

**MIDDLETON SCHOOL DISTRICT # 134
MIDDLETON, IDAHO**

**AUDIT OF THE BASIC
FINANCIAL STATEMENTS
June 30, 2018**

MIDDLETON SCHOOL DISTRICT #134

June 30, 2018

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Middleton School District #134

DISTRICT OFFICIALS

Address: Middleton School District # 134
5 South Viking Avenue
Middleton, Idaho 83644

Board of Trustees:

| | |
|--------------------|------------------|
| Tim Winkle | Chairperson |
| Erica St. Michell | Vice Chairperson |
| Aleisha McConkie | Trustee |
| Marianne Blackwell | Trustee |
| Briggs Miller | Trustee |
| Sharla Terrill | Board Clerk |

Administrators:

| | |
|--------------------|---|
| Dr. Josh Middleton | Superintendent |
| Andy Horning | Assistant Superintendent/Human Resources |
| Daniel Arriola | Assistant Superintendent/Federal Programs |
| Darren Uranga | Director of Finance and Operations |

BASIC FINANCIAL STATEMENTS

MIKEAL D. PARKER CPA CHTD.

19 East Wyoming • P. O. Box 905 • Homedale, ID 83628 • (208) 337-3271

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Middleton School District #134
Middleton, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middleton School District #134 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Middleton School District #134's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middleton School District #134, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-16 and 54-58 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 the Middleton School District #134's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the Middleton School District #134'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 solely 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 the effectiveness of the Middleton School District #134's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middleton School District #134's internal control over financial reporting and compliance.



Mikeal D Parker CPA, Chartered

Homedale, Idaho
September 4, 2018

**Management's Discussion and Analysis
Middleton School District #134
Fiscal Year 2017-2018**

The discussion and analysis of the Middleton School District's financial performance provides an overall review of financial activities for this fiscal year. This narrative is intended to give the readers a fiscal overview of the School District's financial position and results of operations for the year. In subsequent years, comparison to prior year data will be provided for all key information.

FINANCIAL HIGHLIGHTS

- On January 1, 2008 the District received a donation of 4.25 acres, from Coleman Homes, at Heights Elementary to add increased parking (.50 acres) and grass play area (3.75 acres).
- On September 18, 2008, patrons authorized, by an 85.9% margin, a bond sale of \$51,900,000. The bond proceeds were used to build & fully equip a new 250,000 square foot high school on a 60 acre parcel located on Willis & Emmett Road. On May 26, 2011, Middleton High School held a ribbon cutting ceremony for the new high school.
- In 2012, the District was the 1st in the state to have all schools receive one of the USDA HealthierUS Challenge awards. Four schools received the Silver Award (\$1,000 to each school) and the Middle School received the Gold Award of Excellence (\$2,000).
- In July 2013, Middleton High School was awarded \$427,878 for a Go-One-Go-On grant through the State's technology pilot project funding. This funding will provide a 1:1 laptop initiative at the high school and assist our students' academics through technology.
- In September 2013, the District was awarded a PEP (Physical Education Program) grant under the Carol M White Physical Education Program. The award amount is \$744,637 over a 3-year period. The funding will be used to enhance our students physical health and instruction in healthy eating habits, good nutrition and physical fitness activities.
- On August 25, 2015 voters approved by a 71.45% vote, a two-year supplemental levy in the amount of \$1,310,000 each year (FY 2017 & 2018) to provide additional revenue.
- In November 2015, the District received a \$50,000 grant from the TLC Foundation. The grant can be used to purchase, maintenance and/or upkeep of sheet music District-wide. In December 2016, the District received an additional \$35,456 for the music, choir and arts programs.
- In May 2017, the District contracted with Davis Demographics to provide a study of student demographics and enrollment growth for the District over the next 10 years. This study was presented to the Board in August 2017.
- In May 2018, Moody's Investors Service upgraded Middleton School District #134 general obligation bonds to A1 from A2. The rating upgrade was due to substantial tax base growth, strong enrollment growth, and stable reserves.

OVERVIEW

The Middleton School District is governed by five elected members to the School Board. The Board is a policy-making body whose primary function is to establish policies for the District, to oversee the property, facilities and financial affairs of the District and to appoint the District's chief executive officer, the Superintendent of Schools.

The District operates three elementary schools (serving grades K-5), one middle school (serving grades 6-8), one high school (serving grades 9-12), and one alternative school (serving grades 7-12).

Following is a table showing the historic and projected enrollment for the District. Enrollment includes students registered by the first Friday of each November of the corresponding Fiscal Year.

**MIDDLETON SCHOOL DISTRICT #134
ENROLLMENT HISTORY & PROJECTIONS**

| Fiscal Year | Elementary | Middle | Secondary | Total | Percent Increase | Teachers ⁽¹⁾ | Students-to-Teacher |
|---------------------|------------|--------|-----------|-------|------------------|-------------------------|---------------------|
| 2020 ⁽²⁾ | 1,786 | 1,005 | 1,375 | 4,166 | 1.49% | 218 | 19.11 |
| 2019 ⁽²⁾ | 1,778 | 985 | 1,342 | 4,105 | 1.81% | 215 | 19.09 |
| 2018 | 1,762 | 945 | 1,325 | 4,032 | 2.39% | 212 | 19.02 |
| 2017 | 1,694 | 968 | 1,276 | 3,938 | 2.02% | 207 | 19.02 |
| 2016 | 1,703 | 913 | 1,244 | 3,860 | 3.49% | 203 | 19.01 |
| 2015 | 1,656 | 945 | 1,129 | 3,730 | 2.05% | 190 | 19.63 |
| 2014 | 1,626 | 869 | 1,160 | 3,655 | 8.84% | 184 | 19.86 |
| 2013 | 1,509 | 757 | 1,092 | 3,358 | 3.80% | 173 | 19.41 |

(1) Teachers include all certified staff, excluding administrators.

(2) Estimates based on District's projections. The District makes no assurance that the projections will be achieved; actual results may differ materially for the forecasts shown above.

Source: School District No. 134

TAXES AND STATE FUNDING

The District receives revenues from two primary sources for operations: local sources and State sources.

The District can fund capital improvement projects from: unappropriated resources, voter-approved general obligation bonds, voter-approved plant facilities levies, and/or donations.

Property Taxes

Prior to the commencement of each Fiscal Year, the Board adopts a resolution to adopt its annual budget and approve submission of its property tax levies to the Board of County Commissioners. The District's tax levy is certified to the Board of County Commissioners in September. The County Treasurer disburses tax receipts to the District approximately one month after the statutory payable dates. The following is a chart of the *Ad Valorem* levy rates for the District:

MIDDLETON SCHOOL DISTRICT #134 AD VALOREM TAX LEVIES

| Fiscal Year | Supplemental | | | Plant | | | Total Levy Rate per \$1,000 T.A.V. | |
|-------------|--------------|----------|----------|-----------|----------|------------|------------------------------------|----------|
| | M&O | M&O | Judgment | Emergency | Tort | Facilities | | Bond |
| 2018 | 0.000000 | 1.247887 | 0.001853 | 0.000000 | 0.024578 | 0.000000 | 3.676016 | 4.950334 |
| 2017 | 0.000000 | 1.377847 | 0.000000 | 0.315537 | 0.022889 | 0.000000 | 3.234074 | 4.950347 |
| 2016 | 0.000000 | 1.541566 | 0.000000 | 0.229470 | 0.020950 | 0.000000 | 3.458362 | 5.250348 |
| 2015 | 0.000000 | 1.681061 | 0.000000 | 0.394171 | 0.017428 | 0.000000 | 3.157688 | 5.250348 |
| 2014 | 0.000000 | 1.633708 | 0.000000 | 0.303878 | 0.055958 | 0.385308 | 2.872510 | 5.251362 |
| 2013 | 0.000000 | 1.825917 | 0.000000 | 0.000000 | 0.058659 | 0.430641 | 2.632174 | 4.947391 |
| 2012 | 0.000000 | 1.834355 | 0.000000 | 0.000000 | 0.055287 | 0.432631 | 2.625119 | 4.947392 |

Source: Canyon County Assessor and Treasurer

The County Assessor annually assigns "valuation of market value for assessment purposes" to all taxable real and personal property within the County. The following table shows the history of total property values for the District during the last several years.

MIDDLETON SCHOOL DISTRICT #134 PROPERTY VALUES

| Fiscal Year | Full Market Value ⁽¹⁾ | % Annual Change in | | Homeowner's Exemption ⁽²⁾ | Taxable Assessed Value ⁽⁴⁾ | % Annual Change in | |
|-------------|----------------------------------|--------------------|----------------|--------------------------------------|---------------------------------------|--------------------|------------------------------|
| | | Full Market Value | Value | | | Net Market Value | Urban Renewal ⁽³⁾ |
| 2018 | \$ 1,487,165,099 | 12.75% | \$ 444,075,183 | \$ 1,043,089,916 | 10.52% | \$ 7,733,671 | |
| 2017 | \$ 1,318,981,574 | 12.68% | \$ 375,188,638 | \$ 943,792,936 | 12.04% | \$ 8,105,245 | |
| 2016 | \$ 1,170,513,305 | 10.47% | \$ 328,111,628 | \$ 842,401,677 | 9.23% | \$ 8,125,424 | |
| 2015 | \$ 1,059,578,442 | 20.73% | \$ 288,339,696 | \$ 771,238,746 | 20.37% | \$ 8,031,095 | |
| 2014 | \$ 877,642,578 | 10.08% | \$ 236,911,460 | \$ 640,731,118 | 11.49% | \$ 8,099,639 | |
| 2013 | \$ 797,283,676 | -1.50% | \$ 222,573,893 | \$ 574,709,783 | -0.33% | \$ 5,820,401 | |

(1) Each year all taxable property must be assessed at 100 percent of the current market value (the "Full Market Value").

(2) Homeowner's Exemption adjusts annually by the percentage change in the Idaho housing price index.

(3) Urban Renewal, is intended to allocate a portion of the property taxes in an Urban Renewal Area, for a limited period of time, to assist in the financing of Urban Renewal plans, and to encourage private development in Urban Renewal Areas.

(4) Taxable Assessed Value is the Full Market Value less statutory exemptions. Statutory exemptions include a homeowner's exemption and property tax reductions, known as the Circuit Breaker Property Tax Relief Program. The Taxable Assessed Value is the value against which tax levies are applied.

Source: Idaho State Tax Commission

Ad valorem taxes, including delinquent taxes and penalties, are collected by the treasurer of the county. The taxes are due and payable in two equal installments on December 20 of the tax year (the "Tax Year" is each January 1 through December 31) and June 20 of the following year. The District receives tax receipts in January and July, one month following collection by the County.

MIDDLETON SCHOOL DISTRICT #134 TAXES COLLECTED

(As of June 30, 2018)

| Tax Year | Taxable Assessed Value | Levy Rate per \$1,000 | Total Certified Amount Levied | Taxes Collected | Percent Collected |
|----------|------------------------|-----------------------|-------------------------------|-----------------|-------------------|
| 2017 | \$ 1,043,089,916 | 4.950334 | \$ 5,279,977 | \$ 5,115,244 | 96.88% |
| 2016 | 943,792,936 | 4.950347 | 4,763,406 | 4,701,214 | 98.69% |
| 2015 | 842,401,677 | 5.250348 | 4,513,268 | 4,480,394 | 99.27% |
| 2014 | 771,238,746 | 5.250348 | 4,151,597 | 4,151,201 | 99.99% |

Source: Canyon County Assessor and Treasurer

Following is a list of the District's top ten taxpayer accounts:

MIDDLETON SCHOOL DISTRICT #134

TOP TEN TAXPAYERS

| Taxpayer | Type of Business | Assessed Value | % of District's Tax Assessed Value |
|------------------------------|------------------------|--------------------------------|---------------------------------------|
| Idaho Power | Utility | \$ 14,248,240 | 1.37% |
| Northwest Pipeline Corp. | Utility | 6,142,396 | 0.59% |
| CJM LLLP | Retail Store | 4,600,000 | 0.44% |
| Intermountain Gas | Utility | 3,133,366 | 0.30% |
| Middleton Village Partners | Commercial Real Estate | 2,882,800 | 0.28% |
| Michael Wagner | Investments | 2,433,010 | 0.23% |
| Richard Porter | Investments | 2,364,560 | 0.23% |
| Qwest Corporation | Utility | 2,320,292 | 0.22% |
| William Vandenberg | Investments | 2,077,460 | 0.20% |
| Kerry Lawson | Investments | 1,934,450 | 0.19% |
| Top 10 Taxpayers | | <u>\$ 42,136,574</u> | <u>4.04%</u> |
| All other District Taxpayers | | <u>1,000,953,342</u> | <u>95.96%</u> |
| Total District Taxpayers | | <u><u>\$ 1,043,089,916</u></u> | <u><u>100.00%</u></u> |

Source: County Assessor and Treasurer (Tax Year 2016)

The estimated portion of general obligation debt of taxing jurisdictions that overlap the District is called "overlapping debt". The portion of overlapping debt allocated to the District's property owners is summarized below:

MIDDLETON SCHOOL DISTRICT #134

SUMMARY OF OVERLAPPING DEBT

| Overlapping District | Taxable Assessed Value | Percent Overlap | Amount Outstanding | Net Direct Overlapping Debt ⁽¹⁾ |
|--------------------------------------|---------------------------|--------------------|-----------------------|--|
| Middleton Rural Fire District No. 29 | \$ 639,726,021 | 97.33% | \$ 770,000 | \$ 749,441 |
| Total | | | | \$ 749,441 |

(1) Overlapping Debt includes all voter approved general obligation bonds. Self-supporting bonds are excluded.

Source: County Assessor, January 2015

State Support

The Idaho Legislature appropriates monies for support of public school districts. State appropriations are deposited by the Department of Education in its "Public School Income Fund" for further distribution to school districts. A summary of funds the District has received from the State over the past five years follows:

MIDDLETON SCHOOL DISTRICT #134

SCHEDULE OF STATE FUNDING

(Fiscal Years ended June 30)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| August | \$ 9,929,835 | \$ 9,575,012 | \$ 9,111,334 | \$ 8,532,478 | \$ 7,719,962 |
| October | Eliminated | Eliminated | Eliminated | Eliminated | Eliminated |
| November | Receivable | 3,828,512 | 3,639,445 | 3,420,143 | 3,096,355 |
| February | Receivable | 3,926,703 | 3,725,326 | 3,766,569 | 3,824,524 |
| May | Receivable | 2,106,931 | 1,937,006 | 1,789,184 | 1,688,201 |
| July | Receivable | 552,174 | 555,405 | 423,226 | 533,289 |
| Total ⁽¹⁾ | <u>\$ 9,929,835</u> | <u>\$ 19,989,332</u> | <u>\$ 18,968,516</u> | <u>\$ 17,931,600</u> | <u>\$ 16,862,331</u> |
| Replacement Tax ⁽²⁾ | | | | | |
| Sub-Total | <u>Receivable</u> | <u>\$ 38,200</u> | <u>\$ 38,200</u> | <u>\$ 38,200</u> | <u>38,200</u> |
| Totals | <u>\$ 9,929,835</u> | <u>\$ 20,027,532</u> | <u>\$ 19,006,716</u> | <u>\$ 17,969,800</u> | <u>\$ 16,900,531</u> |

(1) Totals may not track due to rounding.

(2) The District received property tax replacement for exempted agricultural land, equipment and personal property.

The replacement tax was phased out after the end of Fiscal Year 2011

Source: School District No. 134

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the annual financial report consists of three parts: management's discussion and analysis, basic 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.

Government-wide Financial Statements (GWFS)

The GWFS (i.e. statement of net position and statement of activities) provide readers with a broad overview of the District's finances. The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The *Statement of Net Position* provides information on all of the assets and liabilities of the District, with the difference between the two providing the *net position*. Increases or decreases in the net position may indicate whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* show how the net assets of the District have changed throughout the fiscal year. Changes in the net assets occur as soon as the underlying event gives rise.

The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

Funds are accounting devices, which the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund financial statements focus on individual parts of the District. Fund statements generally report operation in more detail than the government-wide statements. This focuses on its most significant or "major" funds and not on the district as a whole.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. capital project funds). The District has two types of funds: Governmental and Fiduciary.

Governmental funds - Governmental funds account for nearly the same functions as the Governmental activities. However, unlike the GWFS, Governmental funds focus on *near-term inflows and outflows* as well as the *balances left at year-end* that are available for funding future basic services.

It is useful to compare information found in the *governmental funds* with that of the *governmental activities*. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

The basic governmental fund financial statements can be found on pages 19 and 20 and 22 and 23 of this report.

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.

The basic fiduciary fund financial statement can be found on page 25 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

| | June 30, 2017 | June 30, 2018 |
|---|----------------------|----------------------|
| Assets | | |
| Current & other assets | \$ 8,543,970 | \$ 9,760,164 |
| Capital assets (net) | 58,282,479 | 56,787,601 |
| Total assets | <u>66,826,449</u> | <u>66,547,765</u> |
| Deferred outflows of resources | 9,373,017 | 5,673,406 |
| | <u>76,199,466</u> | <u>72,221,171</u> |
| Liabilities | | |
| Current liabilities | 5,598,996 | \$ 5,997,271 |
| Long-term liabilities | 52,241,219 | 47,451,123 |
| Total liabilities | <u>57,840,215</u> | <u>53,448,394</u> |
| Deferred inflows of resources | 7,026,175 | 4,639,745 |
| | <u>64,866,390</u> | <u>58,088,139</u> |
| Net position | | |
| Invested in capital assets, net of related debt | 11,731,558 | 12,645,431 |
| Restricted | 2,728,775 | 4,228,959 |
| Unrestricted | (3,127,257) | (2,741,358) |
| Total net position | <u>\$ 11,333,076</u> | <u>\$ 14,133,032</u> |

Changes in Net Position

| | June 30, 2017 | June 30, 2018 |
|-------------------------------------|---------------------|---------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 10,131 | \$ 9,532 |
| Operating grants and contributions | 2,610,583 | 2,589,489 |
| Capital grants and contributions | | |
| General revenues | | |
| Property taxes | 4,766,281 | 5,349,579 |
| State sources | 22,404,581 | 23,531,844 |
| Other | 221,008 | 456,486 |
| Investment earnings | 45,460 | 106,632 |
| Total revenues | <u>30,058,044</u> | <u>32,043,562</u> |
| Expenses | | |
| Instruction | 14,963,585 | 15,920,135 |
| Support services | 8,863,933 | 9,049,764 |
| Non support services | 1,383,499 | 1,448,402 |
| Depreciation expense | 1,559,101 | 1,550,618 |
| Capital outlay | 13,954 | 28,960 |
| Interest and fees on long-term debt | 1,312,020 | 1,245,727 |
| Total expenses | <u>28,096,092</u> | <u>29,243,606</u> |
| Increase (Decrease) in Net Position | <u>\$ 1,961,952</u> | <u>\$ 2,799,956</u> |

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

As stated earlier, net position may serve as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$14,133,032 at the close of the most recent fiscal year.

DISTRICT'S FUND FINANCIAL ANALYSIS

As noted earlier, the District uses funds to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

The Middleton School District is allowed to budget 5% of the total revenues for contingency of budgeted resource. The District actually budgeted \$1,048,683 of contingency reserve. This undistributed reserve has been set-aside for unexpected contingencies or possible reductions in funding. In addition, parts of these funds have been set aside for cash flow purposes within the District. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating of A1 by Moodys Investors Service.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money received. If you have any questions about this report or desire additional financial information, feel free to contact the Business Manager at the Middleton School District Office, 5 South Viking Avenue, Middleton, Idaho 83644 or call (208) 585-3027.

Middleton School District #134
Statement of Net Position
As of June 30, 2018

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 648,265 |
| Receivables | |
| Property taxes | 2,105,327 |
| Intergovernmental | 1,961,254 |
| Interest | 9,105 |
| Inventory | 78,525 |
| Investments | 4,957,688 |
| Prepaid expenses | |
| Capital assets | |
| Land | 2,450,164 |
| Buildings | 70,935,161 |
| Equipment | 2,032,264 |
| Less accumulated depreciation | (18,629,988) |
| Total assets | 66,547,765 |
| Deferred outflows of resources | |
| Deferred outflows related to pensions (see note 9) | 2,919,555 |
| Acquisition costs, net of accumulated amortization | 2,753,851 |
| | 72,221,171 |
| Liabilities | |
| Accounts payable and other current liabilities | \$ 210,714 |
| Salaries and benefits payable | 2,724,635 |
| Post employment benefit payable | 239,972 |
| Long-term obligations | |
| Due within one year | |
| Bonds, capital leases, and contracts | 2,400,000 |
| Accrued interest | 421,950 |
| Due beyond one year | |
| Net pension liability | 6,971,094 |
| Bonds, capital leases, and contracts | 40,480,029 |
| Total liabilities | 53,448,394 |
| Deferred inflows of resources | |
| Deferred inflows related to pensions (see note 9) | 1,045,703 |
| Bond premium, net of related accumulated amortization | 3,594,042 |
| | 58,088,139 |
| Net position | |
| Invested in capital assets, net of related debt | 12,645,431 |
| Restricted for: | |
| Debt service | 4,200,721 |
| Other | 28,238 |
| Unrestricted | (2,741,358) |
| Total net position | \$ 14,133,032 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Statement of Activities
For The Year Ended June 30, 2018

| Functions/Programs | Expenses | Charges for Services | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets - Governmental Activities |
|---------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction | \$ 15,920,135 | \$ | (1,191,741) | | \$ (14,728,394) |
| Support services | 9,049,764 | | | | (9,049,764) |
| Food services | 1,448,402 | (9,532) | (1,397,748) | | (41,122) |
| Depreciation expense | 1,550,618 | | | | (1,550,618) |
| Capital Outlay | 28,960 | | | | (28,960) |
| Interest on long-term debt | 1,245,727 | | | | (1,245,727) |
| Total school district | 29,243,606 | (9,532) | (2,589,489) | | (26,644,585) |

| | |
|--|----------------------|
| General Revenues: | |
| Property Taxes | 5,349,581 |
| State Sources | 23,531,844 |
| Other | 456,486 |
| Investment Earnings | 106,632 |
| Total General Revenue & Special Items | 29,444,543 |
| Changes In Net Position | 2,799,956 |
| Net position - beginning of year | 11,333,076 |
| Net position, end of year | \$ 14,133,032 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Balance Sheet - Governmental Funds
June 30, 2018

| | General | Debt Service |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 43,537 | \$ 553,844 |
| Receivables: | | |
| Property tax | 550,711 | 1,554,616 |
| Intergovernmental | 1,537,173 | |
| Interest | 5,615 | 3,490 |
| Interfund receivable | 369,659 | |
| Inventory | | |
| Investments | 2,697,082 | 2,260,606 |
| Prepaid expenses | | |
| Total assets | \$ 5,203,777 | \$ 4,372,556 |
| Liabilities and fund balances | | |
| Liabilities: | | |
| Accounts payable | 192,997 | |
| Salaries and benefits payable | 2,453,771 | |
| Interfund payable | | |
| Total liabilities | 2,646,768 | |
| Deferred inflows of resources | | |
| Deferred inflows of future revenues | 1,055,675 | 171,835 |
| Fund balances | | |
| Nonspendable | | |
| Restricted | | 4,200,721 |
| Committed | | |
| Assigned | | |
| Unassigned | 1,501,334 | |
| Total fund balances | 1,501,334 | 4,200,721 |
| Total liabilities and fund balances | \$ 5,203,777 | \$ 4,372,556 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Balance Sheet - Governmental Funds
June 30, 2018

| Capital Projects Funds | Food Service | Other Governmental Funds | Total Governmental Funds |
|---------------------------|------------------|--------------------------------|--------------------------------|
| \$ | \$ | \$ 50,884 | \$ 648,265 |
| | | | -2,105,327 |
| | | 424,081 | 1,961,254 |
| | | | 9,105 |
| | | | 369,659 |
| | 78,525 | | 78,525 |
| | | | 4,957,688 |
| <u>\$</u> | <u>\$</u> | <u>\$ 474,965</u> | <u>\$ 10,129,823</u> |
| | | 17,717 | 210,714 |
| | 93,002 | 177,862 | 2,724,635 |
| | 118,511 | 251,148 | 369,659 |
| | <u>211,513</u> | <u>446,727</u> | <u>3,305,008</u> |
| | | | 1,227,510 |
| | (132,988) | 28,238 | 4,095,971 |
| | | | 1,501,334 |
| | <u>(132,988)</u> | <u>28,238</u> | <u>5,597,305</u> |
| <u>\$</u> | <u>\$</u> | <u>\$ 474,965</u> | <u>\$ 10,129,823</u> |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Reconciliation Of Governmental Fund Balances
To District-Wide Government Activities Net Position
June 30, 2018

| | Total Governmental Funds |
|---|--------------------------------|
| Total fund balances - governmental funds | \$ 5,597,305 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Land | 2,450,164 |
| Buildings | 70,935,161 |
| Equipment | 2,032,264 |
| Less: accumulated depreciation | (18,629,988) |
| Deferred outflows of resources are not reported in the funds: | 5,673,406 |
| Some of the District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds. | 1,227,510 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds payable within one year | (2,400,000) |
| Accrued interest | (421,950) |
| Bonds payable beyond one year | (40,480,029) |
| Net pension liability | (6,971,094) |
| Post employment benefits payable | (239,972) |
| Deferred inflows of resources are not reported in the funds: | (4,639,745) |
| Net position of governmental activities | \$ 14,133,032 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

| | General | Debt Service |
|--|---------------------|---------------------|
| Revenues | | |
| Local revenues | | |
| Property tax | \$ 1,386,173 | \$ 3,926,711 |
| Earnings on investments | 85,292 | 20,590 |
| Other | 379,608 | |
| State revenue | | |
| Foundation | 21,260,994 | |
| Program specific | | 1,224,536 |
| Federal revenue | | |
| Food service | | |
| Other revenue | 9,532 | |
| Total revenues | <u>23,121,599</u> | <u>5,171,837</u> |
| Expenditures | | |
| Current: | | |
| Instruction: | | |
| Elementary School Program | 5,268,814 | |
| Secondary School Program | 5,632,490 | |
| Alternative School Program | 714,663 | |
| Exceptional Child School Program | 1,439,451 | |
| Preschool School Program | 102,965 | |
| Gifted and Talented School Program | 189,968 | |
| Summer School Program | 42,791 | |
| Extracurricular Activities | 318,248 | |
| Support services: | | |
| Administration | 1,133,374 | |
| School Administration | 1,455,600 | |
| Maintenance and Improvements, buildings, grounds, and equipment | 2,302,347 | |
| Security Program | 30,416 | |
| Pupil Transportation | 1,415,364 | |
| Other | 3,216,684 | |
| Food service | 36,288 | |
| Debt service: | | |
| Principal | | 2,219,994 |
| Interest | | 1,434,485 |
| Capital outlay | 44,388 | |
| Total expenditures | <u>23,343,851</u> | <u>3,654,479</u> |
| Excess (deficiency) of revenues over expenditures | <u>(222,252)</u> | <u>1,517,358</u> |
| Other financing sources (uses) | | |
| Transfers in (out) | 22,589 | |
| Total other financing sources (uses) | <u>22,589</u> | |
| Net change in fund balances | (199,663) | 1,517,358 |
| Fund balances - beginning | 1,700,997 | 2,683,363 |
| Fund balances - ending | <u>\$ 1,501,334</u> | <u>\$ 4,200,721</u> |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

| Capital Projects Funds | Food Service | Governmental Funds | Governmental Funds |
|---------------------------|--------------|-----------------------|-----------------------|
| \$ 172 | \$ 750 | \$ 76,878 | \$ 5,313,056 |
| | | | 106,632 |
| | | | 456,486 |
| | | | 21,260,994 |
| | | 1,046,314 | 2,270,850 |
| | | 1,191,741 | 1,191,741 |
| | 1,397,748 | | 1,397,748 |
| | | | 9,532 |
| 172 | 1,398,498 | 2,314,933 | 32,007,040 |
| | | 459,875 | 5,728,689 |
| | | 627,055 | 6,259,544 |
| | | | 714,663 |
| | | 1,084,523 | 2,523,974 |
| | | 15,236 | 118,201 |
| | | | 189,968 |
| | | | 42,791 |
| | | | 318,248 |
| | | | 1,133,374 |
| | | | 1,455,600 |
| | | | 2,302,347 |
| | | | 30,416 |
| | | | 1,415,364 |
| | | 93,003 | 3,309,687 |
| | 1,412,114 | | 1,448,402 |
| | | | 2,219,994 |
| | | | 1,434,485 |
| 12,304 | 10,312 | 17,694 | 84,698 |
| 12,304 | 1,422,426 | 2,297,386 | 30,730,445 |
| (12,132) | (23,928) | 17,547 | 1,276,593 |
| | | (22,589) | |
| | | (22,589) | |
| (12,132) | (23,928) | (5,042) | 1,276,593 |
| 12,132 | (109,060) | 33,280 | 4,320,712 |
| \$ | \$ (132,988) | \$ 28,238 | \$ 5,597,305 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures, and Changes In Fund
Balances with the District-Wide Statement of Activities
For The Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,276,593

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

| | |
|---------------------------------|-------------|
| Expenditures for capital assets | 55,738 |
| Less current year depreciation | (1,550,618) |

| | |
|--|-----------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets. | 2,219,994 |
|--|-----------|

| | |
|--|-----------|
| Pension adjustments are not reported in the funds statements | 597,024 |
| Amortization of bond premium not reported in the funds statements | (288,672) |
| Amortization of bond acquisition costs reported in the governmental activities | 477,430 |
| Change in accrued interest | |
| Change in deferred property tax inflows in governmental funds | 36,525 |
| Change in post employment benefits | (24,058) |

| | |
|---|--------------|
| Changes in net position of governmental activities | \$ 2,799,956 |
|---|--------------|

Middleton School District #134
Statement of Fiduciary Position And Liabilities
June 30, 2018

| | <u>Agency Funds</u> |
|-------------------------|---------------------|
| Assets | |
| Cash & cash equivalents | <u>\$ 708,165</u> |
| Liabilities | |
| Due to student groups | <u>708,165</u> |
| Net position | <u><u>\$</u></u> |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

Middleton School District #134 (the "District") is governed by the Middleton School District Board of Education (the "Board"), which has responsibility and control over all activities related to public School education within the District. The District received funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for the District's general governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The general fund, debt service fund and capital projects funds are considered major funds while the remaining governmental funds are considered non-major. Governmental funds include:

General fund - the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt service funds – account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital project fund – accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

School activity fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include charges to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Allocation of indirect expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of the other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is not specifically identified by function and is considered an unallocated indirect expense.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures.

Revenues

Ad valorem taxes are susceptible to accrual.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries, benefits and other expenditures are recorded as paid.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et Cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Cash and Cash Equivalents

The District pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho.

Restricted Cash and Investments

The restricted cash and investments are comprised of restricted deposits for specific program expenditures, unexpended bond proceeds, capital projects deposits, and debt services funds that are restricted for use on specifically identified programs, capital projects and debt service payments.

Investments

Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local government entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the state of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho's Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of Joint Powers Investment Pool ("Pool") is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Elimination and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within governmental activities column.

Encumbrances

Purchase orders, contracts, and other commitments for the expenditure of funds are considered to be encumbrances for budgeting control purposes during the year. Outstanding encumbrances at year-end do not constitute expenditures and are either charged to an appropriation the following year or the contractual commitment is canceled.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the actuarial assumptions made in the other post-employment liability. It is at least reasonably possible that the significant estimates used will change within the next year.

Property Taxes

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year-end, are accrued on the fund financial statements. Property tax revenues are recognized when levied with appropriate accrual made at year-end on the government-wide financial statements. The District's property taxes, levied on the Thursday prior to the second Monday in September on market value basis, are billed to the taxpayers in November. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Occupancy taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year.

Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion that meets the revenue recognition criteria is recognized as revenue on the fund financial statements.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Canyon County bills and collects property taxes for the District.

Historically, virtually all ad valorem taxes receivable was collected since they are secured by property; therefore, there is no material allowance for uncollectible taxes.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Inventories

District operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. District operating supplies are recorded as inventory and charged to expenditures at the time of use (consumption method). All other inventory items are charged to expenditures at the time of purchase (purchase method).

Inventories on hand at year end are reflected as assets and are fully reserved in the Fund Financial Statements indicating the inventories are unavailable for appropriation even though they are a component of reported assets.

Capital Assets

The District's policy is to capitalize assets in excess of \$5,000. Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands.

Straight-line depreciation is used based on the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 15 - 40 years |
| Furniture and equipment | 5-15 years |

Depreciation expense for buildings, furniture and equipment relate to multiple programs, for which allocating among programs is not easily identifiable. As such, depreciation expense is not allocated.

The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

The District does not possess any material amounts of infrastructure capital assets (e.g. roads, bridges, parking lots, and sewer). To the extent future infrastructure capital assets are material, they will be capitalized and depreciated over their estimated useful lives as with all other depreciable capital assets.

Long-Term Liabilities

For government-wide reporting, material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Restricted Net Position

For the government-wide statement of net position, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

Pensions

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

Fund Balances of Fund Financial Statements

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has inventories as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the general obligations and are restricted through debt covenants.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or by the Board delegating this responsibility to the Superintendent or his designee through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Unassigned: This classification includes the residual fund balance for the general fund and the amount established for minimum funding. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Interfund Transfers

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers.

Unavailable and Advanced Revenue

The District reports unavailable and advanced revenues on its Statement of Net Position and Fund Balance Sheet. Advanced revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for advanced revenue is removed from the combined balance sheet and the revenue is recognized. On the governmental fund financial statements property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end; however, in the government-wide financial statements all property taxes are recognized in the year they are measurable.

Compensated Absences

The District provides sick leave and personal leave to the full-time non-certified employees. The estimated amount of compensated absences is believed to be immaterial and accordingly no liability has been recorded.

Grants and Other Intergovernmental Revenues

Federal and State reimbursement type grants are recorded as intergovernmental revenues when the related expenditures/expenses are incurred and, in the Governmental Funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Note 2 - Cash and Investments

At June 30, 2018, the District's cash and investments, excluding trust and agency funds, consisted of the following:

| | Bank Deposit Balance | Carrying Amount |
|---|-------------------------|-----------------|
| Cash | | |
| Insured or collateralized | \$ 797,396 | \$ 648,265 |
| Uninsured or uncollateralized | | |
| Total deposits | 797,396 | 648,265 |
| Investments | | |
| State Treasurer's local government pool | 4,957,688 | 4,957,688 |
| Total investments | 4,957,688 | 4,957,688 |
| Total cash and investments | \$ 5,755,084 | \$ 5,605,953 |

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk outside of the deposit and investment agreements.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The District's policy is to only invest in instruments with at least an A quality credit rating.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when 5% of the total entity's investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. At June 30, 2018, the District is not subject to interest rate risk as all investments are held in the LGIP, which has short maturities. The District's investment policy is not limited to specific duration but is structured to meet the District's anticipated cash flows and spending rate.

Note 3 – Interfund Receivables, Payables, and Transfers

As of June 30, 2018, the General Fund has the following outstanding interfund receivables and payables:

| | | |
|--|----|---------|
| Due to General Fund from Food Service Fund | \$ | 118,511 |
| Due to General Fund from Nonmajor Funds | | 251,148 |
| Total due to General Fund | \$ | 369,659 |

Note 4 – Due From Other Agencies and Units of Government

Amounts due from other agencies and units of government were as follows as of June 30, 2018:

| | | |
|------------------|----|-----------|
| State agencies | \$ | 1,584,756 |
| Federal agencies | | 385,601 |
| County agencies | | 2,105,327 |
| Total | \$ | 4,075,684 |

Note 5 – Unavailable and Advanced Revenues

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements. The following revenues are measurable but do not represent available expendable resources for the Fund Financial Statements or were received in advance before the District has legal claim to them for the fiscal year ended June 30, 2018:

| | General Fund | Debt Service Fund | Total |
|----------------|--------------|----------------------|--------------|
| Deferred taxes | \$ 70,675 | \$ 171,835 | \$ 242,510 |
| Deferred State | 985,000 | | 985,000 |
| Total | \$ 1,055,675 | \$ 171,835 | \$ 1,227,510 |

Middleton School District No. 134
Notes to Financial Statements
June 30, 2018

Note 6 - Capital Assets

A summary of activity in the capital assets is as follows:

| | July 1, 2017 | Additions | Deductions | June 30, 2018 |
|---|---------------|----------------|------------|---------------|
| Governmental activities | | | | |
| Land: | | | | |
| Elementary | 100,000 | \$ | \$ | \$ 100,000 |
| Secondary | 731,444 | | | 731,444 |
| Administrative | 1,618,720 | | | 1,618,720 |
| Total Land | 2,450,164 | | | 2,450,164 |
| Buildings: | | | | |
| Elementary | 12,831,513 | | | 12,831,513 |
| Secondary | 58,004,186 | | | 58,004,186 |
| Administrative | 99,462 | | | 99,462 |
| Total Buildings | 70,935,161 | | | 70,935,161 |
| Equipment: | | | | |
| Elementary | 221,903 | 38,043 | | 259,946 |
| Secondary | 1,729,618 | 17,695 | | 1,747,313 |
| Administrative | 25,005 | | | 25,005 |
| Total Equipment | 1,976,526 | 55,738 | | 2,032,264 |
| Total at historical cost | 75,361,851 | 55,738 | | 75,417,589 |
| Less accumulated depreciation | | | | |
| Buildings: | | | | |
| Elementary | 4,257,868 | 271,598 | | 4,529,466 |
| Secondary | 11,444,464 | 1,146,478 | | 12,590,942 |
| Administrative | 36,884 | 7,273 | | 44,157 |
| Total Building depreciation | 15,739,216 | 1,425,349 | | 17,164,565 |
| Equipment: | | | | |
| Elementary | 216,220 | 4,336 | | 220,556 |
| Secondary | 1,118,850 | 115,991 | | 1,234,841 |
| Administrative | 5,087 | 4,939 | | 10,026 |
| Total Equipment depreciation | 1,340,157 | 125,266 | | 1,465,423 |
| Total Depreciation | 17,079,373 | 1,550,615 | | 18,629,988 |
| Governmental activities capital assets, net | \$ 58,282,478 | \$ (1,494,877) | \$ | \$ 56,787,601 |

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Note 7 – General Obligation Bonds Payable

For government-wide reporting, material bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

For fund financial reporting, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

On February 10, 2009, the District issued \$24,355,000 in general obligation bonds, series 2009. Interest at 4.26% through September 15, 2016 and adjusted upward thereafter, is payable semiannually on September 15 and March 15. These bonds were partially defeased in 2015. Required aggregate annual principal and interest payments are as follows:

| District Year | Principal | Interest | Total |
|---------------|--------------|-----------|--------------|
| 2018-2019 | \$ 1,060,000 | \$ 18,925 | \$ 1,078,925 |

On December 23, 2009, the District issued \$5,000,000 in general obligation bonds, series 2009B. Interest at 1.97% and is payable semiannually on September 15 and March 15. The District paid an additional \$600,000 to the sinking fund this year. Required aggregate annual sinking fund and interest payments are as follows:

| District Year | Principal | Interest | Total |
|---------------|---------------------|-------------------|---------------------|
| 2018-2019 | \$ | \$ 99,000 | \$ 99,000 |
| 2019-2020 | | 99,000 | 99,000 |
| 2020-2021 | 525,000 | 99,000 | 624,000 |
| 2021-2022 | 525,000 | 99,000 | 624,000 |
| 2022-2023 | 550,000 | 99,000 | 649,000 |
| 2023-2025 | 1,250,000 | 346,500 | 1,596,500 |
| | <u>\$ 2,850,000</u> | <u>\$ 841,500</u> | <u>\$ 3,691,500</u> |

Effective June 27, 2006 the District entered into an agreement to defease the series 2002 bonds maturing in 2010, 2011, 2012 and a portion of the series 2002 bonds maturing in 2013. The amount of \$898,197.70 was sent to escrow on June 27, 2006 which included \$5,000 cost of issuance. The 2002 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government wide statement of net position.

Middleton School District #134
Notes to Financial Statements
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Series 2010A: on November 23, 2010 the District issued \$7,700,000 in general obligation bonds, series 2010A. Proceeds were used for construction on the new high school. Interest at 0% per federal subsidy. Sinking fund principal payments are due annually on September 16th beginning in 2016. The District paid an additional \$300,000 to the sinking fund this year. Aggregate annual principal payments are as follows:

| District Year | Principal | Interest | Total |
|---------------|---------------------|----------|---------------------|
| 2021-2022 | \$ 100,000 | | \$ 100,000 |
| 2022-2029 | 7,100,000 | | 7,100,000 |
| | <u>\$ 7,200,000</u> | | <u>\$ 7,200,000</u> |

Series 2010B: on November 23, 2010 the District issued \$4,875,000 in general obligation bonds, series 2010B. Proceeds of the sale plus premium of \$709,621 were sent to escrow after bond costs in the amount of \$53,932 were paid. The resulting net amount of \$5,530,689.30 will be used to advance refund \$4,895,000 of outstanding 2002 series bonds with an interest rate of 4.79%. The net proceeds sent to escrow were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust to provide for all future debt service payments on the 2002 series bond. As a result all but \$515,000 of the 2002 series bonds are considered to be defeased and the liability for those bonds has been removed from the government wide statements of net assets. Interest is at 4.3.

Interest payments are due semiannually on March 15 and September 15 through 2019. Aggregate annual principal payments and semiannual interest payments are as follows:

| District Year | Principal | Interest | Total |
|---------------|---------------------|------------------|---------------------|
| 2018-2019 | \$ 1,015,000 | \$ 32,287 | \$ 1,047,287 |
| 2019-2020 | 210,000 | 4,725 | 214,725 |
| | <u>\$ 1,225,000</u> | <u>\$ 37,012</u> | <u>\$ 1,262,012</u> |

On November 8, 2011 the District issued \$3,615,000 in general obligation bonds, series 2011. Interest is 0% per federal subsidy. Sinking fund payments are due annually each September 15th.

| District Year | Principal | Interest | Total |
|---------------|---------------------|----------|---------------------|
| 2018-2019 | \$ 25,000 | | \$ 25,000 |
| 2019-2020 | 25,000 | | 25,000 |
| 2020-2021 | 25,000 | | 25,000 |
| 2021-2022 | 25,000 | | 25,000 |
| 2022-2023 | 25,000 | | 25,000 |
| 2022-2030 | 3,340,000 | | 3,340,000 |
| | <u>\$ 3,465,000</u> | | <u>\$ 3,465,000</u> |

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On March 31, 2015 the District issued \$27,145,000 in General Obligation Bonds with interest rates between 2% and 5% to advance refund \$27,400,000 of outstanding 2008 Series bonds and 2009 Series bonds with interest rates between 1.97% and 4.875%. The Series 2015 bonds sold included premium of \$4,220,985. The net proceeds of \$31,365,985 (after payment of \$213,250 for underwriting fees, insurance and other issuance costs) were used to purchase U.S. Treasury Notes. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the old debt. As a result, the 2008 and 2009 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

Interest payments are due semiannually on March 15 and September 15 through 2028. Aggregate annual principal payments and semiannual interest payments are as follows:

| District Year | Principal | Interest | Total |
|---------------|----------------------|---------------------|----------------------|
| 2018-2019 | \$ | \$ 1,164,863 | \$ 1,164,863 |
| 2019-2020 | 2,005,000 | 1,144,812 | 3,149,813 |
| 2020-2021 | 2,295,000 | 1,067,388 | 3,362,388 |
| 2021-2022 | 2,410,000 | 949,763 | 3,359,762 |
| 2022-2023 | 2,630,000 | 823,762 | 3,453,762 |
| 2023-2028 | 17,740,000 | 2,171,180 | 19,911,180 |
| | <u>\$ 27,080,000</u> | <u>\$ 7,321,768</u> | <u>\$ 34,401,768</u> |

Changes in bonds payable:

| | |
|----------------------------------|----------------------|
| Balance July 1, 2017 (principal) | \$ 45,100,023 |
| Additions | |
| Reduction | (2,219,994) |
| Reduction | |
| Balance June 30, 2018 | <u>\$ 42,880,029</u> |

Summary:

| | |
|-------------------|----------------------|
| Series 2009A | \$ 1,060,029 |
| Series 2009B QSCB | 2,850,000 |
| Series 2010A QSCB | 7,200,000 |
| Series 2010B REF | 1,225,000 |
| Series 2011 QSCB | 3,465,000 |
| Series 2015 REF | 27,080,000 |
| Total | <u>\$ 42,880,029</u> |

Note 8 – Retirement Healthcare Plan

Plan Description. Middleton School District No. 134's defined benefit postemployment healthcare plan is administered by Blue Cross of Idaho, Blue Cross Dental, Willamette Dental and Vision Plan Services. The plan provides medical benefits to eligible retired District employees and their dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's health insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Retirement eligibility is determined based on a minimum of reaching age 55 and at least 5 years of service, including six months of membership service with a PERSI employer. The retiree is on the same medical plan as the District's active employees.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

Funding Policy. The District funds post retirement benefits on a current basis through PERSI. The District paid 1.16% of the wages covered by PERSI for sick leave benefits to the state for the 2016-17 school year. At the time of retirement, a sum equal to one-half of the monetary value of unused sick leave, calculated at the rate of pay at that time, is transferred from the sick leave account to the employee's retirement account. This money shall then be used to pay premiums for health, accident, dental, vision, and life insurance. The District's future plans are to continue to pay into the unused sick leave benefit, as is currently being done, while awaiting actions by the Idaho Legislature concerning the retirees that are subsidized by the current statutory requirements.

Annual OPEB Cost. The District annual other postemployment 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to Middleton School District No. 134's Post Retirement Healthcare Plan:

| | | |
|--|----|------------------|
| Annual required contribution (ARC) | \$ | 151,738 |
| Interest on net OPEB obligation | | 7,622 |
| Adjustment to annual required contribution | | <u>(10,796)</u> |
| Annual OPEB costs (expenditure) | | 148,564 |
| Contributions made (Estimate) | | <u>(124,506)</u> |
| Increase in net OPEB obligation | | 24,058 |
| Net OPEB obligation – beginning of year | | <u>215,914</u> |
| | | |
| Net OPEB obligation – end of year | \$ | <u>239,972</u> |

The three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost and the net OPEB obligation is shown below:

| Fiscal Year Ending | Annual OPEB | Net OPEB |
|--------------------|-------------|------------|
| June 30, 2016 | \$ 105,047 | \$ 182,001 |
| June 30, 2018 | \$ 152,201 | \$ 215,914 |
| June 30, 2018 | \$ 148,564 | \$ 239,972 |

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2016, was as follows:

| | | |
|---|----|-----------------------------|
| Actuarial accrued liability (AAL) | \$ | 1,035,288 |
| Actuarial value of plan assets | | <u> </u> |
| Unfunded actuarial accrued liability (UAAL) | | <u>1,035,288</u> |
| Funded ratio (actuarial value of plan assets / AAL) | | |
| Covered payroll (active plan members) | | 12,403,374 |
| UAAL as a percentage of covered payroll | | 8.34% |

Middleton School District #134
Notes to Financial Statements
June 30, 2018

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.

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 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.53 percent discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that the probability of initial enrollment upon retirement of medical, vision and dental is 45% and 36.9% and 42.9 respectively. For spouses, it is assumed to be 70% for each plan.

The annual medical healthcare cost trend rate is (7.5%) initially, 7.0 percent in year two and 6.5% in year three then decreasing gradually until reaching an ultimate rate of 6.0% percent in 2020. For dental the trend rate used initially is 7.5%, 7.0% percent in year two and 6.5% in year three then decreasing gradually until reaching an ultimate rate of 6.0% in 2020. It was assumed salary increases will be 3.75% per annum. The UAAL is being amortized as a level percentage of projected.

Note 9 – Pension Plan

Plan Description

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

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

Pension Benefits

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

Middleton School District #134
Notes to Financial Statements
June 30, 2018

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The District's contributions were \$1,559,316 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the District's proportion was .4435023 percent.

For the year ended June 30, 2018, the District recognized pension expense (revenue) of \$(437,538). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 965,717 | \$ 628,036 |
| Changes in assumptions or other inputs | 288,400 | |
| Net difference between projected and actual earnings on pension plan investments | | 417,667 |
| Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions | | |
| District's contributions subsequent to the measurement date | 1,665,438 | |
| Total | \$ 2,919,555 | \$ 1,045,703 |

Middleton School District #134
Notes to Financial Statements
June 30, 2018

\$1,665,438 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

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

| Year ended June 30: | |
|----------------------------|--------------|
| 2018 | \$ (378,973) |
| 2019 | \$ 654,937 |
| 2020 | \$ 185,835 |
| 2021 | \$ (412,871) |

Actuarial Assumptions

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

Middleton School District #134
Notes to Financial Statements
June 30, 2018

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Middleton School District #134
Notes to Financial Statements
June 30, 2018

| Capital Market Assumptions | | | | |
|--|------------------------|---------------------------|-------------------------|-------------------------|
| Asset Class | Expected Return | Expected Risk | Strategic Normal | Strategic Ranges |
| Equities | | | 70% | 66% - 77% |
| Broad Domestic Equity | 9.15% | 19.00% | 55% | 50% - 65% |
| International | 9.25% | 20.20% | 15% | 10% - 20% |
| Fixed Income | 3.05% | 3.75% | 30% | 23% - 33% |
| Cash | 2.25% | 0.90% | 0% | 0% - 5% |
| | | | | |
| | | | Expected | |
| | Expected Return | Expected Inflation | Real Return | Expected Risk |
| Total Fund | | | | |
| Actuary | 7.00% | 3.25% | 3.75% | N/A |
| Portfolio | 6.58% | 2.25% | 4.33% | 12.67% |
| | | | | |
| *Expected arithmetic return net of fees and expenses | | | | |
| | | | | |
| Actuarial Assumptions: | | | | |
| | | | | |
| Assumed Inflation - Mean | | | | 3.25% |
| Assumed Inflation - Standard Deviation | | | | 2.00% |
| | | | | |
| Portfolio Arithmetic Mean Return | | | | 8.42% |
| | | | | |
| Portfolio Long-Term Expected Geometric Rate of Return | | | | 7.50% |
| Assumed Investment Expenses | | | | 0.40% |
| Long-Term Expected Rate of Return, Net of Investment Expenses | | | | 7.10% |

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

Middleton School District #134
Notes to Financial Statements
June 30, 2018

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

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|--------------------------------|--|--------------------------------|
| Employer's proportionate share of the net pension liability (asset) | \$ 16,202,258 | \$ 6,971,094 | \$ (700,247) |

Pension plan fiduciary net position

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

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

Note 10 – Fund Balance

The details of the fund balances are included in the Governmental Funds Balance Sheet. As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Board or delegated to the Superintendent. Decreases to fund balance first reduce Unassigned Fund balance; if Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The Food Service Fund, Driver's Ed Fund & the Medicaid Fund had a negative fund balance as of June 30, 2018.

Note 11 – Required Supplementary Information

The budgetary basis of accounting conforms to GAAP for required supplementary information.

Note 12 – Subsequent Events

Management has evaluated subsequent events through September 4, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Middleton School District #134
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance |
|--|-------------------|-------------------|---------------------|----------------|
| | Original | Final | | |
| Local revenues | | | | |
| Property tax | \$ 1,347,500 | \$ 1,360,611 | \$ 1,386,173 | \$ 25,562 |
| Other | 334,000 | 357,777 | 379,608 | 21,831 |
| Total local revenue | <u>1,681,500</u> | <u>1,718,388</u> | <u>1,765,781</u> | <u>47,393</u> |
| State revenue | | | | |
| Foundation | 20,936,251 | 21,157,381 | 21,260,994 | 103,613 |
| Program specific | | | | |
| Total state sources | <u>20,936,251</u> | <u>21,157,381</u> | <u>21,260,994</u> | <u>103,613</u> |
| Other revenues | | | | |
| Federal revenue | | | | |
| Earnings on investments | 32,000 | 68,000 | 85,292 | 17,292 |
| Other revenue | 15,000 | 10,000 | 9,532 | (468) |
| Total Other revenues | <u>47,000</u> | <u>78,000</u> | <u>94,824</u> | <u>16,824</u> |
| Total revenues | <u>22,664,751</u> | <u>22,953,769</u> | <u>23,121,599</u> | <u>167,830</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 13,560,920 | 13,698,553 | 13,709,390 | (10,837) |
| Support services - other | 9,325,013 | 9,841,973 | 9,553,785 | 288,188 |
| Non-instructional | 35,290 | 35,290 | 36,288 | (998) |
| Capital outlay | 76,229 | 67,154 | 44,388 | 22,766 |
| Total expenditures | <u>22,997,452</u> | <u>23,642,970</u> | <u>23,343,851</u> | <u>299,119</u> |
| Excess (deficiency) of revenues over expenditures | (332,701) | (689,201) | (222,252) | 466,949 |
| Other financing sources (uses) | | | | |
| Transfers in (out) | 17,780 | 17,780 | 22,589 | 4,809 |
| Total other financing sources (uses) | <u>17,780</u> | <u>17,780</u> | <u>22,589</u> | <u>4,809</u> |
| Net change in fund balances | (314,921) | (671,421) | (199,663) | 471,758 |
| Fund Balance - beginning | | | 1,700,997 | |
| Fund Balance - ending | | | <u>\$ 1,501,334</u> | |

See accountant's audit report and notes to the financial statements.

Middleton School District # 134
Budgetary Comparison Schedule
Debt Service
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|--------------|--------------|--------------|
| | Original | Final | | |
| Local revenues | | | | |
| Property tax | \$ 4,097,351 | \$ 4,097,351 | \$ 3,926,711 | \$ (170,640) |
| Other | | | | |
| Total local revenue | 4,097,351 | 4,097,351 | 3,926,711 | (170,640) |
| State revenue | | | | |
| Foundation | | | | |
| Program specific | 1,350,000 | 1,350,000 | 1,224,536 | (125,464) |
| Total state sources | 1,350,000 | 1,350,000 | 1,224,536 | (125,464) |
| Other revenues | | | | |
| Federal revenue | | | | |
| Earnings on investments | 7,000 | 7,000 | 20,590 | 13,590 |
| Other revenue | | | | |
| Sale of assets | | | | |
| Transfers in (out) | | | | |
| Total other revenue | 7,000 | 7,000 | 20,590 | 13,590 |
| Total revenues | 5,454,351 | 5,454,351 | 5,171,837 | (282,514) |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | | | | |
| Support services - other | | | | |
| Non-instructional | 3,660,665 | 3,660,665 | 3,654,479 | 6,186 |
| Total expenditures | 3,660,665 | 3,660,665 | 3,654,479 | 6,186 |
| Excess (deficiency) of revenues over expenditures | 1,793,686 | 1,793,686 | 1,517,358 | (276,328) |
| Other financing sources (uses) | | | | |
| Payment to refunded bond | | | | |
| Transfers in (out) | | | | |
| Total other financing sources (uses) | | | | |
| Net change in fund balances | 1,793,686 | 1,793,686 | 1,517,358 | (276,328) |
| Fund balance - beginning | | | 2,683,363 | |
| Fund balance - ending | | | \$ 4,200,721 | |

See accountant's audit report and notes to the financial statements.

Middleton School District # 134
Budgetary Comparison Schedule
Capital Projects
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|----------|----------|----------|
| | Original | Final | | |
| Local revenues | | | | |
| Property tax | \$ | \$ 190 | \$ 172 | \$ (18) |
| Other | | | | |
| Total local revenue | | 190 | 172 | (18) |
| State revenue | | | | |
| Foundation | | | | |
| Program specific | | | | |
| Total state sources | | | | |
| Other revenues | | | | |
| Federal revenue | | | | |
| Earnings on investments | | | | |
| Other revenue | | | | |
| Sale of assets | | | | |
| Transfers in (out) | | | | |
| Total other revenue | | | | |
| Total revenues | | 190 | 172 | (18) |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | | | | |
| Support services - other | | | | |
| Non-instructional | | | | |
| Capital outlay | 12,293 | 12,483 | 12,304 | 179 |
| Total expenditures | 12,293 | 12,483 | 12,304 | 179 |
| Excess (deficiency) of revenues over expenditures | (12,293) | (12,293) | (12,132) | 161 |
| Other financing sources (uses) | | | | |
| Sale of bonds | | | | |
| Transfers in (out) | | | | |
| Total other financing sources (uses) | | | | |
| Net change in fund balances | (12,293) | (12,293) | (12,132) | 161 |
| Fund balance - beginning | | | 12,132 | |
| Fund balance - ending | | | \$ | |

See accountant's audit report and notes to the financial statements.

Middleton School District # 134
Budgetary Comparison Schedule
Food Service
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|-----------|--------------|----------|
| | Original | Final | | |
| Local revenues | | | | |
| Property tax | \$ | \$ | \$ | \$ |
| Other | | | | |
| Total local revenue | | | | |
| State revenue | | | | |
| Foundation | | | | |
| Program specific | | | | |
| Total state revenue | | | | |
| Other revenues | | | | |
| Federal revenue | | | | |
| Earnings on investments | 800 | 800 | 750 | (50) |
| Food Service | 1,340,000 | 1,340,000 | 1,397,748 | 57,748 |
| Other revenue | | | | |
| Sale of assets | | | | |
| Transfers in (out) | | | | |
| Total other revenue | 1,340,800 | 1,340,800 | 1,398,498 | 57,698 |
| Total revenues | 1,340,800 | 1,340,800 | 1,398,498 | 57,698 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | | | | |
| Support services - other | | | | |
| Capital objects | 5,000 | 5,000 | 10,312 | (5,312) |
| Non-instructional | 1,335,800 | 1,335,800 | 1,412,114 | (76,314) |
| Total expenditures | 1,340,800 | 1,340,800 | 1,422,426 | (81,626) |
| Excess (deficiency) of revenues over expenditures | | | (23,928) | (23,928) |
| Other financing sources (uses) | | | | |
| Transfers in (out) | | | | |
| Total other financing sources (uses) | | | | |
| Net change in fund balances | | | (23,928) | (23,928) |
| Fund balance - beginning | | | (109,060) | |
| Fund balance - ending | | | \$ (132,988) | |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
PERSI Required Supplementary Information
June 30, 2018

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan Last 10 - Fiscal Years *

Last 10- Fiscal Years *

| | 2015 | 2016 | 2017 | 2018 |
|--|--------------|--------------|--------------|--------------|
| Employer's portion of net the pension liability | 0.4373221% | 0.4439055% | 0.4469911% | 0.4435023% |
| Employer's proportionate share of the net pension liability | \$2,932,603 | \$5,845,513 | \$9,061,196 | \$6,971,094 |
| Employer's covered-employee payroll | \$11,137,182 | \$11,870,395 | \$14,074,974 | \$14,710,307 |
| Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll | 26.33% | 49.24% | 64.38% | 47.39% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.95% | 91.38% | 87.26% | 90.68% |

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

Data reported is measured as of June 30, 2017

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years *

| | 2015 | 2016 | 2017 | 2018 |
|--|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$1,421,479 | \$1,452,024 | \$1,479,879 | \$1,559,316 |
| Contributions in relation to the statutorily required contribution | \$1,360,012 | \$1,632,639 | \$1,718,802 | \$1,665,438 |
| Contribution (deficiency) excess | \$61,467 | (\$180,615) | \$238,923 | \$106,122 |
| Employer's covered-employee payroll | \$11,137,182 | \$11,870,395 | \$14,074,974 | \$14,710,308 |
| Contributions as a percentage of covered-employee payroll | 12.21% | 13.75% | 12.21% | 11.32% |

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

Data is reported is measured as of June 30, 2018

SUPPLEMENTAL INFORMATION

Middleton School District # 134
Supplemental Schedule of Revenues by Source -
Budget and Actual - General Fund
For the Year Ended June 30, 2018

| | Original | Final Budget | Actual | Variance |
|--|----------------------|----------------------|----------------------|-------------------|
| Local revenues | | | | |
| Property tax | \$ 1,347,500 | \$ 1,360,611 | \$ 1,386,173 | \$ 25,562 |
| Other | 334,000 | 357,777 | 379,608 | 21,831 |
| Total local revenue | <u>1,681,500</u> | <u>1,718,388</u> | <u>1,765,781</u> | <u>47,393</u> |
| State revenue | | | | |
| Foundation | 20,936,251 | 21,157,381 | 21,260,994 | 103,613 |
| Program specific | | | | |
| Total state sources | <u>20,936,251</u> | <u>21,157,381</u> | <u>21,260,994</u> | <u>103,613</u> |
| Other revenues | | | | |
| Federal revenue | | | | |
| Earnings on investments | 32,000 | 68,000 | 85,292 | 17,292 |
| Other revenue | 15,000 | 10,000 | 9,532 | (468) |
| Total other revenue | <u>47,000</u> | <u>78,000</u> | <u>94,824</u> | <u>16,824</u> |
| Total revenues | <u>\$ 22,664,751</u> | <u>\$ 22,953,769</u> | <u>\$ 23,121,599</u> | <u>\$ 167,830</u> |
| Transfers in (out) | 17,780 | 17,780 | 22,589 | 4,809 |
| Total revenues (net of transfers) | <u>\$ 22,682,531</u> | <u>\$ 22,971,549</u> | <u>\$ 23,144,188</u> | <u>\$ 172,639</u> |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget and Actual - General Fund
For the Year Ended June 30, 2018

| Instruction | Original | Final | Actual | Variance |
|-----------------------------|------------------|------------------|------------------|-----------------|
| Elementary: | | | | |
| Salaries | \$ 3,803,855 | \$ 3,908,545 | \$ 3,911,609 | \$ (3,064) |
| Benefits | 1,192,478 | 1,231,169 | 1,243,462 | (12,293) |
| Services | 34,157 | 33,737 | 28,527 | 5,210 |
| Supplies | 66,476 | 82,175 | 85,217 | (3,042) |
| Capital Objects | 13,113 | 4,038 | 1,184 | 2,854 |
| | <u>5,110,079</u> | <u>5,259,664</u> | <u>5,269,999</u> | <u>(10,335)</u> |
| Secondary: | | | | |
| Salaries | 4,302,618 | 4,229,815 | 4,231,898 | (2,083) |
| Benefits | 1,302,382 | 1,293,693 | 1,277,924 | 15,769 |
| Services | 11,076 | 11,076 | 17,322 | (6,246) |
| Supplies | 97,434 | 106,434 | 105,345 | 1,089 |
| Capital Objects | 3,380 | 3,380 | 4,518 | (1,138) |
| | <u>5,716,890</u> | <u>5,644,398</u> | <u>5,637,008</u> | <u>7,390</u> |
| Alternative: | | | | |
| Salaries | 504,066 | 508,021 | 514,389 | (6,368) |
| Benefits | 163,566 | 166,784 | 167,654 | (870) |
| Services | 2,163 | 2,163 | 15,449 | (13,286) |
| Supplies | 5,948 | 26,948 | 17,171 | 9,777 |
| Capital Objects | | | | |
| | <u>675,743</u> | <u>703,916</u> | <u>714,663</u> | <u>(10,747)</u> |
| Exceptional Child: | | | | |
| Salaries | 961,575 | 949,162 | 940,121 | 9,041 |
| Benefits | 358,106 | 365,522 | 357,230 | 8,292 |
| Services | 147,000 | 147,000 | 142,100 | 4,900 |
| Supplies | | | | |
| Capital Objects | | | | |
| | <u>1,466,681</u> | <u>1,461,684</u> | <u>1,439,451</u> | <u>22,233</u> |
| Gifted and Talented: | | | | |
| Salaries | 130,384 | 136,155 | 136,160 | (5) |
| Benefits | 39,990 | 41,773 | 41,567 | 206 |
| Services | 9,216 | 9,216 | 9,556 | (340) |
| Supplies | 3,000 | 3,000 | 2,685 | 315 |
| Capital Objects | | | | |
| | <u>182,590</u> | <u>190,144</u> | <u>189,968</u> | <u>176</u> |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget and Actual - General Fund
For the Year Ended June 30, 2018

| | Original | Final | Actual | Variance |
|---|------------|------------|------------|----------|
| Preschool: | | | | |
| Salaries | 71,748 | 83,984 | 78,692 | 5,292 |
| Benefits | 23,049 | 27,998 | 24,273 | 3,725 |
| Services | | | | |
| Supplies | | | | |
| Capital Objects | | | | |
| | 94,797 | 111,982 | 102,965 | 9,017 |
| Summer School: | | | | |
| Salaries | 49,517 | 31,095 | 37,020 | (5,925) |
| Benefits | 5,881 | 4,382 | 5,424 | (1,042) |
| Services | | | | |
| Supplies | 1,000 | 1,000 | 347 | 653 |
| Capital Objects | | | | |
| | 56,398 | 36,477 | 42,791 | (6,314) |
| Extracurricular activities | 274,235 | 297,706 | 318,248 | (20,542) |
| Total Instruction | 13,577,413 | 13,705,971 | 13,715,092 | (9,121) |
| Support Services | | | | |
| Attendance, Guidance, and Health | | | | |
| Salaries | 497,300 | 521,301 | 520,279 | 1,022 |
| Benefits | 156,840 | 167,137 | 161,557 | 5,580 |
| Services | 180 | 180 | 21 | 159 |
| Supplies | 2,240 | 2,240 | 2,294 | (54) |
| Capital Objects | | | | |
| | 656,560 | 690,858 | 684,151 | 6,706 |
| Special Services: | | | | |
| Salaries | 171,875 | 134,196 | 145,079 | (10,883) |
| Benefits | 51,918 | 36,911 | 37,272 | (361) |
| Services | | | | |
| Supplies | | | | |
| Capital Objects | | | | |
| | 223,793 | 171,107 | 182,351 | (11,244) |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget and Actual - General Fund
For the Year Ended June 30, 2018

| | Original | Final | Actual | Variance |
|---------------------------------|-----------|-----------|-----------|----------|
| Instruction improvement: | | | | |
| Salaries | 302,439 | 366,293 | 342,503 | 23,790 |
| Benefits | 89,938 | 102,420 | 101,165 | 1,255 |
| Services | 202,750 | 173,465 | 132,756 | 40,709 |
| Supplies | 535,997 | 875,868 | 775,043 | 100,825 |
| Capital objects | | | | |
| | 1,131,124 | 1,518,046 | 1,351,468 | 166,579 |
| Educational media: | | | | |
| Salaries | 488,782 | 499,668 | 461,302 | 38,366 |
| Benefits | 151,058 | 165,150 | 164,871 | 279 |
| Services | 5,778 | 5,778 | 4,693 | 1,085 |
| Supplies | 341,596 | 372,231 | 367,848 | 4,383 |
| Capital objects | 12,356 | 12,356 | | 12,356 |
| | 999,570 | 1,055,183 | 998,714 | 56,469 |
| Board of education: | | | | |
| Salaries | | | | |
| Benefits | | | | |
| Services | 23,690 | 33,690 | 27,831 | 5,859 |
| Supplies | 2,575 | 2,575 | 1,065 | 1,510 |
| Capital objects | | | | |
| | 26,265 | 36,265 | 28,896 | 7,369 |
| District administration: | | | | |
| Salaries | 391,083 | 391,084 | 395,828 | (4,744) |
| Benefits | 101,822 | 101,819 | 103,713 | (1,894) |
| Services | 13,390 | 44,240 | 42,759 | 1,481 |
| Supplies | 7,725 | 7,725 | 9,458 | (1,733) |
| Capital objects | 1,030 | 1,030 | 360 | 670 |
| | 515,050 | 545,898 | 552,118 | (6,220) |
| School administration: | | | | |
| Salaries | 1,065,883 | 1,083,848 | 1,112,008 | (28,160) |
| Benefits | 320,657 | 344,121 | 343,592 | 529 |
| Services | | | | |
| Supplies | | | | |
| Capital objects | | | | |
| | 1,386,540 | 1,427,969 | 1,455,600 | (27,631) |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget and Actual - General Fund
For the Year Ended June 30, 2018

| | Original | Final | Actual | Variance |
|-------------------------------|---------------|---------------|---------------|--------------|
| Bus service: | | | | |
| Salaries | 193,527 | 215,701 | 216,107 | (406) |
| Benefits | 272,205 | 250,889 | 249,584 | 1,305 |
| Services | 101,455 | 101,455 | 80,886 | 20,569 |
| Supplies | 31,400 | 31,400 | 6,143 | 25,257 |
| Capital objects | | | | |
| | 598,587 | 599,445 | 552,720 | 46,725 |
| Building Care: | | | | |
| Salaries | 242,895 | 238,147 | 226,806 | 11,341 |
| Benefits | 87,245 | 86,218 | 87,120 | (902) |
| Services | 955,727 | 956,219 | 848,657 | 107,562 |
| Supplies | 25,750 | 25,750 | | 25,750 |
| Capital objects | | | | |
| | 1,311,617 | 1,306,334 | 1,162,583 | 143,751 |
| Maintenance: | | | | |
| Salaries | 443,995 | 451,891 | 457,160 | (5,269) |
| Benefits | 162,486 | 171,774 | 172,455 | (681) |
| Services | 226,600 | 226,600 | 285,816 | (59,216) |
| Supplies | 206,000 | 206,000 | 224,333 | (18,333) |
| Capital objects | 46,350 | 46,350 | 38,327 | 8,023 |
| | 1,085,431 | 1,102,615 | 1,178,091 | (75,476) |
| Security program | 30,416 | 30,416 | 30,416 | |
| Transportation: | | | | |
| Salaries | 39,965 | 36,914 | 32,337 | 4,577 |
| Benefits | 24,331 | 25,159 | 20,822 | 4,337 |
| Services | 1,355,500 | 1,355,500 | 1,362,205 | (6,705) |
| Supplies | | | | |
| Capital objects | | | | |
| | 1,419,796 | 1,417,573 | 1,415,364 | 2,209 |
| Total support service | 9,384,749 | 9,901,709 | 9,592,471 | 309,238 |
| Non-instructional | | | | |
| Food service | 35,290 | 35,290 | 36,288 | (998) |
| Total non-instruction: | 35,290 | 35,290 | 36,288 | (998) |
| Contingency reserve | 875,793 | 1,048,683 | | 1,048,683 |
| Total expenditures | \$ 23,873,245 | \$ 24,691,653 | \$ 23,343,851 | \$ 1,347,802 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

| | 231 | 233 | 241 |
|---|---------------|------------------|-----------------------|
| | Go On | TLC Grant | Driver's Education |
| Assets | | | |
| Cash | \$ 382 | \$ 33,495 | \$ |
| Receivables: | | | |
| Property tax | | | |
| Intergovernmental | | | 2,600 |
| Other | | | |
| Interest | | | |
| Interfund receivable | | | |
| Inventory | | | |
| Investments | | | |
| Prepaid expenses | | | |
| | | | |
| Total Assets | \$ 382 | \$ 33,495 | \$ 2,600 |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Accounts payable | \$ | \$ | \$ 41 |
| Salaries and benefits payable | | | |
| Bonds payable | | | |
| Interfund payable | | | 3,865 |
| Total liabilities | | | 3,906 |
| Deferred inflows of resources | | | |
| Deferred revenue | | | |
| | | | |
| Fund balance | 382 | 33,495 | (1,306) |
| Total liabilities and fund balance | \$ 382 | \$ 33,495 | \$ 2,600 |

See accountant's audit report and notes to the financial statements.

| 243 | 245 | 246 | 251 | 253 |
|-------------------------|---------------------|---------------------------|--------------------|----------------------|
| Vocational Education | State Technology | State Safe & Drug Free | Title I-A Basic | Title I-C Migrant |
| \$ 3,998 | \$ 12,300 | \$ 709 | \$ | \$ |
| | | | 115,005 | 4,951 |
| <u>\$ 3,998</u> | <u>\$ 12,300</u> | <u>\$ 709</u> | <u>\$ 115,005</u> | <u>\$ 4,951</u> |
| \$ 3,460 | \$ | \$ | \$ | \$ 122 |
| 538 | 2,976 | | 52,456 | 1,722 |
| | | | 62,549 | 3,107 |
| <u>3,998</u> | <u>2,976</u> | | <u>115,005</u> | <u>4,951</u> |
| | 9,324 | 709 | | |
| <u>\$ 3,998</u> | <u>\$ 12,300</u> | <u>\$ 709</u> | <u>\$ 115,005</u> | <u>\$ 4,951</u> |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Combining Balance Sheet - Nonmajor Governmental Funds
(Continued)
June 30, 2018

| | 257 | 258 | 260 |
|---|-------------------|--------------------------|------------------|
| | IDEA Part B | IDEA Part B Preschool | Medicaid |
| Assets | | | |
| Cash | \$ | \$ | \$ |
| Receivables: | | | |
| Property tax | | | |
| Intergovernmental | 184,608 | 5,019 | 35,879 |
| Other | | | |
| Interest | | | |
| Interfund receivable | | | |
| Inventory | | | |
| Investments | | | |
| Prepaid expenses | | | |
| Total assets | \$ 184,608 | \$ 5,019 | \$ 35,879 |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 6,411 | \$ | \$ 7,683 |
| Salaries and benefits payable | 77,793 | 2,457 | 28,131 |
| Bonds payable | | | |
| Interfund payable | 100,404 | 2,562 | 14,431 |
| Total liabilities | 184,608 | 5,019 | 50,245 |
| Deferred inflows of resources | | | |
| Deferred revenue | | | |
| Fund balance | | | (14,366) |
| Total liabilities and fund balance | \$ 184,608 | \$ 5,019 | \$ 35,879 |

See accountant's audit report and notes to the financial statements.

| 263 | 271 | 273 | |
|---------------------------|--|-----------------|------------|
| Title IIC Carl Perkins | Supporting Effective Instruction | 21st Century | Total |
| \$ | \$ | \$ | \$ 50,884 |
| 29,692 | 20,834 | 25,493 | 424,081 |
| <hr/> | | | |
| \$ 29,692 | \$ 20,834 | \$ 25,493 | \$ 474,965 |
| <hr/> | | | |
| \$ | \$ | \$ | \$ 17,717 |
| | 3,350 | 8,439 | 177,862 |
| 29,692 | 17,484 | 17,054 | 251,148 |
| 29,692 | 20,834 | 25,493 | 446,727 |
| <hr/> | | | |
| | | | 28,238 |
| <hr/> | | | |
| \$ 29,692 | \$ 20,834 | \$ 25,493 | \$ 474,965 |

See accountant's audit report and notes to the financial statements.

**Middleton School District #134
Combining Statement Of Revenues, Expenditures
And Changes In Fund Balances
Nonmajor Governmental Funds**

For The Year Ended June 30, 2018

| | 231 | 233 | 241 |
|--|---------------|------------------|-----------------------|
| | Go On | TLC Grant | Driver's Education |
| Revenues | | | |
| Local Revenues | | | |
| Other | \$ | \$ 65,458 | \$ 11,420 |
| State - program specific | | | 11,968 |
| Federal revenue | | | |
| Total revenue | | 65,458 | 23,388 |
| Expenditures | | | |
| Instructional: | | | |
| Salaries | | | 15,538 |
| Benefits | | | 1,648 |
| Purchased services | | | 562 |
| Supplies & materials | | 36,345 | 1,805 |
| Support services: | | | |
| Salaries | | | |
| Benefits | | | |
| Purchased services | | | |
| Supplies & materials | | | |
| Capital objects | | | 17,694 |
| Total expenditures | | 36,345 | 37,247 |
| Excess (deficiency) of revenues over expenditures | | 29,113 | (13,859) |
| Other financing sources (uses) | | | |
| Transfers in (out) | | | |
| Total other financing sources (uses) | | | |
| Net change in fund balances | | 29,113 | (13,859) |
| Fund balances - beginning | 382 | 4,382 | 12,553 |
| Fund balances - ending | \$ 382 | \$ 33,495 | \$ (1,306) |

See accountant's audit report and notes to the financial statements.

| 243 | 245 | 246 | 251 | 253 |
|-------------------------|---------------------|---------------------------|--------------------|----------------------|
| Vocational Education | State Technology | State Safe & Drug Free | Title I-A Basic | Title I-C Migrant |
| \$ 59,224 | \$ 407,367 | \$ 51,251 | | |
| | | | 363,269 | 15,945 |
| 59,224 | 407,367 | 51,251 | 363,269 | 15,945 |
| 26,475 | 80,205 | | 233,072 | 7,689 |
| 5,741 | 10,893 | | 107,136 | 4,264 |
| | 322,908 | 50,542 | | 1,513 |
| 27,008 | | | 2,335 | 2,162 |
| | | | 12,545 | |
| | | | 960 | |
| 59,224 | 414,006 | 50,542 | 356,048 | 15,628 |
| | (6,639) | 709 | 7,221 | 317 |
| | | | (7,221) | (317) |
| | | | (7,221) | (317) |
| | (6,639) | 709 | | |
| | 15,963 | | | |
| \$ | \$ 9,324 | \$ 709 | \$ | \$ |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Combining Statement Of Revenues, Expenditures
And Changes In Fund Balances
Nonmajor Governmental Funds
(Continued)

For The Year Ended June 30, 2018

| | 257 | 258 | 260 |
|--|----------------|--------------------------|--------------------|
| | IDEA Part B | IDEA Part B Preschool | Medicaid |
| Revenues | | | |
| Local revenues | | | |
| Other | \$ | \$ | \$ |
| Program specific | | | 516,504 |
| Federal revenue | 564,833 | 15,236 | |
| Total revenue | 564,833 | 15,236 | 516,504 |
| Expenditures | | | |
| Instructional: | | | |
| Salaries | 358,596 | 11,667 | 152,381 |
| Benefits | 113,602 | 2,560 | 378,489 |
| Purchased services | 49,329 | 150 | |
| Supplies & materials | 32,125 | 859 | |
| Support services: | | | |
| Salaries | | | |
| Benefits | | | |
| Purchased services | | | |
| Supplies & materials | | | |
| Capital objects | | | |
| Total expenditures | 553,652 | 15,236 | 530,870 |
| Excess (deficiency) of revenues over expenditures | 11,181 | | (14,366) |
| Other financing sources (uses) | | | |
| Transfers in (out) | (11,181) | | |
| Total other financing sources (uses) | (11,181) | | |
| Net change in fund balances | | | (14,366) |
| Fund balances - beginning | | | |
| Fund balances - ending | \$ | \$ | \$ (14,366) |

See accountant's audit report and notes to the financial statements.

| 263 | 271 | 273 | |
|---------------------------|--|-----------------|-----------|
| Title IIC Carl Perkins | Supporting Effective Instruction | 21st Century | Total |
| \$ | \$ | \$ | \$ 76,878 |
| | | | 1,046,314 |
| 29,691 | 99,164 | 103,603 | 1,191,741 |
| 29,691 | 99,164 | 103,603 | 2,314,933 |
| 1,207 | | 60,401 | 947,231 |
| 278 | | 15,765 | 640,376 |
| 2,718 | | 25,251 | 452,974 |
| 25,488 | | 286 | 128,413 |
| | 24,937 | | 37,482 |
| | 5,208 | | 6,167 |
| | 60,875 | | 60,875 |
| | 6,173 | | 6,173 |
| | | | 17,694 |
| 29,691 | 97,193 | 101,703 | 2,297,386 |
| | 1,971 | 1,900 | 17,547 |
| | (1,971) | (1,900) | (22,589) |
| | (1,971) | (1,900) | (22,589) |
| | | | (5,042) |
| | | | 33,280 |
| \$ | \$ | \$ | \$ 28,238 |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Combining Balance Sheet - Capital Projects
June 30, 2018

| | 410 | 420 | |
|--|-----------|-----------|-----------|
| | Capital | Plant | |
| | Projects | Facility | Total |
| | | | |
| Assets | | | |
| Cash In bank | \$ | \$ | \$ |
| Taxes receivable | | | |
| State funds receivable | | | |
| Accounts receivable | | | |
| Intergovernmental receivable | | | |
| Due from other funds | | | |
| Interest receivable | | | |
| Investments | | | |
| | | | |
| Total assets | | | |
| Liabilities and fund balance | | | |
| Liabilities | | | |
| Accounts payable | | | |
| Bonds payable | | | |
| Salaries and benefits payable | | | |
| Due to other funds | | | |
| | | | |
| Total liabilities | | | |
| Deferred inflows of resources | | | |
| Deferred inflows of future revenues | | | |
| Fund balances | | | |
| Reserved | | | |
| Unreserved | | | |
| Total fund balances | | | |
| | | | |
| Total liabilities and fund balances | \$ | \$ | \$ |
| | | | |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Combining Statement Of Revenues, Expenditures, And
Changes In Fund Balances - Capital Projects
For The Year Ended June 30, 2018

| | 410 | 420 | |
|---|-----------|-----------|-----------|
| | Capital | Plant | |
| | Project | Facility | Total |
| Revenues | | | |
| Property taxes | \$ | \$ 172 | \$ 172 |
| State revenue | | | |
| Other revenue | | | |
| Total revenues | | 172 | 172 |
| Expenditures | | | |
| Purchased services | | | |
| Capital objects | | 12,304 | 12,304 |
| Total expenditures | | 12,304 | 12,304 |
| Excess revenues over (under) expenditures | | (12,132) | (12,132) |
| Other financing sources (uses) | | | |
| Operating transfers in (out) | | | |
| Excess of revenues and other | | | |
| Sources over (under) expenditures | | (12,132) | (12,132) |
| Beginning fund balances (deficit) | | 12,132 | 12,132 |
| Ending fund balances | \$ | \$ | \$ |

See accountant's audit report and notes to the financial statements.

Middleton School District #134
Combining Balance Sheet - Fiduciary Funds
June 30, 2018

| | High School | Middle School | Heights Elementary | Mill Creek Elementary | Purple Sage Elementary | Atlas School | Total |
|-----------------------|----------------|------------------|-----------------------|--------------------------|---------------------------|-----------------|------------|
| ASSETS | | | | | | | |
| Cash | \$ 453,040 | \$ 113,749 | \$ 70,271 | \$ 46,184 | \$ 22,901 | \$ 2,020 | \$ 708,165 |
| LIABILITIES | | | | | | | |
| Due To Student Groups | \$ 453,040 | \$ 113,749 | \$ 70,271 | \$ 46,184 | \$ 22,901 | \$ 2,020 | \$ 708,165 |

See accountant's audit report and notes to the financial statements.

FEDERAL REPORTS

MIKEAL D. PARKER CPA CHTD.

19 East Wyoming • P.O. Box 905 • Homedale, ID 83628 • (208) 337-3271

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

To the Board of Trustees
Middleton School District #134
Middleton, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middleton School District #134, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Middleton School District #134's basic financial statements, and have issued our report thereon dated September 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Middleton School District #134's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Middleton School District #134's internal control. Accordingly, we do not express an opinion on the effectiveness of the Middleton School District #134'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Middleton School District #134'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*.

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.

M. D. Parker CPA

Mikeal D Parker CPA, Chartered

Homedale, Idaho
September 4, 2018

MIKEAL D. PARKER CPA CHTD.

19 East Wyoming • P.O. Box 905 • Homedale, ID 83628 • (208) 337-3271

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

To the Board of Trustees
Middleton School District #134
Middleton, Idaho

Report on Compliance for Each Major Federal Program

We have audited the Middleton School District #134's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Middleton School District #134's major federal programs for the year ended June 30, 2018. Middleton School District #134's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Middleton School District #134's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Middleton School District #134'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 the Middleton School District #134's compliance.

Opinion on Each Major Federal Program

In our opinion, the Middleton School District #134, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Middleton School District #134 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 the Middleton School District #134's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Middleton School District #134'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Mikeal D Parker CPA, Chartered

Homedale, Idaho
September 4, 2018

MIDDLETON SCHOOL DISTRICT NO. 134
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Federal Expenditures(\$)</i> |
|--|--------------------------------|--|---------------------------------|
| Child Nutrition Cluster-Cluster | | | |
| United States Department of Agriculture School Breakfast Program | | | |
| School Breakfast Program | 10.553 | Idaho Department of Education,201818N109947 | 225,260 |
| Total School Breakfast Program | | | 225,260 |
| National School Lunch Program | | | |
| National School Lunch Program | 10.555 | Idaho Department of Education,201818N109947 | 602,295 |
| Total National School Lunch Program | | | 602,295 |
| Total United States Department of Agriculture | | | 827,555 |
| Total Child Nutrition Cluster-Cluster | | | 827,555 |
| Special Education Cluster (IDEA)-Cluster | | | |
| Department of Education Special Education Grants to States | | | |
| Special Education Grants to States | 84.027 | Idaho Department of Education,H027A170088 | 553,652 |
| Total Special Education Grants to States | | | 553,652 |
| Special Education Preschool Grants | | | |
| Special Education Preschool Grants | 84.173 | Idaho Department of Education,H173A170030 | 15,236 |
| Total Special Education Preschool Grants | | | 15,236 |
| Total Department of Education | | | 568,888 |
| Total Special Education Cluster (IDEA)-Cluster | | | 568,888 |
| Other Programs | | | |
| Department of Education Title I Grants to Local Educational Agencies | | | |
| Title I Grants to Local Educational Agencies | 84.010 | Idaho Department of Education,S010A170012 | 361,298 |
| Total Title I Grants to Local Educational Agencies | | | 361,298 |
| Migrant Education State Grant Program | | | |
| Migrant Education State Grant Program | 84.011 | Idaho Department of Education,S011A170012 | 15,945 |
| Total Migrant Education State Grant Program | | | 15,945 |
| Career and Technical Education -- Basic Grants to States | | | |
| Career and Technical Education -- Basic Grants to States | 84.048 | Idaho Department of Education,V048A160012 | 29,691 |
| Total Career and Technical Education -- Basic Grants to States | | | 29,691 |
| Migrant Education Coordination Program | | | |
| Migrant Education Coordination Program | 84.144 | Idaho Department of Education,S144G150062 | 500 |
| Total Migrant Education Coordination Program | | | 500 |
| Twenty-First Century Community Learning Centers | | | |
| Twenty-First Century Community Learning Centers | 84.287 | Idaho Department of Education,S287C170012 | 101,703 |
| Total Twenty-First Century Community Learning Centers | | | 101,703 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | | | |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | Idaho Department of Education,S367A170011 | 97,193 |
| Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | | | 97,193 |

| | | | |
|---|--------|---|----------------------------|
| Student Support and Academic Enrichment Program | | | |
| Student Support and Academic Enrichment Program | 84.424 | Idaho Department of Education,S424A170013 | <u>8,036</u> |
| Total Student Support and Academic Enrichment Program | | | <u>8,036</u> |
| <i>Total Department of Education</i> | | | 614,366 |
| National Endowment for the Humanities | | | |
| Grants to States | | | |
| Grants to States | 45.310 | Idaho Department of Education,LS0016001316 | <u>1,800</u> |
| Total Grants to States | | | <u>1,800</u> |
| <i>Total National Endowment for the Humanities</i> | | | 1,800 |
| United States Department of Agriculture | | | |
| State Administrative Expenses for Child Nutrition | | | |
| State Administrative Expenses for Child Nutrition | 10.560 | Idaho department of Education,201717N253347 | <u>1,172</u> |
| Total State Administrative Expenses for Child Nutrition | | | <u>1,172</u> |
| <i>Total United States Department of Agriculture</i> | | | 1,172 |
| Total Other Programs | | | <u>617,338</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 2,013,781</u></u> |

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Middleton School District #134

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued was unqualified.

Internal control over financial reporting:

| | | |
|---|----------|-----------|
| Material weakness(es) identified? | _____yes | ___X___no |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____yes | ___X___no |
| Noncompliance material to financial statements noted? | _____yes | ___X___no |

Federal Awards

Internal control over major programs:

| | | |
|---|----------|-----------|
| Material weakness(es) identified? | _____yes | ___X___no |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____yes | ___X___no |

Type of auditor's report issued on compliance for major programs was unqualified.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516?

| | |
|----------|-----------|
| _____yes | ___X___no |
|----------|-----------|

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.027 | Special Education Grants to States |
| 84.173 | Special Education Preschool Grants |

Middleton School District #134

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018
(Continued)**

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

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

None

Section III - Federal Award Program Audit

None