

Idaho Falls School District #91

Financial Statements and
Supplementary Information

Year Ended June 30, 2018



WIPFLi^{LLP}
CPAs and Consultants

Idaho Falls School District #91

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June 30, 2018

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Idaho Falls School District #91

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2018*

The discussion and analysis of Idaho Falls School District #91's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

In total, net position increased \$7,038,500 which represents a 16.51% increase from the 2017—restated balance of \$35,602,504.

General revenues accounted for \$63,764,198 in revenue or 78.96% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$16,995,594 or 21.04% of total revenues of \$80,759,792.

Total assets of governmental activities decreased by \$1,279,576 with current and other assets decreasing by \$860,956, and capital assets decreasing by \$418,620 due to the expenditures from the construction bonds. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the District increased by \$4,194,433.

The District had \$73,721,292 in expenses; only \$16,995,594 of these expenses was offset by program revenues (i.e. charges for services, operating and capital grants or contributions). General revenues (primarily state aid and taxes) of \$63,764,198 were adequate to provide for these programs.

Among major funds, the General Fund had \$60,982,870 in revenues, \$58,996,855 in expenditures, and \$253,024 in net transfers. The General Fund balance increased \$1,732,991 from 2017.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Idaho Falls School District #91 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Idaho Falls School District #91, the General Fund is by far the most significant fund.

Idaho Falls School District #91

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Idaho restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General, Debt Service, and Capital Projects Funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District serves as a trustee, or fiduciary, for student organizations and programs. The assets of these organizations and programs do not directly benefit nor are they under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

Idaho Falls School District #91

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for 2018 compared to 2017:

	<u>2018</u>	<u>2017</u> (as restated)
Assets		
Current and other assets	37,415,816	38,276,772
Capital assets	70,891,075	71,309,695
Total assets	108,306,891	109,586,467
Deferred outflows of resources	8,392,435	17,501,059
Current and other liabilities	9,203,392	8,606,314
Long-term liabilities	61,121,663	73,853,210
Total liabilities	70,325,055	82,459,524
Deferred inflows of resources	3,733,267	9,025,498
Net position		
Net investment in capital assets	32,959,022	26,556,578
Restricted	10,946,179	14,504,556
Unrestricted	(1,264,197)	(5,458,630)
Total net position	42,641,004	35,602,504

Total assets of governmental activities decreased by \$1,279,576 with current and other assets decreasing by \$860,956, and capital assets decreasing by \$418,620. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42,641,004 at the close of the most recent fiscal year. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the District increased by \$4,194,433.

Idaho Falls School District #91

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

The following table shows the changes in net position for fiscal year 2018:

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues		
Charges for services	1,051,143	906,566
Operating grants and contributions	15,944,451	16,068,344
General revenues		
Property taxes	14,629,888	13,946,362
State aid	48,521,153	46,123,318
Federal aid	205,382	4,056
Other	407,775	171,359
Total revenues	<u>80,759,792</u>	<u>77,220,005</u>
Program expenses		
Instruction	44,637,423	43,752,221
Support services	7,374,889	7,287,831
Administration	5,624,206	5,456,187
Business operations	958,979	903,931
Operations	5,438,834	5,618,319
Transportation	2,669,476	2,816,164
Non-instructional	3,453,708	3,375,361
Interest and fiscal charges	1,105,584	952,224
Capital improvements	2,458,193	1,301,226
Total expenses	<u>73,721,292</u>	<u>71,463,464</u>
Increase (decrease) in net position	<u>7,038,500</u>	<u>5,756,541</u>

GOVERNMENTAL ACTIVITIES

State aid of \$55,918,219 included in program and general revenues that consists of the Idaho base support, salary based apportionment, transportation, exceptional child, revenue in lieu of taxes, other state revenue, and benefit apportionment, make up 69.25% of revenues from governmental activities. Federal grants and assistance of \$7,761,955 make up 9.61% of total revenues from governmental activities. Property taxes of \$14,629,888 make up 18.12% of total revenues from governmental activities.

Instructional expenses when combined with instructional support services, which includes support services, administration, business operations, operations, and transportation comprise 90.48% of District expenses.

Idaho Falls School District #91

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

	Total cost of services 2018	Net cost of services 2018
Instruction	44,637,423	36,179,042
Support services	7,374,889	6,054,302
Administration	5,624,206	5,072,031
Business operations	958,979	958,979
Operations	5,438,834	4,701,522
Transportation	2,669,476	462,778
Non-instructional	3,453,708	171,647
Interest	1,105,584	667,204
Capital improvements	2,458,193	2,458,193
Total expenses.	<u>73,721,292</u>	<u>56,725,698</u>

Instruction: Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. The pension change reduced expenditures by \$1,116,187 in 2018.

Support Services: Support Services provide personnel services, activities, and programs for the administration, management, technical and logistical support to facilitate and enhance the function of instruction and shall provide for the general operation of the school system. The pension change reduced expenditures by \$187,547 in 2018.

Administration: The personnel, activities, and services for directing and managing the operation of the schools in the District (principals, assistant principals, secretaries, and clerks charges with responsibility for a school's administration). Board of Education, administration, fiscal, and business includes expenses associated with administrative and financial supervision of the District. The pension change reduced expenditures by \$176,527 in 2018.

Business Operations: The program concerned with the fiscal operations of the District. This program may include budgeting, receiving and disbursing, purchasing, financial and property accounting, payroll, internal auditing, and the prudent management of District resources.

Operations: Operations and maintenance includes the personnel, activities, and programs concerned with keeping the physical plant operational and keeping the grounds, buildings, and equipment in effective working condition and in an adequate and safe state of repair. The pension change reduced expenditures by \$90,868 in 2018.

Transportation: Transportation includes the personnel, activities, and services for providing student transportation to school and to activities and to provide for the general administrative and maintenance needs of school district vehicles. The pension change reduced expenditures by \$51,557 in 2018.

Non-instructional: Non-instructional services include the preparation, delivery and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities. The pension change reduced expenditures by \$35,268 in 2018.

Interest and Fiscal Charges: Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to the debt of the District.

Idaho Falls School District #91

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$80,750,100 and expenditures of \$82,543,045. The net change in fund balance for the year in the General Fund, Debt Service, and the Capital Projects Funds was an increase of \$1,732,991, a decrease of \$2,766,717, and a decrease of \$1,118,729, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Idaho law, and is based on accounting for certain transactions on the modified basis of accounting. The most significant budgeted fund is the General Fund.

During the course of the 2018 fiscal year, the District did not amend its General Fund budget.

CAPITAL ASSETS

At the end of the fiscal year 2018, the District had \$70,891,075 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated	2,896,694	1,677,076
Buildings and improvements	65,522,484	67,200,960
Equipment	1,217,875	1,239,131
Vehicles	1,254,022	1,192,528
Total capital assets, net	<u>70,891,075</u>	<u>71,309,695</u>

Overall capital assets decreased \$418,620 from fiscal year 2017 to fiscal year 2018. Increases in capital assets (primarily buildings, equipment, and vehicles) were offset by depreciation expense for the year.

DEBT ADMINISTRATION

At June 30, 2018, the District had three general obligation bond issues outstanding. The current portion of debt due in one year is \$1,950,000.

At June 30, 2018, the District's overall legal debt margin was \$196,233,975.

CURRENT FINANCIAL ISSUES AND CONCERNS

Idaho Falls School District 91 operated with a balanced budget in 2017- 2018. Strong attendance, increased state funding, and conservative budgeting contributed to an increase in the general fund. The district's solid financial position ties back to the hard work to align the district's expenses and revenues through budget cuts in 2013-2014. The patrons renewed the \$6.8 million supplemental levy in March of 2017. This levy, which is up for renewal in 2019, is critical to the district's financial stability and accounts for about 11% of the district's general fund revenue.

Idaho Falls School District #91

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2018*

Facilities are one of the biggest challenges facing the District. Following the defeat of the bond to renovate Skyline High School and rebuild Idaho Falls High School in August, the Board of Trustees will issue a request for qualifications to find a firm to assist the District in creating a long-term facilities plan that will look at the District's needs as a whole.

The Board of Trustees has budgeted the funds in the District's current assets to purchase the land for a new high school. The Board has also approved a land exchange which will provide the District with two new elementary school sites in addition to the one currently owned by the District. These land acquisitions should position the District well for the future.

Student and staff safety is always a priority, but it has taken a heightened focus in light of tragedies in schools throughout the country. Funds are needed to support the initiatives that come from this focus.

The Idaho Legislature's Funding Formula Committee is completing its work, and it will make a recommendation to the Idaho Legislature to change the funding formula. It is unclear at this time how this will affect the District, but it is an issue we will watch closely.

Governmental Accounting Board Standards (GASB) requires the proportionate share of the unfunded liability of the Public Employee Retirement System of Idaho (PERSI) to show as a liability to each employer. The volatility of the financial markets is a challenge with this liability. Fortunately, PERSI is well funded, which limits this liability as compared to public employers in other states.

Idaho Falls School District #91 has committed itself to financial excellence for many years. It has implemented a system of financial planning, budgeting, and internal financial controls that is well regarded. The district will continue its sound fiscal management as it meets future challenges.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Carrie Smith at Idaho Falls School District #91, 690 John Adams Parkway, Idaho Falls, ID 83401, (208) 525-7500, SmitCarr@d91.k12.id.us.



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Idaho Falls School District #91
Idaho Falls, Idaho

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 Idaho Falls School District #91 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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 the financial statements in accordance with accounting principles generally accepted in the United States; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Idaho Falls School District #91, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of employer's share of net pension liability for PERSI-Base plan last 10 fiscal years, and schedule of employer contributions PERSI-Base plan for last 10 fiscal years as listed in the table of contents, on pages 1 through 7 and pages 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplementary information, such as the combining and individual nonmajor fund financial schedules, the agency funds combining schedule of changes in assets and liabilities, and other schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the agency funds combining schedule of changes in assets and liabilities, and other schedules listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining and individual nonmajor fund financial schedules, the agency funds combining schedule of changes in assets and liabilities, and other schedules listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018, on our consideration of Idaho Falls School District #91'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 the District's internal control over financial reporting and compliance.



Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
October 24, 2018

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Idaho Falls School District #91

Statement of Net Position June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	27,219,152
Property tax receivable, net	5,471,749
Other receivables	4,354,070
Supplies inventory	370,845
Land and construction in progress	2,896,694
Depreciable buildings, equipment, and vehicles, net of depreciation	67,994,381
Total assets	<u>108,306,891</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	581,540
Changes of assumptions or other inputs - OPEB	96,445
Related to pensions	7,714,450
Total deferred outflows of resources	<u>8,392,435</u>
LIABILITIES	
Accounts payable	1,296,949
Accrued wages	5,735,382
Accrued employee benefits	1,905,180
Other payables	2,454
Interest payable	263,427
Long-term liabilities	
Net pension liability	19,711,186
OPEB liability	3,285,892
Other liabilities	192,532
Portion due or payable within one year	
General obligation bonds/premium	2,414,796
Portion due or payable after one year	
General obligation bonds/premium	35,517,257
Total liabilities	<u>70,325,055</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience - OPEB	139,951
Related to pensions	3,593,316
Total deferred inflows of resources	<u>3,733,267</u>
NET POSITION	
Net investment in capital assets	32,959,022
Restricted for	
Child nutrition	1,067,605
Capital improvements	4,289,179
Debt service	3,639,199
Other purposes	1,973,470
Unrestricted	(1,287,471)
Total net position	<u>42,641,004</u>

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Statement of Activities
Fiscal Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities				
Instruction	44,637,423		8,458,381	(36,179,042)
Support services	7,374,889		1,320,587	(6,054,302)
Administrative	5,624,206	74,888	477,287	(5,072,031)
Business admin services	958,979			(958,979)
Operations	5,438,834	49,429	687,883	(4,701,522)
Transportation	2,669,476	246,093	1,960,605	(462,778)
Noninstructional	3,453,708	680,733	2,601,328	(171,647)
Interest on long-term debt	1,105,584		438,380	(667,204)
Capital improvements	2,458,193			(2,458,193)
Total governmental activities	73,721,292	1,051,143	15,944,451	0
General revenues				
Taxes				
Property taxes				14,629,888
Unrestricted investments earnings				374,747
State apportionment				
Base				42,209,770
Benefits				5,545,979
Federal grants				205,382
Other state revenues				765,404
Gain on disposition of assets				5,711
Other local				27,317
Total general revenues				63,764,198
Change in net position				7,038,500
Net position - beginning				38,527,364
Prior period adjustment				(2,924,860)
Net position - beginning (as restated)				35,602,504
Net position - ending				42,641,004

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Combined Balance Sheet Governmental Funds June 30, 2018

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	19,087,601	1,450,475	4,031,163	2,649,913	27,219,152
Receivables					
Taxes - current	2,251,189	1,781,404	808,698		4,841,291
Taxes - delinquent	300,108	222,570	107,780		630,458
State apportionment	1,288,345				1,288,345
Federal grants				2,079,299	2,079,299
State agencies		185,250	30,732	572,139	788,121
Other	198,248			57	198,305
Interfund receivable	1,745,977				1,745,977
Supplies inventory	312,333			58,512	370,845
Total assets	<u>25,183,801</u>	<u>3,639,699</u>	<u>4,978,373</u>	<u>5,359,920</u>	<u>39,161,793</u>
LIABILITIES					
Accounts payable	492,865	500	689,194	114,390	1,296,949
Accrued wages	5,200,699			534,683	5,735,382
Accrued employee benefits	1,705,522			199,658	1,905,180
Other payables	2,454				2,454
Interfund payable				1,745,977	1,745,977
Total liabilities	<u>7,401,540</u>	<u>500</u>	<u>689,194</u>	<u>2,594,708</u>	<u>10,685,942</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	300,108	222,570	107,780	0	630,458
FUND BALANCES					
Nonspendable					
Inventory	312,333			58,512	370,845
Restricted for					
Debt service		3,416,629			3,416,629
Capital projects			4,181,399		4,181,399
Child nutrition				1,009,093	1,009,093
Other fund activities	275,863			1,697,607	1,973,470
Assigned	9,345,547				9,345,547
Unassigned	7,548,410				7,548,410
Total fund balances	<u>17,482,153</u>	<u>3,416,629</u>	<u>4,181,399</u>	<u>2,765,212</u>	<u>27,845,393</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>25,183,801</u>	<u>3,639,699</u>	<u>4,978,373</u>	<u>5,359,920</u>	<u>39,161,793</u>

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position *June 30, 2018*

Total fund balances - governmental funds	27,845,393
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$119,777,841, and the accumulated depreciation is \$48,886,766.</p>	70,891,075
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are unearned in the funds.</p>	630,458
<p>The net pension liability (asset) and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position: Net pension liability (asset) is \$19,711,186, deferred inflows of resources related to pensions is \$3,593,316 and deferred outflows of resources related to pensions is \$7,714,450.</p>	(15,590,052)
<p>Governmental funds report the effect of premiums, discounts, and similar items when the bonds are first issued by the District whereas these amounts are deferred and amortized in the Statement of Activities.</p>	(2,775,513)
<p>Deferred outflows (changes of assumptions and other inputs - OPEB) and inflows (differences between expected and actual experience - OPEB) of resources are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>	(43,506)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p> <p>Long-term liabilities at year end consisted of:</p>	
Bonds payable	(34,575,000)
Accrued interest on the bonds	(263,427)
Compensated absences	(192,532)
OPEB obligation	<u>(3,285,892)</u>
	<u>(38,316,851)</u>
Total net position - governmental activities	<u><u>42,641,004</u></u>

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Governmental Fund Types
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Fiscal Year Ended June 30, 2018

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	6,770,563	5,332,470	2,431,582		14,534,615
Penalties and interest on delinquent taxes	47,151	27,561	16,580		91,292
Earnings on investments	374,995			(248)	374,747
Transportation fees	246,093				246,093
Rental	49,429				49,429
Food service	1,151			679,582	680,733
Tuition	11,075				11,075
Contributions	106,111				106,111
Other local	78,236		20,061	40,059	138,356
State apportionment					
Base	42,209,770				42,209,770
Transportation	1,960,605				1,960,605
Exceptional child	271,800				271,800
Benefits	5,545,979				5,545,979
Other school support	660,499				660,499
Property tax replacement	125,855	185,250			311,105
Other state revenue	2,346,582	437,380		2,834,998	5,618,960
Vocational education	176,976				176,976
Federal grants and assistance				7,761,955	7,761,955
Total revenues	60,982,870	5,982,661	2,468,223	11,316,346	80,750,100
EXPENDITURES					
Current					
Instruction	38,335,552			5,699,699	44,035,251
Support services	5,975,876			1,320,587	7,296,463
Administration	5,192,983			405,060	5,598,043
Business operations	958,979				958,979
Operations	5,748,081			27,384	5,775,465
Transportation	2,744,627				2,744,627
Noninstructional	32,324			3,429,339	3,461,663

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Governmental Fund Types
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Fiscal Year Ended June 30, 2018

	General	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
EXPENDITURES , continued					
Debt service					
Principal		6,900,062			6,900,062
Interest		1,842,266			1,842,266
Fees		91,080			91,080
Facility acquisition	8,433		3,829,996	717	3,839,146
Total expenditures	<u>58,996,855</u>	<u>8,833,408</u>	<u>3,829,996</u>	<u>10,882,786</u>	<u>82,543,045</u>
Revenues over (under) expenditures	<u>1,986,015</u>	<u>(2,850,747)</u>	<u>(1,361,773)</u>	<u>433,560</u>	<u>(1,792,945)</u>
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets			5,711		5,711
Refunding bonds issued		3,567,113			3,567,113
Payment to refunded bond escrow agent		(3,483,083)			(3,483,083)
Operating transfers, net	(253,024)		237,333	15,691	0
Total other financing sources (uses)	<u>(253,024)</u>	<u>84,030</u>	<u>243,044</u>	<u>15,691</u>	<u>89,741</u>
Revenues and other financing sources over (under) expenditures	1,732,991	(2,766,717)	(1,118,729)	449,251	(1,703,204)
Fund balance - July 1, 2017	<u>15,749,162</u>	<u>6,183,346</u>	<u>5,300,128</u>	<u>2,315,961</u>	<u>29,548,597</u>
Fund balance - June 30, 2018	<u><u>17,482,153</u></u>	<u><u>3,416,629</u></u>	<u><u>4,181,399</u></u>	<u><u>2,765,212</u></u>	<u><u>27,845,393</u></u>

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds:	(1,703,204)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays.	(418,620)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues in the governmental funds. Unearned tax revenues increased by \$3,981 this year.	3,981
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,402,604
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. The decrease in interest expense reported in the Statement of Activities is the net result of the decrease in accrued interest on bonds by \$241,189.	241,189
Vested employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year. Change in OPEB obligation (\$146,776). Change in net pension liability \$6,012,381. Change in deferred outflows of resources related to pensions (\$9,786,609). Change in deferred inflows of resources related to pensions \$5,432,182. Change in compensated absences \$1,372.	<u>1,512,550</u>
Change in net position of governmental activities	<u><u>7,038,500</u></u>

The accompanying notes are an integral part of these statements.

Idaho Falls School District #91

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	<u>916,911</u>
Total assets	<u><u>916,911</u></u>
LIABILITIES	
Due to student groups	<u>916,911</u>
Total liabilities	<u><u>916,911</u></u>

The accompanying notes are an integral part of these statements.

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Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General. The basic financial statements listed in the table of contents have been prepared in accordance with the American Institute of Certified Public Accountants' Industry Audit Guide for Audits of State and Local Government Units.
2. Reporting Entity. The Idaho Falls School District #91 (the District) is the basic level of government, which has financial accountability and control over all activities related to the public school education in the area served. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units as defined by the Governmental Accounting Standards Board that are required to be included in the District's reporting entity.
3. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

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

4. Fund Accounting. The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds, each reported in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used to acquire school facilities, renovate existing facilities, or as otherwise provided in the Idaho Code.

Additionally, the District reports the following fund types:

Special Revenue Fund - The purpose of the Special Revenue Fund is to account for federal, state, and locally funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the Grant Awards. The Special Revenue Fund types include the Child Nutrition Fund. The purpose of the Child Nutrition Fund is to account for all federal support and student charges which are received by the District for the purpose of providing students with a nutritional, inexpensive meal.

Fiduciary Fund Types

Agency Fund (School Activity Funds) - Activity Funds are monies collected principally through fund raising efforts of the individual schools or school sponsored groups. The school principal is responsible, under the authority of the Board of Trustees, for collecting, controlling, disbursing, and accounting for all School Activity Funds.

5. Basis of Accounting. The District applies the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the District's financial outlook.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for its fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other internally directed revenues are reported instead as general revenues.

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation has been allocated specifically to functional areas with the majority of it being allocated to instructional. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental 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 expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

6. Budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects funds. All annual appropriations lapse at fiscal year end. The District did not amend its budgets in 2018.

Encumbrances represent commitments related to unperformed contracts for goods or 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. Encumbrances outstanding at year end are reported as assigned fund balance to indicate an obligation to the District.

The District budgets transfers from the General Fund to other funds to cover the costs incurred by these funds in excess of the revenues generated. Certain indirect costs are charged to several Special Revenue Funds through budgeted transfers from the Special Revenue Funds to the General Fund.

7. Cash and Investments. Cash includes amounts in demand as well as short-term investments with a maturity date within three months of the date acquired by the District. The District pools cash of all funds into common bank accounts except the bond proceeds, which are kept in a separate account. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Idaho law, and national banks having their principal offices in Idaho.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. Cash and Investments. *continued*, State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The District has elected to deposit cash in excess of immediate needs into the Local Government Investment Pool (LGIP) and State of Idaho Diversified Bond Fund. The Local Government Investment Pool and State of Idaho Diversified Bond Fund (DBF) were established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. An annual audit of the LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP. All other cash is deposited with local banks in checking or savings accounts.

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk outside of the deposit and investment agreements. The District is authorized to invest in the State of Idaho Local Government Investment Pool and Diversified Bond Fund. This pooling is intended to improve administrative efficiency and increase investment yield.

Credit risk, is the risk that an issuer of debt securities, or another counterparty to an investment, will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The investments of the District are not rated and the District's policy does not restrict them to rated investments.

8. Short-term Interfund Receivables / Payables. During the course of operations, numerous transactions occur between individual funds and the General Fund for goods provided, or services rendered. These receivables and payables are classified as 'interfund receivable' or 'interfund payable' on the balance sheet.
9. Inventories. Supplies inventory consists of paper and other supplies and equipment received at the end of the fiscal year, which had not yet been consumed. The cost is recorded as an expenditure at the time the item is consumed. Inventories are stated at cost on a first-in, first-out basis, which approximates market. Other supplies inventory on hand at year end has not been recorded as inventory, and was treated as expended when purchased.
10. Capital Assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Buildings, improvements, and equipment assets are depreciated using the straight line depreciation method over the following estimated useful lives:

Assets	Years
Buildings	50
Equipment	3-15
Vehicles	3-5

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

11. Compensated Absences. Employees are entitled to certain compensated absences based on their length of employment. The entire compensated absences owed are reported in the governmental-wide financial statements.
12. Other Post-Employment Benefits. PERSI employees who retire and have not yet become eligible for Federal Medicare coverage are eligible to purchase insurance through the District's healthcare plan. Although retirees pay their own premium, there is an implicit cost due to increased group premiums when retirees are included in District insurance plans. For the purpose of measuring the net other post-employment benefit liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, and other post-employment benefit expenses, information about fiduciary net position of the implicit medical benefit Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments are recognized when due and payable in accordance with the benefit terms. GASB Statement 75 has been implemented as of July 1, 2017 resulting in a restatement of the District's beginning net position.
13. Pensions. 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 are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
14. Long-term Obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available, financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.
15. Deferred Outflows / Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category and they occur on the government-wide statement of net position. The District reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset). The District also reports a deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. The last deferred outflow results from changes of assumptions or other inputs on the OPEB obligation.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions and difference between expected and actual experience – OPEB on the government wide financial statements.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

16. Net Position Flow Assumption. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.
17. Fund Balance Flow Assumptions. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances).

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

18. Fund Balance. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributions, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can used only be for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The School Board is the highest level of decision-making authority for the District that can, by board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The School Board has by resolution authorized management to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

19. Risk Management. The District is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees.

Commercial policies, transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

20. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

21. New Accounting Pronouncements. The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this statement is to improve the usefulness of information about other postemployment benefits included in the financial reports of state and local governments for making decision and assessing accountability. The implementation of this statement required a restatement of beginning net position as described more fully in Note R.

NOTE B CASH AND INVESTMENTS

At June 30, 2018, the carrying amount of the District's deposits was \$7,400,673 and the bank balance was as follows:

	<u>Bank Balance</u>
Insured by Federal Depository Insurance	858,825
Uninsured and uncollateralized	<u>7,374,785</u>
Total	<u><u>8,233,610</u></u>

At June 30, 2018, the cost and fair market value of the District's investments were as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Average Maturity</u>
Local Government Investment Pool	15,452,397	15,480,211	94 days
Diversified Bond Fund	5,384,352	5,242,765	3.65 years
Total investments	<u><u>20,836,749</u></u>	<u><u>20,722,976</u></u>	

Interest rate risk - The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk - The District invests in accordance with Idaho code, Title 67, chapter 12. The District's deposits and investments at year end are limited to the Local Government Investment Pool (LGIP), the State Diversified Bond Fund (DBF), bank deposits, and certificates of deposits with various banks located in Idaho. The District has reduced its concentration of credit risk by using several financial institutions.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE B CASH AND INVESTMENTS, continued

Custodial credit risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$7,374,785 of the District's deposits and certificates of deposit was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$15,452,397 was held in the State Treasurer's Investment Pool, and \$5,384,352 was held in the Diversified Bond Fund which are not insured or guaranteed by the FDIC.

Amounts held by the LGIP and DBF were held in the following investments: government agency notes, corporate bonds, Idaho bank deposits, commercial paper, U.S. treasury notes, commercial mortgages, repurchase agreements, and purchased accrued interest. All investments for the LGIP and DBF are collateralized with securities held by the pool's agent in the pool's name. The investments held by the pools are carried at fair value (determined by the Idaho State Treasurer's Office). Information necessary to determine the level of collateralization for the pools was unavailable.

The LGIP and the DBF are audited annually, and the related financial statements and note disclosures are included in the State of Idaho's Comprehensive Annual Financial Report, a copy of which can be downloaded from www.sco.idaho.gov.

NOTE C PROPERTY TAXES

In accordance with Idaho State Law, ad valorem property tax is levied in dollars in September for each calendar year. Taxes are recorded by the District using the modified accrual basis of accounting. Levies are certified on the second Monday of September. All of the personal property tax, and one-half of the real property tax are due on or before December 20. The remaining one-half of the real property tax is due on or before June 20 of the following year.

Property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the county clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year.

Bonneville County acts as an agent for the District in both the assessment and collection areas. The County remits tax revenues to the District periodically, with the majority of the collections being remitted in January and July.

NOTE D INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the District had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded as follows:

	Receivable	Payable
General Fund	1,745,977	
Nonmajor Funds		1,745,977
Total	1,745,977	1,745,977

The General Fund transferred \$72,370 to support various major and nonmajor programs in accordance with the budget and other funding considerations. The General Fund transferred \$88,061 to Child Nutrition as required by state law, and \$237,333 was transferred to Capital Projects for bus depreciation. The federal programs transferred \$72,370 to the General Fund as budgeted for payment of indirect costs.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE E LEASE OBLIGATIONS

The District was obligated for the following leases, which are categorized as operating leases subject to non-appropriation:

Lessor	Description of Leased Property	Date of Expiration	Term of Lease	Future Annual Lease Amount	Minimum Lease Payments
Yost	Copiers	7/31/20	60 Months	\$57,692	119,342
Yost	Copiers	10/1/20	60 Months	2,144	4,824
Yost	Copiers	7/31/21	60 Months	6,003	18,509
Total Minimum Lease Payments					<u>142,675</u>

Total rental expense under the equipment and other operating leases for the year ended June 30, 2018, was \$154,127. Minimum future lease payments under these operating leases as of June 30, 2018, for the succeeding years are:

Fiscal Year Ended June 30,	Total
2019	65,431
2020	65,431
2021	11,313
2022	500
Total	<u>142,675</u>

NOTE F CONSTRUCTION COMMITMENTS

During the year ended June 30, 2018, the District contracted with various contractors to do certain projects, revisions, and additions. The following construction contracts were in progress at June 30, 2018:

Project	Original bid plus changes	Average percent complete	Expenditures Recorded Currently	Remaining construction obligation
Transportation Facility	2,773,646	52%	1,431,562	1,342,084
Total	<u>2,773,646</u>		<u>1,431,562</u>	<u>1,342,084</u>

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE G CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2018:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated				
Land				
Elementary	777,074			777,074
Secondary	598,675			598,675
Administration	89,383			89,383
Construction in progress	211,944	1,431,562	(211,944)	1,431,562
Total capital assets, not being depreciated	1,677,076	1,431,562	(211,944)	2,896,694
Capital assets, being depreciated				
Buildings				
Elementary	64,924,331	10,975		64,935,306
Secondary	40,019,656	165,088		40,184,744
Administration	1,914,491	139,165		2,053,656
Total buildings	106,858,478	315,228		107,173,706
Equipment				
Elementary	767,061		(10,000)	757,061
Secondary	1,532,900	33,396		1,566,296
Administration	1,388,721	152,843	10,000	1,551,564
Total equipment	3,688,682	186,239		3,874,921
Vehicles	5,469,803	362,717		5,832,520
Total capital assets, being depreciated	116,016,963	864,184	0	116,881,147
Less accumulated depreciation for:				
Buildings	(39,657,518)	(1,993,704)		(41,651,222)
Equipment	(2,449,551)	(207,495)		(2,657,046)
Vehicles	(4,277,275)	(301,223)		(4,578,498)
Total accumulated depreciation	(46,384,344)	(2,502,422)		(48,886,766)
Total capital assets being depreciated, net	69,632,619	(1,638,238)		67,994,381
Governmental activities capital assets, net	71,309,695	(206,676)	(211,944)	70,891,075

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE G CAPITAL ASSETS, continued

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities	
Instruction	1,604,978
Support services	265,973
Administration	204,062
Transportation	301,223
Noninstructional	126,186
Total depreciation expense – governmental activities	<u>2,502,422</u>

NOTE H PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period September 1, 2017, through May 31, 2018, to be paid over the twelve months of September 1, 2017, through August 31, 2018. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

NOTE I OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. Idaho Falls School District #91's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross of Idaho. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's health insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership with a PERSI employer. The retiree is on the same medical plan as the District's active employees.

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. For fiscal year 2018, the District contributed approximately \$253,787 of the annual required contribution of \$272,179. Retirees are required to pay 100% of the premiums for both the retiree and the dependent coverage.

Net Other Post-employment benefit Liability. The Net other post-employment benefit liability (NOL) was measured as of June 30, 2018, and the total other post-employment benefit liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Methods and Assumptions. The District does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-basis and there is not a trust for accumulating plan assets. The following actuarial methods and assumptions were used in the July 1, 2017 accounting valuation:

Valuation Timing	Actuarial valuations are performed biennially as of July 1 for accounting purposes only. The most recent valuation was performed as of July 1, 2017.
Actuarial Cost Method	Entry Age Normal
Inflation	3.75%
Salary Increases	3.75% general wage growth plus increases due to promotions and longevity.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE I OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Discount Rate	3.87%
Health Cost Trend Rates	Medical with vision trend is 6.4% from year ending June 30, 2018 to year ending June 30, 2019, 6.5% from year ending June 30, 2019, to June 30, 2020, then gradually decreasing to an ultimate rate of 3.8% for 2075 and beyond. Dental trend is 3% from year ending June 30, 2018, to year ending June 30, 2019, then gradually lowering to 2.0% for 2022 and beyond, as shown in the July 1, 2017, valuation report.
Retirement	Based on PERSI with 19% of Males and 10% of Females eligible at age 55, 30% of Males and 26% of Females first year eligible at age 60, and 36% of Males and 49% of Females eligible at age 65.
Turnover	45% of future retirees are assumed to elect medical coverage, 46% of future retirees are assumed to elect dental coverage, and 70% of the future retirees who elect medical or dental coverage and are married are assumed to elect spousal coverage as well.
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA with adjustments, set back three years for both males and females.
Retiree Contributions	The retiree contributions are a weighted average of all retiree contributions for the period July 1, 2017, to June 30, 2018. The cost of Medical and Prescription Drug was \$6,988 for a retiree or surviving spouse, and \$8,382 for a spouse. For Dental it was \$418 for a retiree or surviving spouse, and \$458 for a spouse.

Total OPEB Liability	June 30, 2018
Actuarially Determined Contribution (ADC)	441,690
Total OPEB liability	3,285,892
Covered employee payroll	32,172,000
Total OPEB liability as a % of covered employee payroll	10.21%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 75.

Discount Rate	
Discount Rate	3.87%
20 Year Tax-Exempt Municipal Bond index	3.87%

The discount rate was based on the 20 year Municipal Bond Index on 6/30/2018.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE I OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Other Key Actuarial Assumptions

The total OPEB liability as of July 1, 2017, and June 30, 2018, were based on the 2016 PERSI Experience study for demographic assumptions and the July 1, 2017, OPEB Valuation for the economic and OPEB specific assumptions.

Changes in total OPEB liability	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2017	3,182,622
Changes for the year:	
Service cost	272,179
Interest on total OPEB liability	128,384
Effect of plan experience changes	(139,951)
Effect of assumptions, changes, or inputs	96,445
Expected benefit payments	(253,787)
Balance as of June 30, 2018	3,285,892

Sensitivity Analysis

The following presents the total OPEB liability of the school district, calculated using the discount rate of 3.87%, as well as what the school district's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total June 30, 2018, OPEB liability	3,486,831	3,285,892	3,095,895

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

	1% Decrease	Current Trend Rate	1% Increase
Total June 30, 2018, OPEB liability	2,992,794	3,285,892	3,626,186

OPEB Expense	July 1, 2017 to June 30, 2018
Service cost	272,179
Interest on total OPEB liability	128,384
Recognition of Deferred Inflows/Outflows of Resources	
Difference between expected and actual experience	0
Recognition of assumption changes or inputs	0
Benefit Payments	(253,787)
OPEB expense	146,776

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE I OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Other Post-employment benefits Expense and Deferred Outflows of Resources and Deferred Inflows for Resources Related to Other Post-employment Benefits

Schedule of Deferred Inflow/Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	(139,951)	June 30, 2018	14.34	0		(139,951)
Changes of assumptions or other inputs	96,445	June 30, 2018	14.34	0	96,445	
Total	<u>(43,506)</u>			<u>0</u>	<u>96,445</u>	<u>(139,951)</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	(3,032)
2020	(3,032)
2021	(3,032)
2022	(3,032)
2023	(3,032)
Thereafter	(28,346)

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE J LONG-TERM DEBT

Following is a summary of the changes the general long-term debt for the year ended June 30, 2018:

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018
Bonds payable	40,675,000	3,540,000	9,640,000	34,575,000
Premium	4,078,117	27,113	748,177	3,357,053
Total bonds/premium	<u>44,753,117</u>	<u>3,567,113</u>	<u>10,388,177</u>	<u>37,932,053</u>
Compensated absences	193,904		1,372	192,532
OPEB	3,182,622	103,270		3,285,892
Total	<u>48,129,643</u>	<u>3,670,383</u>	<u>10,389,549</u>	<u>41,410,477</u>

Payment on the general obligation bonds are made by the debt service fund from property taxes and state bond levy equalization funds. Payment on the employment benefits is from the fund in which the employee works.

On June 18, 2018, the District issued \$3,540,000 in general obligation refunding bonds and made additional payments of \$3,800,000 to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of paying all future debt service payments of \$6,500,000 of general obligation bonds on the 2012A series.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE J LONG-TERM DEBT, continued

The District completed the advanced refunding to reduce its total debt service payments over the next 13 years by \$3,203,285 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,107,416. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$779,315. This difference is reported in the statement of net position as a deferred outflow of resources and will be recognized as a component of interest expense over the life of the series 2018 general obligation refunding bonds.

In September of 2017, the District placed \$1,403,592 to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of paying all future debt service payments of \$1,265,000 of general obligation bonds on the 2012B series. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$138,592, recognized in the current year as a component of interest expense. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities on the statement of net position.

NOTE K GENERAL OBLIGATION BOND ISSUES

The District had four general obligation bond issues (2012A Series, 2012B Series, 2012C Series and 2018 refunding Series) outstanding at the end of the year with interest rates ranging from 3 to 5 percent. The 2012A Series, 2012B Series, 2012C Series and 2018 Series bonds are scheduled to mature September 2020, September 2028, September 2029, and September 2032. Payments on the general obligation bonds are made by the debt service fund from property taxes and state bond levy equalization support.

Future debt service requirements are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2019	3,269,278	1,319,278	1,950,000
2020	5,011,038	1,241,038	3,770,000
2021	5,010,237	1,105,237	3,905,000
2022	3,187,213	992,213	2,195,000
2023	3,182,712	902,712	2,280,000
2024-2028	14,761,712	3,146,712	11,615,000
2029-2033	9,637,556	777,556	8,860,000
Total	<u>44,059,746</u>	<u>9,484,746</u>	<u>34,575,000</u>

Outstanding bond obligations and related premiums include the following:

\$14,320,000 2012A general obligation bond due in semi-annual interest only payments of \$195,500 through September 15, 2025, when principal payment of \$1,170,000 to \$3,020,000 will be due for September 2025 through 2029; interest at .5%, with unamortized bond premium of \$1,758,937. \$6,500,000 of bonds due September 15, 2030 and 2031 were refunded in June of 2018. 9,578,937

\$29,670,000 2012BA general obligation bonds due in annual installments of \$1,000,000 to \$2,065,000 through September 15, 2028; interest from 3.0% to 4.0%, including unamortized bond premium of \$1,434,628. \$1,265,000 of bonds due September 2023 through September 2026 were refunded in September of 2018. 21,714,628

\$2,935,000 2012C general obligation bonds due in semi-annual interest only installments of \$55,031 through September 15, 2031, and the final interest payment and principal due September 15, 2032; interest at 3.75% with unamortized bond premium of \$136,375. 3,071,375

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE K GENERAL OBLIGATION BOND ISSUES, continued

\$3,540,000 general obligation refunding bonds, Series 2018 due in annual installments of \$1,745,000 to \$1,795,000 through September 15, 2020; interest at 3.000% including unamortized bond premium of \$27,113. The bonds are not subject to optional redemption prior to their maturity.

	3,567,113
Total	37,932,053

Changes to bond principal payable and interest payable are summarized as follows:

Principal	Total
Balances at July 1, 2017	40,675,000
Refunding bonds issued	3,540,000
Bonds retired during fiscal year	(1,875,000)
Bonds defeased	(7,765,000)
Balances at June 30, 2018	34,575,000
Interest to be provided	Total
Balances at July 1, 2017	15,573,144
Interest paid on bonds during fiscal year	(1,692,612)
Change in interest due to refunding	(4,395,786)
Balances at June 30, 2018	9,484,746

NOTE L LEGAL DEBT MARGIN

The District is subject to a statutory limitation by the Idaho Code for bonded indebtedness payable principally from property taxes. The limit of bonded indebtedness is 5% of property market value for assessment purposes, less the aggregate outstanding debt. The debt limit for the District is \$4,551,541,928 x 5%, or \$227,577,096. The Debt Service fund had \$3,231,879 available and the general obligation debt was \$34,575,000 leaving a legal debt margin of \$196,233,975.

NOTE M PENSION PLAN

Plan Description

The 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.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE M PENSION PLAN, continued

Pension Benefits

The Base Plan provides retirement, disability, death, and survivor benefits for 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% of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The District's contributions were \$4,619,316 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the District's proportion was 1.2540293 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$2,961,363. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE M PENSION PLAN, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	2,730,621	1,775,812
Changes in assumptions or other inputs	364,513	
Net difference between projected and actual earnings on pension plan investments		1,180,979
Changes in the employer's proportion and differences between the employer's contribution and the employer's proportionate contributions		636,525
District contributions subsequent to the measurement date	4,619,316	
Total	7,714,450	3,593,316

\$4,619,316 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, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the system (active and inactive employees) determine at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 years and 5.5 years for the measurement period ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:	
2018	(1,294,813)
2019	1,628,628
2020	380,868
2021	(1,212,869)

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 50-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE M **PENSION PLAN**, continued

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

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

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

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 rates or expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Capital Market Assumptions

<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%
			Expected	
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Real Return</u>	<u>Expected Risk</u>
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.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE M **PENSION PLAN**, continued

Actuarial Assumptions:	
Assumed Inflation – Mean	3.25%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

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 period of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer’s proportionate share of the net pension liability (asset)	45,812,853	19,711,186	(1,979,990)

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At June 30, 2018, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Idaho Falls School District #91

Notes to Financial Statements
June 30, 2018

NOTE N BOND ADVANCE REFUNDING

On June 18, 2018, the District issued \$3,540,000 of refunding bonds with an interest rate of 3%. The District issued the bonds to advance refund \$6.5 million of the outstanding series 2012A and 2012B with interest rates ranging from 4% to 5%. The District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2012A and 2012B series bonds. As a result, that portion of the 2012A and B bonds is considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bond is \$6,500,000 at June 30, 2018.

The advance refunding reduced total debt service payments over the next 12 years by nearly \$7 million. This results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,107,416.

NOTE O POST RETIREMENT BENEFITS

The District funds post retirement benefits on a current basis through PERSI. The district paid 1.26% of the wages covered by PERSI to the State for the 2017-2018 school year. At the time of retirement, a sum equal to one-half of the monetary value of unused sick leave, calculated at the rate of pay at that time, is transferred from the sick leave account to the employee's retirement account. This money shall then be used to pay premiums for health, accident, dental, and life insurance.

NOTE P NON-MONETARY TRANSACTIONS

The District received \$275,188 in USDA Commodities during the 2017-2018 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and expense of the fund receiving the commodities.

NOTE Q COMMITMENTS AND CONTINGENCIES

The District is involved in claims arising from the ordinary course of operations. Among these matters, a suit has been filed against Pocatello and Bonneville school districts, namely *Zeyen v. ALL DISTRICTS AND CHARTER SCHOOLS*. The plaintiff asserts that fees charged by all public schools throughout the state of Idaho are unconstitutional. The U.S District Court has not yet certified this matter as a class action and discovery has not yet commenced. The estimated possible loss to the District for these claims is uncertain, as the likelihood of an unfavorable outcome is unknown. No accrual has been reflected in the financial statements for these matters. In the opinion of the District's management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial condition.

NOTE R PRIOR YEAR RESTATEMENT

As a result of a transition from GASB Statement 45 to GASB Statement 75, the governmental activities beginning net position was restated to increase net post-retirement obligation by \$2,924,860. The restated beginning net position at July 1, 2017, after this adjustment is \$35,602,504.

NOTE S SUBSEQUENT EVENTS

Management of the District evaluated subsequent events through October 24, 2018, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the District, that are required to be disclosed.

REQUIRED FINANCIAL INFORMATION

Idaho Falls School District #91

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget to Actual-
Fiscal Year Ended June 30, 2018

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	6,800,000	6,770,563	(29,437)
Penalties and interest on delinquent taxes	50,000	47,151	(2,849)
Earnings on investments	100,000	374,995	274,995
Transportation fees	160,000	246,093	86,093
Tuition		11,075	11,075
Rental	45,000	49,429	4,429
Contributions	99,543	106,111	6,568
Other local		79,387	79,387
State apportionment			
Base	41,966,560	42,209,770	243,210
Transportation	1,875,000	1,960,605	85,605
Exceptional child	160,000	271,800	111,800
Benefits	5,525,490	5,545,979	20,489
Other school support	608,000	660,499	52,499
Property tax replacement	130,508	125,855	(4,653)
Other state revenue	2,245,173	2,346,582	101,409
Vocational education	135,000	176,976	41,976
Total revenues	<u>59,900,274</u>	<u>60,982,870</u>	<u>1,082,596</u>
EXPENDITURES			
Instruction			
Elementary	16,938,393	16,526,437	411,956
Secondary	15,096,614	15,075,833	20,781
Alternative school	592,567	585,692	6,875
Professional technical education	1,094,124	1,095,232	(1,108)
Exceptional child	3,827,407	3,724,359	103,048
Special education preschool program	426,364	416,123	10,241
Gifted and talented	257,156	213,088	44,068
Interscholastic program	503,988	497,644	6,344
School activity	82,733	79,909	2,824
Summer school	1,867	17	1,850
Detention center	122,154	121,218	936
Total instruction	<u>38,943,367</u>	<u>38,335,552</u>	<u>607,815</u>
Support services			
Attendance, guidance, and health	2,886,767	2,806,556	80,211
Special education support services	721,536	686,137	35,399
Instructional improvement	1,029,230	938,577	90,653
Educational media	429,428	440,913	(11,485)
Instruction related technology	1,146,569	1,103,693	42,876
Total support services	<u>6,213,530</u>	<u>5,975,876</u>	<u>237,654</u>

See Independent Auditor's Report.

Idaho Falls School District #91

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget to Actual-
Fiscal Year Ended June 30, 2018

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
EXPENDITURES, continued			
Administration			
Board of Education	332,029	335,064	(3,035)
District administration	1,087,483	1,006,115	81,368
School administration	3,728,260	3,851,804	(123,544)
Total administration	<u>5,147,772</u>	<u>5,192,983</u>	<u>(45,211)</u>
Business administrative services			
Business operations	501,265	490,274	10,991
Central services	113,567	112,255	1,312
Administrative technology services	344,186	356,450	(12,264)
Total business administrative services	<u>959,018</u>	<u>958,979</u>	<u>39</u>
Operations			
Building care (custodial)	3,053,784	3,145,189	(91,405)
Maintenance	2,540,822	2,571,276	(30,454)
Security	80,471	31,616	48,855
Total operations	<u>5,675,077</u>	<u>5,748,081</u>	<u>(73,004)</u>
Transportation	<u>2,713,733</u>	<u>2,744,627</u>	<u>(30,894)</u>
Noninstructional	<u>29,015</u>	<u>32,324</u>	<u>(3,309)</u>
Facility acquisition services	<u>0</u>	<u>8,433</u>	<u>(8,433)</u>
Contingency reserve	<u>2,998,308</u>	<u>0</u>	<u>2,998,308</u>
Total expenditures	<u>62,679,820</u>	<u>58,996,855</u>	<u>3,691,398</u>
Revenues over (under) expenditures	(2,779,546)	1,986,015	4,773,994
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	<u>(203,742)</u>	<u>(253,024)</u>	<u>(49,282)</u>
Revenues and other financing sources over (under) expenditures	<u>(2,983,288)</u>	1,732,991	<u>4,724,712</u>
Fund balance - July 1, 2017		<u>15,749,162</u>	
Fund balance - June 30, 2018		<u>17,482,153</u>	

See Independent Auditor's Report.

Idaho Falls School District #91

Required Supplementary Information

Fiscal Year Ended June 30, 2018

Schedule of Changes in Total OPEB Liability and Related Ratios

As of the measurement date of June 30, 2018	<u>2018</u>
Total OPEB Liability	
Service cost	272,179
Interest on total OPEB liability	128,384
Changes of benefit terms	(139,951)
Effect of economic/demographic gains or (losses)	
Effect of assumption changes or inputs	96,445
Expected benefit payments	<u>(253,787)</u>
Net change in total OPEB liability	103,270
Total OPEB liability, beginning	<u>3,182,622</u>
Total OPEB liability, ending	3,285,892
Covered employee payroll	32,172,000
Total OPEB liability as a % of covered employee payroll	10.21%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Independent Auditor's Report.

Idaho Falls School District #91

Required Supplementary Information
Fiscal Year Ended June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of net pension liability	1.2540293%	1.2689501%	1.2747356%	1.3247276%
Employers proportionate share of the net pension liability	19,711,186	25,723,567	16,786,194	9,752,068
Employer's covered payroll	38,949,285	36,883,746	35,429,127	35,623,545
Employer's proportional share of the net pension liability as a percentage of its covered payroll	50.61%	69.74%	47.38%	27.38%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%	94.95%

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

Data reported is measured as of June 30, 2017 (measurement date).

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	4,619,316	4,409,059	4,175,240	4,010,577
Contributions in relation to the statutorily required contribution	4,619,316	4,409,059	4,175,240	4,010,577
Employer's covered payroll	40,806,676	38,949,285	36,883,746	35,429,127
Contributions as a percentage of covered payroll	11.3200%	11.3200%	11.3200%	11.3200%

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

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

Idaho Falls School District #91

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2018

NOTE A BUDGET ADOPTION

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, Debt Service Fund and Capital Projects Fund. All annual appropriations lapse at year end.

See Independent Auditor's Report.

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OTHER FINANCIAL INFORMATION

Idaho Falls School District #91

All Nonmajor Funds
Combining Balance Sheet
June 30, 2018

	Federal Forest	E-Rate	State Professional Technical	Public School Technology	Idaho Substance Abuse	Title I Fund	Migrant Education	Title I Delinquent	IDEA School Age	IDEA Preschool	Medicaid	Title IV-A	Perkins Professional Technical	Title III	Supporting Effective Instruction	21st Century Schools	Child Nutrition	Expendable Fdn.	All Nonmajor Funds	
ASSETS																				
Cash and investments	107,486	40,311	462,528	657,179	86,156								8,265	48,974			1,199,941	39,073	2,649,913	
Receivables																				
Federal grants receivable	40,302					670,694	14,709	19,087	1,051,654	51,877		36,980		38,395	95,407	60,194			2,079,299	
State agencies			236,574								335,565								572,139	
Other receivables																		57	57	
Supplies inventory																	58,512		58,512	
Total assets	147,788	40,311	699,102	657,179	86,156	670,694	14,709	19,087	1,051,654	51,877	335,565	36,980	8,265	87,369	95,407	60,194	1,258,453	39,130	5,359,920	
LIABILITIES AND FUND EQUITY																				
LIABILITIES																				
Accounts payable			22,127	41,006		38,987		102	400	85					10,320		1,370	(7)	114,390	
Accrued wages			39,154		1,182	132,905	4,427	5,390	156,368	11,633	12,793		289	7,816	19,732	7,048	133,656		532,393	
Accrued employee benefits			13,194		454	40,893	2,718	2,399	64,233	3,423	5,756		83	4,003	5,223	2,235	55,044		199,658	
Accrued payroll liabilities						926			498	14	49			25			778		2,290	
Interfund payable						456,983	7,564	11,196	830,155	36,722	255,334	36,980			60,132	50,911			1,745,977	
Total liabilities	0	0	74,475	41,006	1,636	670,694	14,709	19,087	1,051,654	51,877	273,932	36,980	372	11,844	95,407	60,194	190,848	(7)	2,594,708	
FUND EQUITY																				
Nonspendable																	58,512		58,512	
Restricted	147,788	40,311	624,627	616,173	84,520						61,633		7,893	75,525			1,009,093	39,137	2,706,700	
Total fund equity	147,788	40,311	624,627	616,173	84,520	0	0	0	0	0	61,633	0	7,893	75,525	0	0	1,067,605	39,137	2,765,212	
Total liabilities and fund equity	147,788	40,311	699,102	657,179	86,156	670,694	14,709	19,087	1,051,654	51,877	335,565	36,980	8,265	87,369	95,407	60,194	1,258,453	39,130	5,359,920	

See Independent Auditor's Report.

Idaho Falls School District #91

All Nonmajor Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Year Ended June 30, 2018

	Federal Forest	E-Rate	State Professional Technical	Public School Technology	Idaho Substance Abuse	Title I Fund	Migrant Education	Title I Delinquent	IDEA School Age	IDEA Preschool	Medicaid	Title IV-A	Perkins Professional Technical	Title III	Supporting Effective Instruction	21st Century Schools	Child Nutrition	Expendable Fdn.	All Nonmajor Funds	
REVENUES																				
Earnings on investments																		(248)	(248)	
Food service																		679,582	679,582	
Other local																		1,000	39,059	40,059
Other state revenue			618,279	1,054,854	128,031						1,033,834								2,834,998	
Federal grants and assistance	40,302					2,056,814	53,716	65,830	2,029,109	101,521		37,381	145,646	85,234	356,384	188,690	2,601,328		7,761,955	
Total revenues	40,302	0	618,279	1,054,854	128,031	2,056,814	53,716	65,830	2,029,109	101,521	1,033,834	37,381	145,646	85,234	356,384	188,690	3,281,662	39,059	11,316,346	
EXPENDITURES																				
Instruction																				
Elementary	2,797			110,428		1,485,350	4,485					36,980		69,835	145	188,690		21,757	1,920,467	
Secondary	2,773			97,681		146,497	6,946					401		14,402	12,798	0		27,415	308,913	
Alternative school				3,372															3,372	
Exceptional child									1,843,263		947,004							0	2,790,267	
Special ed preschool program									471	100,358	0								100,829	
Summer school									4,780										4,780	
Vocational			375,191										138,193					450	513,834	
Detention center program								57,237											57,237	
Support services																				
Attendance, guidance, and health					19,814			7,819											27,633	
Instructional improvement			149,947	201	73,615	237,716			28,113				4,486		321,829				815,907	
Instructional related technology				477,047															477,047	
School administration					2,443	163,826	41,669		129,214		47,273		2,967		17,525			143	405,060	
Security					27,384														27,384	
Noninstructional services																			3,429,339	
Facility acquisition				717															717	
Total expenditures	5,570	0	525,138	689,446	123,256	2,033,389	53,100	65,056	2,005,841	100,358	994,277	37,381	145,646	84,237	352,297	188,690	3,429,339	49,765	10,882,786	
Revenues over (under) expenditures	34,732	0	93,141	365,408	4,775	23,425	616	774	23,268	1,163	39,557	0	0	997	4,087	0	(147,677)	(10,706)	433,560	
OTHER FINANCING SOURCES (USES)																				
Net transfers						(23,425)	(616)	(774)	(23,268)	(1,163)				(997)	(4,087)		70,021		15,691	
Total other financing sources	0	0	0	0	0	(23,425)	(616)	(774)	(23,268)	(1,163)	0	0	0	(997)	(4,087)	0	70,021	0	15,691	
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	34,732		93,141	365,408	4,775	0	0	0	0	0	39,557	0	0	0	0	0	(77,656)	(10,706)	449,251	
Fund balance - July 1, 2017	113,056	40,311	531,486	250,765	79,745	0	0	0	0	0	22,076	0	7,893	75,525	0	0	1,145,261	49,843	2,315,961	
Fund balance - June 30, 2018	147,788	40,311	624,627	616,173	84,520	0	0	0	0	0	61,633	0	7,893	75,525	0	0	1,067,605	39,137	2,765,212	

See Independent Auditor's Report.

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Idaho Falls School District #91

All Agency Funds
 Combining Schedule of Changes in Assets and Liabilities
 Fiscal Year Ended June 30, 2018

ASSETS	Balance June 30, 2017	Receipts	Disbursements	Balance June 30, 2018
Cash				
Idaho Falls High School	360,298	645,760	706,076	299,982
Skyline High School	216,982	716,484	767,928	165,538
Emerson High School	28,658	30,453	32,501	26,610
Compass Academy	15,851	144,642	141,779	18,714
Eagle Rock Jr. High School	53,278	63,340	62,415	54,203
Taylorview Jr. High School	19,976	100,615	85,527	35,064
Ethel Boyes Elementary School	12,720	11,815	11,087	13,448
Theresa Bunker Elementary School	4,387	15,624	14,046	5,965
A.H. Bush Elementary School	11,780	19,394	11,352	19,822
Edgemont Gardens Elementary School	12,719	11,914	9,188	15,445
Dora Erickson Elementary School	3,976	6,417	6,861	3,532
Fox Hollow Elementary School	886	5,577	2,911	3,552
Hawthorne Elementary School	5,251	2,415	1,847	5,819
Linden Park Elementary School	7,830	8,855	7,035	9,650
Longfellow Elementary School	6,893	19,477	17,342	9,028
Sunnyside Elementary School	12,587	22,117	25,180	9,524
Templeview Elementary School	4,743	19,652	11,642	12,753
Westside Elementary School	25,301	11,649	21,711	15,239
Athletic Funds	240,630	208,993	256,600	193,023
	<u>1,044,746</u>	<u>2,065,193</u>	<u>2,193,028</u>	<u>916,911</u>
Total assets	<u>1,044,746</u>	<u>2,065,193</u>	<u>2,193,028</u>	<u>916,911</u>

The Athletic Funds had revenues of approximately \$208,993 which included gate receipts, tournament fees, and a portion of the student activity card fees. Expenses totaled \$256,600 which included equipment, uniforms, entry fees, officials, game management, etc. The costs for coaches, state tournament costs, and transportation were paid from the General Fund.

Idaho Falls School District #91

All Agency Funds
 Combining Schedule of Changes in Assets and Liabilities
 Fiscal Year Ended June 30, 2018

LIABILITIES	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Due to student groups				
Idaho Falls High School	360,298	645,760	706,076	299,982
Skyline High School	216,982	716,484	767,928	165,538
Emerson High School	28,658	30,453	32,501	26,610
Compass Academy	15,851	144,642	141,779	18,714
Eagle Rock Jr. High School	53,278	63,340	62,415	54,203
Taylorview Jr. High School	19,976	100,615	85,527	35,064
Ethel Boyes Elementary School	12,720	11,815	11,087	13,448
Theresa Bunker Elementary School	4,387	15,624	14,046	5,965
A.H. Bush Elementary School	11,780	19,394	11,352	19,822
Edgemont Gardens Elementary School	12,719	11,914	9,188	15,445
Dora Erickson Elementary School	3,976	6,417	6,861	3,532
Fox Hollow Elementary School	886	5,577	2,911	3,552
Hawthorne Elementary School	5,251	2,415	1,847	5,819
Linden Park Elementary School	7,830	8,855	7,035	9,650
Longfellow Elementary School	6,893	19,477	17,342	9,028
Sunnyside Elementary School	12,587	22,117	25,180	9,524
Templeview Elementary School	4,743	19,652	11,642	12,753
Westside Elementary School	25,301	11,649	21,711	15,239
Athletic Funds	240,630	208,993	256,600	193,023
	<u>1,044,746</u>	<u>2,065,193</u>	<u>2,193,028</u>	<u>916,911</u>
Total liabilities	<u>1,044,746</u>	<u>2,065,193</u>	<u>2,193,028</u>	<u>916,911</u>

See Independent Auditor's Report.

Idaho Falls School District #91

Taxes Receivable
Fiscal Year Ended June 30, 2018

	General Fund		
	Total	2017	2016 and prior
Unearned balance at July 1, 2017	300,894	0	300,894
ADDITIONS			
Roll charges applicable to 2017	6,771,648	6,771,648	
Subsequent additions and cancellations	(1,479)	(851)	(628)
Total additions	6,770,169	6,770,797	(628)
DEDUCTIONS			
Collections received	4,519,765	4,330,339	189,426
Current amount due on taxes collected by the counties	2,251,190	2,230,313	20,877
Total deductions	6,770,955	6,560,652	210,303
Unearned balance at June 30, 2018	300,108	210,145	89,963

See Independent Auditor's Report.

Idaho Falls School District #91

Taxes Receivable
Fiscal Year Ended June 30, 2018

Debt Service Fund			Capital Projects Fund		
Total	2017	2016 and prior	Total	2017	2016 and prior
195,329	0	195,329	130,254	0	130,254
5,362,068	5,362,068		2,409,756	2,409,756	
(2,358)	(675)	(1,683)	(647)	(306)	(341)
5,359,710	5,361,393	(1,683)	2,409,109	2,409,450	(341)
3,551,065	3,433,845	117,220	1,622,885	1,555,616	67,269
1,781,404	1,768,576	12,828	808,698	801,207	7,491
5,332,469	5,202,421	130,048	2,431,583	2,356,823	74,760
222,570	158,972	63,598	107,780	52,627	55,153

See Independent Auditor's Report.

Idaho Falls School District #91

Analysis of the General Fund Balance Liquidity *June 30, 2018*

Fund balance of the General Fund at June 30, 2018	17,482,153
Less nonspendable-inventories	(312,333)
Less restricted for other purposes	(275,863)
Less assigned for encumbrances	(822,526)
Less assigned for specific programs	(3,695,764)
Less assigned for budget purposes	<u>(4,827,257)</u>
	<u><u>7,548,410</u></u>

See Independent Auditor's Report.

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Single Audit Section

Idaho Falls School District #91

June 30, 2018



**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 *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Idaho Falls School District #91
Idaho Falls, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to the financial audits contained in the *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 Idaho Falls School District #91 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Idaho Falls School District #91’s basic financial statements, and have issued our report thereon dated October 24, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Idaho Falls School District #91’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 Idaho Falls School District #91’s internal control. Accordingly, we do not express an opinion on the effectiveness of Idaho Falls School District #91’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 Idaho Falls School District #91’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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
October 24, 2018



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

Board of Trustees
Idaho Falls School District #91
Idaho Falls, Idaho

Report on Compliance for Each Major Federal Program

We have audited Idaho Falls School District #91's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Idaho Falls School District #91's major federal program for the year ended June 30, 2018. Idaho Falls School District #91's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Idaho Falls School District #91'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; 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 Requirement, 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 Idaho Falls School District #91's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Idaho Falls School District #91's compliance.

Opinion on Each Major Federal Program

In our opinion, Idaho Falls School District #91 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Idaho Falls School District #91 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 Idaho Falls School District #91's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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 Idaho Falls School District #91's internal control over compliance.

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

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

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



Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
October 24, 2018

Idaho Falls School District #91

Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Opinion.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified Opinion.

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? _____ Yes X No

Identification of major programs:

CFDA Number(s)
84.027/84.173

Name of Federal Program or Cluster
IDEA Cluster

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

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

Idaho Falls School District #91

Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Idaho Falls School District #91

Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
United States Department of Agriculture			
Passed Through Idaho State Department of Education:			
Child Nutrition Cluster			
Cash Assistance			
School Breakfast Program	10.553	2016IN109947 2017NI109947	44,954 338,490
National School Lunch Program – cash	10.555	2016IN109947 2017NI109947	223,267 1,585,601
Special Milk Program	10.556	2016IN109947 2017NI109947	164 <u>1,270</u>
			2,193,746
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555		<u>275,188</u>
Total Child Nutrition Cluster			2,468,934
Fresh Fruit and Vegetable Program	10.582	201616L160347 201717L160347	7,233 125,039
Recipe Trial	10.560	201717N253347	<u>2,669</u>
Total Passed Through Idaho State Department of Education			<u>2,603,875</u>
Passed Through Bonneville County			
Federal Forest	10.665		<u>5,570</u>
Total United States Department of Agriculture			<u>2,609,445</u>
United States Department of Education			
Passed Through Idaho State Department of Education			
Title I-Grants to Local Educational Agencies	84.010	S010A160012 S010A170012	501,631 1,621,013
Migrant Education	84.011	S011A160012 S011A170012	542 52,674
Migrant Education Coordination	84.144	S144G150062	500
English Language Acquisition	84.365	S365A160012 S365A170012	13,624 71,610
Supporting Effective Instruction	84.367	S367A160011 S367A170011	41,696 314,688
Special Education Cluster			
Special Education – School-age	84.027	H027A160088 H027A170088	174,458 1,854,652
Special Education – Preschool	84.173	H173A160030 H173A170030	7,297 <u>94,224</u>
Total Special Education Cluster			2,130,631

Idaho Falls School District #91

Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
United States Department of Education, continued			
Passed Through Idaho State Department of Education, continued			
21 st Century Schools	84.287	S287C160012	54,378
		S287C170012	134,312
Student Support and Academic Enrichment	84.424	S424A170013	37,381
Total Passed Through Idaho State Department of Education			4,974,680
Passed Through Idaho State Division of Professional Technical Vocational Education	84.048A	V048A160012	145,648
Total United States Department of Education			5,120,328
Total Federal Financial Assistance			7,729,773

Idaho Falls School District #91

Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2018*

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance issued by the Office of Management and Budget (OMB). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified basis of accounting as described in Note A to the District's financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C NONMONETARY TRANSACTIONS

Nonmonetary assistance is reported for the Food Distribution Program at fair market value of commodities received which is established by the State Department of Education. The District held \$38,783 of commodities in inventory at June 30, 2018.

NOTE D INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE D SUBRECIPIENTS

The District had no subrecipients or subrecipient expenditures.

Idaho Falls School District #91

Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2017

None.