

# Financial Statements

Mountain Home School District #193  
Includes Supplemental Information  
Year Ended June 30, 2018



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DISCUSSION  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Mountain Home School District #193  
Mountain Home, Idaho

### **Report on the Financial Statements**

We have audited the accompanying statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountain Home School District #193 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 misstatements 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.

#### ***Basis for Qualified Opinion on Governmental Activities***

Management did not obtain an actuarial study for Other Post Employment Benefits (OPEB) – Health and Dental in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75. As a result, the liability reported and related financial statement disclosure are based on incomplete information. We were unable to obtain sufficient information to determine accuracy of the OPEB liability and related footnotes included in the financial statements. The effect on the financial statements cannot be reasonably determined. Accordingly, we do not express an opinion on it.

#### ***Qualified Opinion on Governmental Activities***

In our opinion, except for effects, if any of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mountain Home School District #193, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinion on the Major Funds and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds and aggregate remaining fund information for Mountain Home School District #193, as of June 30, 2018, and the respective changes in financial position and thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note J to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits (OPEB)*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer contributions and budgetary comparison information listed in the table of contents 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 Mountain Home School District #193's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the Mountain Home School District #193's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountain Home School District #193's internal control over financial reporting and compliance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

DISCUSSION  
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# **MOUNTAIN HOME SCHOOL DISTRICT #193**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **JUNE 30, 2018**

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The following management discussion and analysis of the Mountain Home School District's financial performance provides an overall review of financial activities, with the focus on the District's financial activities for the 2017-2018 fiscal year, ending on June 30, 2018. Efforts have been made to provide comparison to prior years' data, when such data is available.

#### **Financial Highlights**

- The District ended the fiscal year with general fund revenues exceeding expenses, including transfers, by \$1,237,984 or 5.1% of revenue. Total General Fund revenue was over budget by \$701,740 or 2.9%. Impact Aid was \$48,723 under budget. State revenue was over budget by \$700,383 or 3.5% of budget. Other revenue was under budget by \$189,195 and other local revenue was over budget by \$82,560 or 165%. Total expenses were under budget by \$281,312 or 2.0% of budget. This gives the General Fund an unrestricted Fund Balance of \$1,740,129 or 7.0% of revenue at the end of FY 2018.
- State revenue was over the FY 2018 budget by \$700,383. This was due to higher revenue from other state sources, higher transportation reimbursement for the FY 2017 transportation expenses and increased student attendance.
- Federal revenue from Impact Aid was \$979,277 in FY 2018 which is \$128,685 less than last year. This program supplements educational expenses for children affiliated with the military. Impact Aid payments received in FY 2018 included \$179,722 from the final voucher from FY 2017 and \$799,555 from FY 2018 voucher #1 and voucher #2. On the FY 2019 application, students whose parents live and work on the base increased from 373 students to 389 for a increase of 16 students. Uniformed services living off the base were 554 on October 2016 and decreased by 103 to 451 in October of 2017. Civilians working on Federal Property were 317 on the October 2016 application and increased to 353 on the October 2017 application. Impact Aid revenue in FY 2018 is 22.8% of what the District received in FY 2008 of \$4,298,396 and 3.9% of total FY 2018 revenue.
- District enrollment as of the middle of May decreased by 37 students to 3,862 in FY2018 from the previous year's end of school enrollment of 3,899. This is an decrease over the prior fiscal year of (.9%). West Elementary and Hacker Middle School had the largest declines of 30 and 44 students respectively. West Elementary and Stephensen Elementary had the largest increases of 24 and 12 students respectively over the prior school year. Bennett Mountain High School showed an increase of 6 students for a total of 101. The grade showing the largest decrease is the sixth grade, decreasing by 33 students from the previous year. The eighth grade class increased 22 students from the prior year's class. Total elementary enrollment was 2,218 and secondary enrollment was 1,644 for a total of 3,862 for FY 2018.

#### **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**

The *GWFS* (i.e. statement of net assets and statement of activities) provides readers with a broad overview of the District's finances. The Statement of Net Assets and the Statement of Activities displays information about the reporting entity as a whole. The *GWFS* report information about the District as a whole, using accounting methods similar to those used by private-sector companies.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2018

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

The *Statement of Activities* shows how the net assets of the District have changed throughout the fiscal year. Changes in the net assets occur as soon as the underlying events give rise.

The statements present an aggregate view of the District's finances. GWFS 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 GWFS, the District's activities are all classified as government activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation, and food services. Funding for these services come from property taxes, the State of Idaho, and Federal Impact Aid.

The GWFS can be found on pages 15-17 of this report.

#### **Fund Financial Statements**

Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund Financial Statements focus on individual parts of the District. Fund Statements generally report operation in more detail than the government-wide statements. This statement 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. Plant Facility 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 18-23 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.

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

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

**MOUNTAIN HOME SCHOOL DISTRICT #193  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Mountain Home School District's Net Assets

Governmental Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and Other Assets	\$ 8,843,533	\$ 6,288,252	\$ 2,555,281
Capital Assets	<u>11,731,692</u>	<u>10,751,774</u>	979,918
Total Assets	20,575,225	17,040,026	3,535,199
Deferred Outflow of Resources	3,025,072	6,652,740	(3,627,668)
Long-Term Liabilities Outstanding	7,482,687	10,905,532	(3,422,845)
Other Liabilities	<u>3,667,051</u>	<u>3,667,051</u>	-
Total Liabilities	11,149,738	14,572,583	(3,422,845)
Deferred Inflow of Resources	1,350,426	3,398,978	(2,048,552)
Net Position			
Invested in Capital Assets, Net of Related Debt	11,731,692	10,751,774	979,918
Restricted	2,271,777	1,285,680	986,097
Unrestricted	<u>(2,801,138)</u>	<u>(6,316,249)</u>	3,515,111
Total Net Position	<u>\$ 11,202,331</u>	<u>\$ 5,721,205</u>	<u>\$ 5,481,126</u>

Net assets may serve as a useful indicator of a District's financial position. In the case of the District, total assets exceeded liabilities by \$11,202,331 at the close of the most recent fiscal year. This represents an overall increase of \$5,481,126 from the prior year.

The largest portion of the District's net assets reflect investments in capital assets (i.e. land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending. The District calculation of net assets uses a historical cost of school buildings that does not accurately reflect current replacement value.

Restricted net assets increased \$986,097 from the prior year. These resources are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to students, employees, and creditors. Unrestricted net assets decreased from the prior fiscal year amount of -\$6,316,249 to a current year balance in FY 2018 of -\$2,801,138. This balance is a result of the recognition of the unfunded PERSI liability recognized by GASB 68. It is not expected that the District will ever actually have to incur this obligation; it is for reporting purposes only.

The following statement for Changes in Net Assets from Operating Results reflects fund level activity and includes all funds. Total revenue has increased in FY 2018 over FY 2017 by \$1,495,748. The majority of this increase is in State Revenue.

**MOUNTAIN HOME SCHOOL DISTRICT #193  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

	2018	2017	Change
<b>Revenues</b>			
Program Revenues			
Program Revenues	\$ 376,173	\$ 307,123	\$ 69,050
Operating Grants and Contributions	6,349,871	5,365,750	984,121
General Revenues			
Property Taxes levied for General Purposes	2,846,453	2,789,024	57,429
Property Taxes levied for Debt Services	-	7,685	(7,685)
Property Taxes levied for Capital Outlay	956,176	1,018,417	(62,241)
Revenue in Lieu of Taxes	19,324	15,459	3,865
State Revenues	18,452,762	17,406,861	1,045,901
Grants and Contributions not Restricted to Specific Purposes			
Federal Impact Aid	1,007,188	1,146,528	(139,340)
Other Federal Revenue	412,499	205,818	206,681
Interest and Investment Earnings	85,246	33,815	51,431
Miscellaneous	778,489	1,491,953	(713,464)
Total Revenue	<u>31,284,181</u>	<u>29,788,433</u>	<u>1,495,748</u>
<b>Expenses</b>			
Instructional Services			
Elementary Programs	5,981,678	6,605,728	(624,050)
Secondary/Alternative Programs	6,101,166	6,155,882	(54,716)
Exceptional Child Programs	2,382,299	2,501,545	(119,246)
Other Programs	569,247	558,344	10,903
Support Services			
Student Services	2,573,189	2,067,704	505,485
Instructional Improvement	731,582	1,218,001	(486,419)
Educational Media	274,678	261,968	12,710
District Administration	904,204	634,843	269,361
School Administration	2,862,484	2,579,121	283,363
Maintenance and Improvements	1,801,695	2,231,145	(429,450)
Pupil Transportation Services	1,135,704	1,243,830	(108,126)
Non-Instructional Services			
Community Service Programs	4,382	6,204	(1,822)
School Lunch	1,281,240	1,274,375	6,865
Capital Improvements	372,546	673,469	(300,923)
Depreciation-unallocatced	727,303	679,067	48,236
Total Expenses	<u>27,703,397</u>	<u>28,691,226</u>	<u>(987,829)</u>
Changes in Net Position	<u>\$ 3,580,784</u>	<u>\$ 1,097,207</u>	<u>\$ 2,483,577</u>

**DISTRICT'S FUNDS FINANCIAL ANALYSIS**

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

**MOUNTAIN HOME SCHOOL DISTRICT #193  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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*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.

*General Fund* – The General Fund is the general operating fund for the District. At the end of the 2017-2018 fiscal year, the fund balance was \$1,740,129, which is an increase of \$1,237,984 from the fiscal year 2016-2017 ending balance of \$502,145. In the General Fund in FY 2018, 83.0% of the revenue comes from the State of Idaho, 2.0% higher than FY 2017. Federal sources provided 3.9% of revenue (4.6% in FY 2017), and support from the local community provided 12.2% of the revenue. The remainder of the revenue comes from other sources. General Fund expenses were 94.9% of revenue resulting in an increase of the fund balance.

Actual revenues for General Fund totaled \$24,948,740. Total revenue funding was \$701,740 over the budgeted projection of \$24,247,000. Total Federal revenue was under budget by \$48,723. Other revenue was under budget by \$189,195. State revenue was over budget by \$700,383 due to appropriations for other dedicated state programs and an increase in student attendance.

Expenditures for general District purposes totaled \$23,679,756, an increase of \$117,244 or .5% from the 2017-2018 fiscal year budget of \$23,797,000. The total governmental wide expenditures in FY 2018 include PERSI and OPEB obligations that created liabilities that the District will never pay for, but must show on the financial statements due to GASB requirements. The Statement of Activities on page 17 shows the governmental wide expense broken into types, net of any activity related revenue. Total net position for the District increased \$3,580,782 to \$11,202,331 for FY 2018. On this schedule, instructional expenses category accounts for 59.4% of all general fund expenditures this year. Support services constitute 40.5% of government-wide general fund expenditures.

*Forest Fund* – This fund historically is used for technology and textbook purchases. Revenues of \$412,499 is from the Department of Defense. There is discussion about Federal Forest revenue legislation sun setting and the Department of Defense is appropriately annually. Revenue in this fund is not considered stable or dependable. Federal Forest revenue in FY 2017 was \$205,818 and in FY 2018, it was \$412,499.

*Plant Facility Fund* – The Plant Facility Fund is the fund used to pay for capital construction and building repair and remodeling throughout the District. On May 25<sup>th</sup> 2015, the patrons of Mountain Home generously approved a \$1,000,000 Plant Facility levy each year for five years. We used this fund in FY 2018 to pay for various projects around the district. Other student safety and asset preservation projects were implemented.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In June, the District adopted an original budget for the subsequent year. The budget for the FY 2017-2018 was approved by the Board of Trustees on June 20, 2017. The budget was not amended.

**CAPITAL ASSETS**

The capital assets in Note D are the assets acquired and currently in use in the District to account for the costs incurred acquiring and improving sites, constructing and remodeling facilities, and purchasing equipment necessary for providing educational programs for all students within the District. The Mountain Home School District has invested \$30,884,639 in a broad range of capital assets over the years. The total accumulated depreciation on these assets at June 30, 2018 amounts to \$20,032,283.

- Asset additions for governmental activities totaled \$827,885 for the current fiscal year.

**MOUNTAIN HOME SCHOOL DISTRICT #193  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District continues to balance current needs versus available resources. Mandatory requirements by the State and Federal Government have increased the administrative burden to the District. Student achievement and academic growth will continue to be the focus of resource allocation in FY 2019. The District continues to face difficult choices over the allocation of available resources.

The District witnessed a slight decrease in student enrollment in FY 2018. Enrollment decreased 37 students over the FY 2016-2017 level. Since fiscal year 2000-2001, enrollment has dropped from a high of 4,454 enrolled students to 3,862 at the end of fiscal year 2017-2018. In FY 2019, there will be an increase in marketing by the Charter Montessori elementary school and Secondary Charter high school. This will take approximately 20-30 children out of our district each year for the following six years as that school is phased in. Student enrollment was budgeted at 3,915 students for the FY 2019 school year. The student enrollment on the air base has fallen from a high of 1,022 students in fiscal year 2000-2001 to a current enrollment of 318. There are no indications of any significant increase of student enrollment on the base.

In May of 2016, the voters of Mountain Home approved a supplemental levy of \$2.7 million per year for 2 years to stabilize the funding for the District during the revenue cutbacks from the State and Federal governments. This levy prevented employee layoffs, service cutbacks, and provided athletic opportunities in the District which would have resulted in significant operational changes. In FY 2018, this levy accounts for 10.8% of total funding for the District general fund revenue. The patrons of the community passed another supplemental levy in March of 2018 for two years.

For the fiscal year 2019 budget, staffing was adjusted to reflect the student enrollment needs. Salary scales reflected a slight increase due to increased funding by the State Department of Education. In FY 2018, the District uses the existing career ladder format in correlation with the funding method used by the State Department of Education. There were several positions re-defined this year to meet student needs in a more economical means and cost-cutting measures implemented through the District in a variety of departments.

The budget for FY 2018 reflected a relative stabilization of student enrollment with a slight increase over FY 2017 budget. We have budgeted a corresponding certified staff level commensurate with student growth anticipated in FY 2018.

State funding continues to allocate funds for specific purposes with usage restrictions. Funding in FY 2019 for discretionary spending per support unit increased \$1,052 per support unit from \$26,748 to \$27,481. This was a 2.7% increase.

Insurance continues to be a major expense for the District. The District pays for healthcare, vision, and dental for all eligible employees. Effective FY 2018 insurance premiums increased 0.0% over the FY 2017 rates. Insurance is an extremely costly benefit amounting to over \$2,400,000 of total benefits. In the FY 2019 budget, the insurance premium increase was another 0.0% increase due to lower than anticipated claims experience. Our insurance provider has informed the District that the maximum increase FY 2020 would be based on claims experience and no higher than 5%

Base occupancy rates have stabilized and there is no expectation of any increase in enrollment of students living on the base. There continues to be a drop in students of civilians working on Federal property, in FY 2018, we did not qualify with enough students of civilians working on Federal property. This prevented us from counting the civilian students on the 2018 Impact Aid application and reduced our funding by approximately \$375,000. We have budgeted not to receive compensation for students of civilian workers in FY 2019 based on the results of the FY 2018 application. The Department of Defense is attempting to continue to reduce the number of civilian contractors it employees.

Federal funding is uncertain from year to year especially with the recent sequestration, federal shutdown, and future legislative priorities. Federal posturing on issues such as the debt ceiling, continuing resolutions, and federal programs will continue to raise concerns with adequate sustained Federal funds.

**MOUNTAIN HOME SCHOOL DISTRICT #193  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Levi Vick  
Mountain Home School District #193  
470 North 3<sup>rd</sup> East  
Mountain Home ID 83647  
(208) 587-2580  
vick\_lj@mtnhomesd.org

DISCUSSION  
DRAFT

**BASIC FINANCIAL STATEMENTS**

DISCUSSION  
DRAFT

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

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<b>ASSETS</b>	<b>Governmental Activities</b>
<b>Current Assets</b>	
Cash and Investments	\$ 5,879,851
Restricted cash and cash equivalents	364,191
Receivables	
Property tax	1,560,489
State and federal receivables	987,140
Other receivables	27,044
Inventories	<u>24,818</u>
Total Current Assets	8,843,533
<b>Noncurrent Assets</b>	
Capital assets, not subject to depreciation	481,372
Capital assets, net of accumulated depreciation	10,370,984
Net pension asset - sick leave	<u>879,336</u>
Total Noncurrent Assets	<u>11,731,692</u>
Total Assets	20,575,225
<b>Deferred Outflows</b>	
Pension obligations	2,845,330
OPEB obligations - sick leave	<u>179,742</u>
Total Assets and Deferred Outflows	<u>\$ 23,600,297</u>

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**STATEMENT OF NET POSITION (Continued)**  
**June 30, 2018**

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<b>LIABILITIES AND DEFERRED INFLOWS</b>	<b>Governmental Activities</b>
<b>Current Liabilities</b>	
Accounts payable	\$ 269,253
Accrued payroll and related liabilities	<u>3,295,600</u>
Total Current Liabilities	3,564,853
<b>Noncurrent Liabilities</b>	
Due in More Than One Year	
Accrued compensated absences	94,484
Net pension liability	<u>7,388,203</u>
	<u>7,482,687</u>
 Total Liabilities	 11,047,540
<b>Deferred Inflows</b>	
Pensions	1,350,426
<b>NET POSITION</b>	
Investment in Capital Assets	11,731,692
Unrestricted	(2,801,138)
Restricted	
Food Service	287,873
Capital Projects	1,308,871
Grant Programs	<u>675,033</u>
	2,271,777
 Total Net Position	 <u>11,202,331</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 23,600,297</u>

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

Functions/Programs	PROGRAM REVENUES				Net (Expense) Revenue Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities					
Instruction					
Elementary programs	\$ 5,981,678	\$	\$ 812,779	\$	\$ (5,168,899)
Secondary/alternative programs	6,101,166		200,734		(5,900,432)
Exceptional/preschool programs	2,382,299		838,804		(1,543,495)
Other instructional programs	569,247		117,292		(451,955)
Support services					
Student services	2,573,189		1,637,235		(935,954)
Instructional improvement	731,582		862,673		131,091
Educational media	274,678				(274,678)
District administration	904,204				(904,204)
School administration	2,862,484				(2,862,484)
Maintenance and improvements	1,801,695				(1,801,695)
Pupil transportation services	1,135,706		925,091		(210,615)
Food services	1,281,240	376,173	955,263		50,196
Capital improvements	372,546				(372,546)
Community services program	4,382				(4,382)
Depreciation - unallocated	727,303				(727,303)
Total Governmental Activities	<u>\$ 27,703,399</u>	<u>\$ 376,173</u>	<u>\$ 6,349,871</u>	<u>\$</u>	<u>\$ (20,977,355)</u>
			<b>General Revenues</b>		
			State revenue		18,452,762
			Property taxes:		
			Property taxes - General		2,846,453
			Property taxes - Capital outlay		956,176
			State revenue in lieu of taxes		19,324
			Grants and contributions - Unrestricted		
			Federal impact aid		1,007,188
			Other federal revenue		412,499
			Interest, penalties, and investmer		85,246
			Miscellaneous		778,489
			Total General Revenues		<u>24,558,137</u>
			Change in Net Position		3,580,782
			<b>Net Position</b>		
			Beginning of Year (Restated)		<u>7,621,549</u>
			End of Year		<u>\$ 11,202,331</u>

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<u>MAJOR FUNDS</u>		<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL TOTAL</u>
	<u>General</u>	<u>Forest Fees</u>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,182,502	\$ 1,320,811	\$ 1,376,538	\$ 5,879,851
Restricted cash			364,191	364,191
Receivables				
Property taxes	1,160,787		399,702	1,560,489
State and federal	547,486	162,529	277,125	987,140
Other receivables			27,044	27,044
Inventories	<u>24,818</u>	<u></u>	<u></u>	<u>24,818</u>
Total Assets	<u>\$ 4,915,593</u>	<u>\$ 1,483,340</u>	<u>\$ 2,444,600</u>	<u>\$ 8,843,533</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 146,604	\$	\$ 122,649	\$ 269,253
Accrued payroll and related liabilities	<u>2,927,844</u>	<u></u>	<u>367,756</u>	<u>3,295,600</u>
Total Liabilities	3,074,448		490,405	3,564,853
<b>Deferred Inflows</b>				
Unavailable property taxes	101,016		30,246	131,262
<b>Fund Balances</b>				
Nonspendable	24,818			24,818
Restricted for				
Food service			287,873	287,873
Capital projects			1,308,871	1,308,871
Grant programs			675,033	675,033
Unassigned	<u>1,715,311</u>	<u>1,483,340</u>	<u>(347,828)</u>	<u>2,850,823</u>
Total Fund Balances	<u>1,740,129</u>	<u>1,483,340</u>	<u>1,923,949</u>	<u>5,147,418</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,915,593</u>	<u>\$ 1,483,340</u>	<u>\$ 2,444,600</u>	<u>\$ 8,843,533</u>

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

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Total fund balance - total governmental funds \$ 5,147,418

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. These assets, net of accumulated depreciation, consist of:

Cost of capital assets	\$ 30,884,639	
Accumulated depreciation	<u>(20,032,283)</u>	
Total capital assets, net of accumulated depreciation		10,852,356

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay the current period's expenditures, and therefore are reported as advanced revenue in the funds. 131,262

Long-term liabilities, applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Compensated absences payable	\$ (94,484)	
Other post employment benefits asset	879,336	
Due in more than one year-pension liabilities	<u>(7,388,203)</u>	
Total long term liabilities		(6,603,351)

Deferred outflows of resources not reported in the funds. 3,025,072

Deferred inflows of resources not reported in the funds. (1,350,426)

Total net position of governmental activities \$ 11,202,331

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	<u>MAJOR FUNDS</u>		<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>General Fund</u>	<u>Forest Fees Fund</u>		
<b>REVENUES</b>				
Local revenues				
Property taxes	\$ 2,843,420	\$	\$ 954,794	\$ 3,798,214
Interest, penalties, and investment earnings	78,295		6,951	85,246
Other	132,660		400,797	533,457
State revenue	20,660,383		477,577	21,137,960
Federal revenue				
Impact aid	979,277		27,911	1,007,188
Other federal		412,499	3,898,575	4,311,074
Other revenue	<u>254,705</u>		<u>151,922</u>	<u>406,627</u>
Total Revenues	24,948,740	412,499	5,918,527	31,279,766
<b>EXPENDITURES</b>				
Instructional				
Elementary school program	6,209,816		616,780	6,826,596
Secondary/alternative school program	5,752,594		349,540	6,102,134
Exceptional school program	1,451,396		784,427	2,235,823
Preschool school program	83,673		39,638	123,311
Gifted and talented school program	81,621			81,621
Interscholastic school program	428,680			428,680
Summer school program	66,410		(8,444)	57,966
School activity program	<u>980</u>			<u>980</u>
Total instructional	14,075,170		1,781,941	15,857,111

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	<u>MAJOR FUNDS</u>		<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>General Fund</u>	<u>Forest Fees Fund</u>		
Support Services				
Attendance - guidance	\$ 627,410	\$	\$ 405,133	\$ 1,032,543
Educational services	1,477,198		63,448	1,540,646
Instructional improvement program	276,349		401,289	677,638
Educational media program	273,699			273,699
District administration program	1,869,706	101,343	116,112	2,087,161
School administration program	1,665,772		68,678	1,734,450
Maintenance and improvements	2,117,927		40,985	2,158,912
Pupil support services			0	0
Public transportation	1,292,094		6,952	1,299,046
Total Support Services	9,600,155	101,343	1,102,597	10,804,095
<b>EXPENDITURES</b>				
Community services program			4,382	4,382
Food services program			1,281,240	1,281,240
Capital assets program	4,431		675,443	679,874
Total Expenditures	23,679,756	101,343	4,845,603	28,626,702
Excess of Revenues Over Expenditures	1,268,984	311,156	1,072,924	2,653,064
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	31,000	31,000
Transfers out	(31,000)			(31,000)
Net Other Financing Sources (Uses)	(31,000)		31,000	0
Net Change in Fund Balances	1,237,984	311,156	1,103,924	2,653,064
FUND BALANCES, Beginning of Year	502,145	1,172,184	820,025	2,494,354
FUND BALANCES, End of Year	\$ 1,740,129	\$ 1,483,340	\$ 1,923,949	\$ 5,147,418

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

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Net change in fund balances - total governmental funds \$ 2,653,064

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 are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	827,887	
Depreciation expense	(727,303)	
Excess of capital outlay over depreciation expense		100,584

Property taxes that will not be collected for several months after the District's fiscal year end are not considered available revenues in the governmental funds, but are deferred tax revenues in the Statement of Activities. 4,415

In the Statement of Activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, vacation amounts earned is less than the amounts used. 1,916

Benefits paid on behalf of retirees for other post employment benefits (OPEB) in the Statement of Activities differs from the amount reported in the governmental funds because these costs are recognized as an expenditure in the governmental funds when they are paid, thus requiring the use of current financial resources. In the Statement of Activities, however, the OPEB obligation is recognized based on the actuarial valuation, regardless of when it is paid. 132,986

Under the modified accrual basis of accounting used in the governmental changes in net pension liability and related pension source deferred outflow and deferred inflows of resources do not provide or require current financial resources and therefore are not reflected in the funds 687,819

Change in Net Position of Governmental Activities \$ 3,580,784

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**June 30, 2018**

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	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>524,541</u>
Total Assets	\$ <u>524,541</u>
<b>Liabilities</b>	
Due to student groups	\$ <u>524,541</u>
Total Liabilities	\$ <u>524,541</u>

DISCUSSION  
DRAFT

See accompanying notes to basic financial statements.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies

#### *General Statement*

Mountain Home School District #193 of Mountain Home, Idaho (the District) operates under a School Board form of government and provides education to students as authorized under Title 33 of the Idaho Code.

#### *Financial Reporting Entity*

The District follows Governmental Accounting Standards (GASB) in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by the District's Board of Trustees. Control or dependence on the District was determined on the basis of appointment authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District and legal standing.

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.

#### *Basis of Presentation*

*Government-wide financial statements:* The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the governmental entity. For most part, the effect of interfund activity has been removed from these statements.

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

#### *Fund Financial Statements:*

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. These statements present each major fund as a separate column on the fund financial statements: all non-major funds are aggregated and presented in a single column. The general fund and the federal forest fund are considered major funds while the remaining governmental funds are considered non-major.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies (Continued)

#### *Fund Financial Statements (Continued):*

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following governmental funds:

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

The *Special Revenue Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *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.

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.

Agency funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

The *School Activity Fund* is used to accounts for assets held by the District as an agent for the individual schools and school organizations.

#### *Measurement Focus/Basis of Accounting*

#### Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays intonation 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 Funds 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. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies (Continued)

#### *Measurement Focus/Basis of Accounting (Continued)*

##### 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 other functions is not allocated to those functions, but is reported separately in the Statement of Activities. Depreciation is not specifically identified by function and is considered an unallocated indirect expense. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

#### Fund Financial Statements

##### *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, defined as 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 government 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 outstanding principal and interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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 position. 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 when resources are available 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 are recorded as paid. Salaries for nine-month employees are accrued at June 30.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies (Continued)

#### *Measurement Focus/Basis of Accounting (Continued)*

##### *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.

##### *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*

The restricted cash is comprised of debt service and school lunch funds that are restricted for use on specifically identified debt service payments and school lunch programs.

##### *Local Government Investment Pool*

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 (LGIP) is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. Since the LGIP is recorded at amortized cost and has a maturity of less than 90 days, the District considers these deposits as cash equivalents.

##### *Investments*

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. 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.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies (Continued)

#### *Investments (Continued)*

The District has adopted an investment policy that further specifies that the following investments are allowed for the following types of securities:

- United States Securities
- United States Governmental Agencies
- Federal Instrumentalities
- Certificates of Deposit
- Repurchase Agreements of Governmental Securities
- Bankers' Acceptance
- Registered Investment Companies (Money Market Mutual Funds)
- Investment Pools composed entirely of instruments that are legal for direct investment by an intermediate school district (Idaho State Investment Pool)

The District did not have any investments at June 30, 2018.

#### *Inventories*

School operating supplies and maintenance supplies are stated at the lower of cost (first-in, first-out) or market.

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.

#### *Property Taxes*

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year end, they are accrued on the government 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 second Monday in September on a 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. Other property 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. Elmore County bills and collects property taxes for the District. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no allowance for uncollectible taxes.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note A – Significant Accounting Policies (Continued)**

*Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

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 reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of resources are reported as fund balance transfers. All other interfund transfers are reported as operating transfers. These transfers offset each other and are not a part of the government-wide financial statements unless between business-type (enterprise) funds and governmental funds.

*Capital Assets*

The District's policy is to capitalize capital assets in excess of \$20,000. 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:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	15-40
Furniture and equipment	3-15

The cost of land and buildings acquired before 1994 are recorded at estimated historical cost. Land and buildings acquired after 1994 are recorded at historical cost. The cost of equipment and vehicles is based on historical cost.

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The District does not possess any material amounts of infrastructure capital assets (e.g. roads, bridges, parking lots, and sewer). Amounts expended for such items prior to June 30, 2002 were considered part of the cost of the buildings or other immovable property. From July 1, 2002 forward, such items that are built or constructed, and appear to be material in cost compared to all capital assets, are capitalized and depreciated over their estimated useful lives.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies (Continued)

#### *Compensated Absences*

All 12-month or full-time employees earn vacation and sick leave in amounts varying with tenure and classification. Upon retirement, unused vacation leave is paid to employees. No reimbursement or accrual is made for unused sick leave.

The District's recognition and measurement criteria for compensated absences follow:

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- The employees' right to receive compensation is attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "Accrued payroll and related liabilities" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

#### *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 and other restricted sources are applied to expenditures first.

#### *Net Position Classifications*

*Government-Wide Statements:* Net position is displayed in three components as follows:

Invested in capital assets, net of related debt – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

#### *Use of Restricted/Unrestricted Net Position*

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy is to apply restricted resources first and then unrestricted resources as they are needed.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Significant Accounting Policies (Continued)

*Fund Statements:* Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned

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 classified 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. The District has classified debt service resources as restricted as they are to be used for future servicing of the general obligation bond and are restricted through debt covenants. The Local Specific Grants and the Food Service Fund resources are restricted for their respective purpose.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action 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. The District did not have any committed resources as of June 30, 2018.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Trustees or through the Trustees delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District did not have any assigned resources within the General Fund as of June 30, 2018.

Unassigned: This classification includes the residual fund balance for the General Fund. 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.

#### *Use of Estimates*

The District 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 the reported revenues and expenses. Actual results could differ from those estimates.

#### *Property Tax Calendar*

The District's property tax is levied each October on the value listed as of the prior January 1 for all real property located in the District. The lien date is effective January 1 of the year the property tax is levied. A revaluation of all property is required to be completed no less than every five years.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note A – Significant Accounting Policies (Continued)**

*Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows or resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which is the pension obligation reported in the government-wide Statement of Net Position. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category reported on the government-wide statement of net position related to the pension obligation. As of June 30, 2018, deferred inflows reported on the governmental funds financial statements represented property taxes receivable unavailable for current use.

*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.

**Note B – Cash and Investments**

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposits	\$ 2,171,280	\$ 1,734,263
LGIP - uninsured	<u>4,507,790</u>	<u>4,509,779</u>
Total Cash	<u>\$ 6,679,070</u>	<u>\$ 6,244,042</u>
Investments	<b><u>Rating</u></b>	<b><u>Amortized Cost</u></b>
State Treasurer's investment pool	N/A	\$ 4,509,779
State Treasurer's investment pool - Agency	N/A	<u>229,718</u>
Total Investments		<u>\$ 4,739,497</u>

*Custodial Credit Risk – Deposits*

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.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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### Note B – Cash and Investments (Continued)

The District's investment policy only allows securities to be purchased from the following institutions organized in the United States that have \$500,000,000. The following is a list of the authorized institutions:

- Primary and regional dealers who qualify under the Securities and Exchange Commission Rule ISC3-1 (uniform net capital rule), and
- Capital of no less than \$10,000,000, and
- Registered as a dealer under the Securities Exchange Act of 1934, and
- A member of the National Association of Securities Dealers (NASD), and
- Registered to sell securities in the State of Idaho, and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five consecutive years or,
- Any Public Depository qualified in accordance with Idaho Code (I.C.) 67-1210.

The securities must be registered and collateralized in the District's name. The District was in compliance with their policy at June 30, 2018.

#### *Credit Risk*

Credit risk is the risk that an issuer of debt securities or counterparty to an investment will not fulfill its obligation. It 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 only allows for investments that have an AAA or AA rating as prescribed by S&P and Moody's. Investments in the State Treasurer's Pool are not required to be rated. The District was in compliance with the policy at June 30, 2018.

#### *Interest Rate Risk*

Interest rate risk is the risk of loss in fair value should market interest rates change in the future. Investments with long-term, fixed interest rates are the most volatile. The District's policy is not to purchase investments with maturities greater than 185 calendar days, and repurchase agreements cannot exceed one business day. The District's investment in the State Treasurer's Investment Pool has a weighted average maturity of 118 days as of June 30, 2018. The District was in compliance with this policy at June 30, 2018.

#### *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 Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when 5% of the total entities' 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. The District's policy is to not allow more than 50% of the total portfolio in Certificate of Deposits, Bankers Acceptance, non-governmental money market mutual funds, or any combination thereof. As of June 30, 2018, no amounts represented more than 5% of the investments.

#### *Restrictions on Cash*

The restricted cash is comprised of debt service and school lunch funds that are restricted for use on specifically identified debt service payments and school lunch programs.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note C – Due from other Governments**

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

State Agencies	\$	645,857
Federal Agencies		341,283
County Agencies		<u>1,560,489</u>
	<u>\$</u>	<u>2,547,629</u>

**Note D – Capital Assets**

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Balance 06/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/18</u>
Capital assets, not being depreciated:				
Land	\$ 481,372	\$	\$	\$ 481,372
Capital assets, being depreciated:				
Land Improvements	\$ 1,827,622	\$	\$	\$ 1,827,622
Buildings	24,785,506	399,262		25,184,768
Furniture and equipment	<u>2,962,254</u>	<u>428,623</u>		<u>3,390,877</u>
Total capital assets, being depreciated	29,575,382	827,885		30,403,267
Less accumulated depreciation for:				
Land improvements	1,700,395			1,700,395
Buildings	15,500,024	560,642		16,060,666
Furniture and equipment	<u>2,104,561</u>	<u>166,661</u>		<u>2,271,222</u>
Total accumulated depreciation	<u>19,304,980</u>	<u>727,303</u>		<u>20,032,283</u>
Governmental activities capital assets, net	<u>\$ 10,751,774</u>	<u>\$ 100,582</u>	<u>\$</u>	<u>\$ 10,852,356</u>

**Note E – Interfund Transfers**

During the year ended June 30, 2018, the General Fund transferred \$31,000 to the non major funds in compliance with federal mandates to supplement support services to students requiring and qualifying for certain benefits to cover costs in excess of federal awards.

**Note F – Operating Leases**

The District leases copier equipment under non-cancelable operating lease entered into in 2015 and ending in 2020. The agreement also includes a per copy charge for all copies run. Lease expense including maintenance and per copy fees under this agreement was \$204,840 for the year ended June 30, 2018.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note F – Operating Leases (Continued)**

The future minimum lease payments for these leases are as follows:

<b>Year Ended June 30,</b>	<b>Amount</b>
2019	\$ 159,000
2020	<u>159,000</u>
	<u>\$ 318,000</u>

**Note G – 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) 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.persidaho.gov](http://www.persidaho.gov).

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2017 was as follows:

Retirees and beneficiaries currently receiving benefits	45,468
Terminated employees entitled to but not yet receiving benefits	12,669
Active plan members	<u>70,073</u>
	<u>128,210</u>

*Pension Benefits*

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

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

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note G –Pension Plan (Continued)**

*Member and Employer Contributions*

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

The contribution rates for employees are set by statute at 60% 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. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees. The District’s contributions required and paid were \$1,685,203 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, Mountain Home School District #193 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 Association’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, 2018, the District’s proportion was 0.4700388 percent.

For the year ended June 30, 2018, Mountain Home School District #193 recognized pension expense of \$677,339.

At June 30, 2018 Mountain Home School District #193 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual expense	\$ 1,023,499	\$ 665,615
Changes in assumptions or other inputs	136,628	0
Net difference between projected and actual Earnings on pension plan investments	0	442,658
Changes in the employer’s proportion and differences between the employer’s contributions and the employer’s proportionate contributions	0	242,153
Mountain Home School District #193 contributions subsequent to the measurement date	<u>1,685,203</u>	<u>0</u>
Total	<u>\$ 2,845,330</u>	<u>\$ 1,350,426</u>

\$1,685,203 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.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note G –Pension Plan (Continued)**

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 the 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 Ending <u>June 30</u>	<u>Amount</u>
2018	\$ (401,648)
2019	694,124
2020	196,954
2021	(437,575)

*Actuarial Assumptions*

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

The total pension liability in the July 1, 2016 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, net of investment expenses	7.10%
Cost-of-living adjustments	1.00%

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 June 30, 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.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note G –Pension Plan (Continued)**

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

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

*Capital Market Assumptions*

<b>Asset Class</b>	<b>Expected Return</b>	<b>Expected Risk</b>	<b>Strategic Normal</b>	<b>Strategic Ranges</b>
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%
<b>Total Fund</b>	<b>Expected Return</b>	<b>Expected Inflation</b>	<b>Expected Real Return</b>	<b>Expected Risk</b>
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.

*Capital Market Assumptions (Continued)*

Actuarial Assumptions	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	<u>0.40%</u>
Long-Term Expected Geometric Rate of Return Net of Investment Expenses	7.10%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans’ net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all 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.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note G –Pension Plan (Continued)**

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share Of the net pension liability (asset)	\$ 17,171,703	\$ 9,824,399	\$ (742,146)

*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](http://www.persi.idaho.gov).

*Payables to the Pension Plan*

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

**Note H –PERSI OPEB – Sick Leave**

The District contributes to the Sick Leave Insurance Reserve Fund (Sick Leave Plan) which is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits that are administered by PERSI 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 the Sick Leave Plan. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Sick Leave 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.

*OPEB Benefits*

Group retiree health, dental, accident, and life insurance premiums may qualify as a benefit. Retirees who have a sick leave account can use their balance as a credit towards these premiums paid directly to the applicable insurance company.

*Employer Contributions*

The contribution rate for employers are set by statute at .065% of covered compensation for state members. Covered school members contribution rates are set by statute based on the number of sick days offered by the employer. The contribution rate of 1.16% for school members with nine or ten sick days, 1.26% for school members with 11-14 sick days. If a school member has more than 14 days of sick leave then the contribution rate will be set by the PERSI Retirement Board based on current cost and actuarial data and reviewed annually. The District's contributions were \$179,742 for the year ended June 30,2018.

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

### Note H –PERSI OPEB – Sick Leave (Continued)

*OPEB Liabilities, OPEB Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the District reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on the District's share of contributions relative to the total contributions of all participating Sick Leave employers. At June 30, 2017, the District's proportion was 1.1455222 percent.

For the year ended June 30, 2018, the District recognized OPEB expense (expense offset) of \$169,261. \$179,742 reported as deferred outflows of resources related to OPEBs resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ending June 30, 2018.

#### *Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. The Sick Leave Plan amortizes any net OPEB asset based on a level percentage of payroll. The maximum amortization period for the Sick Leave Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total OPEB 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	3.75%
Salary inflation	3.75%
Investment rate of return	7.10% , net of investment expenses

#### *Actuarial Assumptions (Continued)*

The long-term expected rate of return on OPEB 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 OPEB 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. The health care trend rate is not applicable as the benefit amount a participant will receive is established with a set amount upon retirement thus would have no impact.

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.

#### *Capital Market Assumptions*

<b>Asset Class</b>	<b>Expected Return</b>	<b>Expected Risk</b>	<b>Strategic Normal</b>	<b>Strategic Ranges</b>
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%
<b>Total Fund</b>	<b>Expected Return</b>	<b>Expected Inflation</b>	<b>Expected Real Return</b>	<b>Expected Risk</b>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

# MOUNTAIN HOME SCHOOL DISTRICT #193

## NOTES TO FINANCIAL STATEMENTS

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**Note H –PERSI OPEB – Sick Leave (Continued)**

*Actuarial Assumptions*

Assumed Inflation – Mean	3.25%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
Portfolio Long-term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

*Discount Rate*

The discount rate used to measure the total OPEB 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 OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense.

*Sensitivity of the net OPEB asset to changes in the discount rate*

The following presents the Employer's proportionate share of the net OPEB asset calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net OPEB asset 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)	\$ <u>(780,699)</u>	\$ <u>(879,336)</u>	\$ <u>(994,601)</u>

*OPEB plan fiduciary net position*

Detailed information about the OPEB 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](http://www.persi.idaho.gov).

*Payables to the OPEB plan*

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

**Note I –Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**Note J –Adoption of New Standard**

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits (OPEB)*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with the net OPEB Liability in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net OPEB liability. The restatement of net position is identified as follows:

Beginning net position as previously reported at June 30, 2017	\$ 5,721,205
Restatement – Implementation of GASB 75	
Removal of GASB 45 OPEB liability	984,733
Net OPEB asset (measurement date)	746,350
Deferred outflow – contributions after measurement date	<u>169,261</u>
Total prior period adjustment	<u>1,900,344</u>
Beginning net position, restated	<u>\$ 7,621,549</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

DISCUSSION  
DRAFT

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2018**

	<b>Budget Original And Final</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Local revenues			
Property taxes	\$ 2,745,000	\$ 2,843,420	\$ 98,420
Earnings on investments	20,000	78,295	58,295
Other	50,100	132,660	82,560
State revenue	19,960,000	20,660,383	700,383
Federal revenue			
Impact aid	1,028,000	979,277	(48,723)
Other revenue	443,900	254,705	(189,195)
	<hr/>	<hr/>	<hr/>
Total Revenue	24,247,000	24,948,740	701,740
<b>Expenditures</b>			
Instructional			
Elementary school program	6,374,698	6,209,816	164,882
Secondary/alternative school program	6,077,223	5,752,594	324,629
Exceptional school program	1,220,113	1,451,396	(231,283)
Preschool school program	161,473	83,673	77,800
Gifted and talented school program	81,885	81,621	264
Interscholastic school program	436,090	428,680	7,410
Summer school program	0	66,410	(66,410)
School activity program	5,000	980	4,020
	<hr/>	<hr/>	<hr/>
Total Instructional	14,356,482	14,075,170	281,312

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (Continued)**  
**For the Year Ended June 30, 2018**

	<b>Budget Original And Final</b>	<b>Actual</b>	<b>Variance</b>
Support Services			
Attendance - guidance	563,201	627,410	(64,209)
Educational services	1,402,869	1,477,198	(74,329)
Instructional improvement program	265,793	276,349	(10,556)
Educational media program	231,773	273,699	(41,926)
District administration program	1,572,693	1,869,706	(297,013)
School administration program	1,876,310	1,665,772	210,538
Maintenance and improvements	2,099,879	2,117,927	(18,048)
Pupil transportation	1,420,000	1,292,094	127,906
Total Support Services	9,432,518	9,600,155	(167,637)
Capital assets program	8,000	4,431	3,569
Total Expenditures	23,797,000	23,679,756	117,244
Excess of Revenues Over Expenditures	450,000	1,268,984	818,984
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers out	(30,000)	(31,000)	(1,000)
Net Other Financing Sources (Uses)	(30,000)	(31,000)	(1,000)
Net Change in Fund Balance	<u>\$ 420,000</u>	<u>1,237,984</u>	<u>\$ 817,984</u>
<b>Fund Balance, Beginning of Year</b>		502,145	
<b>Fund Balance, End of Year</b>		<u>\$ 1,740,129</u>	

See accompanying notes to basic financial statements.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**FOREST FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2018**

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	<b>Budget Original And Final</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Federal revenue			
Other revenue	225,000	412,499	187,499
	<hr/>	<hr/>	<hr/>
Total Revenue	225,000	412,499	187,499
<b>Expenditures</b>			
Support Services			
Direct Administration	60,000	101,343	41,343
	<hr/>	<hr/>	<hr/>
Total Support Services	60,000	101,343	41,343
<b>Capital Improvements</b>	165,000	-	(165,000)
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	225,000	101,343	(123,657)
<b>Net Change in Fund Balance</b>	<u>\$ 0</u>	<u>311,156</u>	<u>311,156</u>
<b>Fund Balance, Beginning of Year</b>		<u>1,172,184</u>	
<b>Fund Balance, End of Year</b>		<u>1,483,340</u>	

See accompanying notes to basic financial statements.

# **MOUNTAIN HOME SCHOOL DISTRICT #193**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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### **Note A –Basis of Budgeting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures by department, fund or service as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.
- The proposed budget is published in the local newspaper.
- The budget is formally adopted through approval by the Board of Trustees and published in the local newspaper.
- The District may, after school starts and actual enrollments figures are known, amend the budget using the same procedure that was used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was not amended for the fiscal year ended June 30, 2018.
- Formal budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.
- Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The level of control (level at which expenditures may not exceed budget) is the fund.
- All annual appropriations lapse at fiscal year-end.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND**  
**EMPLOYER CONTRIBUTIONS**  
**For the Year Ended June 30, 2018**

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Employer's portion of net the pension liability	0.5101686%	0.4960134%	0.484601%	0.470039%
Employer's proportionate share of the net pension liability	\$ 3,755,639	\$ 6,531,690	\$ 9,824,399	\$ 7,388,203
Employer's covered-employee payroll	\$ 14,129,343	\$ 14,009,719	\$ 14,032,415	\$ 14,599,080
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	26.58%	46.62%	67.29%	50.61%
Plan fiduciary net position as a percentage of total pension liability	94.95%	91.38%	87.26%	91.00%

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

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

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statutorily required contribution	\$ 1,564,552	\$ 1,605,308	\$ 1,652,616	\$ 1,685,203
Contributions in relation to statutorily required contribution	\$ (1,564,552)	\$ (1,605,308)	\$ 1,652,616	\$ 1,685,203
Contribution (deficiency) excess	-	-	-	-
Employer's covered-employee payroll	\$ 14,009,719	\$ 14,239,555	\$ 14,599,080	\$ 14,886,953
Contributions as a percentage of covered-employee payroll	11.17%	11.27%	11.32%	11.32%

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

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB ASSET**  
**PERSI SICK LEAVE**  
**For the Year Ended June 30, 2018**

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**Schedule of Employer's Share of Net OPEB Asset**  
**PERSI - Sick Leave**  
**Last 10 - Fiscal Years \***

	<u>2017</u>
Employer's portion of net OPEB asset	1.15%
Employer's proportionate share of the net OPEB asset	\$ 879,336
Employer's covered-employee payroll	\$ 14,599,080
Employer's proportionate share of net OPEB asset as a percentage of its covered-employee payroll	6.02%
Plan fiduciary net position as a percentage of net OPEB asset	137.00%

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

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

**Schedule of Employer Contributions**  
**PERSI - Sick Leave**  
**Last 10 - Fiscal Years \***

	<u>2018</u>
Statutorily required contribution	\$ 169,261
Contributions in relation to statutorily required contribution	\$ 169,261
Contribution (deficiency) excess	-
Employer's covered-employee payroll	\$ 14,599,080
Contributions as a percentage of covered-employee payroll	1.16%

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

**FEDERAL REPORTS**

DISCUSSION  
DRAFT

**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  
Mountain Home School District #193  
Mountain Home, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General in the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Home School District #193 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mountain Home School District #193's basic financial statements and have issued our report thereon dated October 25, 2018.

In our report, our opinion on the financial statements was qualified, as discussed in the "Basis for Qualified Opinion" paragraph in the report on the financial statements, management did not obtain an updated actuarial valuation for the other-post-employment benefit (OPEB) liability. As a result, the OPEB liability recorded on the Statement of Net Position has not been updated for current year assumptions or changes.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mountain Home School District #193'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain Home School District #193's internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain Home School District #193'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 the 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 Mountain Home School District #193's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance 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.

Meridian, Idaho  
October 25, 2018

DISCUSSION  
DRAFT

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

To the Board of Trustees  
Mountain Home School District #193  
Mountain Home, Idaho

**Report on Compliance for Each Major Federal Program**

We have audited Mountain Home School District #193's (the District) 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 District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Mountain Home School District #193'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 requirement 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 Mountain Home School District #193'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 Mountain Home School District #193's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Mountain Home School District #193, 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 Mountain Home School District #193 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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our 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 District's internal control over compliance.

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

Our consideration of 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 considered 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.

Meridian, Idaho  
October 25, 2018

DISCUSSION  
DRAFT

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF EDUCATION:			
<i>Direct Grants</i>			
Impact Aid – Elementary and Secondary Education Act (ESEA) Section 8003 (b) & 8003 (d)	84.041	N/A	\$ 1,007,188
<i>Passed through the State of Idaho Department of education</i>			
Title 1 Grants to Local Educational Agencies	84.010	S010A160012/S010A170012	708,978
Career and Technical Education	84.048	V048A160012	46,758
Migrant Education, State Grant Program	84.011	S011A160012/S011A170012	48,478
<i>Special Education Cluster</i>			
Special Education, Grants to States	84.027	H027A160088/ H027A170088	797,086
Special Education, Preschool Grants	84.173	H173A170030	<u>39,638</u>
<i>Cluster Total</i>			836,724
English Language Acquisition State Grants	84.365	S365A170012	22,359
Improving Teach Quality, State Grants	84.367	S367A160011	59,002
Rural Education	84.358	S358B160012	<u>70,994</u>
Total Department of Education			<u>2,800,481</u>
DEPARTMENT OF DEFENSE EDUCATION			
<i>Direct Grants</i>			
Promoting k-12 Student Achievement in Military-Connected Schools	12.556	N/A	<u>705,753</u>
DEPARTMENT OF AGRICULTURE:			
<i>Direct Grants</i>			
Schools and Roads, Grants to States	10.665	N/A	412,499
<i>Passed through the State of Idaho Department of Education</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program (Commodities)	10.553	201717N109947	250,028
National School Lunch Program	10.555	201717N109947	<u>776,414</u>
<i>Cluster total</i>			1,026,442
Total Department of Agriculture			<u>1,438,941</u>
Total expenditure of federal awards			<u>\$ 4,945,175</u>

See notes to schedule of expenditures of federal awards.

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mountain Home School District #193, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Because this schedule presents only a selected portion of the operations of the Mountain Home School District #193, it is not intended to and does not present the financial position, or changes in net assets of Mountain Home School District #193.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Mountain Home School District #193 has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - FOOD DONATION**

Nonmonetary assistance is reported in the SEFA at the fair market value of the commodities received and disbursed, which was approximately \$70,749 for the year ended June 30, 2018

DISCUSSION  
DRAFT

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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**Section I – Summary of Audit Results**

**Financial Statements**

Type of auditors' report issued: Qualified  
 Internal control over financial reporting:  
 • Material weakness identified? \_\_\_\_\_ yes   X   no  
 • Significant deficiencies identified that are not  
 considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported  
 Noncompliance material to the financial  
 statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major programs:  
 • Material weakness identified? \_\_\_\_\_ yes   X   no  
 • Significant deficiencies identified that are not  
 considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported  
 Type of auditors' report issued on compliance for major programs: Unmodified  
 Any audit findings disclosed that are required  
 to be reported in accordance with  
 Uniform Guidance 2 CFR 200.516? \_\_\_\_\_ yes   X   no  
 Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553 & 10.555	Child Nutrition Cluster
84.041	Impact Aid
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between  
 type A and type B programs: \$ 750,000  
 Auditee qualified as a low-risk auditee? \_\_\_\_\_   X   yes \_\_\_\_\_ no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

**MOUNTAIN HOME SCHOOL DISTRICT #193**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2018**

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There were no prior audit findings.

DISCUSSION  
DRAFT