter party, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Idaho Code and related rules. The District places no other limit on the amount of investments to be held by counter parties. As of June 30, 2012 \$10,168,233 of the government's bank balance of \$10,418,233 was exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by district's agent in the district's name	0
Collateral held by pledging bank's trust department in the district's name	0
Collateral held by pledging bank's trust department not in the district's name	0
Uninsured and uncollateralized	<u>10,168,233</u>
Total deposits	<u>\$ 10,418,233</u>

NOTE D - RECEIVABLES

Receivables as of year end for the District's individual major funds and non-major funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Bond Interest and Redemption</u>	<u>Capital Construction</u>	<u>Other Non-major Funds</u>	<u>Total Governmental Funds</u>
Property Taxes	\$ 0	\$ 583,308	\$ 0	\$ 0	\$ 583,308
Due from other governments:					
Due from State and Fed Gov't	<u>2,346,383</u>	<u>871,687</u>	<u>0</u>	<u>4,192,396</u>	<u>7,410,466</u>
	<u>\$ 2,346,383</u>	<u>\$ 1,454,995</u>	<u>\$ 0</u>	<u>\$ 4,192,396</u>	<u>\$ 7,993,774</u>

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year deferred revenue reported in the governmental funds were as follows:

Unavailable

Total deferred revenue for governmental Funds
Delinquent property taxes receivable

\$ 524,324

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE E - CAPITAL ASSETS

The accounts and records of the General Fixed Asset Account Group include only assets with a purchase price greater than \$25,000. The following presents the detail of changes in Capital Assets for the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 2,732,301	\$ 0	\$ 0	\$ 2,732,301
Buildings and improvements	101,968,397	201,126	0	102,169,523
Equipment	<u>2,988,988</u>	<u>0</u>	<u>0</u>	<u>2,988,988</u>
Total	<u>107,689,686</u>	<u>201,126</u>	<u>0</u>	<u>107,890,812</u>
Less accumulated depreciation				
Buildings and improvements	33,196,509	4,110,575	0	37,307,084
Equipment	<u>1,468,858</u>	<u>444,088</u>	<u>0</u>	<u>1,912,946</u>
Total accumulated depreciation	<u>34,665,367</u>	<u>4,554,663</u>	<u>0</u>	<u>39,220,030</u>
Capital assets, net	<u>\$ 73,024,319</u>	<u>(\$ 4,353,537)</u>	<u>\$ 0</u>	<u>\$ 68,670,782</u>

During the 1997-98 fiscal year Valuations Resource Management made a cost appraisal of the capital assets of the District. The result of that valuation is reflected in these financial statements.

NOTE F - PAYABLES, ACCRUALS AND SIGNIFICANT COMMITMENTS

Payables and accruals include amounts due vendors for items received by the District to June 30, 2012, and amounts due teachers and other yearly employees contracted from September 1, 2011 through August 31, 2012. Fund balances are presented showing encumbrances reflecting outstanding purchase orders and significant contractual arrangements.

NOTE G - DEFERRED REVENUES

Deferred revenues include amounts not recognized as income during the 2011-2012 school year. These amounts include property taxes, reimbursements from the State of Idaho, unspent Federal program and grant funds and collections on uncompleted summer school courses.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE H - LONG-TERM LIABILITIES

The Board of Trustees adopted a resolution, authorizing the issuance of \$48,675,000 in General Obligation Bonds for the construction of a new high school. The bonds were issued in May, 2006 bearing varying rates of interest. The following is the payment schedule of the General Obligation Bonds series 2006 outstanding.

Twin Falls School District Number 411

\$ 48,675,000

2006 SERIES - GENERAL OBLIGATION BOND

<u>Date</u>	<u>Interest Rate</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
06/30/12					\$ 39,325,000
09/15/12	4.00%	\$ 3,636,075	\$ 926,075	\$ 2,710,000	36,615,000
03/15/13		871,875	871,875	0	36,615,000
09/15/13	4.00%	2,601,875	871,875	1,730,000	34,885,000
03/15/14		837,025	837,025	0	34,885,000
09/15/14	4.00%	2,737,025	837,025	1,900,000	32,985,000
03/15/15		794,025	794,025	0	32,985,000
09/15/15	4.00%	2,884,025	794,025	2,090,000	30,895,000
03/15/16		751,288	751,288	0	30,895,000
09/15/16	4.00%	2,981,287	751,287	2,230,000	28,665,000
03/15/17		696,888	696,888	0	28,665,000
09/15/17	5.00%	3,091,887	696,887	2,395,000	26,270,000
03/15/18		637,013	637,013	0	26,270,000
09/15/18	5.00%	3,207,012	637,012	2,570,000	23,700,000
03/15/19		572,763	572,763	0	23,700,000
09/15/19	5.00%	3,327,762	572,762	2,755,000	20,945,000
03/15/20		503,888	503,888	0	20,945,000
09/15/20	5.00%	3,448,887	503,887	2,945,000	18,000,000
03/15/21		430,263	430,263	0	18,000,000
09/15/21	5.00%	3,580,262	430,262	3,150,000	14,850,000
03/15/22		356,200	356,200	0	14,850,000
09/15/22	5.00%	3,716,200	356,200	3,360,000	11,490,000
03/15/23		272,200	272,200	0	11,490,000
09/15/23	5.00%	3,857,200	272,200	3,585,000	7,905,000
03/15/24		182,575	182,575	0	7,905,000
09/15/24	5.00%	4,007,575	182,575	3,825,000	4,080,000
03/15/25		86,950	86,950	0	4,080,000
09/15/25	5.00%	4,166,950	86,950	4,080,000	0
		<u>\$ 54,236,975</u>	<u>\$ 14,911,975</u>	<u>\$ 39,325,000</u>	

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE H - LONG-TERM LIABILITIES - CONTINUED

Legal Debt Margin - The District is subject to a statutory limitation by the State of Idaho for bonded indebtedness. At June 30, 2012, the statutory limit for the District was 5% of assessed valuation or \$141,060,792. The general obligation amounts available for debt retirement was \$4,055,684; leaving a legal debt margin of \$ 97,369,875.

Capital Lease - Phase I - The District entered into a fifteen year capital lease agreement with Honeywell, Inc. The lease is for capital maintenance and energy saving procedures which should result in significant energy saving cost to the district.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2012:

AMORTIZATION SCHEDULE

	<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
Loan	6/30/2012				\$ 3,270,607
8	2/1/2013	\$ 458,000	\$ 147,177	\$ 310,823	2,959,784
9	2/1/2014	470,000	133,190	336,810	2,622,974
10	2/1/2015	484,000	118,034	365,966	2,257,008
11	2/1/2016	498,500	101,565	396,935	1,860,073
12	2/1/2017	508,000	83,703	424,297	1,435,776
13	2/1/2018	515,000	64,610	450,390	985,386
14	2/1/2019	520,000	44,342	475,658	509,728
15	2/1/2020	532,665	22,937	509,728	0
Grand total		<u>\$ 3,986,165</u>	<u>\$ 715,558</u>	<u>\$ 3,270,607</u>	

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE H - LONG-TERM LIABILITIES - CONTINUED

Capital Lease - Phase II - The District entered into a fifteen year capital lease agreement with Honeywell, Inc. The lease is for capital maintenance and energy savings procedures which should result in significant energy saving cost to the district.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2012:

AMORTIZATION SCHEDULE

	Date	Payment	Interest	Principal	Balance
Loan	6/30/2012				\$ 2,675,994
7	2/1/2013	\$ 369,809	\$ 123,096	\$ 246,713	2,429,281
8	2/1/2014	369,809	111,747	258,062	2,171,219
9	2/1/2015	369,809	99,876	269,933	1,901,286
10	2/1/2016	369,809	87,460	282,349	1,618,937
11	2/1/2017	369,809	74,472	295,337	1,323,600
12	2/1/2018	369,809	60,886	308,923	1,014,677
13	2/1/2029	369,809	46,676	323,133	691,544
14	2/1/2020	369,809	31,811	337,998	353,546
15	2/1/2021	369,809	16,263	353,546	0
Grand total		<u>\$ 3,328,281</u>	<u>\$ 652,287</u>	<u>\$ 2,675,994</u>	

During the year ended June 30, 2012, the following changes occurred in liabilities reported in the statement of net assets:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
General obligation Bonds 2006	\$ 41,800,000	\$ 0	\$ 2,475,000	\$ 39,325,000
US Bank Revenue Anticipation Note	2,000,000	0	2,000,000	0
GASB 45 - OPEB	415,744	203,959	0	619,703
Capital lease-Phase I	3,555,126	0	284,519	3,270,607
Capital lease-Phase II	<u>2,911,857</u>	<u>0</u>	<u>235,863</u>	<u>2,675,994</u>
	<u>\$ 50,682,727</u>	<u>\$ 203,959</u>	<u>\$ 4,995,382</u>	<u>\$ 45,891,304</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (GASB 45)

The Twin Falls School District has implemented Governmental Accounting Standards Board (GASB) Statement 45. GASB Statement 45, is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (other than pension) post employment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB. Typically an actuary (or actuaries) with both pension and health experience must perform the calculations following generally accepted actuarial methods. GASB 45 was instigated by the Governmental Accounting Standards Board (GASB) in July 2004 because of the growing concern over the potential magnitude of government employer obligations for post-employment benefits. The District qualified for Phase 2 implementation. Phase 2 is for employers with annual revenues between \$100 million and \$10 million and should be implemented in fiscal years beginning after December 15, 2007.

Funding Policy

The contribution requirement of plan members is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation.

The 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 District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to Twin Falls Schools Post Retirement Healthcare Plan:

Annual required contribution	\$ 510,558
Interest on net OPEB obligation	15,101
Adjustment to annual required contribution	(13,319)
Annual OPEB cost (expense)	512,340
Contributions made, fiscal 2011-2012	(308,381)
Increase in net OPEB obligation	203,959
Net OPEB obligation—beginning of year	415,744
Net OPEB obligation—end of year	<u>\$ 619,703</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (GASB 45) - CONTINUED

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$4,815,203. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal.

The following table shows the District's projected annual OPEB obligation assuming pay-as-you-go funding as determined by our Actuaries:

<u>Fiscal Year Ending</u>	(1) <u>Actuarial Accrued Liability (AAL)</u>	(2) <u>Annual Required Contribution</u>	(3) <u>Actual Contribution</u>	(4) <u>Annual OPEB Expense</u>	(6) <u>End of Year Net OPEB Obligation</u>
06/30/2012	\$ 4,815,203	\$ 510,558	\$ 308,381	\$ 512,340	\$ 619,703
06/30/2013	5,025,027	534,604	274,362	537,259	882,600
06/30/2014	5,294,190	561,652	282,483	565,434	1,165,551
06/30/2015	5,582,887	590,259	322,217	595,253	1,438,587
06/30/2016	5,860,496	619,332	330,956	625,496	1,733,127
06/30/2017	6,159,059	650,103	332,852	657,530	2,057,805
06/30/2018	6,487,312	682,941	339,895	691,759	2,409,669
06/30/2019	6,842,157	717,778	378,674	728,104	2,759,099
06/30/2020	7,193,306	753,538	419,567	765,361	3,104,893

(1) Beginning of fiscal year

(2) End of fiscal year

(3) Equals benefits paid

(4) Equals ARC, adjusted for interest and amortization of Net OPEB Obligation

(5) Equals (Prior year NOPEBO) + (Annual OPEB Expense) - (Actual Contribution)

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE J - CONTINGENT LIABILITIES

Compliance - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE K - RISK MANAGEMENT

The District purchases commercial insurance to cover the risk of property loss and legal liability through a local agent. The insurer, provides a full schedule of coverage to meet various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, and natural disasters.

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE L - RETIREMENT PLAN

Public Employee Retirement System of Idaho - The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirement of the Twin Falls School District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The Twin Falls School District contributions required and paid were \$2,787,285, \$2,757,588 and \$2,960,724 for the three years ended June 30, 2012, 2011, and 2010 respectively.

NOTE M - EXPENDITURES OVER BUDGET

There were budget expenditures that exceeded appropriations in the following fund:

NONE

**BUDGETARY COMPARISON SCHEDULE
(REQUIRED SUPPLEMENTARY INFORMATION)**

Twin Falls School District No. 411

Twin Falls, Idaho

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive Negative
	Original	Final		
REVENUES				
Property taxes	\$ 3,927,035	\$ 3,928,825	\$ 3,928,825	\$ 0
Other local	415,000	688,527	734,116	45,589
State revenue	33,413,629	32,980,152	32,962,666	(17,486)
Federal revenue	742,369	867,490	843,434	(24,056)
Other revenue	0	898	898	0
Total revenues	<u>38,498,033</u>	<u>38,465,892</u>	<u>38,469,939</u>	<u>4,047</u>
EXPENDITURES				
Instructional				
Salaries	17,776,850	17,134,847	17,058,275	76,572
Benefits	5,566,425	5,800,868	5,748,762	52,106
Purchased services	68,175	105,986	87,652	18,334
Supplies & materials	<u>429,360</u>	<u>430,701</u>	<u>334,891</u>	<u>95,810</u>
Total instructional expenditures	<u>23,840,810</u>	<u>23,472,402</u>	<u>23,229,580</u>	<u>242,822</u>
Support				
Salaries	7,073,571	7,319,720	7,279,394	40,326
Benefits	2,606,501	2,670,502	2,661,869	8,633
Purchased services	4,441,155	4,498,795	4,414,893	83,902
Supplies & materials	1,116,430	1,260,117	1,016,838	243,279
Insurance/judgement	<u>220,000</u>	<u>209,710</u>	<u>203,184</u>	<u>6,526</u>
Total support expenditures	<u>15,457,657</u>	<u>15,958,844</u>	<u>15,576,178</u>	<u>382,666</u>
Non-Instructional				
Salaries	15,000	15,256	15,256	0
Benefits	73,000	79,835	76,334	3,501
Purchased services	<u>500</u>	<u>1,604</u>	<u>1,289</u>	<u>315</u>
Total non-instructional expenditures	<u>88,500</u>	<u>96,695</u>	<u>92,879</u>	<u>3,816</u>
Capital assets				
Capital objects	<u>0</u>	<u>1,076</u>	<u>50,169</u>	<u>(49,093)</u>

Twin Falls School District No. 411

Twin Falls, Idaho

GENERAL FUND - continued

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u> <u>Positive</u> <u>Negative</u>)
EXPENDITURES - CONTINUED				
Contingency reserve	\$ 933,119	\$ 1,142,688	\$ 0	\$ 1,142,688
Total expenditures	<u>40,320,086</u>	<u>40,671,705</u>	<u>38,948,806</u>	<u>1,722,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,822,053)	(2,205,813)	(478,867)	1,726,946
Other financing sources (uses)				
Transfers in	172,053	455,780	439,226	(16,554)
Transfers out	(50,000)	(550,010)	(554,357)	(4,347)
Total other financing sources (uses)	<u>122,053</u>	<u>(94,230)</u>	<u>(115,131)</u>	<u>(20,901)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	(1,700,000)	(2,300,043)	(593,998)	1,706,045
Fund balance, beginning of year	<u>1,700,000</u>	<u>2,300,043</u>	<u>2,300,043</u>	<u>0</u>
Fund balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,706,045</u>	<u>\$ 1,706,045</u>

Twin Falls School District No. 411

Twin Falls, Idaho

BOND

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u> <u>Positive</u> <u>Negative</u>)
REVENUES				
Local revenues				
Taxes	\$ 3,585,000	\$ 3,575,332	\$ 3,448,143	(\$ 127,189)
Local	44,500	47,450	51,269	3,819
State	145,000	142,383	142,383	0
Total revenue	<u>3,774,500</u>	<u>3,765,165</u>	<u>3,641,795</u>	(<u>123,370</u>)
EXPENDITURES				
Support				
Purchased services	<u>1,000</u>	<u>1,000</u>	<u>500</u>	<u>500</u>
Other Services				
Debt retirement principal	2,475,000	2,475,000	2,475,000	0
Debt retirement Interest	<u>1,907,150</u>	<u>1,907,150</u>	<u>1,907,150</u>	<u>0</u>
Total other services	<u>4,382,150</u>	<u>4,382,150</u>	<u>4,382,150</u>	<u>0</u>
Total expenditures	<u>4,383,150</u>	<u>4,383,150</u>	<u>4,382,650</u>	<u>500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(608,650)	(617,985)	(740,855)	(122,870)
Fund balance, beginning of year	<u>4,759,000</u>	<u>4,796,539</u>	<u>4,796,539</u>	<u>0</u>
Fund balance, end of year	<u>\$ 4,150,350</u>	<u>\$ 4,178,554</u>	<u>\$ 4,055,684</u>	(<u>\$ 122,870</u>)

Twin Falls School District No. 411

Twin Falls, Idaho

CAPITAL CONSTRUCTION PROJECTS

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u> <u>Positive</u> <u>Negative</u>
REVENUES				
Local revenues				
Other local	\$ 1	\$ 1	\$ 1	0
EXPENDITURES				
Capital asset				
Capital objects	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		1	1	0
Other financing sources (uses)				
Transfers out	(8,193)	(8,193)	(8,193)	0
Total other financing sources (uses)	(8,193)	(8,193)	(8,193)	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	(8,192)	(8,192)	(8,192)	0
Fund balance, beginning of year	8,192	8,192	8,192	0
Fund balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SUPPLEMENTARY INFORMATION
(OPTIONAL)

Twin Falls School District No. 411

Twin Falls, Idaho

NON MAJOR FUNDS

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u> <u>Positive</u> <u>Negative</u>)
REVENUES				
Property taxes	\$ 3,300,000	\$ 3,300,000	\$ 3,300,000	\$ 0
Other local	1,030,917	2,882,737	2,803,949	(78,788)
State revenue	1,701,000	1,779,638	2,673,728	894,090
Federal revenue	6,460,812	7,791,488	6,996,633	(794,855)
Other revenue	0	21,272	21,272	0
Total revenues	<u>12,492,729</u>	<u>15,775,135</u>	<u>15,795,582</u>	<u>20,447</u>
EXPENDITURES				
Instructional				
Salaries	1,902,834	2,147,551	1,806,149	341,402
Benefits	633,962	636,007	524,723	111,284
Purchased services	49,579	359,366	365,110	(5,744)
Supplies & materials	<u>116,798</u>	<u>1,626,552</u>	<u>971,074</u>	<u>655,478</u>
Total instructional expenditures	<u>2,703,173</u>	<u>4,769,476</u>	<u>3,667,056</u>	<u>1,102,420</u>
Support				
Salaries	596,018	812,600	753,873	58,727
Benefits	201,208	270,977	262,689	8,288
Purchased services	2,402,850	2,911,252	2,470,981	440,271
Supplies & materials	514,869	1,972,706	1,000,147	972,559
Insurance/judgement	<u>1,100</u>	<u>3,485</u>	<u>2,637</u>	<u>848</u>
Total support expenditures	<u>3,716,045</u>	<u>5,971,020</u>	<u>4,490,327</u>	<u>1,480,693</u>
Non-Instructional				
Salaries	974,520	1,023,100	1,004,925	18,175
Benefits	275,450	288,640	247,184	41,456
Purchased services	70,900	85,800	81,446	4,354
Supplies & materials	<u>2,147,850</u>	<u>2,359,777</u>	<u>2,455,989</u>	<u>(96,212)</u>
Total non-instructional expenditures	<u>3,468,720</u>	<u>3,757,317</u>	<u>3,789,544</u>	<u>(32,227)</u>
Capital assets				
Purchased services	8,000	13,300	45,832	(32,532)
Supplies & materials	54,000	52,000	35,290	16,710
Capital objects	<u>0</u>	<u>102,774</u>	<u>150,956</u>	<u>(48,182)</u>
Total capital assets	<u>62,000</u>	<u>168,074</u>	<u>232,078</u>	<u>(64,004)</u>

Twin Falls School District No. 411

Twin Falls, Idaho

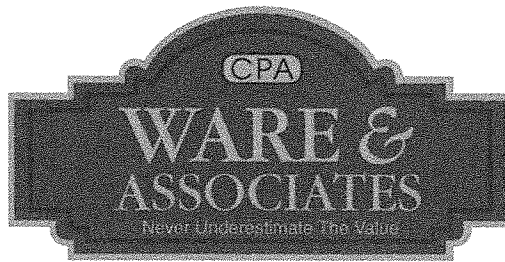
NON MAJOR FUNDS - continued

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u> <u>Positive</u> <u>Negative</u>)
EXPENDITURES - CONTINUED				
Other services				
Debt retirement principal	\$ 2,520,383	\$ 2,520,383	\$ 2,520,383	\$ 0
Debt retirement interest	<u>310,927</u>	<u>311,312</u>	<u>311,311</u>	<u>1</u>
Total other services	<u>2,831,310</u>	<u>2,831,695</u>	<u>2,831,694</u>	<u>1</u>
Total expenditures	<u>12,781,248</u>	<u>17,497,582</u>	<u>15,010,699</u>	<u>2,486,883</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(288,519)	(1,722,447)	784,883	2,507,330
Other financing sources (uses)				
Transfers in	308,193	558,203	558,256	53
Transfers out	(<u>422,053</u>)	(<u>455,780</u>)	(<u>434,932</u>)	<u>20,848</u>
Total other financing sources (uses)	(<u>113,860</u>)	<u>102,423</u>	<u>123,324</u>	<u>20,901</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	(402,379)	(1,620,024)	908,207	2,528,231
Fund balance, beginning of year	<u>1,428,184</u>	<u>3,398,649</u>	<u>3,398,649</u>	<u>0</u>
Fund balance, end of year	<u>\$ 1,025,805</u>	<u>\$ 1,778,625</u>	<u>\$ 4,306,856</u>	<u>\$ 2,528,231</u>

SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Twin Falls School District

Compliance

We have audited Twin Falls School District's compliance requirements described in the *OMB Circular a-133 Compliance Supplement* that could have a direct and material effect on each of Twin Falls School District's major federal programs for the year ended June 30, 2012. Twin Falls School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Twin Falls School District's board of education and management. Our responsibility is to express an opinion on Twin Falls School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Twin Falls School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Twin Falls School District's compliance with those requirements.

In our opinion, Twin Falls School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Twin Falls School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and applicable to federal programs. In planning and performing our audit, we considered Twin Falls School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Twin Falls School District's internal control over compliance.

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

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Twin Falls School District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 24, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 additional 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 information is fairly stated in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the school board, management, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ware & Associates

Twin Falls, Idaho
October 24, 2012

Twin Falls School District Number 411

Twin Falls, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>			
Passed through Superintendent of Public Instruction			
Chapter I Basic and Concentration Grants	84.010	S010A100012	\$ 1,447,190
Migrant Ed-Basic State Formula Grant Program	84.011	S011A100012	189,668
Handicapped-State Grants, Part B, IDEA	84.027	H027A100088	1,645,473
Twenty-First Century Community Learning Centers	84.287	S287C080012	10,781
Handicapped - Preschool Grants	84.173	H173A100030	99,150
Gaining Early Awareness and Readiness for Under Graduate Programs	84.334	P334S060003	72,206
English Language Acquisition Grants	84.365	T365A100012	54,845
Improving Teacher Quality State Grants	84.367	S367A100011	321,597
ARRA Education Technology State Grants, Recovery Act	84.386	S386A090012	6,765
Education Jobs Fund	84.410	S410A10013	769,773
			<u>4,617,448</u>
Passed through State Department of Professional Technical Education			
Vocational Education Basic Grants to States	84.048	V048A090012	95,851
			<u>4,713,299</u>
<u>U.S. Department of Agriculture</u>			
Passed through Superintendent of Public Instruction			
Commodities CFDA Title	10.555	2012IN109947	225,255
National School Lunch Program	10.555	2012IN109947	1,808,084
School Breakfast Program	10.553	2011IN109947	50,425
School Breakfast Program	10.553	2012IN109947	467,167
Summer Food Service Program for Children	10.559	2011IN109947	343,623
Summer Food Service Program for Children	10.559	2012IN109947	8,511
Fresh Fruit and Vegetable Program	10.582	2012IL160347	12,832
Fresh Fruit and Vegetable Program	10.582	2011CI160347	82,759
			<u>2,998,656</u>
<u>U.S. Department of Agriculture</u>			
Passed through Twin Falls County			
School and Road Grants to Counties	10.666		<u>16,381</u>
<u>U.S. Department of Labor</u>			
Passed through Idaho Department of Labor			
Worker Training and Placement	17.275	GJ199011060A16	<u>30,592</u>
Passed through Idaho Office for Refugees Mountain States Group, Inc.			
Refugee School Impact Grant	93.576		<u>90,464</u>
			<u>\$ 7,849,392</u>

See accompanying notes to schedule of expenditures of federal awards

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Twin Falls School District Number 411 and is presented in the general purpose financial statement on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed at June 30, 2012.

Twin Falls School District No. 411

Twin Falls, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Twin Falls School District Number 411.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

2. Noncompliance material to financial statements noted? _____ yes X no

3. The auditor's report on compliance for the major federal award programs for Twin Falls School District Number 411 expresses an unqualified opinion on all major federal programs.

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

4. The auditor's report expresses an unqualified opinion on compliance for major programs on general purpose financial statements of Twin Falls School District Number 411.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

5. The programs tested as major programs include: State Department of Education pass throughs:

CFDA Numbers	Name of Federal Program
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program
84.027	Handicapped-State Grants, Part B, IDEA
84.410	Education Jobs Fund

Twin Falls School District No. 411

Twin Falls, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS - CONTINUED

6. The threshold for distinguishing Types A and B programs was 300,000.
7. The Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINDINGS - FINANCIAL STATEMENT FINDINGS

Findings and Reportable Conditions:

No matters were reported

Condition:	None
Effect:	Not Applicable
Recommendation:	Not Applicable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings Questioned Cost:

No matters were reported

Condition:	None
Effect:	Not Applicable
Findings :	None
Recommendation:	Not Applicable
Current Status:	Not Applicable

Twin Falls School District No. 411

Twin Falls, Idaho

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2012

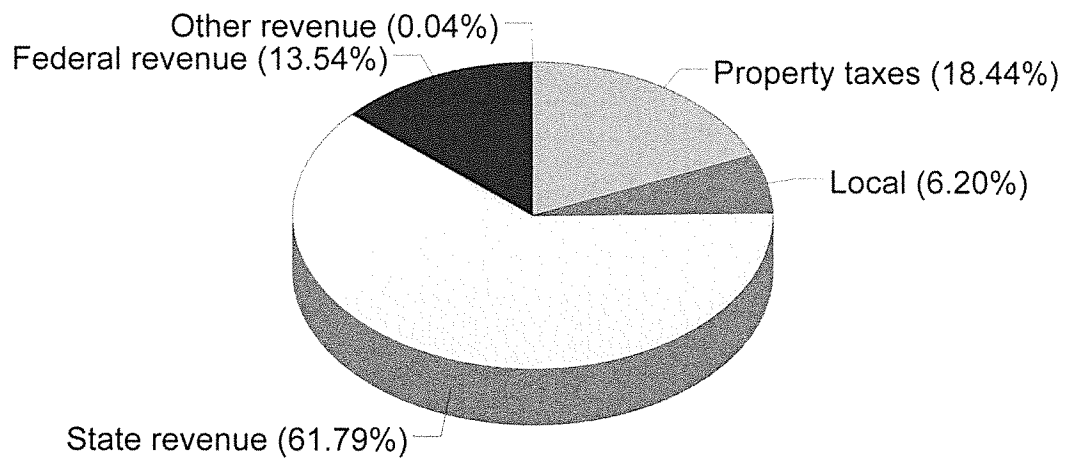
DEPARTMENT OF EDUCATION

Findings:	None
Condition:	Not Applicable
Recommendation:	Not Applicable
Current Status:	Not Applicable

OTHER INFORMATION

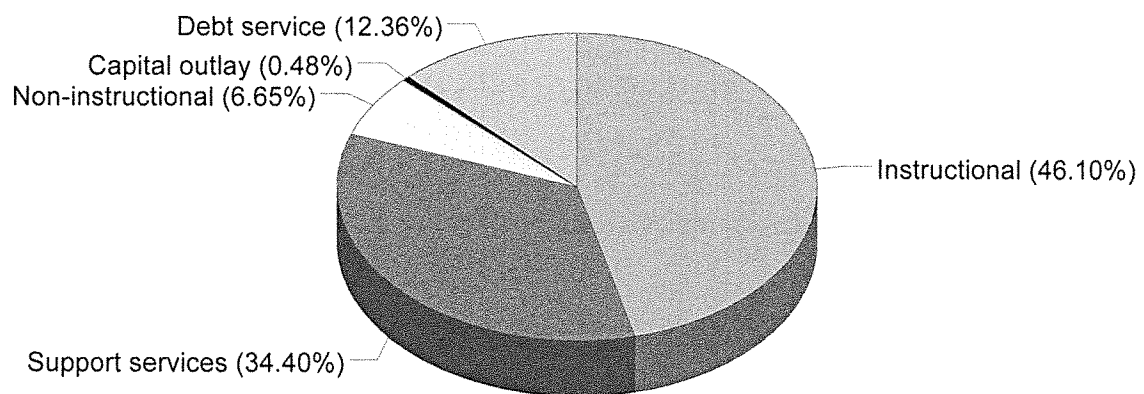
Twin Falls School District No. 411

Revenues - All Governmental Funds



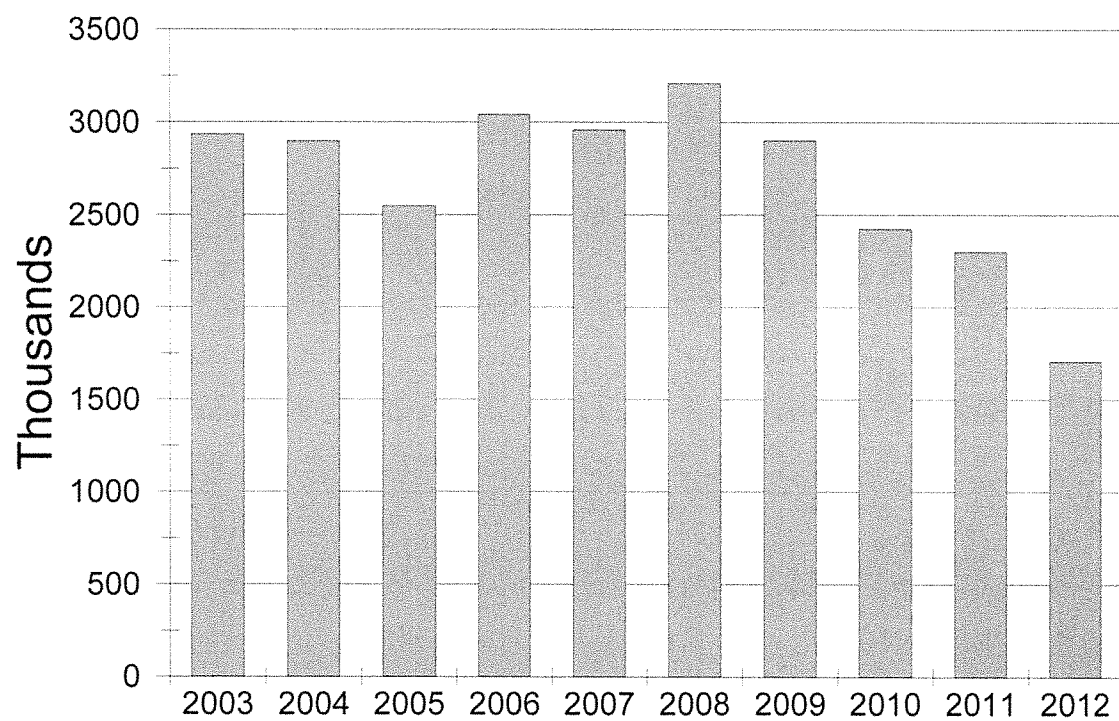
Twin Falls School District No. 411

Expenditures - All Governmental Funds



Twin Falls School District No. 411

Fund Balance - General Fund



Twin Falls School District No. 411

Net Assets

