

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

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Mahlke Hunsaker & Company PLLC
C e r t i f i e d P u b l i c A c c o u n t a n t s

INDEPENDENT AUDITORS' REPORT

Chairman and Board of Trustees
Hansen School District No. 415
Hansen, ID 83334

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hansen School District No. 415 (the District), as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

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

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

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

Opinions

Basis for Qualified Opinion on Governmental Activities

Management has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the District's other post-employment benefit liability. Accounting principles generally accepted in the United States of America require a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the District as of June 30, 2016, 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 Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the District as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer contributions listed as required supplementary information 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.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Mahlke Hunsaker & Co.

MAHLKE HUNSAKER & CO., PLLC
Twin Falls, Idaho
September 28, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**HANSEN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 334,422
Investments	388,890
Property taxes receivable	17,264
Other receivables	336,723
Total current assets	1,077,299
Noncurrent assets:	
Capital assets, net	3,937,377
Total noncurrent assets	3,937,377
Total assets	5,014,676
DEFERRED OUTFLOWS OF RESOURCES	
Pension obligations	509,777
Total deferred outflows of resources	509,777
Total assets and deferred outflows of resources	\$ 5,524,453
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 33,929
Interest payable	18,501
Current portion of long-term obligations	275,000
Salaries and benefits payable	225,920
Total current liabilities	553,350
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	890,000
Lease Payable	64,091
Net pension liability	776,082
Total noncurrent liabilities	1,730,173
Total liabilities	2,283,523
DEFERRED INFLOWS OF RESOURCES	
Employer pension assumption	500,209
Total deferred outflows of resources	500,209
NET POSITION	
Net investment in capital assets	2,708,286
Restricted for:	
School lunch	13,302
Non K-12 programs	13,419
Capital projects	-
Debt service	414,210
Unrestricted	(408,496)
Total net position	2,740,721
Total liabilities, deferred inflows, and net position	\$ 5,524,453

See Notes to Financial Statements.

**HANSEN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Operating Grants and Contributions	Charges for Services	Governmental Activities
Instruction:				
Instructional Staff	\$ 1,460,172	\$ 1,330,855	\$ -	\$ (129,317)
Instructional -Other	335,524	305,809	-	(29,715)
Support Services:		-	-	-
Pupil Support Services	222,405	202,708	-	(19,697)
Staff Support Services	80,249	73,142	-	(7,107)
District Administration	87,423	79,681	-	(7,742)
School Administration	162,176	147,813	-	(14,363)
Business Administrative	206,343	188,069	-	(18,274)
Operation and maintenance of facilities	313,191	285,454	-	(27,737)
Transportation	116,977	90,000	-	(26,977)
School lunch services	170,055	129,162	15,153	(25,740)
Interest on long-term debt	51,822	-	-	(51,822)
Total governmental activities	3,206,337	2,832,692	15,153	(358,492)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				310,118
Property taxes, levied for debt service				176,618
Federal and state aid not restricted to specific purposes				-
Interest and investment earnings				3,198
Miscellaneous				75,487
Total general revenues and transfers				565,421
Change in net assets				206,929
Net position-beginning of year As Previously Stated				2,533,792
Net position-end of year				\$ 2,740,721

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

**HANSEN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service</u>		
ASSETS				
Cash and cash equivalents	44,491	\$ 343,958	\$ 36,734	\$ 425,183
Investments	345,217	19,497	24,176	388,890
Receivables, net	10,500	6,764	-	17,264
Receivable from other funds	-	-	-	-
Receivable from other governments	147,357	74,032	115,334	336,723
Total assets	<u>547,565</u>	<u>444,251</u>	<u>176,244</u>	<u>1,168,060</u>
DEFERRED OUTFLOWS				
	-	-	-	-
Total assets and deferred outflows	<u>\$ 547,565</u>	<u>\$ 444,251</u>	<u>\$ 176,244</u>	<u>\$ 1,168,060</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Accounts payable	\$ 14,119	\$ -	\$ 19,810	\$ 33,929
Pooled cash deficit	-	-	90,761	90,761
Payable to other funds	-	-	-	-
Salaries and benefits payable	190,992	-	34,928	225,920
Total liabilities	<u>205,111</u>	<u>-</u>	<u>145,499</u>	<u>350,610</u>
DEFERRED INFLOWS				
Unavailable revenue-property taxes	9,019	5,770	-	14,789
FUND BALANCE				
Nonspendable				
Restricted	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	438,481	-	438,481
Federal programs	-	-	5,733	5,733
State programs	-	-	7,686	7,686
School lunch program	-	-	13,302	13,302
Committed				
General Board Reserves	-	-	-	-
Assigned	-	-	-	-
Unassigned	333,435	-	4,024	337,459
Total fund balances	<u>333,435</u>	<u>438,481</u>	<u>30,745</u>	<u>802,661</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 547,565</u>	<u>\$ 444,251</u>	<u>\$ 176,244</u>	<u>\$ 1,168,060</u>

See Notes to Financial Statements.

**HANSEN SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances for governmental funds \$ 802,661

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	52,487	
Buildings and improvements, net of \$2,876,299 accumulated depreciation		3,732,230	
Equipment, net of \$25,680 accumulated depreciation		27,343	
Transportation buses, net of \$191,647 accumulated depreciation		<u>125,317</u>	
Total			3,937,377

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue- property taxes in the funds. 14,789

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$18,501. (18,501)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.

Leases Payable		(64,091)	
Bonds Payable		(1,165,000)	

Net pension liability and related pension obligation deferred outflow and employer pension assumption deferred inflow of resources are not due and payable in the current period and therefore are not reported in the funds (766,514)

Total net position of governmental activities \$ 2,740,721

HANSEN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Debt Service	Other Governmental Funds	
REVENUES				
Property taxes	\$ 309,329	\$ 178,149	\$ -	\$ 487,478
Earnings on investments	2,692	415	92	3,199
School lunch revenue	-	-	10,428	10,428
Other local	20,073	-	53,977	74,050
State aid	2,088,967	21,156	56,393	2,166,516
Federal aid	624	-	671,715	672,339
Total revenues	2,421,685	199,720	792,605	3,414,010
EXPENDITURES				
Current operating:				
General government	2,301,206	-	808,947	3,110,153
Debt service:				
Principal	-	265,000	-	265,000
Interest and other charges	-	55,528	-	55,528
Capital outlay	-	-	23,532	23,532
Total expenditures	2,301,206	320,528	832,479	3,454,213
Excess (deficiency) of revenues over expenditures	120,479	(120,808)	(39,874)	(40,203)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Transfers in	97,968	-	-	97,968
Transfers out	-	(76,001)	(21,967)	(97,968)
Total other financing sources (uses)	97,968	(76,001)	(21,967)	-
Net change in fund balance	218,447	(196,809)	(61,841)	(40,203)
Fund balances-beginning	114,988	635,290	92,586	842,864
Fund balances-ending	\$ 333,435	\$ 438,481	\$ 30,745	\$ 802,661

See Notes to Financial Statements.

**HANSEN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances-total governmental funds \$ (40,203)

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, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 65,479	
Depreciation expense	(148,531)	
Total		(83,052)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Lease payments	21,246	
Repayment of bond principal	265,000	
Interest expense - general obligation bonds	3,706	
Total		289,952

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues decreased this year. (742)

Changes in net pension liability and related pension obligation deferred outflow and employer pension assumption deferred inflows of resources do not provide or require current financial resources and therefore are not reflected in the funds. 40,974

Change in net position of governmental activities \$ 206,929

**HANSEN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS

Cash and cash equivalents	\$ 47,295
Total Assets	<u>\$ 47,295</u>

LIABILITIES AND NET ASSETS

Liabilities	
Due to student activities	\$ 47,295
Total Liabilities	<u>47,295</u>

Net Position	<u>-</u>
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Total Liabilities and Net Position	<u>\$ 47,295</u>
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**HANSEN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Additions:

Other	
Total additions	<u>-</u>

Deductions

Other	
Total deductions	<u>-</u>

Net increase	<u>-</u>
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Net position, beginning of year	-
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Net position, end of year	<u>\$ -</u>
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See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

Hansen School District No. 415 (the District) provides public school educational services as authorized by Section 33 of Idaho Code. The District is governed by an elected Board of Trustees which possesses final decision making authority and is held primarily accountable for those decisions. The Board is responsible for approving the budget, establishing spending limitations, funding any deficits, and borrowing funds and/or issuing bonds to finance school system operations and construction. The statements reflect all funds and accounts directly under the control of the District.

B. Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units and to state laws applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

C. Financial Reporting Entity

The District follows GASB Statement No.'s 14 and 39, as amended by GASB Statement No. 61, 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 District contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho. A ten year history is provided in PERSI's annual report.

D. Fund Accounting

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

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

Governmental Funds

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

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

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

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Debt service fund – account for the servicing of general long-term debt.

Capital project fund– accounts for the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds

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

Agency funds are used to account for assets that the government holds for others in the agency capacity. The agency funds are custodial in nature and do not present results of operations or have a measurement focus.

The District has the following agency funds:

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

E. Measurement Focus and Basis of Accounting

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

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

Program revenues

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

Allocation of indirect expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is not specifically identified by function and is considered an unallocated indirect expense. Interest on general long term debt is considered an indirect expense and is reported separately on the Statement of Activities.

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences 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 assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are susceptible to accrual.

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

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

Expenditures

Salaries are recorded as paid. Salaries for twelve-month employees are accrued at June 30, 2016.

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 event occurs.

F. Cash and Investments

Cash and Cash Equivalents

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

Restricted Cash and Investments

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

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The Code limits investments to the following general types:

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

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

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

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at fair market value. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

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

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

G. Short-term Interfund Receivables and Payables

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category: the pension obligation reported on the government-wide statement of net position. The pension obligation results from changes in assumptions or other inputs in the actuarial calculation of the District's net pension liability.

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the employer pension assumption. The employer pension assumption results from differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of the District's net pension liability. On the fund level financial statements, the District has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category: unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	40
Furniture	7
Buses	10

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

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and bond premiums are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Equity and Fund Balance Classifications

Equity classifications

In the District-wide financial statements, equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt—Consists of 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 these assets.

Restricted - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund balance classifications

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

Nonspendable Fund Balance - consists of amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance - consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The restricted for State Programs and Restricted for Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Restricted for Debt Service balance is to be used for future servicing of the outstanding bonds and are restricted through debt covenants.

The Restricted for Capital Projects balance reflect amounts that are restricted for construction or other capital outlay projects.

Committed Fund Balance—consists of amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the District Board. These amounts cannot be used for any other purpose unless the District’ Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned Fund Balance—consists of 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 District’s Board or Superintendent.

Unassigned Fund Balance—consists of any remaining fund balance that has not been reported in any other classification.

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

For the purposes of fund balance classification, the District's policy is to have expenditures spent from the restricted fund balances first, followed in order by committed fund balance (if any), assigned fund balance (if any) and last unassigned fund balance.

L. Interfund Transfers

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

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

M. Unavailable and Advanced Revenue

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

N. Salaries and Benefits Payable

Teaching personnel are paid on contracts that provide monthly payments throughout the year, even though school is not in session during the summer months. Salaries and benefits payable represents payment for teachers that are distributed during July and August, but are for services performed for the year ended June 30, 2016. It also includes an amount for full time administrative employees for vacation earned but not paid at year end.

O. 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 (the 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.

P. Property Taxes

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

HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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. Twin Falls County bill and collect property taxes for the District.

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

Q. Elimination and Reclassifications

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

R. 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 governmental funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

S. Encumbrances

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

T. Nonmonetary Transactions

Items received via food commodities programs are recognized at their stated fair market value.

U. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

V. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental fund types.

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2016 the District’s cash and investments, excluding trust and agency funds, consisted of the following:

	Bank Deposit Balance	Carrying Amounts
Cash and Equivalents:		
Insured or collateralized	\$ 354,692	\$ 334,422
Uninsured or uncollateralized	-	-
Total Deposits	\$ 354,692	\$ 334,422

	Rating	Duration	Fair Value
Investments:			
State Treasurer's local government pool	Unrated	86 Days	\$ 388,890

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover the value of its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another part. The District does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The District minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to the Hansen School District ownership and be held in the District’s name.

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 investments of the District are not rated and the District’s policy does not restrict them to rated investments. Most of the Investments of the District as of June 30, 2016, are invested in the LGIP which is not required to be rated.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. At June 30, 2016, the District is not subject to interest rate risk as all investments are held in the LGIP and certificates of deposits, which have short maturities. The District does not have a policy concerning interest rate risk.

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS-continued

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 principle that governments should provide not 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 has no policy limiting the amount it may invest in any one issuer.

NOTE 3 – INTERFUND TRANSFERS

The following operating transfers occurred during the fiscal year:

<u>Transfers In</u>		<u>Transfers Out</u>	
General Fund	<u>\$ 97,968</u>	Medicaid	\$ 21,967
		Bond & Interest	<u>76,001</u>
			<u>\$ 97,968</u>

NOTE 4 – DUE FROM OTHER AGENCIES AND UNITS OF GOVERNMENTS

Amounts due from other agencies and units of government were as follows as of June 30, 2016:

State agencies	\$ 173,599
County agencies	<u>163,124</u>
Total	<u>\$ 336,723</u>

NOTE 5 – UNAVAILABLE AND ADVANCED REVENUES

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements. The following revenues are measurable but do not represent available expendable resources for the Fund Financial Statements or were received in advance before the District has legal claim to them for the fiscal year ended June 30, 2016:

	General Fund	Debt Service	Total
Delinquent taxes	\$ 9,019	\$ 5,770	\$ 14,789

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - CAPITAL ASSETS

The following presents a summary of activity in the capital assets as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Sites				
Elementary	\$ 47,480	-	-	\$ 47,480
Secondary	5,007	-	-	5,007
Total Sites	<u>52,487</u>	<u>-</u>	<u>-</u>	<u>52,487</u>
Buildings				
Elementary	3,271,349	65,479	-	3,336,828
Secondary	2,894,119	-	-	2,894,119
Vo-Ed	430,605	-	-	430,605
Total Buildings	<u>6,596,073</u>	<u>65,479</u>	<u>-</u>	<u>6,661,552</u>
Transportation Equip.	<u>316,964</u>	<u>-</u>	<u>-</u>	<u>316,964</u>
Total Capital Assets	6,965,524	65,479	-	7,031,003
Accum. Depreciation	(2,945,095)	(148,531)	-	(3,093,626)
Net Capital Assets	<u>\$ 4,020,429</u>	<u>\$ (83,052)</u>	<u>\$ -</u>	<u>\$ 3,937,377</u>

NOTE 7 - GENERAL OBLIGATION BONDS

The following is a summary of bond transactions of the District for the year ended June 30, 2016:

	<u>Bonds Payable</u> <u>June 30, 2015</u>	<u>Bond</u> <u>Issuance</u>	<u>Principal</u> <u>Payments</u>	<u>Bonds Payable</u> <u>June 30, 2016</u>
2006 Series	\$ 1,335,000	\$ -	\$ (170,000)	\$ 1,165,000
2003 Refunding Bonds	95,000	-	(95,000)	-
Total	<u>\$ 1,430,000</u>	<u>\$ -</u>	<u>\$ (265,000)</u>	<u>\$ 1,165,000</u>

General obligation bonds payable as of June 30, 2016 consist of the following:

Series 2006 General Obligation Bonds in the original principal amount of \$1,770,000 maturing through August 15, 2019. Principal payments are dues annually on August 15, and interest is payable semiannually on February 15 and August 15 of each year. Interest rates on the bonds range from 3.75% to 4.25% on the outstanding bonds.

\$ 1,165,000

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - GENERAL OBLIGATION BONDS-continued

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows:

	2006 Series	Interest	Total
2017	275,000	54,527	329,527
2018	285,000	43,669	328,669
2019	295,000	19,444	314,444
2020	310,000	6,588	316,588
	<u>\$ 1,165,000</u>	<u>\$ 124,228</u>	<u>\$ 1,289,228</u>

NOTE 8 – PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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.

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – 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. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The District’s contributions were \$186,989 for the year ended June 30, 2015.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2015, the District’s proportion was 0.000589739 percent.

For the year ended June 30, 2016, the District recognized pension expense (revenue) of \$154,754. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 93,096
Changes in assumptions or other inputs	\$ 28,282	
Net difference between projected and actual earnings on pension plan investments	285,807	407,815
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	(42)	(702)
Employer contributions subsequent to the measurement date	<u>195,730</u>	<u>-</u>
Total	<u>\$509,777</u>	<u>\$500,209</u>

\$195,730 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 and 5.6 for the measurement period June 30, 2014.

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION PLAN-continued

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	
<u>Ended</u>	
6/30/16	\$ (79,662)
6/30/17	(79,662)
6/30/18	(79,662)
6/30/19	57,820
6/30/20	(5,658)

Actuarial Assumptions

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

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 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, 2015 is based on the results of an actuarial valuation date for that date.

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.

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – 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, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

* Arithmetic return

Actuarial Assumptions

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

Discount Rate

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

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION PLAN-continued

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District'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%)
District's proportionate share of the net pension liability (asset)	<u>\$1,891,492</u>	<u>\$ 776,590</u>	<u>(\$150,302)</u>

Pension plan fiduciary net position

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

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

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fund year ended June 30, 2016, expenditures did not exceeded appropriations in any funds.

NOTE 10 – RISK FROM LOSSES/CONTINGENT LIABILITIES

The District is not aware of any pending or threatened litigation that would adversely affect the District. The District purchases commercial insurance to protect assets from losses from workmen’s compensation claims, fire and casualty, general liability and fidelity losses.

The District has received several Federal/State grants for specific purposes that were subject to review and audit of the compliance conditions of each program. This audit found no elements of non-compliance with terms and conditions of the individual programs.

NOTE 11 – LACK OF IMPLEMENTATION OF GASB STATEMENT NO. 45

GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The District is required to follow GASB 45 as the District allows retired employees, who pay for their own health insurance premiums, to remain on the District’s health insurance plan. Even though the retirees pay their own premiums, the premiums are not age-adjusted. The District therefore provides an implicit subsidy to the retirees on their premiums, which would be higher if they were age-adjusted. GASB 45 requires that the future expense of the implicit subsidy be calculate and accrued annually. The District has determined that the required cost to calculate this future expense and accrual, which involves paying for actuarial services, is too expensive. The District has therefore chosen not to comply with the requirement of GASB 45.

**HANSEN SCHOOL DISTRICT No. 415
HANSEN, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 28, 2016, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**HANSEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Local Sources:				
Property taxes	\$ 302,000	\$ 302,000	\$ 309,329	\$ 7,329
Earnings on investments	1,000	1,000	2,692	1,692
Other local	9,094	9,094	20,073	10,979
Total local sources	<u>312,094</u>	<u>312,094</u>	<u>332,094</u>	<u>20,000</u>
State Sources:				
State aid	2,107,579	2,107,579	2,088,967	(18,612)
Total state sources	<u>2,107,579</u>	<u>2,107,579</u>	<u>2,088,967</u>	<u>(18,612)</u>
Federal Sources				
Federal aid	-	-	624	624
Total federal sources	<u>-</u>	<u>-</u>	<u>624</u>	<u>624</u>
Total revenues	<u>2,419,673</u>	<u>2,419,673</u>	<u>2,421,685</u>	<u>2,012</u>
EXPENDITURES				
Instruction:				
Salaries	938,793	938,793	892,251	46,542
Employee benefits	336,099	336,099	324,027	12,072
Purchased Services	-	-	-	-
Supplies and materials	85,694	85,694	22,904	62,790
Capital objects	-	-	-	-
Total instruction	<u>1,360,586</u>	<u>1,360,586</u>	<u>1,239,182</u>	<u>121,404</u>
Supporting services:				
Pupil support services	223,828	223,828	96,602	127,226
Staff support services	48,295	48,295	45,277	3,018
District administration	124,053	124,053	84,966	39,087
School administration	163,056	163,056	160,317	2,739
Business administration	128,910	128,910	170,442	(41,532)
Operation and maintenance of facilities	412,285	412,285	381,158	31,127
Student transportation	141,310	141,310	115,518	25,792
Total supporting services	<u>1,241,737</u>	<u>1,241,737</u>	<u>1,054,280</u>	<u>187,457</u>
Noninstruction:				
Child nutrition	8,407	8,407	7,744	663
Total noninstruction	<u>8,407</u>	<u>8,407</u>	<u>7,744</u>	<u>663</u>
Capital:				
Capital: Outlay	58,549	58,549	-	58,549
Total capital	<u>58,549</u>	<u>58,549</u>	<u>-</u>	<u>58,549</u>
Total expenditures	<u>2,669,279</u>	<u>2,669,279</u>	<u>2,301,206</u>	<u>368,073</u>
Excess (deficiency) of revenues over expenditures	<u>(249,606)</u>	<u>(249,606)</u>	<u>120,479</u>	<u>370,085</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(7,993)	(7,993)	97,968	105,961
Total other financing sources (uses)	<u>(7,993)</u>	<u>(7,993)</u>	<u>97,968</u>	<u>105,961</u>
Net change in fund balance	<u>(257,599)</u>	<u>(257,599)</u>	<u>218,447</u>	<u>476,046</u>
Fund balances-beginning	<u>114,988</u>	<u>114,988</u>	<u>114,988</u>	<u>-</u>
Fund balances-ending	<u>\$ (142,611)</u>	<u>\$ (142,611)</u>	<u>\$ 333,435</u>	<u>\$ 476,046</u>

See Notes to Required Supplementary Information.

**HANSEN SCHOOL DISTRICT
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
LAST 10 FISCAL YEARS***

	2015	2014
District's portion of the net pension liability	0.000589739	0.000589047
District's proportionate share of the net pension liability	\$ 776,590	\$ 433,461
District's covered-employee payroll	\$ 1,651,846	\$ 1,595,804
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	47.01%	27.16%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

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

Data reported is measured as of June 30, 2015 and 2014.

**HANSEN SCHOOL DISTRICT
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
PERSI - BASE PLAN
LAST 10 FISCAL YEARS***

	2015	2014
Statutorily required contribution	\$ 186,989	\$ 180,645
Contribution in relation to the statutorily required contribution	186,989	180,645
Contribution deficiency (excess)	\$ -	\$ -
District's covered -employee payroll	\$ 1,651,846	\$ 1,595,804
Contributions as a percentage of covered-employee payroll	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 years for which information is available.

Data reported is measured as of each year's most recent fiscal year end.

**HANSEN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1- BUDGETARY INFORMATION

Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedules compare the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis do not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP).

Budgetary Policies

Hansen School District prepares an annual budget of revenue and expenditures prior to the beginning of the fiscal year. The budget is prepared on the modified accrual basis of accounting. Budget figures are based on prior levels of revenue and expenditures taking into account specific items which may be planned in advance by the District such as capital outlay expenditures. Any excess of budgeted expenditures over budgeted revenues are temporary situations and are budgeted so as to utilize cash balances in the individual fund.

SUPPLEMENTARY INFORMATION

HANSEN SCHOOL DISTRICT NO. 415
HANSEN, IDAHO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Title I-A	Drivers Ed	Professional Technical	Perkins III	Title I-C Migrant	IRI Reading	IDEA School Age	IDEA Pre- School	Substance Abuse
Assets									
Cash	\$ -	\$ -	\$ 3,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,558
Investments	-	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-	-
Due From Other Governments	32,996	-	390	6,484	1,272	8,502	15,200	1,796	-
Total Assets	32,996	-	4,317	6,484	1,272	8,502	15,200	1,796	4,558
Deferred Outflows	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows	<u>\$ 32,996</u>	<u>\$ -</u>	<u>\$ 4,317</u>	<u>\$ 6,484</u>	<u>\$ 1,272</u>	<u>\$ 8,502</u>	<u>\$ 15,200</u>	<u>\$ 1,796</u>	<u>\$ 4,558</u>
Liabilities									
Accounts Payable	\$ -	\$ -	\$ 390	\$ -	\$ -	\$ 6,442	\$ -	\$ -	\$ -
Pooled Cash Deficits	13,952	-	-	6,484	1,272	2,060	7,158	898	-
Contracts and Benefits Payable	19,303	-	1,333	-	-	-	8,042	898	1,124
Total Liabilities	33,255	-	1,723	6,484	1,272	8,502	15,200	1,796	1,124
Deferred Inflows	-	-	-	-	-	-	-	-	-
Fund Equity									
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted									
Capital Projects	-	-	-	-	-	-	-	-	-
Federal Programs	(259)	-	-	-	-	-	-	-	-
State Programs	-	-	2,594	-	-	-	-	-	3,434
School Lunch Program	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Equity	(259)	-	2,594	-	-	-	-	-	3,434
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 32,996</u>	<u>\$ -</u>	<u>\$ 4,317</u>	<u>\$ 6,484</u>	<u>\$ 1,272</u>	<u>\$ 8,502</u>	<u>\$ 15,200</u>	<u>\$ 1,796</u>	<u>\$ 4,558</u>

HANSEN SCHOOL DISTRICT NO. 415
HANSEN, IDAHO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Child Nutrition	SIG Grant	Improving Teacher Quality	Technology	Medicaid	Rural Education	Local Grants	Capital Projects	Totals
Assets									
Cash	\$ 14,004	\$ -	\$ -	\$ 1,658	\$ -	\$ -	\$ 12,587	\$ -	\$ 36,734
Investments	-	-	-	-	-	-	-	24,176	24,176
Due From Other Funds	-	-	-	-	-	-	-	-	-
Due From Other Governments	-	1,472	5,401	-	26,950	14,871	-	-	115,334
Total Assets	14,004	1,472	5,401	1,658	26,950	14,871	12,587	24,176	176,244
Deferred Outflows	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows	<u>\$ 14,004</u>	<u>\$ 1,472</u>	<u>\$ 5,401</u>	<u>\$ 1,658</u>	<u>\$ 26,950</u>	<u>\$ 14,871</u>	<u>\$ 12,587</u>	<u>\$ 24,176</u>	<u>\$ 176,244</u>
Liabilities									
Accounts Payable	\$ 702	\$ 13	\$ -	\$ -	\$ 6,492	\$ -	\$ 5,771	\$ -	\$ 19,810
Pooled Cash Deficits	-	28	3,230	-	20,458	8,253	-	26,968	90,761
Contracts and Benefits Payable	-	-	2,171	-	-	2,057	-	-	34,928
Total Liabilities	702	41	5,401	-	26,950	10,310	5,771	26,968	145,499
Deferred Inflows	-	-	-	-	-	-	-	-	-
Fund Equity									
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted									
Capital Projects	-	-	-	-	-	-	-	-	-
Federal Programs	-	1,431	-	-	-	4,561	-	-	5,733
State Programs	-	-	-	1,658	-	-	-	-	7,686
School Lunch Program	13,302	-	-	-	-	-	-	-	13,302
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	6,816	(2,792)	4,024
Total Fund Equity	13,302	1,431	-	1,658	-	4,561	6,816	(2,792)	30,745
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 14,004</u>	<u>\$ 1,472</u>	<u>\$ 5,401</u>	<u>\$ 1,658</u>	<u>\$ 26,950</u>	<u>\$ 14,871</u>	<u>\$ 12,587</u>	<u>\$ 24,176</u>	<u>\$ 176,244</u>

**HANSEN SCHOOL DISTRICT NO. 415
HANSEN, IDAHO
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Title I-A</u>	<u>Drivers Ed</u>	<u>Professional Technical</u>	<u>Perkins III</u>	<u>Title I-C Migrant</u>	<u>IRI Reading</u>	<u>IDEA School Age</u>	<u>IDEA Pre- School</u>	<u>Substance Abuse</u>
Revenues									
Local sources	\$ -	\$ 4,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	3,125	10,890	-	-	8,502	-	-	6,162
Federal sources	152,566	-	-	6,484	10,973	-	73,441	8,954	-
Total Revenues	152,566	7,850	10,890	6,484	10,973	8,502	73,441	8,954	6,162
Expenditures									
Supporting services:									
Instructional	154,682	7,850	13,617	6,484	12,284	8,502	76,718	9,398	6,108
Other	-	-	-	-	-	-	-	-	-
School lunch expenditures	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	154,682	7,850	13,617	6,484	12,284	8,502	76,718	9,398	6,108
Other Sources (Uses)									
Transfers In (Out)	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Excess Revenues Over (Under) Expenditures	(2,116)	-	(2,727)	-	(1,311)	-	(3,277)	(444)	54
Fund Balance - Beginning	1,857	-	5,321	-	1,311	-	3,277	444	3,380
Fund Balance - Ending	\$ (259)	\$ -	\$ 2,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,434

**HANSEN SCHOOL DISTRICT NO. 415
HANSEN, IDAHO
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Child Nutrition</u>	<u>SIG Grant</u>	<u>Improving Teacher Quality</u>	<u>Technology</u>	<u>Medicaid</u>	<u>Rural Education</u>	<u>Local Grants</u>	<u>Capital Projects</u>	<u>Totals</u>
Revenues									
Local sources	\$ 11,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,637	\$ 77	\$ 64,497
State sources	-	-	-	27,714	-	-	-	-	56,393
Federal sources	150,612	84,777	20,495	-	150,416	12,997	-	-	671,715
Total Revenues	161,670	84,777	20,495	27,714	150,416	12,997	48,637	77	792,605
Expenditures									
Supporting services:									
Instructional		120,252	16,394	-	-	-	41,535	-	473,824
Other		-	5,844	26,056	128,449	14,390	286	-	175,025
School lunch expenditures	160,098	-	-	-	-	-	-	-	160,098
Capital outlay	-	-	-	-	-	-	-	23,532	23,532
Total Expenditures	160,098	120,252	22,238	26,056	128,449	14,390	41,821	23,532	832,479
Other Sources (Uses)									
Transfers In (Out)	-	-	-	-	(21,967)	-	-	-	(21,967)
Total Other Sources (Uses)	-	-	-	-	(21,967)	-	-	-	(21,967)
Excess Revenues Over (Under) Expenditures	1,572	(35,475)	(1,743)	1,658	-	(1,393)	6,816	(23,455)	(61,841)
Fund Balance - Beginning	11,730	36,906	1,743	-	-	5,954	-	20,663	92,586
Fund Balance - Ending	<u>\$ 13,302</u>	<u>\$ 1,431</u>	<u>\$ -</u>	<u>\$ 1,658</u>	<u>\$ -</u>	<u>\$ 4,561</u>	<u>\$ 6,816</u>	<u>\$ (2,792)</u>	<u>\$ 30,745</u>

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



Mahlke Hunsaker & Company PLLC

C e r t i f i e d P u b l i c A c c o u n t a n t s

**INDEPENDENT AUDITORS' 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***

Chairman and Board of Trustees
Hansen School District No. 415
Hansen, Id. 83334

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hansen School District No. 415, Hansen, Idaho (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mahlke Hunsaker & Co.

MAHLKE HUNSAKER & CO., pllc
Twin Falls, Idaho
September 28, 2016