

**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, 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Twin Falls School District**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Falls School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in Government Auditing Standard, 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 the Twin Falls School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 6 through 11), budgetary comparison information (pages 46 through 49), and schedule of employer's share of net pension liability PERSI - base plan, and schedule of employer's contributions PERSI - base plan on pages 50 and 51 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 operation, 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 Twin Falls School District basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the Twin Falls School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Twin Falls School District's internal control over financial reporting and compliance.

Ware & Associates

Twin Falls, Idaho
October 25, 2017



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTS AUDITING STANDARDS

Board of Trustees
Twin Falls School District

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 the Twin Falls School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Twin Falls School District's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Twin Falls School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Twin Falls School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Twin Falls School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 Twin Falls School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Twin Falls School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ware & Associates

Twin Falls, Idaho
October 25, 2017

Twin Falls Public Schools
School District No. 411
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The discussion and analysis of the Twin Falls School District 411's (the district) 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 ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The District certified \$1,824,245 in emergency levy funds reflecting the continued strong growth and increase in student population. \$4,500,000 was also certified in the second year of the public authorized two-year supplemental levy.
- The Idaho Legislature exempted the first \$100,000 of personal property from taxation in the 2013 legislative session. The law required the State of Idaho replace the lost property tax revenue with State revenue. The District received State property tax replacement dollars in the amount of \$190,788. This amount will continue to be replaced annually.
- The District reported financial information in compliance with GASB 67 and 68 determined by an actuarial valuation of the Public Employee Retirement of Idaho and was based upon the District's proportionate share of the net pension liability calculated on the District's share of contributions relative to the total contribution of all participating PERSI employers.
- The District's financial status, as reflected in total net position, was reduced by \$2.1 million in the 2015-2016 fiscal year and \$4.27 million in the 2016-2017 fiscal year.
- 2016-2017 program revenues, in the form of charges for services and operating grants and contributions, accounted for \$18.7 million of the \$79 million total revenues. General fund revenues included \$6.3 million of the total property tax revenues of \$17.1 million. \$45.7 million of the total State aid of 48.7 million were within the general fund state aid. General fund revenues account for 68% of all revenues.
- Expenses for the district total \$98.7 million, of which \$34.9 million (35.4%) were directly related to instructional (classroom) costs and \$23 million (23.3%) were construction cost for new schools and \$7.4 million (7.5%) were for debt payment.
- The fund balance increases were \$1.9 million in the Bond Interest and Redemption Fund and \$539 thousand in Non-Major fund balance. Fund balance decreases were \$1.1 million in the General Fund and \$20 million in the Capital Construction Fund.

Twin Falls Public Schools
School District No. 411
Management's Discussion and Analysis
For the Year Ended June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: government-wide financial statements, fund financial statements and notes to the basic financial statements. Other required supplementary information is also presented.

- The Government-wide Financial Statements provide readers with a broad overview of the District's finances. The Statement of Net Position and Statement of Activities provide information on the district as a whole and provide a district-wide, 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. Increases or decreases in the net position may indicate whether the financial position of the District is improving or deteriorating. The Statement of Activities shows how the net position of the District have changed during the most recent fiscal year. All changes in net position are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken in to account regardless of when the cash is received or paid. Changes in the net assets occur as soon as the underlying event gives rise.
- 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. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund financial statements focus on individual parts of the District. This statement focuses on its most significant or "major" funds and not on the District as a whole. 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. Some funds are required by state law and by bond covenants.
- The notes to the financial statements provides further explanation of some of the information in the statements and provides additional disclosures so statement users have a complete picture of the district's financial activities and position.
- Required supplementary information further explains and supports the financial statements by including a comparison of the district's budget data for the year.

Twin Falls Public Schools
School District No. 411
Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS

District-wide Statements

District assets exceeded liabilities by \$26.5 million at June 30, 2015, exceeded liabilities by \$24.4 million at June 30, 2016 and \$20.1 million at June 30, 2017.

The investments in capital assets (i. e; land, buildings and improvements, furniture and equipment) net of related debt (long term lease and general obligation bonds) represents 79.8% of total assets. This percentage will change as resources are expended to complete capital construction projects. These capital assets provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net position reflects general obligation bonds proceeds and facility maintenance proceeds and other resources that are subject to external restrictions. The majority of these assets will be used to construct capital assets (buildings) over the next year, address the facility maintenance requirements and pay a portion of the district's debt service obligations.

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 31,597,526	\$ 53,963,933	\$ (22,366,407)
Capital assets (net)	124,416,997	107,028,736	17,388,261
Total Assets	156,014,523	160,992,669	(4,978,146)
Deferred Outflows of Resources	7,741,062	5,792,834	1,948,228
Long-term liabilities			
outstanding	121,608,767	115,935,381	5,673,386
Other liabilities	14,810,791	17,249,525	(2,438,734)
Total Liabilities	136,419,558	133,184,906	3,234,652
Deferred Inflows of Resources	7,245,489	9,238,461	(1,992,972)
Net Position			
Net investment in capital assets	26,332,731	4,199,727	22,133,004
Restricted	16,979,759	34,841,600	(17,861,841)
Unrestricted	(23,221,952)	(14,679,191)	(8,542,761)
Total net position	\$ 20,090,538	\$ 24,362,136	\$ (4,271,598)

Twin Falls Public Schools
School District No. 411
Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS (Continued)

The following table shows the changes in net position for the fiscal year 2016-2017. The District relies on state funding for 54.6% and property taxes for 21.6% of its activities. The District had total revenues of \$78,974,074 and expenditures exceeded revenues by \$4,271,598.

Changes in Net Position

	<u>FY 16-17</u>	<u>FY 15-16</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for services	\$ 4,403,080	\$ 3,632,589	\$ 770,491
Operating grants & contributions	14,305,540	15,453,488	(1,147,948)
General Revenue:			
Property taxes, levied general	6,373,623	5,772,944	600,679
Property taxes, levied debt	7,385,130	7,033,658	351,472
Property taxes, levied maintenance	3,319,158	3,327,103	(7,945)
State programs	43,118,649	38,962,428	4,156,221
Federal forest	2,909	16,971	(14,062)
Interest & investment earnings	65,985	200,101	(134,116)
Sale of assets	0	0	0
Other	0	1,245,941	(1,245,941)
Total Revenues	78,974,074	75,645,223	3,328,851
Program Expenses			
Instruction	\$ 38,977,351	\$ 38,781,673	\$ 195,675
Support services	28,982,773	26,209,115	2,773,658
Non-instruction	4,563,997	4,454,636	109,361
Capital Outlay	38,268	347,988	(309,720)
Interest & other costs on long-term debt	5,080,685	3,859,707	1,220,978
Depreciation	5,602,598	4,133,059	1,469,539
Total Expenses	83,245,672	77,786,178	5,459,494
Changes in Net Position	\$ (4,271,598)	\$ (2,140,955)	\$ (2,130,643)

Twin Falls Public Schools
School District No. 411
Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS (Continued)

Governmental Funds:

The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows. The District uses funds to demonstrate compliance with finance-related requirements.

The general fund is the general operating fund for the District. The general fund balance at the end of the 2016-2017 fiscal year was \$2,652,772 which is a \$1,132,224 decrease from the ending balance in fiscal year 2015-2016 of \$3,784,996. The District continues to grow with continued increases in student population prompting the Board of Trustees, under advisement of the budget advisory committee, to seek additional funding through an emergency levy of \$1,824,245. State funding based upon average daily attendance continues to increase primarily due to the increase in students with additional help from the legislature with recovery of funds previously removed from the funding formula.

Expenditures for the general fund totaled \$54,869,007. Instructional Services accounts for 56.25 for the general fund expenditures. General fund salaries and benefits totaled \$45.3 million for 82.5% of the District's general fund expenditures.

The Debt Service Fund is used to account for resources collected to pay for principal and interest on the long-term debt. The Debt Service Fund has \$9,602,602 in restricted fund balance to pay for future principal and interest requirements.

The Capital Construction Fund pays for capital construction for additions within the District. Construction includes two elementary, one middle school, an additional wing at Canyon Ridge High School, upgrades and remodeling at the Twin Falls High School and security measures at all schools. The Capital Construction Fund balance at the end of the 2017 fiscal year was \$4,732,090.

General Fund Budgetary Highlights:

The District adopts an original budget in June for the subsequent year. There were no significant differences between the original budget and the final amended budget.

The Budget to Actual shows a program over expenditure during the fiscal year of \$225 in the Debt Service Fund.

Twin Falls Public Schools
School District No. 411
Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS (Continued)

Economic Factors and Next Year's Budget:

The District continued to experience an increase in overall enrollment, thus increasing the amount of revenue generated from an emergency levy and from the State Department of Education. The District is also experiencing growth in taxable market value, thus resulting in additional tax revenue. The District is in the final year on a two year supplemental levy. The District's patrons have authorized an additional two year two year supplemental levy totaling \$8,500,000.

The District continues to update its Strategic Plan and continues to work to write curriculum and train staff on the new Idaho Common Core State Standards. The new standards took effect in the 13-14 school year and all curriculum is being aligned for these new standards.

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 Robert L. Seaman at the Twin Falls School District Administration Office, 201 Main Avenue West, Twin Falls ID 83301, by phone at (208) 732-7517, or by e-mail at seamanro@tfsd.org.

Twin Falls School District No. 411

Twin Falls, Idaho

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 20,028,783
Property taxes receivables	539,740
State, federal and other receivables (net)	9,920,959
Inventories	335,337
Prepaid expenses	772,707
Capital assets - Land	2,660,946
Depreciable capital assets (net of depreciation)	<u>121,756,051</u>
Total assets	<u>156,014,523</u>
 DEFERRED OUTFLOWS OF RESOURCES	
PERSI deferred outflow - contributions	<u>7,741,062</u>
	<u>163,755,585</u>
 LIABILITIES	
Accounts, salaries and other payables	8,666,705
Deferred revenue	595,066
Amounts held for others	143,378
Current Long-term liabilities	
Bonds due within one year	2,645,000
Accrued interest	1,959,648
Other liabilities due within one year	800,994
Long-term liabilities	
Bonds due in more than one year	94,475,000
Other liabilities due in more than one year	4,980,451
PERSI net pension liability	<u>22,153,316</u>
Total liabilities	<u>136,419,558</u>
 DEFERRED INFLOWS OF RESOURCES	
PERSI - employer pension assumption	7,245,489
 NET POSITION	
Invested in capital assets, net of related debt	26,332,731
Restricted for:	
Child nutrition	0
Debt service	9,602,602
Capital construction	4,732,090
Capital improvement and maintenance	2,645,067
Unrestricted - PERSI net position	(21,657,743)
Unrestricted	(<u>1,564,209</u>)
Total net position	<u>\$ 20,090,538</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, 2017

	Program Revenues			Net (expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
FUNCTION/PROGRAMS				
Governments activities				
Instruction	\$ 38,977,351	\$ 1,542,710	\$ 2,706,241	(\$ 34,728,400)
Support services	28,982,773	1,224,858	7,122,738	(20,635,177)
Non-instruction	4,563,997	675,029	3,506,668	(382,300)
Capital outlay	38,268	927,740	0	889,472
Long-term debt interest	5,080,685	32,743	969,893	(4,078,049)
Depreciation unallocated	<u>5,602,598</u>	<u>0</u>	<u>0</u>	(<u>5,602,598</u>)
Total governmental activities	<u>\$ 83,245,672</u>	<u>\$ 4,403,080</u>	<u>\$ 14,305,540</u>	(64,537,052)
General Revenues				
Taxes				
Property taxes, supplemental levy				4,500,000
Property taxes, emergency levy				1,811,862
Property taxes, tort levy				33,179
Property taxes, other levy				28,582
Property taxes, levied for debt services				7,385,130
Property taxes, levied for plant facilities				3,319,158
State revenue in lieu of taxes				190,788
Grants and contributions not restricted to specific programs				
State foundation program				42,927,861
Federal forest lands				2,909
Interest and investment earnings				
General fund				5,064
Bond interest and redemption				4,550
Capital construction				47,385
Other funds (Non major)				<u>8,986</u>
Total general revenues and special items				<u>60,265,454</u>
Changes in net position				(4,271,598)
Net position - beginning (restated)				<u>24,362,136</u>
Net position - ending				<u>\$ 20,090,538</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, 2017

	General	Bond Interest and Redemption	Capital Construction	Non Major and Agency Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 5,123,013	\$ 6,766,372	\$ 5,597,695	\$ 2,541,703	\$ 20,028,783
Receivable					
Property taxes	201,178	233,285	0	105,276	539,739
Other receivables	3,790,861	2,814,531	0	3,278,356	9,883,748
Prepaid	327,339	0	0	212,387	539,726
Total assets and other debits	<u>\$ 9,442,391</u>	<u>\$ 9,814,188</u>	<u>\$ 5,597,695</u>	<u>\$ 6,137,722</u>	<u>\$ 30,991,996</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 583,496	1,725	865,605	292,148	1,742,975
Salaries and benefits payable	5,997,816	0	0	925,915	6,923,730
Deferred revenue	208,256	209,861	0	657,441	1,075,557
Returnable revenue	51	0	0	143,327	143,378
Total liabilities	<u>6,789,619</u>	<u>211,586</u>	<u>865,605</u>	<u>2,018,830</u>	<u>9,885,640</u>
Fund equity - fund balances					
Non-spendable	0	0	0	0	0
Restricted	0	9,602,602	4,732,090	4,118,892	18,453,584
Committed	1,962,375	0	0	0	1,962,375
Assigned	0	0	0	0	0
Unassigned	690,397	0	0	0	690,397
Total fund balance	<u>2,652,772</u>	<u>9,602,602</u>	<u>4,732,090</u>	<u>4,118,892</u>	<u>21,106,356</u>
Total liabilities, and fund balance	<u>\$ 9,442,391</u>	<u>\$ 9,814,188</u>	<u>\$ 5,597,695</u>	<u>\$ 6,137,722</u>	<u>\$ 30,991,996</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 POSITION**

June 30, 2017

Total fund balances for governmental funds **\$ 21,106,356**

Total net position reported for governmental activities in the statement of net position 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 position:

Governmental capital asset	\$ 187,687,378	
Governmental accumulated depreciation	(63,270,382)	
		124,416,996

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 position that are not reported in the funds balance sheet are:

General obligation debt	(100,843,641)	
GASB 45 obligations	(2,057,805)	
Accrued interest on general obligation debt	(1,959,648)	
Net pension liability	(22,153,316)	
		(127,014,410)

Elimination of deferred tax allowances	480,492
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Recognition of inventories and prepaids

Inventories	335,337	
Insurance	270,194	
		605,531

Deferred outflows of resources related to pensions	7,741,062
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Deferred inflows of resources related to pensions	(7,245,489)
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Total net position	\$ 20,090,538
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The accompanying notes are an integral part of this basic financial statement.

Twin Falls, Idaho

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the year ended June 30, 2017

	General	Bond Interest and Redemption	Capital Construction	Non Major Funds	Total Governmental Funds
REVENUES					
Local revenue					
Property taxes	\$ 6,386,006	\$ 7,389,009	\$ 0	\$ 3,329,872	\$ 17,104,887
Other local	1,081,003	37,293	573,467	2,505,682	4,197,445
Total local revenue	7,467,009	7,426,302	573,467	5,835,554	21,302,332
State revenue	45,705,433	969,893	0	2,071,245	48,746,571
Federal revenue	78,750	0	0	8,183,664	8,262,414
Other revenue	1,128,772	0	0	582,893	1,711,665
Total revenues	54,379,964	8,396,195	573,467	16,673,356	80,022,982
EXPENDITURES					
Instructional	30,861,677	0	0	4,064,100	34,925,777
Support services	22,673,781	900	0	6,155,194	28,829,875
Non-instruction	116,499	0	0	4,390,946	4,507,445
Capital outlay	1,118,179	0	20,621,174	1,289,772	23,029,125
Debt service	98,871	6,441,756	0	877,809	7,418,436
Total expenditures	54,869,007	6,442,656	20,621,174	16,777,821	98,710,658
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(489,043)	1,953,539 (20,047,707) (104,465) (18,687,676)
Other financing sources (uses)					
Net transfer in (out)	(643,181)	0	0	643,181	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,132,224)	1,953,539 (20,047,707)	538,716 (18,687,676)
Fund balance, beginning of year	3,784,996	7,649,063	24,779,797	3,580,176	39,794,032
Fund balance, end of year	\$ 2,652,772	\$ 9,602,602	\$ 4,732,090	\$ 4,118,892	\$ 21,106,356

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, 2017

Net change in fund balances - total governmental funds (\$ 18,687,676)

**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:	\$ 480,492	
The amount of deferred property taxes in the prior year is:	(507,466)	
Net increase (decrease) in revenues for property taxes		(26,974)

**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	(2,057,805)	
GASB 45 amounts earned more than amounts used in the prior year	<u>1,733,127</u>	
		(324,678)

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

The inventory amounts in the current year is:	335,337	
The inventory amounts in the prior year is:	(394,751)	
Net increase (decrease) in inventories		(59,414)

**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 position.**

The amount of prepaid insurance in the current fiscal year is:	270,194	
The amount of prepaid insurance in the prior fiscal year is:	(257,891)	
Current fiscal year prepaid insurance is greater (less) than prior fiscal year		12,303

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, 2017

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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay report in governmental fund statements	\$ 23,029,125	
Depreciation expense reported in statement of activities	(5,602,598)	
Capital outlay reclassification due to capitalization limits	(<u>35,465</u>)	
Amount by which capital outlays are greater (less) than depreciation in the current period		\$ 17,391,062

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 position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	2,985,369
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Long term borrowing activity	(1,000,000)
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Governmental funds expenses include pension contributions, while on the statement of activities the contributions are considered a deferred outflow.

Pension contributions current year.	3,423,949	
Pension contributions prior year	(<u>3,448,684</u>)	
Net increase (decrease) in expenditures for pension contributions	(24,735)	

Net pension expense	(3,889,237)
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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:	1,312,031	
The amount of interest accrued during the current period is:	(<u>1,959,648</u>)	
Current fiscal year accrual is greater (less) than prior fiscal year	(<u>647,617</u>)	
Change in net position of governmental activities	(\$ <u>4,271,598</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, 2017

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 position 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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:

- A. 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.
- B. 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.
- C. 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.
- D. Pensions** - 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.

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they 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.

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.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Long-Term Obligations - continued

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

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.

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** - 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.

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, 2017

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, 2017

NOTE C - CASH AND EQUIVALENTS

Deposits and investment are carried at fair value. A reconciliation of cash and investments at June 30, 2017, as shown on the financial statements is as follows:

Carrying amounts of deposits	\$ 1,069,456
Carrying amounts of investments	<u>18,959,327</u>
Total cash and investments	<u>\$ 20,028,783</u>
Statement of net assets cash and investments	<u>\$ 20,028,783</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, 2017, 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>\$ 1,069,456</u>	<u>\$ 2,009,437</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, 2017, \$1,759,437 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, 2017

NOTE C - CASH AND EQUIVALENTS - CONTINUED

2. Investments:

At June 30, 2017, 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	\$ 609,750	\$ 0	\$ 0	\$ 0	\$ 0
US Bank - Municipal Investors	<u>18,349,086</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 18,958,836</u>	<u>\$ 0</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, 2017, 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	\$ 609,750	\$ 0	\$ 0	\$ 0
US Bank - Municipal Investors	<u>18,349,086</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 18,958,836</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2017

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, 2017 \$1,759,437 of the government's bank balance of \$20,968,273 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	18,958,836
Uninsured and uncollateralized	<u>1,759,437</u>
Total deposits	<u>\$ 20,968,273</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	\$ 201,178	\$ 233,285	\$ 0	\$ 105,276	\$ 539,739
Due from other governments	<u>3,790,861</u>	<u>2,814,531</u>	<u>0</u>	<u>3,278,356</u>	<u>9,883,748</u>
	<u>\$ 3,992,039</u>	<u>\$ 3,047,816</u>	<u>\$ 0</u>	<u>\$ 3,383,632</u>	<u>\$ 10,423,487</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:

	<u>Unavailable</u>
Deferred revenue	595,065
Deferred revenue-Delinquent property taxes receivable	<u>\$ 480,492</u>
Total deferred revenue for Governmental Funds	<u>\$ 1,075,557</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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>2016 Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2017 Ending Balance</u>
Land	\$ 2,660,946	\$ 0	\$ 0	\$ 2,660,946
Buildings and improvements	108,180,890	45,422,863	0	153,603,753
Equipment	3,123,170	1,772,022	0	4,895,192
Construction in progress	50,731,516	14,357,208	38,561,236	26,527,488
Total	<u>164,696,522</u>	<u>61,552,093</u>	<u>38,561,236</u>	<u>187,687,379</u>
Less accumulated depreciation				
Buildings and improvements	54,544,615	5,438,465	0	59,983,080
Equipment	<u>3,123,170</u>	<u>164,132</u>	<u>0</u>	<u>3,287,302</u>
Total accumulated depreciation	<u>57,667,785</u>	<u>5,602,597</u>	<u>0</u>	<u>63,270,382</u>
Capital assets, net	<u>\$ 107,028,737</u>	<u>\$ 55,949,496</u>	<u>\$ 38,561,236</u>	<u>\$ 124,416,997</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, 2017, and amounts due teachers and other yearly employees contracted from September 1, 2016 through August 31, 2017. 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 2016-2017 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, 2017

NOTE H - LONG-TERM LIABILITIES

The bonds are full general obligations of the School District payable from the proceeds of ad valorem taxes to be levied without limitations as to the rate or amount. The bonds are collateralized by the full faith and credit of the School District.

The District services four (4) General Obligation Bond series in the Debt Service Fund. These General Obligation Bonds are a bank qualified issue with the repayment schedule matched to the maturities of the other issues of the District to level the bond repayment schedule.

The repayment schedule for the Refunded 2006 Series bonds is entitled Refunding 2014-C Series Bonds.

These General Obligation Bonds were also issued with a repayment schedule matched to the maturities

of the other two issues of the District to level the bond repayment schedule.

The bond payments are included in the following schedule.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Refunding 2014-C series Bonds				
2018	4.00%	\$ 2,645,000	\$ 1,082,888	\$ 3,727,888
2019	2.00%	2,775,000	963,513	3,738,513
2020	5.00%	2,885,000	835,887	3,720,887
2021	3.00%	3,030,000	718,313	3,748,313
2022	5.00%	3,120,000	615,713	3,735,713
2023	3.00%	3,235,000	477,687	3,712,687
2024	3.50%	3,400,000	337,312	3,737,312
2025	3.75%	3,515,000	211,906	3,726,906
2026	4.00%	3,650,000	73,000	3,723,000
		<u>\$ 28,255,000</u>	<u>\$ 5,316,219</u>	<u>\$ 33,571,219</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE H - LONG-TERM LIABILITIES - CONTINUED

In March, 2014, voters approved a plant facilities bond issue. General Obligation Bonds, Series 2014-B were issued to provide funds for two additional elementary school buildings, middle school, wing at Canyon Ridge High School, windows, air conditioning, and other improvements at Twin Falls High School. The funds will also provide for additional safety and security for all buildings in the district. The repayment schedule is included in the following schedule.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014-B Bonds				
2018	4.75%	\$ 0	\$ 304,328	\$ 304,328
2019	4.75%	0	304,328	304,328
2020	4.75%	0	304,328	304,328
2021	4.75%	0	304,328	304,328
2022	4.75%	0	304,328	304,328
2023	4.75%	0	304,328	304,328
2024	4.75%	0	304,328	304,328
2025	4.75%	0	304,328	304,328
2026	4.75%	0	304,328	304,328
2027	4.75%	0	304,328	304,328
2028	4.75%	0	304,328	304,328
2029	4.75%	0	304,328	304,328
2030	4.75%	0	304,328	304,328
2031	4.75%	0	304,328	304,328
2032	4.75%	0	304,328	304,328
2033	4.75%	0	304,328	304,328
2034	4.75%	0	304,328	304,328
2035	4.75%	0	304,328	304,328
2036	4.75%	0	304,328	304,328
2037	4.75%	0	304,328	304,328
2038	4.75%	0	304,328	304,328
2039	4.75%	0	304,328	304,328
2040	4.75%	6,405,000	152,119	6,557,119
		<u>\$ 6,405,000</u>	<u>\$ 6,847,335</u>	<u>\$ 13,252,335</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE H - LONG-TERM LIABILITIES - CONTINUED

The following schedule shows the principal and interest payments for the Series 2014 bonds that were included in the plant facilities bond issue. The bonds are titled General Obligation Refunding Bonds, Series 2014-A.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014-A Bonds				
2018	4.000%	\$ 0	\$ 2,702,582	\$ 2,702,582
2019	4.000%	0	2,702,582	2,702,582
2020	4.000%	0	2,702,582	2,702,582
2021	4.000%	0	2,702,582	2,702,582
2022	4.000%	0	2,702,582	2,702,582
2023	4.000%	0	2,702,582	2,702,582
2024	4.000%	0	2,702,582	2,702,582
2025	4.000%	0	2,702,582	2,702,582
2026	4.000%	0	2,702,582	2,702,582
2027	4.000%	3,700,000	2,628,581	6,328,581
2028	4.000%	3,850,000	2,477,582	6,327,582
2029	4.000%	4,005,000	2,320,480	6,325,480
2030	4.250%	4,165,000	2,151,873	6,316,873
2031	4.250%	4,340,000	1,971,142	6,311,142
2032	4.250%	4,525,000	1,782,762	6,307,762
2033	4.500%	4,715,000	1,580,519	6,295,519
2034	4.500%	4,930,000	1,363,506	6,293,506
2035	4.500%	5,150,000	1,136,706	6,286,706
2026	4.625%	5,385,000	896,303	6,281,303
2037	4.625%	5,630,000	641,580	6,271,580
2038	4.750%	5,895,000	371,380	6,266,380
2039	3.750%	6,170,000	115,687	6,285,687
		<u>62,460,000</u>	<u>43,761,339</u>	<u>106,221,339</u>
Total bond obligation		<u>\$ 97,120,000</u>	<u>\$ 55,924,893</u>	<u>\$153,044,893</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017, the statutory limit for the District was 5% of assessed valuation or \$177,986,809. The general obligation amounts available for debt retirement was \$9,602,602; leaving a legal debt margin of \$67,540,400.

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, 2017:

AMORTIZATION SCHEDULE

	<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
Loan	6/30/2017				\$ 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	<u>532,665</u>	<u>22,937</u>	<u>509,728</u>	0
Grand total		<u>\$ 1,567,665</u>	<u>\$ 131,889</u>	<u>\$ 1,435,776</u>	

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017:

AMORTIZATION SCHEDULE

	<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
Loan	6/30/2017				\$ 1,323,600
12	2/1/2018	369,809	60,886	308,923	1,014,677
13	2/1/2019	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>\$ 1,479,236</u>	<u>\$ 155,636</u>	<u>\$ 1,323,600</u>	

Capital Lease - Magic Valley High School - The District entered into a fifteen year capital lease agreement with G. Kent Taylor, P.A. Retirement Trust. The lease is for the capital purchase of the building.

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, 2017:

AMORTIZATION SCHEDULE

	<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
Loan	6/30/2017				\$ 964,431
1	7/12/2017	107,859	69,719	38,141	926,290
2	7/12/2018	107,859	66,962	40,898	885,392
3	7/12/2019	107,859	64,005	43,854	841,538
4	7/12/2020	107,859	60,835	47,024	794,514
5	7/12/2021	107,859	57,435	50,424	744,090
6	7/12/2022	107,859	53,790	54,069	690,021
7	7/12/2023	107,859	49,882	57,978	632,043
8	7/12/2024	107,859	45,690	62,169	569,874
9	7/12/2025	107,859	41,196	66,663	503,211
10	7/12/2026	107,859	36,377	71,482	431,729
11	7/12/2027	107,859	31,210	76,650	355,079
12	7/12/2028	107,859	25,669	82,191	272,888
13	7/12/2029	107,859	19,727	88,132	184,756
14	7/12/2030	107,859	13,356	94,503	90,253
15	7/12/2031	96,782	6,524	90,253	0
Grand total		<u>\$ 1,606,808</u>	<u>\$ 642,377</u>	<u>\$ 964,431</u>	

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE H - LONG-TERM LIABILITIES - CONTINUED

During the year ended June 30, 2017, the following changes occurred in liabilities reported in the statement of net assets:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
General obligation				
Bonds - 2014-A	\$ 62,460,000	\$ 0	\$ 0	\$ 62,460,000
Bonds - 2014-B	6,405,000	0	0	6,405,000
Bonds - 2014-C	28,255,000	0	0	28,255,000
Bonds - 2006- Un-refunded	2,230,000	0	2,230,000	0
PERSI net pension liab.	14,322,879	7,830,437	0	22,153,316
GASB 45 - OPEB	1,733,127	324,678	0	2,057,805
Capital lease-Phase I	1,860,073	0	424,297	1,435,776
Capital lease-Phase II	1,618,937	0	295,337	1,323,600
Capital lease-Magic Valley High School	<u>0</u>	<u>1,000,000</u>	<u>35,569</u>	<u>964,431</u>
	<u><u>\$ 118,885,016</u></u>	<u><u>\$ 9,155,115</u></u>	<u><u>\$ 2,985,203</u></u>	<u><u>\$ 125,054,928</u></u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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	\$ 650,103
Interest on net OPEB obligation	34,663
Adjustment to annual required contribution	(27,236)
Annual OPEB cost (expense)	657,530
Contributions made, fiscal 2016-2017	(332,852)
Increase in net OPEB obligation	324,678
Net OPEB obligation—beginning of year	1,733,127
Net OPEB obligation—end of year	<u>\$ 2,057,805</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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 \$6,159,059. 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>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Annual OPEB Expense</u>	<u>End of Year Net OPEB Obligation</u>
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

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, 2017

NOTE L - PENSION PLAN

Plan Description

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

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

Employee membership data related to the PERSI Base Plan as of June 30, 2016 was as follows:

Retirees and beneficiaries currently receiving benefits	44,181
Terminated employees entitled to but not yet receiving benefits	12,251
Active plan members	<u>68,517</u>
	<u>124,949</u>

Pension Benefits

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

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

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE L - PENSION PLAN - CONTINUED

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2017 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The Twin Falls School District's contributions were \$3,982,106, \$3,609,296 and \$3,448,684 for the three years ended June 30, 2017, 2016, and 2015 respectively.

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

At June 30, 2017, the Twin 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 Twin Falls School District's proportion of the net pension liability was based on the Twin Falls School 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 Twin Falls School District's proportion was 1.0928287 percent.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE L - PENSION PLAN - CONTINUED

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

For the year ended June 30, 2017, the Twin Falls School District recognized pension expense of \$388,924. At June 30, 2017, the Twin Falls School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 2,207,414
Changes of assumptions or other inputs	11,274,922	0
Net difference between projected and actual earnings on pension plan investments	0	5,038,074
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	169,407	0
Twin Falls School District's contributions subsequent to the measurement date	<u>3,982,106</u>	<u>0</u>
	<u>\$ 15,426,435</u>	<u>\$ 7,245,488</u>

\$3,982,106 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 years and 5.5 for the measurement period June 30, 2015.

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	
2017	\$ 22,514
2018	\$ 22,514
2019	\$ 2,570,158
2020	\$ 1,414,248

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE L - PENSION PLAN - CONTINUED

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

The total pension liability in the 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	4.5% - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1.0%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of 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.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE L - PENSION PLAN - CONTINUED

Actuarial Assumptions - continued

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.

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66%-77%
Broad Domestic equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%

	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Total Fund				
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67

*Expected arithmetic return net of fees and expenses

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
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%

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE L - PENSION PLAN - CONTINUED

Actuarial Assumptions - continued

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 proportionate share of the net pension liability (asset)	<u>\$ 43,456,944</u>	<u>\$ 22,153,316</u>	<u>(\$ 4,436,997)</u>

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.

Twin Falls School District No. 411

Twin Falls, Idaho

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE M - EXPENDITURES OVER BUDGET

There were expenditures that exceeded appropriations in the following fund:

Bond Fund	(\$ <u>225</u>)
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NOTE N - COMPLIANCE WITH IDAHO CODE

The independent audit of the School's records for the fiscal year ended June 30, 2017, was made for the purposes of forming an opinion on the general purpose financial statements taken as a whole. The financial activities and records were reviewed for compliance with applicable Idaho laws and regulations only to the extent needed to form an opinion on the financial statements. Based on the limited procedures performed, no items of noncompliance were noted, except for budget violation.

**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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive Negative</u>
REVENUES				
Property taxes	\$ 7,755,280	\$ 7,755,280	\$ 6,386,006	(\$ 1,369,274)
Other local	725,158	1,077,267	1,081,003	3,736
State revenue	46,275,000	45,715,859	45,705,433	(10,426)
Federal revenue	104,000	111,088	78,750	(32,338)
Other revenue	0	128,751	1,128,772	1,000,021
Total revenues	<u>54,859,438</u>	<u>54,788,245</u>	<u>54,379,964</u>	<u>(408,281)</u>
EXPENDITURES				
Instructional				
Salaries	22,307,155	22,308,369	22,102,986	205,383
Benefits	8,646,008	8,348,788	8,185,505	163,283
Purchased services	100,032	131,008	122,789	8,220
Supplies & materials	<u>573,173</u>	<u>626,708</u>	<u>450,397</u>	<u>176,311</u>
Total instructional expenditures	<u>31,626,368</u>	<u>31,414,873</u>	<u>30,861,677</u>	<u>553,196</u>
Support				
Salaries	10,719,838	11,134,612	10,794,716	339,896
Benefits	4,150,831	4,155,164	4,091,351	63,813
Purchased services	5,256,859	5,386,075	5,024,441	361,634
Supplies & materials	2,725,242	3,278,430	2,482,991	795,439
Insurance/judgement	<u>320,000</u>	<u>291,323</u>	<u>280,282</u>	<u>11,041</u>
Total support expenditures	<u>23,172,770</u>	<u>24,245,604</u>	<u>22,673,781</u>	<u>1,571,823</u>
Non-Instructional				
Salaries	200	7,232	7,423	(191)
Benefits	155,627	91,604	89,025	2,579
Purchased services	7,500	9,000	11,888	(2,888)
Supplies & materials	<u>6,874</u>	<u>8,307</u>	<u>8,163</u>	<u>144</u>
Total non-instructional expenditures	<u>170,201</u>	<u>116,143</u>	<u>116,499</u>	<u>(356)</u>
Capital assets				
Purchased services	0	21,596	8,881	12,715
Capital	<u>0</u>	<u>407,586</u>	<u>1,109,298</u>	<u>(701,712)</u>
Total capital assets	<u>0</u>	<u>429,182</u>	<u>1,118,179</u>	<u>(688,997)</u>

Twin Falls School District No. 411

Twin Falls, Idaho

GENERAL FUND - continued

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2017

	<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				
Dept retirement				
Principle	\$ 0	\$ 0	\$ 35,735	(\$ 35,735)
Interest	0	0	63,136	(63,136)
Total capital assets	0	0	98,871	(98,871)
Contingency reserve	1,880,734	0	0	0
Total expenditures	56,850,073	56,205,802	54,869,007	1,336,795
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(1,990,635)	(1,417,557)	(489,043)	928,513
Other financing sources (uses)				
Transfers in	17,000	142,093	100,608	(41,484)
Transfers out	0	159,686	743,789	(584,103)
Total other financing sources (uses)	17,000	17,593	643,181	(625,588)
EXCESS (DEFICIENCY) OF REVENUES				
AND OTHER FINANCING SOURCES				
OVER EXPENDITURES AND OTHER				
FINANCING USES	(1,973,635)	(1,435,150)	(1,132,224)	302,926
Fund balance, beginning of year	2,383,853	3,784,996	3,784,996	0
Fund balance, end of year	\$ 410,218	\$ 2,349,846	\$ 2,652,772	\$ 302,926

Twin Falls School District No. 411

Twin Falls, Idaho

BOND

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2017

	<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	\$ 7,500,000	\$ 7,500,000	\$ 7,389,009	(\$ 110,991)
Other local	22,500	33,600	37,293	3,693
State revenue	<u>487,000</u>	<u>969,893</u>	<u>969,893</u>	<u>0</u>
Total revenue	<u>8,009,500</u>	<u>8,503,493</u>	<u>8,396,195</u>	(<u>107,298</u>)
EXPENDITURES				
Support				
Purchased services	<u>1,500</u>	<u>1,500</u>	<u>900</u>	<u>600</u>
Debt Retirement				
Principal	2,230,000	2,230,000	2,230,000	0
Interest	4,207,981	4,207,981	4,207,981	0
Refunded-purchased services	<u>0</u>	<u>2,950</u>	<u>3,775</u>	(<u>825</u>)
Total capital assets	<u>6,437,981</u>	<u>6,440,931</u>	<u>6,441,756</u>	(<u>825</u>)
Total expenditures	<u>6,439,481</u>	<u>6,442,431</u>	<u>6,442,656</u>	(<u>225</u>)
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	<u>1,570,019</u>	<u>2,061,062</u>	<u>1,953,539</u>	(<u>107,072</u>)
Fund balance, beginning of year	<u>7,614,420</u>	<u>7,649,063</u>	<u>7,649,063</u>	<u>0</u>
Fund balance, end of year	<u>\$ 9,184,439</u>	<u>\$ 9,710,125</u>	<u>\$ 9,602,602</u>	(<u>\$ 107,072</u>)

Twin Falls School District No. 411

Twin Falls, Idaho

CAPITAL CONSTRUCTION PROJECTS

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2017

	<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	\$ 0	\$ 0	\$ 0	\$ 0
Other local	<u>795,258</u>	<u>669,202</u>	<u>573,467</u>	(<u>95,735</u>)
Total revenue	<u>795,258</u>	<u>669,202</u>	<u>573,467</u>	(<u>95,735</u>)
EXPENDITURES				
Capital assets				
Purchased services	967,938	703,201	181,230	521,971
Supplies & materials	4,041,764	2,841,026	1,564,303	1,276,723
Capital	<u>30,385,246</u>	<u>21,897,611</u>	<u>18,875,641</u>	<u>3,021,970</u>
Total capital assets	<u>35,394,948</u>	<u>25,441,838</u>	<u>20,621,174</u>	<u>4,820,664</u>
Total expenditures	<u>35,394,948</u>	<u>25,441,838</u>	<u>20,621,174</u>	<u>4,820,664</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(34,599,690)	(24,772,636)	(20,047,707)	4,724,929
Fund balance, beginning of year	<u>34,600,209</u>	<u>24,779,797</u>	<u>24,779,797</u>	<u>0</u>
Fund balance, end of year	<u>\$ 519</u>	<u>\$ 7,161</u>	<u>\$ 4,732,090</u>	<u>\$ 4,724,929</u>

Twin Falls School District No. 411

Twin Falls, Idaho

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
PERSI - BASE PLAN**

Last 10 - Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 3,982,106	\$ 3,609,296	\$ 3,448,684
Contributions in relation to the statutorily required contribution	(\$ 3,982,106)	(\$ 3,609,296)	(\$ 3,448,684)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 35,177,615	\$ 31,884,236	\$ 30,465,406
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 Twin Falls School District will present information for those years for which information is available.

Data reported is measured as of June 30, 2017.

Twin Falls School District No. 411

Twin Falls, Idaho

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN**

Last 10 - Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of net pension liability	1.09282870%	1.08767260%	1.08598350%
Employer's proportionate share of the net pension liability	\$ 22,153,316	\$ 14,322,879	\$ 7,994,538
Employer's covered-employee payroll	\$ 35,178,323	\$ 31,884,236	\$ 30,465,406
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	62.97%	44.92%	26.24%
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 Twin Falls School District will present information for those years for which information is available.

Data reported is measured as of June 30, 2017.

SUPPLEMENTARY INFORMATION
(OPTIONAL)

Twin Falls School District No. 411

Twin Falls, Idaho

NON MAJOR FUNDS

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,300,000	\$ 3,300,000	\$ 3,329,872	\$ 29,872
Other local	954,976	2,450,503	2,505,682	55,179
State revenue	3,454,100	3,408,467	2,071,245	(1,337,222)
Federal revenue	9,755,225	10,414,119	8,183,664	(2,230,455)
Other revenue	205,528	96,845	582,893	486,048
Total revenues	<u>17,669,829</u>	<u>19,669,934</u>	<u>16,673,356</u>	<u>(2,996,578)</u>
EXPENDITURES				
Instructional				
Salaries	1,979,209	2,042,933	1,903,133	139,800
Benefits	778,500	767,802	670,475	97,327
Purchased services	180,530	429,624	427,038	2,586
Supplies & materials	<u>1,339,508</u>	<u>1,781,498</u>	<u>1,063,454</u>	<u>718,044</u>
Total instructional expenditures	<u>4,277,748</u>	<u>5,021,857</u>	<u>4,064,100</u>	<u>957,757</u>
Support				
Salaries	1,155,534	1,130,206	1,066,551	63,655
Benefits	476,038	471,258	426,113	45,145
Purchased services	3,842,013	4,300,435	3,423,796	876,639
Supplies & materials	1,698,345	1,729,014	1,198,246	530,768
Capital	7,800	43,643	38,643	5,000
Insurance/judgement	<u>2,500</u>	<u>2,500</u>	<u>1,845</u>	<u>655</u>
Total support expenditures	<u>7,182,230</u>	<u>7,677,056</u>	<u>6,155,194</u>	<u>1,521,862</u>
Non-Instructional				
Salaries	1,120,000	1,258,500	1,218,395	40,105
Benefits	335,000	407,515	407,580	(65)
Purchased services	130,000	116,000	118,621	(2,621)
Supplies & materials	<u>3,269,893</u>	<u>3,052,125</u>	<u>2,646,350</u>	<u>405,775</u>
Total non-instructional expenditures	<u>4,854,893</u>	<u>4,834,140</u>	<u>4,390,946</u>	<u>443,194</u>
Capital assets				
Purchased services	0	173,893	236,306	(62,413)
Supplies & materials	120,590	367,706	314,716	52,990
Capital	<u>729,073</u>	<u>1,003,111</u>	<u>738,750</u>	<u>264,361</u>
Total capital assets	<u>849,663</u>	<u>1,544,710</u>	<u>1,289,772</u>	<u>254,938</u>

Twin Falls School District No. 411

Twin Falls, Idaho

NON MAJOR FUNDS - continued

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2017

	<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				
Debt Retirement				
Principal	\$ 719,635	\$ 719,635	\$ 719,634	\$ 1
Interest	<u>158,175</u>	<u>158,175</u>	<u>158,175</u>	<u>0</u>
Total capital assets	<u>877,810</u>	<u>877,810</u>	<u>877,809</u>	<u>1</u>
Total expenditures	<u>18,042,344</u>	<u>19,955,573</u>	<u>16,777,821</u>	<u>3,177,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(372,515)	(285,639)	(104,465)	181,174
Other financing sources (uses)				
Transfers in	300,000	335,505	1,023,694	688,189
Transfers out	<u>(317,000)</u>	<u>(317,912)</u>	<u>(380,513)</u>	<u>(62,601)</u>
Total other financing sources (uses)	<u>(17,000)</u>	<u>17,593</u>	<u>643,181</u>	<u>625,588</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(389,515)	(268,046)	538,716	806,762
Fund balance, beginning of year	<u>2,906,972</u>	<u>3,580,176</u>	<u>3,580,176</u>	<u>0</u>
Fund balance, end of year	<u>\$ 2,517,457</u>	<u>\$ 3,312,130</u>	<u>\$ 4,118,892</u>	<u>\$ 806,762</u>

Twin Falls School District No. 411

Twin Falls, Idaho

OUTSTANDING GENERAL OBLIGATION DEBT

For the year ended June 30, 2017

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding 6/30/17</u>
General Obligation Bonds				
Series 2014 A	5/29/2014	9/15/2038	\$ 62,460,000	\$ 62,460,000
Series 2014 B	9/16/2014	9/15/2039	6,405,000	6,405,000
Series 2014 C, Refunding	5/29/2014	9/15/2025	<u>28,320,000</u>	<u>28,255,000</u>
Total General Obligation Bonds			<u>\$ 97,185,000</u>	<u>\$ 97,120,000</u>

Twin Falls School District No. 411

Twin Falls, Idaho

OVERLAPPING DEBT TWIN FALLS COUNTY

For the year ended June 30, 2017

	Taxable Assessed Value	Percent Overlap	Overlapping Debt	
			Gross Direct Debt	Net Direct Debt
Overlapping District				
None	<u>\$ 0</u>	0.00%	<u>\$ 0</u>	<u>\$ 0</u>

Twin Falls School District No. 411

Twin Falls, Idaho

CAPITAL LEASES

For the year ended June 30, 2017

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Long - Term Debt Capital Leases				
Phase I Capital Lease	2/01/2006	2/01/2020	\$ 4,818,829	\$ 1,435,776
Citi-Capital Financing Lease	2/01/2006	2/01/2021	3,896,690	1,323,600
Magic Valley High School Purchase	7/12/2016	7/12/2032	<u>1,000,000</u>	<u>964,431</u>
Total Capital Leases			<u>\$ 9,715,519</u>	<u>\$ 3,723,807</u>

Twin Falls School District No. 411

Twin Falls, Idaho

TAXABLE ASSESSED VALUE

Tax years 2010 - 2017

Tax Year	Full Market Value (1)	% Annual Change in Full Market Value	Homeowner's Exemption (2)	Taxable Assessed Value (3)	% Annual Change in Market Value	Urban Renewal Value (4)
2017	\$ 4,970,293,129	13.29%	\$ 953,881,960	\$ 3,967,896,187	13.35%	\$ 693,253,470
2016	4,387,231,966	4.7%	886,779,242	3,500,452,724	4.70%	630,417,752
2015	4,188,502,258	17.78%	845,067,132	3,343,435,126	19.48%	535,850,376
2014	3,555,986,859	4.23%	757,563,510	2,798,423,349	3.27%	538,477,857
2013	3,414,596,566	1.64%	704,741,980	2,709,854,586	2.35%	465,805,254
2012	3,356,740,401	7.27%)	708,997,026	2,647,743,375	6.09%)	151,851,723
2011	3,619,965,595	1.24%)	800,433,703	2,819,531,892	0.38%)	148,251,701
2010	3,665,578,112	---	835,308,743	2,830,269,369	---	145,894,743

Twin Falls School District No. 411

Twin Falls, Idaho

AD VALOREM TAX LEVIES

Tax years 2010-2016

Tax Year	Supplemental M & O	Emergency	Tort	Bond	Plant	Total Levy Rate
2016	0.001272168	0.4976150	0.0011334	0.002112965	0.000927035	0.004821117
2015	0.001322080	0.3832700	0.0067570	0.002083817	0.000969525	0.004826262
2014	0.001418282	0.5247080	0.0715650	0.001342084	0.001040074	0.004395713
2013	0.001339479	0.0000000	0.0693010	0.001201258	0.001178742	0.003788780
2012	0.001263569	0.0000000	0.0634240	0.001178742	0.001111941	0.003706993
2011	0.001263600	0.0000000	0.0634000	0.001268100	0.001119000	0.003707000

Twin Falls School District No. 411

Twin Falls, Idaho

TAXES COLLECTED

Tax years 2009 - 2016

<u>Tax Year</u>	<u>Total Taxes Certified</u>	<u>Taxes Collected (2)</u>	<u>Percent Collected</u>
2016	\$ 17,126,307	\$ 16,828,880	98.26%
2015	16,147,007	15,859,170	98.22%
2014	15,867,746	15,598,994	98.31%
2013	13,753,878	13,357,492	97.12%
2012	10,499,638	10,443,437	99.46%
2011	10,856,238	10,791,495	99.40%
2010	8,028,731	8,028,718	100.00%
2009	7,832,012	7,832,005	100.00%

Twin Falls School District No. 411

Twin Falls, Idaho

TOP TAXPAYERS

For the year ended June 30, 2017

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Assessed Value</u>	<u>% of District's Tax Assessed</u>
Agro-Farma Idaho, Inc.	Chobani Yogurt Plant	\$ 424,341,963	12.12%
ID Frozen Foods	Food Processing	66,883,145	1.91%
Clif Bar Baking Co. Of TF	Food Production	53,092,642	1.52%
Clif Bar Baking Co. Of TF	Food Production	43,751,742	1.25%
Amalgamated Sugar	Sugar Refinery	35,396,791	1.01%
Magic Valley Mall	Retail Development	29,248,847	0.84%
Glanbia Foods, Inc.	Food Processing	26,211,748	0.75%
Idaho Frozen Foods	Food Processing	21,014,872	0.60%
Glanbia Foods, Inc.	Food Processing	17,348,178	0.50%
Idaho Power Company	Power Company	15,614,341	0.45%
Top 10 Taxpayers		732,904,269	20.94%
All other District Taxpayers		2,767,548,455	79.06%
Total District Taxpayers (Tax Year 2016)		\$ 3,500,452,724	100.0%

Twin Falls School District No. 411

Twin Falls, Idaho

SCHEDULE OF STATE FUNDING

Fiscal Years 2010 - 2017

Fiscal Years	2017	2016	2015	2014	2013	2012	2011	2010
August	Receivable	\$ 20,543,943	\$ 17,530,444	\$ 10,023,431	\$ 9,444,316	\$ 9,169,491	\$ 9,087,476	\$ 9,975,371
October	0	0	0	10,035,859	9,536,061	9,294,904	9,126,432	10,033,822
November	Receivable	8,206,103	7,099,765	6,699,538	7,350,356	6,241,193	6,090,383	6,695,149
February	8,627,265	8,560,788	7,775,252	4,316,001	11,572,116	9,802,973	3,395,790	4,022,234
May & July (1)	5,538,088	5,120,529	5,161,895	4,604,045	3,446,731	4,612,124	5,213,525	4,114,709
Total (2)	14,165,353	42,431,363	37,567,356	35,678,874	41,349,580	39,120,685	32,913,707	34,841,285

Twin Falls School District No. 411

Twin Falls, Idaho

ENROLLMENT

For fiscal years ended June 30, 2008 - June 30, 2017

<u>Fiscal Year Ended June 30</u>	<u>Elementary P-5</u>	<u>Middle 6-8</u>	<u>Secondary 9-12</u>	<u>Total</u>	<u>Average Daily Attendance</u>
2019 (1)	4,783	2,074	2,866	9,723	9,552
2018 (1)	4,689	2,033	2,810	9,532	9,364
2017 (2)	4,597	1,993	2,755	9,345	9,181
2016 (2)	4,507	1,954	2,801	9,161	9,001
2015 (3)	4,419	1,915	2,648	8,982	8,133
2014 (3)	4,332	1,878	2,596	8,806	7,974
2013 (3)	4,247	1,841	2,545	8,633	7,818
2012 (3)	4,050	1,767	2,456	8,273	7,524
2011 (3)	3,831	1,723	2,358	7,912	7,336
2010 (3)	3,800	1,601	2,376	7,777	7,147
2009 (3)	3,720	1,646	2,278	7,644	7,040
2008 (3)	3,698	1,708	2,210	7,616	7,100

(1) Projected enrollment at 2%. District uses historical enrollment for projecting growth.

(2) Enrollment as of 4th Friday.

(3) Historical enrollment as of the 4th Friday.

SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Twin Falls School District

Report on Compliance for Each Major Federal Program

We have audited Twin Falls School District's with the types of compliance requirements described in the *OMB 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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal status, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Twin Falls School District'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Twin Falls School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Twin Falls School District, 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 June 30, 2017.

Report on Internal Control Over Compliance

Management of Twin Falls School District 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 Twin Falls School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the 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 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.

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 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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Falls School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Twin Falls School District's basic financial statements. We issued our report thereon dated October 25, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Ware & Associates

Twin Falls, Idaho
October 25, 2017

Twin Falls School District Number 411

Twin Falls, Idaho

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

	<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	S010A160012	\$ 1,912,406
Migrant Ed-Basic State Formula Grant Program	84.011	S011A160012	264,762
Handicapped-State Grants, Part B, IDEA	84.027	H027A160088	1,652,989
Handicapped - Preschool Grants	84.173	H173A160030	<u>68,795</u>
Total Special Education Cluster			<u>1,721,784</u>
State Activities - Education of Homeless Children and Youth	84.196	S196A160013	29,742
Twenty-First Century Community Learning Grants	84.287	S287C16002	163,137
Gaining Early Awareness and Readiness for Under Graduate Programs	84.334	P334S110016	78,750
English Language Acquisition Grants	84.365	T365A100013	134,313
Improving Teacher Quality State Grants	84.367	S367A130011	<u>286,627</u>
			<u>4,591,521</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Professional Technical Education			
Vocational Education Basic Grants to States	84.048	V048A160013	<u>104,740</u>
Total U.S. Department of Education			<u>4,696,261</u>
<u>U.S. Department of Agriculture</u>			
Passed through Superintendent of Public Instruction			
Commodities CFDA Title	10.555	2017IN109947	324,799
National School Lunch Program	10.555	2017IN109947	2,176,881
School Breakfast Program	10.553	2017IN109947	629,669
Summer Food Service Program for Children	10.559	2017IN109947	283,028
Team Nutrition Grants	10.574	2017IN351130	1,050
Fresh Fruit and Vegetable Program	10.582	2017IL160347	<u>91,241</u>
Total Food Service Cluster			<u>3,506,668</u>
<u>U.S. Department of Agriculture</u>			
Passed through Twin Falls County			
School and Road Grants to Counties	10.666		<u>2,909</u>
Total U.S. Department of Agriculture			<u>3,509,577</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Idaho Office for Refugees Mountain States Group, Inc.			
Refugee and Entrant Assistance - Discretionary Grants	93.576	10R-1203	<u>56,575</u>
			<u>\$ 8,262,413</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, 2017

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Twin Falls School District No. 411 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the 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, 2017.

NOTE C - INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR 200.414.

Twin Falls School District No. 411

Twin Falls, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

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 ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

2. Noncompliance material to financial statements noted? ☐ yes ☒ 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 ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ 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 2 CFR 200.516(a).

☐ yes ☒ no

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

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
10.574	Team Nutrition Grants
10.579	Child Nutrition Discretionary Grants
10.582	Fresh Fruit and Vegetable Program
84.010	Chapter I Basic and Concentration Grants
84.367	Improving Teacher Quality State Grants

Twin Falls School District No. 411

Twin Falls, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2017

SECTION I - SUMMARY OF AUDIT RESULTS - CONTINUED

6. The threshold for distinguishing Types A and B programs was 750,000.
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, 2017

DEPARTMENT OF EDUCATION

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

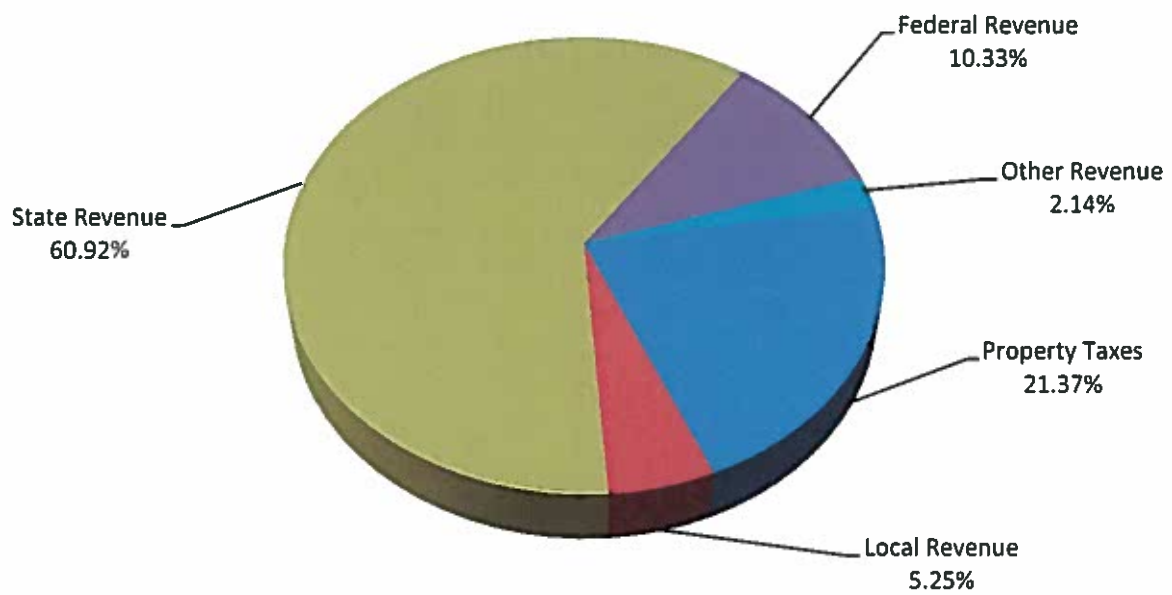
DEPARTMENT OF AGRICULTURE

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

OTHER INFORMATION

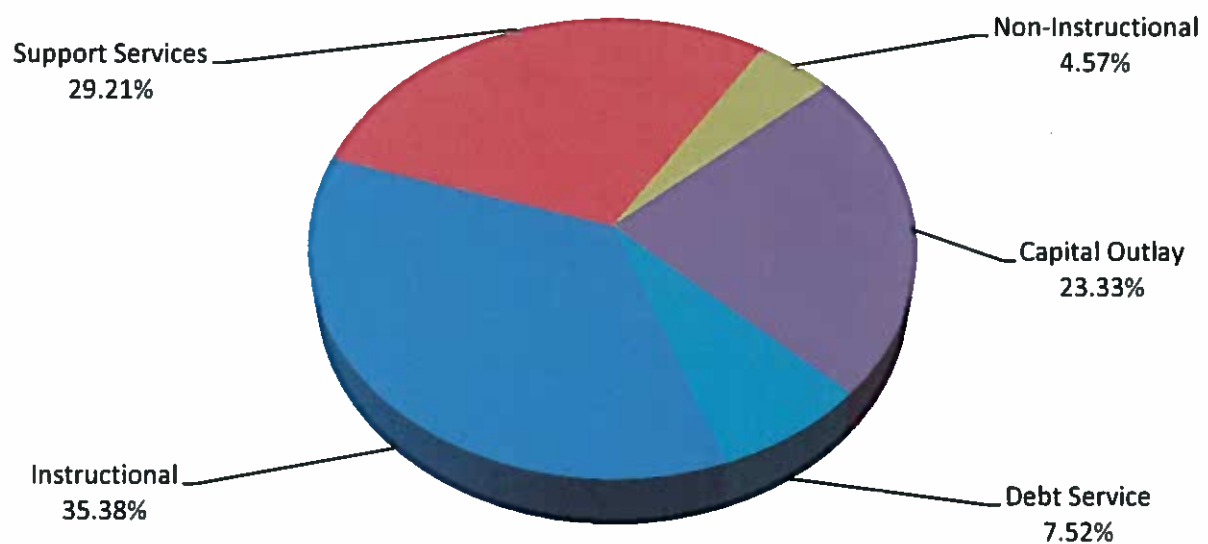
Twin Falls School District No. 411

Revenues - All Governmental Funds



Twin Falls School District No. 411

Expenditures- All Governmental Funds



Twin Falls School District No. 411

Fund Balance- General Fund

