POST FALLS SCHOOL DISTRICT NO. 273

FINANCIAL STATEMENT
JUNE 30, 2014

Post Falls School District No. 273
June 30, 2014

TABLE OF CONTENTS

FINANCIAL SECTION:

Independent Auditors' Report ..... 1 – 2

Management's Discussion and Analysis ..... 3 – 8

Basic Financial Statements:

District-wide Financial Statements:

Statement of Net Position 9

Statement of Activities 10

Governmental Funds Financial Statements:

Balance Sheet ..... 11 – 12

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 13

Statement of Revenues, Expenditures and Changes in Fund Balances ..... 14 – 15

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 16

Agency Funds:

Statement of Fiduciary Net Position 17

Notes to the Financial Statements ..... 18 – 32

Required Supplementary Information:

Schedule of Funding Progress for Postemployment Benefit Plans 33

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

General Fund 34

School Lunch Fund 35

Other Supplementary Information:

Nonmajor Governmental Funds – Combining Balance Sheet – By Fund Type 36

Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – By Fund Type 37

Nonmajor Special Revenue Funds – Combining Balance Sheet ..... 38 – 39

Nonmajor Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 40 – 41

Nonmajor Capital Projects Funds – Combining Balance Sheet 42

Nonmajor Capital Projects Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances 43

Agency Funds – Schedule of Changes in Deposit Balances of Individual Schools 44

TABLE OF CONTENTS

SINGLE AUDIT SECTION:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With *Government Auditing Standards* ..... 45 – 46

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 ..... 47 – 48

Schedule of Expenditures of Federal Awards 49

Notes to Schedule of Expenditures of Federal Awards 50

Schedule of Findings and Questioned Costs ..... 51 – 52

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Post Falls School District No. 273's basic financial statements as listed in the table of contents. We also have audited each fiduciary fund type of Post Falls School District No. 273, as of June 30, 2014, as displayed in the Post Falls School District No. 273's basic financial statements.

Management's Responsibility for the Financial Statements

Post Falls School District No. 273's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-8), the schedule of funding progress for postemployment benefit plans (page 33), and budgetary comparison information (pages 34-35) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Post Falls School District No. 273's financial statements. The combining and individual nonmajor fund financial statements, the schedule of changes in deposit balances of individual schools, and the schedule of expenditures of federal awards, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of Post Falls School District No. 273's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Post Falls School District No. 273's internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

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

September 30, 2014

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Post Falls School District's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial activities for the fiscal year. Efforts have been made to provide comparison to prior year data when such data is available.

FINANCIAL HIGHLIGHTS

- The school district convened the long range facility committee during this past school year. The committee made a recommendation to the school board to run a bond election in March of 2015 for several needed facility projects. The district will be examining the possibility of this election and also the refinancing of existing debt in order to offer this facility enhancement without an increase in taxes.

- The school district finished the year with a general fund balance of $705,751 which represents 2.44% of general fund revenues. This is an increase from the prior year of $317,678. Revenues came in approximately $95,000 over the budgeted amount and expenditures were reduced by $220,000 from the budgeted amount.

- The State of Idaho's economy continues to grow and recover from the economic recession experienced for the prior several years. Although funding for education has increased by only 2.2% in the just completed year, that, combined with the increased supplemental levy, should allow the district to be able to operate the same quality programming.

- The professional technical school, KTEC, a joint venture of the Post Falls, Lakeland and Coeur d'Alene school districts, has now completed two years of operations and has filled all available student openings. The three districts operate the school with funds contributed by the districts' based on enrollment from each district.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The statement of net position and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the district's finances. District-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.

- The remaining statements are fund financial statements that focus on individual parts of the district. Fund statements generally report operations in more detail than the district-wide statements.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

District-wide Statements

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

- Increases or decreases in the district's net assets are one indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall financial condition of the district, additional non-financial factors, such as changes in the district's property tax base and the condition of school buildings and other facilities, should be considered.

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

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

The district has two types of funds.

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Governmental fund information does not report on long-term commitments as is reported on the district-wide statements. Therefore an explanation of the differences between the governmental funds and the district-wide statements is included either at the bottom of the governmental funds statements or as a separate statement.

- Fiduciary funds – The district serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the district. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the district cannot use these assets to finance its operations.

FINANCIAL ANALYSIS

The District as a Whole

Net Position. Table I, below, provides a summary of the district's net position for the years ended June 30, 2014 and 2013.

Table 1
Statement of Net Position
June 30, 2014 and 2013

	2014	2013
ASSETS:		
Cash and cash equivalents	$3,899,056	$5,584,655
Receivables	4,778,738	3,558,305
Capital assets, net of accumulated depreciation	32,193,366	32,887,005
Total assets	$40,871,160	$42,029,965
LIABILITIES:		
Accounts payable	87,806	94,024
Accrued payroll and related costs	3,688,625	3,655,834
Interest payable	162,217	213,017
Long-term liabilities:		
Due within one year	2,643,082	2,541,950
Due in more than one year	8,275,161	10,857,949
Net OPEB obligation	51,679	64,521
Total liabilities	$14,908,570	$17,427,295
NET POSITION:		
Net investment in capital assets	21,658,366	19,935,822
Restricted for:		
Debt service	3,247,503	3,156,491
School Lunch	121,905	266,899
Plant Facility	223,735	207,864
Federal Title programs	113,487	128,033
Unrestricted	597,594	907,561
Total net position	$25,962,590	$24,602,670

The district's combined net position increased by 5.5% to $25,962,590. This represents an overall increase of $1,359,920. The increase in net position is mostly the result of the district reducing the outstanding debt at a rapid rate.

The district calculation of net position uses a historical cost of school buildings that may not accurately reflect the true value. Post Falls' buildings are in very good condition as a result of sufficient annual operating funds appropriated for maintenance and repair.

FINANCIAL ANALYSIS (CONTINUED)

Changes in net position. Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position from Operating Results
Government Activities 2014 and 2013

	2014	2013
REVENUES:		
Program revenues:		
Charges for services	$ 1,140,722	$ 1,228,253
Operating grants and contributions	4,569,941	4,253,564
Capital grants and contributions		
General revenues:		
Property taxes, levied for general purposes	4,383,985	2,799,196
Property taxes, levied for debt services	2,689,619	3,993,368
Property taxes, W. Seltice Urban Renewal District		
State revenues	24,505,107	24,087,158
Federal Assistance		140,083
Grants and contributions not restricted to specific purposes:		
Loss on disposal of capital assets	(386)	
Federal Forest	40,511	41,702
Interest and investment earnings	66,381	6,713
Donated Capital Assets	400,000	9,867
Miscellaneous	102,771	95,583
Special item-Kootenai Technical Education Campus		(89,974)
Total general revenues and special items	37,898,651	36,565,513
EXPENSES:		
Instructional services:		
Elementary programs	10,852,844	11,063,747
Secondary programs	9,471,005	9,169,802
Alternative school programs	583,997	626,921
Exceptional child programs	2,711,378	2,659,393
Activity programs	387,778	384,007
Other programs	61,463	55,970
Support services:		
Guidance and health programs	1,137,395	1,104,803
Special services	811,994	834,463
Improvement and media	327,301	339,525
District administration	319,083	307,552
School administration	1,812,667	1,780,315
Business administration	484,481	451,366
Maintenance	3,152,558	2,921,953
Transportation	1,716,726	1,701,173
Non-instructional services:		
School lunch	2,303,521	2,297,187
Interest on long-term debt	417,381	551,535
Change in OPEB Obligation	(12,842)	34,274
Total expenses	36,538,731	36,283,986
Change in net position	$ 1,359,920	$ 281,527

FINANCIAL ANALYSIS (CONCLUDED)

Changes in net position. (Concluded)

As shown in Table 2, the Post Falls School District relies on local property taxes for 18.7% of its governmental activities. The district had total revenues of $37.9 million. Total revenues exceeded expenses by $1,359,920.

Governmental Funds

The district completed the year with a total governmental fund balance of $4,811,482 which is a decrease of 9.0% from the ending balance in fiscal year 2013 that was $5,286,050.

- The general fund had an increase in fund balance of $317,670 for a net total of $705,751 at fiscal year-end. Revenues over and above expenditures in the amount of $317,678 was the principal reason for this decrease.

- The food service fund had a decrease in fund balance of $144,994. The department ended the fiscal year with a positive fund balance of $121,905.

- The debt service fund had a decrease in fund balance of $201,589. The fund ended the fiscal year with a fund balance of $3,281,131.

General Fund Budgetary Highlights

The district adopts an original budget in June for the subsequent year. The budget is then often amended later in the fiscal year, typically in February or March, following determination of the first attendance period and certification of all levies on property taxes. State revenues are primarily driven through the measurement of attendance for the first nine weeks of the school year. The district amended its budget in the 2013-2014 fiscal year to reflect increases in revenue and expenses.

Stronger than expected collections of state assistance and reimbursements resulted in a favorable variance in total revenues of $94,712 when comparing final budget to actual. General Fund expenses were down in several programs resulting in a favorable variance of $219,654. The final result is the general fund ended the fiscal year with a fund balance with a favorable variance of $304,678 when compared to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Post Falls School District has invested approximately $58.0 million in a broad range of capital assets, including buildings, sites, library books, transportation equipment and other equipment as of the end of fiscal year 2014. Total accumulated depreciation on these assets amounts to $25.8 million.

- Asset acquisitions for governmental activities totaled $294,949 for the fiscal year. This figure represents $105,513 in purchases for equipment.

Long Term Debt

At year end the district had $10.8 million in general obligation bonds and other long-term debt outstanding. The district retired $2,415,000 of outstanding debt. The debt of the district is secured by an annual tax levy authorized by the patrons of the school district by a two-thirds majority vote in 1998 for $17.97 million and in 2006 for $10.875 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the district's financial status in the future are:

- The existing labor agreement for teachers expires June 30, 2014 however a new agreement was reached in May, 2014 which extends the agreement to June 30, 2015.

- The economy of the State of Idaho continues to recover and the forecast for the next fiscal year indicates moderate improvement. State revenue projections had been reduced for the four years previous to this one which signaled a possible turnaround with revenues increasing by 2.2% for the school districts in the state in this fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sid Armstrong, Director of Business Services, Post Falls School District #273, 206 West Mullan Avenue, Post Falls, ID 83854.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Post Falls School District No. 273

STATEMENT OF NET POSITION
June 30, 2014

ASSETS	
Cash and cash equivalents	$ 3,899,056
Receivables	4,778,738
Land	1,555,331
Capital assets, net of accumulated depreciation	30,638,035
Total assets	40,871,160
LIABILITIES	
Accounts payable	87,806
Accrued payroll and related costs	3,688,625
Interest payable	162,217
Long-term liabilities:	
Due within one year:	
Compensated absences	128,082
Long term debt	2,515,000
Due in more than one year:	
Long term debt	8,275,161
Net OPEB obligation	51,679
Total liabilities	14,908,570
NET POSITION	
Net investment in capital assets	21,658,366
Restricted for:	
School lunch	121,905
Debt service	3,247,503
Plant facility	223,735
Federal title programs	113,487
Unrestricted	597,594
Total net position	$ 25,962,590

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

Post Falls School District No. 273

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental activities:					
Instructional services:					
Elementary programs	$ 10,852,845	$ 185,086	$ 1,754,274	$ -	$ (8,913,485)
Secondary programs	9,471,005	399,069	139,371	-	(8,932,565)
Alternative school programs	583,997	-	-	-	(583,997)
Exceptional child programs	2,711,378	-	1,085,770	-	(1,625,608)
Activity programs	387,778	-	-	-	(387,778)
Other programs	61,463	-	-	-	(61,463)
Support services:					
Guidance and health programs	1,137,395	-	-	-	(1,137,395)
Special services	811,994	-	-	-	(811,994)
Improvement and media	327,301	-	-	-	(327,301)
District administration	319,083	-	-	-	(319,083)
School administration	1,812,667	-	-	-	(1,812,667)
Business administration	484,481	-	-	-	(484,481)
Maintenance	3,069,558	-	-	-	(3,069,558)
Transportation	1,716,726	-	-	-	(1,716,726)
Security	83,000				(83,000)
Non-instructional services:					
School lunch	2,303,521	556,567	1,590,526	-	(156,428)
Interest on long-term debt	417,381	-	-	-	(417,381)
Change in OPEB obligation	(12,842)	-	-	-	12,842
Total governmental activities	$ 36,538,731	$ 1,140,722	$ 4,569,941	$ -	(30,828,068)
General revenues:					
Property taxes, levied for general purposes					4,383,985
Property taxes, levied for debt services					2,689,619
State revenue					24,505,107
Grants and contributions not restricted to specific purposes:					
Federal Forest					40,511
Interest and investment earnings					66,381
Donated capital assets					400,000
Loss on disposal of assets					(386)
Miscellaneous					102,771
Total general revenues					32,187,988
Change in net position					1,359,920
Net position beginning					24,866,139
Prior period adjustment					(263,469)
Net position ending					$ 25,962,590

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

Post Falls School District No. 273

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014

	General	Child Nutrition
ASSETS		
Cash and cash equivalents	$ 1,778,095	$ (385,169)
Accounts receivable:		
Kootenai County	1,796,701	-
State of Idaho	673,995	531,537
Other receivable	4,343	-
Total assets	$ 4,253,134	$ 146,368
LIABILITIES		
Accounts payable	$ 67,841	$ 13,062
Accrued payroll	3,423,289	11,401
Total liabilities	3,491,130	24,463
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	56,253	-
Total deferred inflows of resources	56,253	-
FUND BALANCES		
Restricted to:		
School lunch, debt service and plant facility, respectively	-	121,905
State and federal title programs	-	-
Assigned to:		
State and federal non title funding	-	-
Unassigned	705,751	-
Total fund balances	705,751	121,905
Total liabilities, deferred inflows of resources, and fund balances	$ 4,253,134	$ 146,368

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

Debt Service	Plant Facility Fund	Other Governmental	Total
$ 2,271,717	$ 221,212	$ 13,201	$ 3,899,056
1,043,042	2,523	-	2,842,266
-	-	726,597	1,932,129
-	-	-	4,343
$ 3,314,759	$ 223,735	$ 739,798	$ 8,677,794
$ -	$ -	$ 6,903	$ 87,806
-	-	253,935	3,688,625
-	-	260,838	3,776,431
33,628	-	-	89,881
33,628	-	-	89,881
3,281,131	223,735	-	3,626,771
-	-	231,726	231,726
-	-	247,234	247,234
-	-	-	705,751
3,281,131	223,735	478,960	4,811,482
$ 3,314,759	$ 223,735	$ 739,798	$ 8,677,794

Post Falls School District No. 273

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances at June 30, 2014 - Governmental funds		$ 4,811,482
Cost of capital assets at June 30, 2014	$ 57,954,706	
Less: Accumulated depreciation as of June 30, 2014		
Buildings	(21,670,761)	
Buses and other transportation	(2,364,118)	
Equipment and library books	(1,726,461)	32,193,366
Elimination of deferred revenue		89,881
Long-term liabilities at June 30, 2014		
Bonds payable	(10,535,000)	
Premium on bonds payable, net of accumulated amortization of $754,393	(255,161)	
Compensated absences	(128,082)	
Net OPEB obligation	(51,679)	
Accrued interest payable	(162,217)	(11,132,139)
Net position at June 30, 2014		$ 25,962,590

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

Post Falls School District No. 273

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014

	General	Child Nutrition
REVENUES		
Property taxes	$ 4,401,156	$ -
Interest and investment earnings	66,381	-
Other local revenue	102,771	556,567
State assistance and reimbursements	24,317,777	-
Title programs and other federal revenues	-	1,590,526
Total revenues	28,888,085	2,147,093
EXPENDITURES		
Current:		
Instructional services:		
Elementary programs	8,646,216	-
Secondary programs	7,679,177	-
Alternative school programs	532,975	-
Exceptional child programs	1,626,257	-
Activity programs	387,778	-
Other programs	61,463	-
Total instructional services	18,933,866	-
Support services:		
Guidance and health programs	1,137,395	-
Special services	811,994	-
Improvement and media	325,922	-
District administration	319,083	-
School administration	1,812,667	-
Business administration	478,261	-
Maintenance	3,041,956	-
Transportation	1,566,272	-
Security	83,000	-
Total support services	9,576,550	-
Non-instructional services:		
School lunch	-	2,303,521
Total non-instructional services	-	2,303,521
Capital outlay	33,665	35,977
Debt service:		
Principal retirement	-	-
Interest	-	-
Total debt service	-	-
Total expenditures	28,544,081	2,339,498
(Deficiency) excess of revenues (under) over expenditures	344,004	(192,405)
OTHER FINANCING SOURCES (USES)		
Transfers in	90,000	47,411
Transfers (out)	(116,326)	-
Total other financing sources (uses)	(26,326)	47,411
Net change in fund balance	317,678	(144,994)
Fund balance - beginning	388,073	266,899
Fund balance - ending	$ 705,751	$ 121,905

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

Debt Service	Plant Facility Fund	Other Governmental	Total
$ 2,674,697	$ 14,922	$ -	$ 7,090,775
-	-	-	66,381
-	-	362,335	1,021,673
74,683	-	863,427	25,255,887
-	-	2,490,966	4,081,492
2,749,380	14,922	3,716,728	37,516,208
-	-	1,760,300	10,406,516
-	-	1,021,449	8,700,626
-	-	51,022	583,997
-	-	1,085,121	2,711,378
-	-	-	387,778
-	-	-	61,463
-	-	3,917,892	22,851,758
-	-	-	1,137,395
-	-	-	811,994
-	-	-	325,922
-	-	-	319,083
-	-	-	1,812,667
-	-	-	478,261
-	-	21,835	3,063,791
-	-	-	1,566,272
-	-	-	83,000
-	-	21,835	9,598,385
-	-	-	2,303,521
-	-	-	2,303,521
-	-	216,501	286,143
2,415,000	-	-	2,415,000
535,969	-	-	535,969
2,950,969	-	-	2,950,969
2,950,969	-	4,156,228	37,990,776
(201,589)	14,922	(439,500)	(474,568)
-	-	68,915	206,326
-	-	(90,000)	(206,326)
-	-	(21,085)	-
(201,589)	14,922	(460,585)	(474,568)
3,482,720	208,813	939,545	5,286,050
$ 3,281,131	$ 223,735	$ 478,960	$ 4,811,482

Post Falls School District No. 273

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Total net changes in fund balances for year ended June 30, 2014	$ (474,568)
Add: Capital outlay which is considered expenditures	286,143
Less: Depreciation expense for the year ended June 30, 2014	(1,379,396)
Less: Loss on disposal of assets	(386)
Add: Donated capital assets	400,000
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	206,326
Less: Interfund transfers in	(206,326)
Add: Debt principal retirement considered as an expenditure	2,415,000
Add: Capital lease principal retirement considered as an expenditure	1,183
Less: Change in compensated absences	(2,315)
Add: Change in OPEB obligation	12,842
Add: Difference between interest on long-term debt on modified accrual basis and interest on long-term debt on accrual basis	118,588
Less: Difference between revenue earned on property taxes on modified accrual basis and revenue on property taxes on accrual basis	(17,171)
Change in net position for year ended June 30, 2014	$ 1,359,920

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

Post Falls School District No. 273

AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

ASSETS		
Cash and cash equivalents	$	506,383
Total assets	$	506,383
LIABILITIES		
Deposits due to others	$	506,383
Total liabilities	$	506,383

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

NOTE 1: SUMMARY OF SIGNFICIANT ACCOUNTING POLICIES

A. Reporting Entity

Post Falls School District No. 273 (the "School District") operates under a locally elected five-member Board form of government and provides educational and supportive services as mandated by the State of Idaho and/or federal agencies. This Board of Trustees controls the School District's instructional and support facilities.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Post Falls School District No. 273, this includes general operations, school lunch, and debt service and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

The financial statements of Post Falls School District No. 273 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

New Pronouncements – During the year ended June 30, 2014, the School District implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities.*

The most significant of the School District's accounting policies are described below:

B. Basis of Presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. Basis of Presentation – fund financial statements

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into two categories; governmental and fiduciary.

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of presentation – fund financial statements (Continued)

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to the laws of the State of Idaho.

Child Nutrition Fund – Child nutrition is a program that provides nourishing meals to students in all grades. This program is supplemented by federal funds that are based on reimbursement and participation.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for and the payment of general long-term obligation bonds including principal, interest and related costs.

Plant Facilities – The plant facilities fund accounts for tax revenue sources that are legally restricted for capital improvements.

The other governmental funds (non-major funds) of the School District account for other resources in which the use is restricted to a particular purpose.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The only fund accounted for in this category by the School District is the agency fund. The agency fund accounts for assets held by the School District as an agent for schools and school organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Concluded)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Fiduciary funds are reported using the economic resources measurement focus. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

E. Cash and Cash Equivalents

In the following funds, cash received by the School District is pooled for investment purposes and is presented as “Cash and Cash Equivalents” on the financial statements: General fund, school lunch fund, debt service fund, plant facilities, and other governmental. Interest earned in the pooled accounts is allocated to the participating funds in proportion to the average daily balances in each fund.

During the fiscal year ended June 30, 2014, investments were limited to the Idaho State Investment Pool and the Diversified Bond Fund. The Idaho State Investment Pool and Diversified Bond Fund are investment pools, which allow school districts within the state of Idaho to pool their funds for investment purposes. Investments in Idaho State Investment Pool and the Diversified Bond Fund are valued at cost which materially equals market value.

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

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

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

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	40 years
Modulars	15 years
Furniture and equipment	5 - 20 years
Library books	10 years
Buses	10 years
Other vehicles	5 years

G. Accrued Liabilities and Long-term Obligations

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

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

H. Compensated Absences

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

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences (Concluded)

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

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, 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 revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Fund Balance Classifications

The School District has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the School District to classify and report amounts in the appropriate fund balance classifications. The School District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned.

The School District reports the following classifications:

Nonspendable Fund Balance — Nonspendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form—such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance Classifications (Concluded)

Restricted Fund Balance — Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds—such as the School District's federal award revenue, which must be used to fund federally defined title programs. Legal enforceability means that the School District can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance — Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Trustees. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board of Trustees. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance — Assigned fund balances are amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Director of Finance, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Trustees have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the School District itself.

Unassigned Fund Balance — Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

K. Fund Balance Flow Assumptions

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

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. Net Position Flow Assumptions

Net position represents the difference between assets and deferred outflows of resources, and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g. restrict bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restrict – net position to have been depleted before unrestricted – net position is applied.

M. Property Taxes

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

N. Extraordinary and Special Items

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

O. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

(Continued)

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

Budgetary Information (Concluded)

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

a) The School District publishes a proposed budget for public review.

b) Public hearings are set to obtain taxpayer comments.

c) Prior to July 1, the budget is adopted by resolution of the Board of Trustees and published.

d) The final budget is then filed with the State Department of Education. Expenditures may not legally exceed budgeted appropriations at the fund level.

During the fiscal year ended June 30, 2014, the budget was amended to reflect revised revenue and expense estimates. The amendment was properly approved by the Board of Trustees.

Lapsing of Appropriations – At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

NOTE 3: CASH AND INVESTMENTS

State statutes authorize the School District's investments and deposits. The School District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the School District's deposits and investments may not be returned to it. As of June 30, 2014, the School District's deposits and investments were not exposed to custodial credit risk. The School District's deposits and investments are insured and collateralized as follows:

Deposits without exposure to custodial credit risk:	
Deposits:	
Amount insured by FDIC	$ 1,121,433
Amount collateralized with securities held in trust, but not in the District's name	3,599,140
Total deposits without exposure to custodial credit risk	$ 4,720,573
The carrying amount of deposits is displayed in the statements as follows:	
Cash and cash equivalents	$ 3,899,056
Student body funds (agency funds)	506,383
Total carrying value of cash and cash equivalents	$ 4,405,439

(Continued)

NOTE 3: CASH AND INVESTMENTS (CONCLUDED)

Fair Value:

The School District's investments in 2a-7-like pools are valued based upon the value of pool shares. The School District invests in two 2a-7-like pools, the Idaho State Investment Pool and the Idaho Diversified Bond Fund. The advisory board of the Idaho State Investment Pool and the Idaho Diversified Bond Fund are composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool and the Idaho Diversified Bond Fund are duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

The balances that the School District has in the State Investment Pool and the Idaho Diversified Bond Fund are carried at its market value of $3,730,211. The School District's portion of the State Investment Pool and the Idaho Diversified Bond Fund had an unrealized loss of $1,714. This amount has been recognized as a component of interest and investment earnings for the fiscal year ending June 30, 2014.

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

Credit Risk:

The Idaho State Investment Pool and the Idaho Diversified Bond Fund does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

NOTE 4: RECEIVABLES

The receivables as of June 30, 2014 consist of the following:

Taxes receivable	$2,842,266
State of Idaho	1,932,129
Other	4,343
	$4,778,738

(Continued)

NOTE 5: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended June 30, 2014:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets:				
Land	$ 1,155,331	$ 400,000	$ -	$ 1,555,331
Total nondepreciable capital assets	1,155,331	-	-	1,555,331
Depreciable capital assets:				
Buildings and sites	50,719,614	-	-	50,719,614
Portable classrooms	582,943	-	-	582,943
Buses	2,564,146	168,436	98,968	2,633,614
Other vehicles	160,828	21,000	11,500	170,328
Equipment	2,119,477	105,513	62,900	2,162,090
Library books	130,786	-	-	130,786
Total depreciable capital assets	56,277,794	294,949	173,368	56,399,375
Less accumulated depreciation for:				
Buildings and sites	19,953,133	1,134,685	-	21,087,818
Portable classrooms	582,943	-	-	582,943
Buses	2,203,871	116,098	98,968	2,221,001
Other vehicles	145,187	9,430	11,500	143,117
Equipment	1,537,093	117,804	53,708	1,601,189
Library books	123,893	1,379	-	125,272
Total accumulated depreciation	24,546,120	1,379,396	164,176	25,761,340
Total depreciable capital assets, net	31,731,674	(1,084,447)	9,192	30,638,035
Total capital assets, net	$ 32,887,005	$ (1,084,447)	$ 9,192	$ 32,193,366

Depreciation expense of $1,379,396 for the year ended June 30, 2014 was charged to the following governmental functions:

INSTITUTIONAL SERVICES:	
Elementary	$ 446,329
Secondary	770,379
Improvement and media	1,379
Business administration	5,088
Maintenance	5,767
Transportation	150,454
	$1,379,396

Following is a recap of the June 30, 2014 balances by generic location:

	Elementary	Secondary	Administration and Other	Total
Land	$ 527,702	$ 1,025,534	$ 2,095	$ 1,555,331
Buildings and portables	18,921,242	31,104,340	1,276,975	51,302,557
Buses	-	-	2,633,614	2,633,614
Other vehicles	-	-	170,328	170,328
Equipment	946,058	914,025	302,007	2,162,090
Library books	34,349	96,437	-	130,786
	$ 20,429,351	$ 33,140,336	$ 4,385,019	$ 57,954,706

(Continued)

NOTE 6: ACCRUED PAYROLL AND VACATION BENEFITS

Accrued payroll includes amounts due to contracted teachers and other employees at June 30, 2014, which were not paid until July and August 2014, in conformity with contractual stipulations.

NOTE 7: BONDS PAYABLE

On February 15, 2005 the School District issued $12.63 million in General Obligation Refunding Bonds with an average interest rate of 3.71% to advance refund $12.82 million of outstanding 1998 series bonds with an average interest rate of 4.794% The net proceeds of $13,109,706 (after payment of $120,128 in issuance fees) plus an additional $187,192 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Series bonds. As a result, the 1998 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net position.

GENERAL OBLIGATION REFUNDING BONDS, 2005

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	*	$1,145,000	$273,650	$1,418,650
2016	5.00%	1,180,000	224,750	1,404,750
2017	5.00%	1,240,000	164,250	1,404,250
2018	5.00%	1,300,000	100,750	1,400,750
2019	5.00%	1,365,000	34,125	1,399,125
		6,230,000	$797,525	$7,027,525
Unamortized premium on bond issuance costs		192,804		
		$6,422,804		

* Principal of $125,000 at an interest rate of 3.500% and principal of $1,020,000 at an interest rate of 3.375%

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

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	**	1,370,000	162,838	1,532,838
2016	4.50%	1,435,000	99,788	1,534,788
2017	4.50%	1,500,000	33,750	1,503,750
		4,305,000	$296,376	$4,571,376
Unamortized premium on bond issuance costs		62,357		
		$4,367,357		

** Bifurcated Coupons

(Continued)

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

The following is a summary of long-term debt transactions this past year and amounts due within the next year:

	Bonds Payable	Compensated Absences	Capital Leases Payable	Total
Balance, July 1, 2013	$ 13,272,949	$ 125,767	$ 1,183	$ 13,399,899
Amortization of bond premium	(67,788)	-	-	(67,788)
Retirements/payments	(2,415,000)	2,315	(1,183)	(2,413,868)
Balance, June 30, 2014	10,790,161	128,082	-	10,918,243
Current portion	2,515,000	128,082	-	2,643,082
Long-term portion, net of premium	$ 8,275,161	$ -	$ -	$ 8,275,161

NOTE 9: DEFINED BENEFIT PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of Post Falls School District No. 273 and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79%. The employer rate as a percentage of covered payroll was 11.32%. Post Falls School District No. 273 employer contributions required and paid were $2,575,238 $2,431,624 and $2,342,903 and for the three years ended June 30, 2014, 2013 and 2012, respectively.

NOTE 10: CONTINGENT LIABILITIES

The School District participates in a number of state and federally assisted grant programs including the National School Lunch Program, Title I, Title VI-B, and Carl Perkins grants. These programs are subject to further review and audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

(Continued)

NOTE 11: EXCESS ACTUAL EXPENDITURES OVER BUDGET

The following is a schedule of an excess of functional expenditures over appropriations for the year ended June 30, 2014. Also included are the actual revenues realized in each of those funds.

Funds	Final Budgeted Expenditures	Actual Expenditures	Excess of Budgeted Expenditures	Actual Revenues
School Lunch	$2,232,638	$2,339,498	$106,860	$2,147,093

NOTE 12: RISK MANAGEMENT

Post Falls School District No. 273 is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District contracts with an insurance company for property insurance and general liability insurance.

General and professional liability is protected by an outside insurance company with a $2,000,000 single occurrence limit, $5,000,000 aggregate limit and a deductible of $2,500. Vehicles are also covered by the same insurance company and have a $1,000 deductible for comprehensive and collision. Automobile liability has a $3,000,000 combined single limit of liability.

The School District pays the State Workers' Compensation System a premium based on a predetermined rate. This rate is calculated based on accident history and administrative costs.

Post Falls School District No. 273 provides medical and dental insurance to most employees.

NOTE 13: POST EMPLOYMENT HEALTHCARE PLAN

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

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

(Continued)

NOTE 13: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

Annual required contribution	$228,909
Adjustment to annual required contribution	162
Annual OPEB cost (expense)	229,071
Contributions made	(241,913)
Increase in net OPEB obligation	40,114
Net OPEB obligation – beginning of year	64,521
Net OPEB obligation – end of year	$ 51,679

The School Districts annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	$139,321	110%	$30,247
6/30/13	$233,341	83%	$64,521
6/30/14	$229,071	106%	$51,679

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

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

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

(Continued)

NOTE 13: POST EMPLOYMENT HEALTHCARE PLAN (CONCLUDED)

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

NOTE 14: INTERFUND TRANSACTIONS

For the fiscal year ending June 30, 2014 the District transferred $116,326 out of the General Fund. This transfer was to cover employer payroll taxes for the School Lunch Fund in the amount of $47,411 and bus depreciation in the Bus Depreciation Fund in the amount of $68,915.

For the fiscal year ending June 30, 2014 the District transferred $90,000 out of the Federal Forest Fund into the General Fund. This transfer was to cover operating expenses.

NOTE 15: PRIOR PERIOD ADJUSTMENT

Beginning net position was impacted by a prior period adjustment to the government-wide statements in the amount of $263,469 of debt issuance costs which has been recorded to recognize the effects of implementing GASB No. 65 as explained in Note 1 to the financial statements.

(Concluded)

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Post Falls School District No. 273

SCHEDULE OF FUNDING PROGRESS FOR
POSTEMPLOYMENT BENEFIT PLANS
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) /c)
July 1, 2008	$ -	$ 1,094,262	$ 1,094,292	0%	$ 22,174,000	5%
July 1, 2010	$ -	$ 1,449,512	$ 1,449,512	0%	$ 21,191,957	7%
July 1, 2012	$ -	$ 2,429,179	$ 2,429,179	0%	$ 21,586,755	11%

Post Falls School District No. 273

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 4,445,000	$ 4,445,000	$ 4,401,156	$ (43,844)
Interest and investment earnings	80,000	80,000	66,381	(13,619)
Other local revenue	35,000	35,000	102,771	67,771
State assistance and reimbursements	24,232,319	24,233,373	24,317,777	84,404
Total revenues	28,792,319	28,793,373	28,888,085	94,712
EXPENDITURES				
Instructional services:				
Elementary programs	8,996,431	8,829,607	8,646,216	183,391
Secondary programs	7,893,600	7,930,600	7,679,177	251,423
Alternative school programs	581,289	581,289	532,975	48,314
Exceptional child programs	1,588,494	1,603,684	1,626,257	(22,573)
Activity programs	407,305	422,805	387,778	35,027
Other programs	60,065	60,065	61,463	(1,398)
Total instructional services	19,527,184	19,428,050	18,933,866	494,184
Support services:				
Guidance and health programs	1,062,153	1,062,153	1,137,395	(75,242)
Special services	792,365	792,365	811,994	(19,629)
Improvement and media	335,770	335,770	325,922	9,848
District administration	291,525	291,525	319,083	(27,558)
School administration	1,752,675	1,800,215	1,812,667	(12,452)
Business administration	527,493	527,493	478,261	49,232
Maintenance	2,908,803	2,953,803	3,041,956	(88,153)
Transportation	1,447,213	1,481,861	1,566,272	(84,411)
Security	88,000	88,000	83,000	5,000
Total support services	9,205,997	9,333,185	9,576,550	(243,365)
Capital outlay	2,500	2,500	33,665	(31,165)
Total expenditures	28,735,681	28,763,735	28,544,081	219,654
(Deficiency) excess of revenues (under) over expenditures	56,638	29,638	344,004	314,366
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	90,000	90,000	-
Transfers (out)	(106,638)	(106,638)	(116,326)	(9,688)
Total other financing sources (uses)	(56,638)	(16,638)	(26,326)	(9,688)
Net change in fund balances	-	13,000	317,678	304,678
Fund balances - beginning	-	388,073	388,073	-
Fund balances - ending	$ -	$ 401,073	$ 705,751	$ 304,678

Post Falls School District No. 273

SCHOOL LUNCH FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	Budget Amounts		
	Final *	Actual	Variance with Final Budget
REVENUES			
Local revenue	$ 631,000	$ 556,567	$ (74,433)
Title programs and other federal revenues	1,550,000	1,590,526	40,526
Total revenues	2,181,000	2,147,093	(33,907)
EXPENDITURES			
Non-instructional services:			
School lunch	2,208,088	2,303,521	(95,433)
Capital Outlay	24,550	35,977	(11,427)
Total expenditures	2,232,638	2,339,498	(106,860)
(Deficiency) excess of revenues (under) over expenditures	(51,638)	(192,405)	(140,767)
OTHER FINANCING SOURCES			
Transfers in	51,638	47,411	(4,227)
Total other financing sources	51,638	47,411	(4,227)
Net change in fund balances	-	(144,994)	(144,994)
Fund balances - beginning	-	266,899	266,899
Fund balances - ending	$ -	$ 121,905	$ 121,905

* Budget was not amended

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

Post Falls School District No. 273

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - BY FUND TYPE
June 30, 2014

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and cash equivalents	$ (109,330)	$ 122,531	$ 13,201
Accounts receivable:			
State of Idaho	726,597	-	726,597
Other receivable	-	-	-
Total assets	$ 617,267	$ 122,531	$ 739,798
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 6,903	$ -	$ 6,903
Accrued payroll	253,935	-	253,935
Total liabilities	260,838	-	260,838
Fund balances:			
Restricted	113,487	118,239	231,726
Assigned	242,942	4,292	247,234
Total fund balances	356,429	122,531	478,960
Total liabilities and fund balances	$ 617,267	$ 122,531	$ 739,798

Post Falls School District No. 273

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY FUND TYPE
For the Year Ended June 30, 2014

	Special Revenue	Capital Projects	Total
REVENUES			
Other local revenue	$ 362,335	$ -	$ 362,335
State assistance and reimbursements	750,780	112,647	863,427
Title programs and other federal revenues	2,490,966	-	2,490,966
Total revenues	3,604,081	112,647	3,716,728
EXPENDITURES			
Instructional services:			
Elementary programs	1,725,719	34,581	1,760,300
Secondary programs	966,892	54,557	1,021,449
Alternative school program	51,022	-	51,022
Exceptional child program	1,085,121	-	1,085,121
Transportation services	-	-	-
Non-instructional services:			
Business administration	-	-	-
Maintenance	-	21,835	21,835
Capital outlay	38,542	177,959	216,501
Principal retirement	-	-	-
Interest	-	-	-
Total expenditures	3,867,296	288,932	4,156,228
(Deficiency) of revenues (under) expenditures	(263,215)	(176,285)	(439,500)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of asset	-	-	-
Transfers in	-	68,915	68,915
Transfers (out)	(90,000)	-	(90,000)
Total other financing sources (uses)	(90,000)	68,915	(21,085)
Net change in fund balances	(353,215)	(107,370)	(460,585)
Fund balance beginning	709,644	229,901	939,545
Fund balances - ending	$ 356,429	$ 122,531	$ 478,960

Post Falls School District No. 273

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	Forest Reserve Fund	Medicaid	Before and After School Program	Family Resources
ASSETS				
Cash and cash equivalents	$ 9,750	$ 170,865	$ 62,122	$ 8,840
Accounts receivable:				
State of Idaho	-	32,957	1,993	-
Total assets	$ 9,750	$ 203,822	$ 64,115	$ 8,840
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 4,095	$ -	$ -
Accrued payroll	-	43,564	9,628	-
Total liabilities	-	47,659	9,628	-
Fund balance:				
Restricted	-	-	-	-
Assigned	9,750	156,163	54,487	8,840
Total fund balances	9,750	156,163	54,487	8,840
Total liabilities and fund balances	$ 9,750	$ 203,822	$ 64,115	$ 8,840

Rural Nursing Grant	School Building Maintenance	Driver Education	Vocational Program
$ 28,014	$ 85,122	$ 7,683	$ (6,571)
-	-	3,499	11,423
$ 28,014	$ 85,122	$ 11,182	$ 4,852
$ -	$ -	$ 1,129	$ -
14,312	-	-	-
14,312	-	1,129	-
-	85,122	10,053	4,852
13,702	-	-	-
13,702	85,122	10,053	4,852
$ 28,014	$ 85,122	$ 11,182	$ 4,852

Public School Technology	Albertson	Title 1 Disadvantaged	Title VI-B
$ 3,055	$ -	$ (185,501)	$ (199,990)
-	-	287,532	262,209
$ 3,055	$ -	$ 102,031	$ 62,219
$ -	$ -	1,374	$ 305
-	-	102,032	62,219
-	-	103,406	62,524
3,055	-	(1,375)	(305)
-	-	-	-
3,055	-	(1,375)	(305)
$ 3,055	$ -	$ 102,031	$ 62,219

Title VI-B Preschool	Carl Perkins	Eisenhower Math/Science DDEMSEA	Community Garden	Total
$ (4,044)	$ (66,157)	$ (22,518)	$ -	$ (109,330)
4,044	78,242	44,698	-	726,597
$ -	$ 12,085	$ 22,180	$ -	$ 617,267
$ -	$ -	$ -	$ -	$ 6,903
-	-	22,180	-	253,935
-	-	22,180	-	260,838
-	12,085	-	-	113,487
-	-	-	-	242,942
-	12,085	-	-	356,429
$ -	$ 12,085	$ 22,180	$ -	$ 617,267

Post Falls School District No. 273

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014

	Forest Reserve Fund	Medicaid	Before and After School Program	Family Resources
REVENUES				
Local revenue	$ -	$ -	$ 185,086	$ -
State assistance and reimbursements	-	371,870	27,758	61,290
Title programs and other federal revenues	40,511	-	-	-
Total revenues	40,511	371,870	212,844	61,290
EXPENDITURES				
Instructional services:				
Elementary programs	11,656	-	201,299	-
Secondary programs	-	680,032	-	52,450
Alternative school program	-	-	-	-
Exceptional child program	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	11,656	680,032	201,299	52,450
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(90,000)	-	-	-
Total other financing (uses)	(90,000)	-	-	-
Net change in fund balance	(61,145)	(308,162)	11,545	8,840
Fund balances - beginning	70,895	464,325	42,942	-
Fund balances - ending	$ 9,750	$ 156,163	$ 54,487	$ 8,840

Rural Nursing Grant	School Building Maintenance	Driver Education	Vocational Program
$ -	$ -	$ 27,199	$ -
70,058	-	19,062	42,067
-	-	-	-
70,058	-	46,261	42,067
59,805	-	-	-
-	-	46,443	31,282
-	-	-	10,932
-	-	-	-
-	-	-	-
59,805	-	46,443	42,214
-	-	-	-
-	-	-	-
10,253	-	(182)	(147)
3,449	85,122	10,235	4,999
$ 13,702	$ 85,122	$ 10,053	$ 4,852

Public School Technology	Albertson	Title 1 Disadvantaged	Title VI-B
$ -	$ 150,000	$ -	$ -
158,675	-	-	-
-	-	1,133,224	1,061,131
158,675	150,000	1,133,224	1,061,131
131,381	43,465	1,133,964	-
3,300	106,535	-	-
-	-	-	-
-	-	-	1,060,482
38,542	-	-	-
173,223	150,000	1,133,964	1,060,482
-	-	-	-
-	-	-	-
(14,548)	-	(740)	649
17,603	-	(635)	(954)
$ 3,055	$ -	$ (1,375)	$ (305)

Title VI-B Preschool	Carl Perkins	Eisenhower Math/Science DDEMSEA	Community Garden	Total
$ -	$ -	$ -	$ 50	$ 362,335
-	-	-	-	750,780
24,639	78,242	151,251	1,968	2,490,966
24,639	78,242	151,251	2,018	3,604,081
-	-	144,149	-	1,725,719
-	40,100	6,750	-	966,892
-	38,143	-	1,947	51,022
24,639	-	-	-	1,085,121
-	-	-	-	38,542
24,639	78,243	150,899	1,947	3,867,296
-	-	-	-	(90,000)
-	-	-	-	(90,000)
-	(1)	352	71	(353,215)
-	12,086	(352)	(71)	709,644
$ -	$ 12,085	$ -	$ -	$ 356,429

Post Falls School District No. 273

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	Lottery Fund	Capital Projects	Bus Depreciation Fund	Total
ASSETS				
Cash and cash equivalents	$ 4,292	$ 82,324	$ 35,915	$ 122,531
Total assets	$ 4,292	$ 82,324	$ 35,915	$ 122,531
LIABILITIES AND FUND BALANCES				
Fund balances:				
Restricted	$ -	$ 82,324	$ 35,915	$ 118,239
Assigned	4,292	-	-	4,292
Total fund balances	4,292	82,324	35,915	122,531
Total liabilities and fund balances	$ 4,292	$ 82,324	$ 35,915	$ 122,531

Post Falls School District No. 273

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014

	Lottery Fund	Capital Project	Bus Depreciation Fund	Total
REVENUES				
Other State revenue	$ 112,647	-	-	$ 112,647
Total revenues	112,647	-	-	112,647
EXPENDITURES				
Instructional services:				
Elementary programs	$ 32,354	$ 2,227	$ -	$ 34,581
Secondary programs	54,557	-	-	54,557
Support services: Maintenance	21,835	-	-	21,835
Capital outlay	-	9,523	168,436	177,959
Total expenditures	108,746	11,750	168,436	288,932
(Deficiency) of revenues (under) expenditures	3,901	(11,750)	(168,436)	(176,285)
OTHER FINANCING SOURCES				
Transfers in	-	-	68,915	68,915
Total other financing sources	-	-	68,915	68,915
Net change in fund balances	3,901	(11,750)	(99,521)	(107,370)
Fund balances - beginning	391	94,074	135,436	229,901
Fund balances - ending	$ 4,292	$ 82,324	$ 35,915	$ 122,531

Post Falls School District No. 273

AGENCY FUNDS
SCHEDULE OF CHANGES IN DEPOSIT BALANCES
OF INDIVIDUAL SCHOOLS
For the Year Ended June 30, 2014

School	Cash June 30, 2013	Receipts	Disbursements	Cash June 30, 2014
Westridge Elementary	$ 25,447	$ 50,225	$ 43,840	$ 31,832
Kindergarten Center	3,340	26,287	24,959	4,668
Prairie View Elementary	25,893	64,129	68,908	21,114
Ponderosa Elementary	50,533	59,095	64,683	44,945
Seltice Elementary	39,674	46,026	68,999	16,701
Mullan Trail Elementary	30,858	37,206	44,120	23,944
Post Falls Middle School	60,349	75,158	74,213	61,294
River City Middle School	36,884	60,066	66,310	30,640
Post Falls High School	308,795	572,043	634,177	246,661
New Vision High School	26,093	19,279	20,788	24,584
	$ 607,866	$ 1,009,514	$ 1,110,997	$ 506,383

SINGLE AUDIT SECTION

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Post Falls School District No. 273 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Post Falls School District No. 273's basic financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Post Falls School District No. 273's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Post Falls School District No. 273's internal control. Accordingly, we do not express an opinion on the effectiveness of Post Falls School District No. 273's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Post Falls School District No. 273's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 30, 2014

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

INDEPENDENT AUDITORS' REPORT

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

Compliance

We have audited Post Falls School District No. 273's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Post Falls School District's major federal programs for the year ended June 30, 2014. Post Falls School District No. 273's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Post Falls School District No. 273's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Post Falls School District No. 273's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion

In our opinion, Post Falls School District No. 273 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Report on Internal Control over Compliance

Management of Post Falls School District No. 273 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Post Falls School District No. 273 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Post Falls School District No. 273 's internal control over compliance.

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

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

Restricted Use

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Magnuson, McHugh & Company, P.A.

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

September 30, 2014

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Post Falls School District No. 273

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

Program Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	826000813	1,133,965
Special Education Title VI-B Cluster:			
Title VI-B IDEA	84.027	826000813	1,060,482
Title VI-B Preschool	84.173	826000813	24,639
Improving Teacher Quality State Grants (Title II-A)	84.367	826000813	150,898
College Access Challenge Grant Program	84.378	826000813	800
Vocational Education_Basic Grants to States (Carl Perkins)	84.048A	826000813	78,242
Total Department of Education			2,449,026
U.S. Department of Agriculture			
Passed through State of Idaho Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	826000813	161,341
National School Lunch Program	10.555	826000813	1,232,882
Summer Food Service Program	10.559	826000813	167,768
Fresh Fruit and Vegetable Program	10.582	826000813	28,535
Passed through State of Idaho:			
School and Roads- Federal Forest Grant	10.665	826000813	101,656
Total Department of Agriculture			1,692,182
U.S. Department of Justice			
Passed through State of Idaho Department of Juvenile Corrections:			
Juvenile Justice and Delinquency Prevention	16.540	826000813	1,947
Total U.S. Department of Justice			1,947
TOTAL FEDERAL FINANCIAL ASSISTANCE			4,143,155

See accompanying notes to the schedule of expenditures of federal awards.

Post Falls School District No. 273

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Post Falls School District No. 273 under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Post Falls School District No. 273, it is not intended to and does not present the financial position, changes in net position or cash flows of Post Falls School District No. 273.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE C: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the School District had received food commodities totaling $67,506.

Post Falls School District No. 273

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ____ Yes __X__ No

Identification of major programs:

CFDA Number(s):	*Name of Federal Program or Cluster*
84.027	Special Education Grants-Title VI-B IDEA
84.173	Special Education- Preschool Grants-Title VI-B Preschool
84.367	Improving Teacher Quality-Title II

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

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Post Falls School District No. 273

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section II. – Financial Statement Findings

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

Section III. – Federal Programs Findings

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

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

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