

*In the opinion of Hawley Troxell Ennis & Hawley LLP, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2016 Bonds (defined below) is not included in gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the 2016 Bonds is not included in alternative minimum taxable income, as defined in Section 55(b)(2) of the Code, under present federal income tax laws, except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Interest on the 2016 Bonds is not included in Idaho taxable income under present Idaho income tax laws. See "LEGAL MATTERS—Tax Exemption."*

**\$13,875,000**

## **School District No. 321 Madison County, State of Idaho**

### **General Obligation Refunding Bonds, Series 2016 (Idaho Sales Tax Guaranty)**

The \$13,875,000 General Obligation Refunding Bonds, Series 2016 (Idaho Sales Tax Guaranty) (the "2016 Bonds"), dated the date of original issuance, are issuable by School District No. 321, Madison County, State of Idaho (the "District"), as fully-registered bonds and, when initially issued, will be in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (the "DTC"). DTC will act as securities depository for the 2016 Bonds.

Principal of and interest on the 2016 Bonds (interest payable March 15 and September 15 of each year, commencing September 15, 2016) are payable by Zions Bank, a division of ZB, National Association, Corporate Trust Department, Boise, Idaho, as Paying Agent (the "Paying Agent"), to the registered owners thereof, initially DTC. See "THE 2016 BONDS—Book-Entry System" herein.

The 2016 Bonds are subject to optional redemption prior to maturity. See "THE 2016 BONDS—Redemption Provisions" herein.

*The 2016 Bonds will be general obligations of the District payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all of the taxable property in the District, fully sufficient to pay the 2016 Bonds as to both principal and interest.*

Payment of the principal of and interest on the 2016 Bonds when due is further secured by the

### **State of Idaho**

pursuant to the Idaho Sales Tax Guaranty. See "STATE OF IDAHO GUARANTY" herein.

Dated: Date of Delivery<sup>1</sup>

Due: September 15, as shown on inside cover

**See the inside front cover for the maturity schedule of the 2016 Bonds.**

The 2016 Bonds were awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on February 24, 2016 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated February 11, 2016) to Robert W. Baird & Co., Inc., Red Bank, New Jersey at a "true interest rate" of 2.02%.

Zions Public Finance, Inc., Boise, Idaho, is acting as Municipal Advisor.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.*

This OFFICIAL STATEMENT is dated February 24, 2016, and the information contained herein speaks only as of that date.

<sup>1</sup> The anticipated date of delivery is Wednesday, March 9, 2016.

**\$13,875,000**

**General Obligation Refunding Bonds, Series 2016  
(Idaho Sales Tax Guaranty)**

**Dated: Date of Delivery<sup>1</sup>**

**Due: September 15, as shown below**

<b>Due September 15</b>	<b>CUSIP® 556819</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>
2016.....	FT2	\$ 155,000	2.00%	0.50%
2017.....	FU9	170,000	2.00	0.60
2018.....	FV7	170,000	2.00	0.70
2019.....	FW5	775,000	2.00	0.85
2020.....	FX3	850,000	3.00	0.95
2021.....	FY1	820,000	3.00	1.10
2022.....	FZ8	850,000	5.00	1.30
2023.....	GA2	890,000	5.00	1.50
2024.....	GB0	940,000	5.00	1.65
2025.....	GC8	1,000,000	5.00	1.80
2026.....	GD6	2,835,000	5.00	1.95 <sup>c</sup>
2027.....	GE4	4,420,000	3.00	2.20 <sup>c</sup>

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<sup>1</sup> The anticipated date of delivery is Wednesday, March 9, 2016.

<sup>c</sup> Priced to par call on March 15, 2026.

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(This page has been intentionally left blank.)

This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the principal amount of the 2016 Bonds (as defined herein) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by any of: School District No. 321, Madison County, State of Idaho; Zions Public Finance, Inc., Boise, Idaho; Zions Bank, a division of ZB, National Association, Corporate Trust Department, Boise, Idaho, as Paying Agent; the successful bidder; or any other entity. All other information contained herein has been obtained from the District, The Depository Trust Company, New York, New York, and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2016 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the District, since the date hereof.

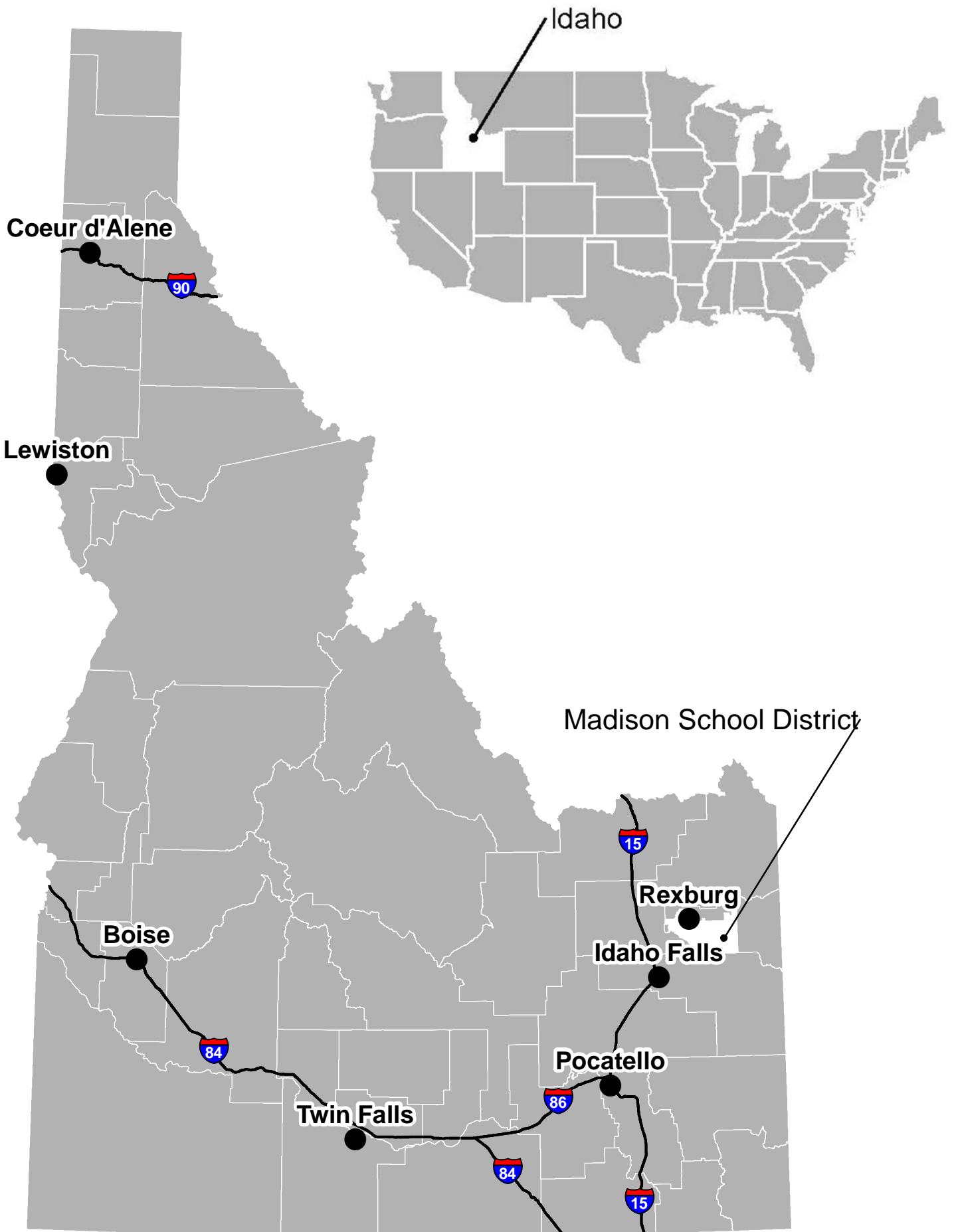
The 2016 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

***The yields at which the 2016 Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder may allow concessions or discounts from the initial offering prices of the 2016 Bonds to dealers and others. In connection with the offering of the 2016 Bonds, the successful bidder may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2016 Bonds. Such transactions may include overallotments in connection with the purchase of 2016 Bonds, the purchase of 2016 Bonds to stabilize their market price and the purchase of 2016 Bonds to cover the successful bidder's short positions. Such transactions, if commenced, may be discontinued at any time.***

***Forward-Looking Statements.*** Certain statements included or incorporated by reference in this OFFICIAL STATEMENT may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "project," "forecast," "expect," "estimate," "budget" or other similar words. ***The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.***

The CUSIP® (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP® numbers are subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2016 Bonds.

***The information available from websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2016 Bonds and is not a part of this OFFICIAL STATEMENT.***



**Madison School District No. 321**

# **OFFICIAL STATEMENT RELATED TO**

**\$13,875,000**

**School District No. 321**

**Madison County, State of Idaho**

**General Obligation Refunding Bonds, Series 2016  
(Idaho Sales Tax Guaranty)**

## **INTRODUCTION**

This introduction is only a brief description of the 2016 Bonds, as hereinafter defined, the security and source of payment for the 2016 Bonds and certain information regarding School District No. 321, Madison County, State of Idaho (the “District”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR’S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015;” “APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL;” “APPENDIX C—PROPOSED FORM OF INFORMATION REPORTING AGREEMENT;” and “APPENDIX D—BOOK-ENTRY SYSTEM.”

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding calendar year. Capitalized terms used but not otherwise defined herein have the same meaning as given to them in the Resolution, as hereinafter defined.

### **Public Sale/Electronic Bid**

The 2016 Bonds were awarded pursuant to competitive bidding received by means of the PARITY® electronic bid submission system on February 24, 2016 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated February 11, 2016) to Robert W. Baird & Co., Inc., Red Bank, New Jersey at a “true interest rate” of 2.02%.

The 2016 Bonds may be offered and sold to certain dealers (including dealers depositing the 2016 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page of the OFFICIAL STATEMENT and such public offering prices may be changed from time to time.

### **The District**

The District is located in the southeast portion of the State of Idaho (the “State”), comprising approximately 73% of Madison County, Idaho (the “County”). The District encompasses the entire City of Rexburg, Idaho (the “City”). Population estimates rank the County, which consists of 743 square miles, as the 11<sup>th</sup> most populous county in the State with approximately 38,038 residents as of the July 1, 2014 estimate by the U.S. Census Bureau. The District’s current enrollment is estimated at approximately 5,286 students. The District

served an estimated population of 34,111 in 2014, according to the U.S. Census Bureau. See “THE DISTRICT” below.

## **The 2016 Bonds**

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the District of its \$13,875,000 General Obligation Refunding Bonds, Series 2016 (Idaho Sales Tax Guaranty) (the “2016 Bonds” or “2016 Bond”), initially issued in book–entry form only.

## **Security**

The 2016 Bonds will be general obligations of the District, payable from the proceeds of ad valorem taxes to be levied, without limitation as to rate or amount, on all of the taxable property in the District, fully sufficient to pay the 2016 Bonds as to both principal and interest. See “THE 2016 BONDS—Security And Sources Of Payment” and “TAXES AND STATE FUNDING—Tax Levy And Collection” below.

Payment of the principal of and interest on the 2016 Bonds when due is guaranteed by the State pursuant to the Idaho School Bond Guaranty Program under the provisions of the Idaho School Bond Guaranty Act, Title 33, Chapter 53, Idaho Code (the “Sales Tax Guaranty Program”). See “STATE OF IDAHO GUARANTY” below.

## **Authority And Purpose**

*Authority.* The 2016 Bonds are being issued pursuant to (i) the School Bonds Law, Title 33, Chapter 11, Idaho Code, as amended, the Public Obligations Registration Act, Title 57, Chapter 9, Idaho Code, as amended, the Municipal Bond Law, Title 57, Chapter 2, and the bond refunding provisions of Title 57, Chapter 5, Idaho Code (collectively, the “Act”), (ii) the Resolution of the District adopted on January 21, 2016 (the “Resolution”), which provides for the issuance of the 2016 Bonds and delegates to certain officers of the District the authority to accept the winning bid at the competitive sale of the 2016 Bonds, subject to certain limitations, and (iii) other applicable provisions of law.

*Purpose.* The 2016 Bonds are being issued to advance refund a portion of the District’s outstanding general obligation bond previously issued to the Idaho Bond Bank Authority (the “IBBA”) which will advance refund the corresponding portion of the IBBA’s Revenue Bonds, Series 2008E (the “IBBA 2008 Bonds”), and the payment of costs associated with the issuance of the 2016 Bonds. See “THE 2016 BONDS—Plan Of Refunding,” and “—Sources And Uses Of Funds” below.

## **Redemption Provisions**

The 2016 Bonds are subject to optional redemption prior to maturity. See “THE 2016 BONDS—Redemption Provisions” below.

## **Registration, Denominations, Manner Of Payment**

The 2016 Bonds are issuable only as fully–registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2016 Bonds. Purchases of 2016 Bonds will be made in book–entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC’s Direct Participants (as defined herein). Beneficial Owners (as defined herein) of the 2016 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2016 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX D—BOOK–ENTRY SYSTEM” below.

Principal of and interest on the 2016 Bonds (interest payable March 15 and September 15 of each year, commencing September 15, 2016) are payable by Zions Bank, a division of ZB, National Association, Corporate Trust Department, Boise, Idaho (“Zions Bank”), as paying agent (the “Paying Agent”) for the 2016 Bonds, to the registered owners of the 2016 Bonds. So long as Cede & Co. is the registered owner of the 2016 Bonds, DTC will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2016 Bonds, as described under “APPENDIX D—BOOK-ENTRY SYSTEM” below.

So long as DTC or its nominee is the registered owner of the 2016 Bonds, neither the District nor the Paying Agent will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2016 Bonds. Under these same circumstances, references herein and in the Resolution to the “Bondowners” or “Registered Owners” of the 2016 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2016 Bonds.

### **Tax-Exempt Status Of The 2016 Bonds**

In the opinion of Hawley Troxell Ennis & Hawley LLP, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2016 Bonds is not included in gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the 2016 Bonds is not included in alternative minimum taxable income, as defined in Section 55(b)(2) of the Code, under present federal income tax laws, except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Interest on the 2016 Bonds is not included in Idaho taxable income under present Idaho income tax laws. See “LEGAL MATTERS—Tax Exemption” below.

### **Professional Services**

In connection with the issuance of the 2016 Bonds, the following have served the District in the capacity indicated.

#### *Bond Counsel*

Hawley Troxell Ennis & Hawley LLP  
877 Main St Ste 1000  
PO Box 1617  
Boise ID 83701-1617  
208.344.6000 | f 208.954.5421  
[nmiller@hawleytroxell.com](mailto:nmiller@hawleytroxell.com)

#### *Attorney for the District*

Anderson, Julian & Hull LLP  
250 S 5<sup>th</sup> St Ste 700  
PO Box 7426  
Boise ID 83707-7426  
208.344.5800 | 208.344.5510  
[smarotz@ajhlaw.com](mailto:smarotz@ajhlaw.com)

#### *Paying Agent and Bond Registrar*

Zions Bank, a division of ZB, National Association  
Corporate Trust Department  
800 W Main St Ste 700  
Boise ID 83702  
208.501.7493 | f 208.855.9705  
[twyla.lehto@zionsbank.com](mailto:twyla.lehto@zionsbank.com)

#### *Municipal Advisor*

Zions Public Finance, Inc.  
800 W Main St, Ste 700  
Boise ID 83702  
208.501.7533 | f 855.855.9702  
[christian.anderson@zionsbank.com](mailto:christian.anderson@zionsbank.com)

### **Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery**

The 2016 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder, subject to the approval of legality of the 2016 Bonds by Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the District by Anderson, Julian & Hull LLP, Boise, Idaho. It is

expected that the 2016 Bonds, in book–entry form only, will be available for delivery in Boise, Idaho for deposit with the Paying Agent, as fast agent of DTC, on or about Wednesday, March 9, 2016.

### **Information Reporting Agreement (Disclosure Undertaking)**

The District will enter into an Information Reporting Agreement (the “Disclosure Undertaking”) for the benefit of the owners of the 2016 Bonds. For a detailed discussion of the Disclosure Undertaking, previous undertakings and timing of submissions see “INFORMATION REPORTING AGREEMENT” below and “APPENDIX C—PROPOSED FORM OF INFORMATION REPORTING AGREEMENT.”

### **Basic Documentation**

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the District’s Board of Trustees (the “Board”), the District, the 2016 Bonds, and the Resolution are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolution are qualified in their entirety by reference to such document, and references herein to the 2016 Bonds are qualified in their entirety by reference to the form thereof included in the Resolution. The “basic documentation” which includes the Resolution, the closing documents and other documentation authorizing the issuance of the 2016 Bonds and establishing the rights and responsibilities of the District and other parties to the transaction may be obtained from the “contact persons” as indicated below.

### **Contact Persons**

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Public Finance, Inc., Boise, Idaho, as municipal advisor to the District (the “Municipal Advisor”):

Christian Anderson, Vice President, [christian.anderson@zionsbank.com](mailto:christian.anderson@zionsbank.com)  
Zions Public Finance, Inc.  
Zions Bank Building  
800 W Main St, Ste 700  
Boise ID 83702  
208.501.7533 | f 855.855.9702

As of the date of this OFFICIAL STATEMENT, the chief contact persons for the District concerning the 2016 Bonds are:

Dr. Geoffrey Thomas, Superintendent, [gmt@msd321.com](mailto:gmt@msd321.com)  
Varr Snedaker, Business Manager, [snedakerv@msd321.com](mailto:snedakerv@msd321.com)  
School District No. 321  
60 W Main St  
Rexburg ID 83440  
208.359.3300 | f 208.359.3345

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the Idaho Sales Tax Guaranty for the 2016 Bonds is:

Jace Perry, Investment Manager, [jace.perry@sto.idaho.gov](mailto:jace.perry@sto.idaho.gov)  
Office of the Idaho State Treasurer  
304 N 8<sup>th</sup> St Rm 208  
Boise ID 83720  
208.332.2940 | f 208.332.2961  
[sto.idaho.gov](http://sto.idaho.gov)

## INFORMATION REPORTING AGREEMENT

*The 2016 Bonds.* The District will enter into an Information Reporting Agreement for the benefit of the Beneficial Owners of the 2016 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2–12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Disclosure Undertaking in “APPENDIX C—PROPOSED FORM OF INFORMATION REPORTING AGREEMENT.”

*The District has complied in all material respects with the disclosure undertakings previously entered into by it pursuant to the Rule in the last five years.*

**The Disclosure Undertaking requires the District to submit its annual financial report (Fiscal Year Ending June 30) and other operating and financial information on or before December 31 (six months from the end of the Fiscal Year). The District will submit the Fiscal Year 2016 financial report and other operating and financial information for the 2016 Bonds on or before December 31, 2016, and annually thereafter on or before each December 31.**

A failure by the District to comply with the Disclosure Undertaking will not constitute a default under the Resolution, and Owners of the 2016 Bonds are limited to the remedies provided in the Disclosure Undertaking. A failure by the District to comply with the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2016 Bonds in the secondary market. Any such failure may adversely affect the marketability of the 2016 Bonds.

## STATE OF IDAHO GUARANTY

### **The Guaranty; Pledge of State Sales Tax**

Payment of the principal of and interest on the 2016 Bonds when due is guaranteed by the Sales Tax Guaranty Program pursuant to the provisions of the Idaho School Bond Guaranty Act, Title 33, Chapter 53, Idaho Code. School districts may have outstanding up to \$20 million of school bonds guaranteed by both the Sales Tax Guaranty Program and the Credit Enhancement Program (collectively referred to herein as the “Programs”) and may obtain a guaranty solely by the Sales Tax Guaranty Program if bonds to be guaranteed or already guaranteed are in excess of \$20 million. The 2016 Bonds are not guaranteed by the Credit Enhancement Program pursuant to Section 57–728, Idaho Code.

Moody’s assigns its “Aa1” rating to bonds that are guaranteed by the Sales Tax Guaranty Program. Moody’s assigns its “Aaa” rating to bonds that are guaranteed by the Credit Enhancement Program and the Sales Tax Guaranty Program. The 2016 Bonds are guaranteed by the Sales Tax Guaranty Program and are not guaranteed by the Credit Enhancement Program.

### **The Sales Tax Guaranty Program**

*General.* Any school district may apply to the Idaho State Treasurer (the “State Treasurer”) for the State’s guaranty of its eligible bonds. Pursuant to the Sales Tax Guaranty Program, the sales tax of the State is pledged to guarantee full and timely payment of the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, refunding bonds issued on and after March 1, 1999, which meet certain requirements detailed below, for voter-approved bonds which were voted on by the electorate prior to March 1, 1999 and voter-approved bonds for new projects which

were voted on by the electorate on and after March 1, 1999, as such payments shall become due (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration) (the “Guaranty”). In order to receive the Guaranty on refinancing bonds not previously guaranteed by the Guaranty, the State Treasurer requires a district to show a minimum of 5% net present value savings of the refunded bonds measured at the time the refunding bonds are sold (the “5% Test”) or, alternatively, a district must demonstrate a clear benefit to the district by restructuring its existing debt. The Guaranty does not extend to the payment of any redemption premium. The Guaranty is good for the life of the bond, even if the State Treasurer later determines a district is ineligible for future guaranties. See in this section “State Treasurer to Monitor District’s Fiscal Solvency” below.

*On January 25, 2016, the State Treasurer issued to the District a Certificate of Eligibility for the Sales Tax Guaranty Program for the 2016 Bonds.*

The Certificate of Eligibility evidences the District’s eligibility for the Sales Tax Guaranty Program for 90 days from the date of issuance. Once the 2016 Bonds are issued pursuant to the Certificate of Eligibility, the Guaranty is in effect for so long as the 2016 Bonds are outstanding.

In addition, the Sales Tax Guaranty Program provides that the State pledges to and agrees with the holders of bonds guaranteed under the program that the State will not alter, impair, or limit the rights vested by the program with respect to bonds until the bonds, together with applicable interest, are fully paid and discharged. However, this pledge does not preclude an alteration, impairment, or limitation if adequate provision is made by law for the protection of the holders of the bonds.

*Program Limitations.* On April 4, 2013, the State adopted a debt capacity policy that caps the School Bond Guaranty Program at the combined “maximum annual debt service” of bonds issued under the Sales Tax Guaranty Program and the IBBA’s revenue bonds/municipal loan program at no greater than 20% of prior Fiscal Year audited State sales tax revenue. The State’s sales tax revenue for Fiscal Year 2015 was \$1.444 billion. The combined maximum annual debt service under the Sales Tax Guaranty Program and IBBA’s revenue bonds/municipal program as of January 19, 2016 was \$144,635,733, resulting in a percentage of 10%.

### **Credit Enhancement Program**

If approved to participate in the Sales Tax Guaranty Program, a school district may also apply to the Credit Enhancement Program if the school district has less than \$20 million outstanding under the Credit Enhancement Program. Pursuant to the Credit Enhancement Program, the endowment fund investment board (the “Endowment Board”) is mandated to purchase notes issued by the State for the purpose of making debt service payments under the Sales Tax Guaranty Program.

Under the Credit Enhancement Program, the following shall take effect in the event moneys from the sales tax are insufficient to pay a school district’s debt service payment under the Sales Tax Guaranty Program: (i) the Endowment Board may purchase on behalf of the public school endowment fund, or from other funds administered by the Endowment Board, notes from the State issued by the State Treasurer under such terms as are negotiated between the Endowment Board and the State Treasurer; or (ii) upon the request of the State Treasurer, the Endowment Board shall purchase on behalf of the public school endowment fund notes issued by the State Treasurer, the proceeds of which shall be sufficient to pay debt service payments as they become due (the “Notes”).

The Notes shall bear interest at a rate equal to the annual rate of one year treasury bills, as published by the federal reserve, plus 400 basis points, plus, for the first 6 months of the term of the Notes, an amount, as determined by the Endowment Board, up to a maximum of 50 basis points, to cover all additional administra-

tive and transaction costs related to the purchase of the Notes. The Notes will have a maximum term of one year, and may be renewed at the request of the State Treasurer; the Notes shall be repaid from the school district's reimbursement payments pursuant to the Sales Tax Guaranty Program and the State may make additional payments on the Notes. The Endowment Board may require the State Treasurer to compel a school district to modify its fiscal practices and its general operations if the Endowment Board determines that there is a substantial likelihood that a school district will not be able to make future payments.

Pursuant to the provisions of the Credit Enhancement Program, the Endowment Board shall make available \$200 million from the public school endowment fund for the purposes of purchasing Notes under this program, and the principal amount of bonds guaranteed by the Credit Enhancement Program shall not be greater than \$800 million. The aggregate principal amount of school district bonds outstanding that may be guaranteed by the Credit Enhancement Program shall not exceed \$20 million per district.

*The 2016 Bonds are **not** guaranteed by the Credit Enhancement Program.*

The District has the following bonds currently guaranteed under the Programs:

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2014B.....	Refunding	\$19,990,000	August 15, 2026	<u>\$19,990,000</u>

### **Guaranty Procedures**

The Programs are for the protection of the bondholders. Ultimate liability for the payment of the 2016 Bonds remains with the District. Accordingly, the Sales Tax Guaranty Program contains provisions, including interception of state aid to the District, possible action to compel levy of a tax sufficient to reimburse the State for any payments made to bondholders pursuant to its Guaranty, and various oversight provisions to assure that the District, and not the State, will ultimately be responsible for debt service on the 2016 Bonds.

Under the Sales Tax Guaranty Program, the Superintendent of the District is required to transfer moneys sufficient for scheduled debt service payments on the 2016 Bonds to the Paying Agent at least 15 days before any principal or interest payment date for the 2016 Bonds. If the Superintendent is unable to transfer the scheduled debt service payment to the Paying Agent at least 15 days before the payment date, the Superintendent must immediately notify the Paying Agent and the State Treasurer. In addition, if the Paying Agent has not received the scheduled debt service payment at least 15 days prior to the scheduled debt service payment date for the 2016 Bonds, the Paying Agent shall notify the State Treasurer in writing at least 10 days prior to the payment date. The Sales Tax Guaranty Program further provides that if sufficient moneys have not been transferred to the Paying Agent, then the State Treasurer shall, on or before the scheduled payment date, transfer sufficient moneys to the Paying Agent to make the scheduled debt service payment. Payment by the State of a debt service payment on the 2016 Bonds discharges the obligation of the District to the bondholders for that payment to the extent of the State's payment, and transfers the District's obligation for that payment to the State.

If one or more payments are made by the State Treasurer pursuant to the Sales Tax Guaranty Program, the State Treasurer shall immediately intercept any payments from any sources of operating moneys provided by the State to the District that would otherwise be paid to the District, and apply these intercepted payments to reimburse the State until all obligations of the District to the State arising from these payments are paid in full, including interest and penalties payable pursuant to the Sales Tax Guaranty Program. The State has no obligation to replace any moneys intercepted. The Sales Tax Guaranty Program obligates the District to reimburse all moneys drawn by the State Treasurer on its behalf, pay interest to the State on all moneys paid at not less than the average prime rate for national money center banks plus 1%, and to pay any additional penalties, which may be imposed by the State Treasurer pursuant to the Sales Tax Guaranty Program at a rate of not

more than 5% of the amount paid by the State pursuant to its Guaranty, for each instance payment is made. If the State Treasurer determines amounts obtained pursuant to the Sales Tax Guaranty Program will not be sufficient to reimburse the State within one year from a payment the State makes, the State Treasurer must pursue any legal action against the District necessary to compel it to levy and provide tax revenues sufficient to pay debt service and to meet its repayment obligations to the State.

The District may use property taxes or other moneys to replace intercepted funds if the moneys are derived from taxes originally levied to make the payment but which were not timely received by the District; taxes from a supplemental levy made to make the missed payment or to replace the intercepted moneys; moneys transferred from the undistributed reserve, if any, of the District, or any other source of money on hand and legally available. A District may not replace operating funds intercepted by the State with moneys collected and held to make payments on the 2016 Bonds if that replacement would divert moneys from the payment of future debt service on the 2016 Bonds and increase the risk that the Guaranty would be called upon an additional time.

*Since the inception of the Programs, the State has not been called upon to pay the principal of or interest on any bonds guaranteed under the Idaho Sales Tax Guaranty or the Credit Enhancement Program.*

### **State Treasurer to Monitor District's Fiscal Solvency**

The Sales Tax Guaranty Program also charges the State Treasurer with the responsibility to monitor, evaluate and, at least annually, report his or her findings as to the fiscal solvency of each school district. Pursuant to the Sales Tax Guaranty Program, the State Treasurer will receive annual statements of the financial condition of the District and a copy of the complete audit of the financial statements of the District, which is prepared pursuant to Section 33-701, Idaho Code. The State Treasurer is also required to report his conclusions regarding the fiscal solvency of the District at least annually to the Governor, the Legislature, the Endowment Board and the State Superintendent of Public Instruction. In addition, the State Treasurer must immediately report any circumstances suggesting that the District will be unable to meet its debt service obligations and immediately recommend a course of remedial action.

### **Status Of The Programs**

As of January 15, 2016, the State has guaranteed the following under the Programs:

	Sales Tax Guaranty Program (1)	Sales Tax Guaranty and Credit Enhance- ment Programs
Number of School Districts .....	67	65
Number of Bond Issues.....	116	90
Current principal outstanding guaranteed .....	\$1,044,327,496	\$468,443,401

(1) Districts included in the Sales Tax Guaranty Program column may also have bonds that are secured by both programs.

(Source: Office of the Idaho State Treasurer.)

### **State Of Idaho—Financial And Operating Information**

The State produces a Comprehensive Annual Financial Report (“CAFR”) in accordance with generally accepted accounting principles as defined by the Government Accounting Standards Board. The State’s Fiscal Year 2015 CAFR may be found at <http://www.sco.idaho.gov>. The State’s most recent official statement for its tax anticipation notes (base CUSIP®451434) is currently on file with EMMA. Such information contained on

websites shall not be considered to be a part of this OFFICIAL STATEMENT and is not provided in connection with the offering of the 2016 Bonds.

## **BOND LEVY EQUALIZATION SUPPORT PROGRAM**

In 2002, the State created a Bond Levy Equalization Support Program (the “Bond Levy Subsidy Program”). The Bond Levy Subsidy Program provides for a subsidy payment from the State’s Bond Levy Equalization Fund to school districts to offset a portion of the costs of annual bond interest and redemption payments made on bonds approved at elections occurring on or after September 15, 2002 (the “Levy Subsidy”). The District’s: (i) 2006 Bonds authorized at an election in the District on August 30, 2006; (ii) the 2008 Bond authorized at an election in the District on June 5, 2008 and (iii) the 2014AB Bonds that refunded portions of the 2006 Bonds, are eligible for the Bond Levy Subsidy Program. Under the Bond Levy Subsidy Program, refunding bonds (such as the 2016 Bonds) are eligible for Levy Subsidy payments.

### **Availability Of The Levy Subsidy**

To determine the amount of the average payment, the Idaho State Department of Education (the “DOE”) calculates a value index (the “Value Index”) annually for each school district based upon the following three components: (i) the district’s market value per support unit for equalization divided by two; (ii) the average annual seasonally adjusted unemployment rate in the county in which a plurality of the school district’s market value for assessment purposes (the “Taxable Assessed Value”) is located; and (iii) the per capita income in the county in which a plurality of the school districts Taxable Assessed Value is located. The Levy Subsidy payment to a district is determined by multiplying one, minus the district’s Value Index, times the district’s average annual principal and interest on bonded indebtedness, subject to the provisions that every school district with a Value Index of less than 1.50 will receive a minimum payment of no less than 10% of its interest payments. School districts with a Value Index of 1.50 or greater receive no Levy Subsidy. The DOE disburses Levy Subsidy payments no later than September 1 of each year for school districts in which voters have approved the issuance of qualifying bonds by no later than January 1 of that calendar year.

To be entitled to a Levy Subsidy payment from the DOE, a district is required to annually report the status of all qualifying bonds to the DOE by January 1 of each year, including bonds approved by the voters that have not been issued. Information submitted includes the following: (1) the actual or estimated bond interest and redemption payment schedule; (2) any qualifying bond that has been paid in full; and (3) other information as may be required by the DOE.

In 2015 the State Legislature appropriated \$19.4 million for the Levy Subsidy for Fiscal Year 2016 disbursement, which was disbursed to qualifying schools on September 1, 2015. See “STATE OF IDAHO SCHOOL FINANCE—Appropriations To Public Schools.”

*The Value Index is recalculated annually. There can be no assurance that the District will qualify to receive levy equalization payments from the State or that there will be sufficient funds in the Bond Levy Equalization Fund of the State to make payments to all eligible districts. Further, there can be no assurance that the Bond Levy Subsidy Program will not be altered, amended or discontinued in the future.*

### **Benefit Of Levy Subsidy To The District**

Based on information provided by the DOE, the District’s Value Index for Fiscal Year 2016 is approximately 0.8258. The Value Index for future fiscal years (beginning with Fiscal Year 2016) will be recalculated annually by the DOE and provided in July, shortly after the beginning of the applicable fiscal year. Based on information provided by the District, the District’s value index for Fiscal Year 2016 is not expected to exceed the 1.50 index cap. If the District’s Value Index is above 1.50 for any fiscal year during the repayment of the 2016 Bonds, the District will not receive a subsidy payment for that fiscal year. For newly-authorized bonds,

school districts receive their first Levy Subsidy payment on September 1 of the year following the calendar year in which the bonds were issued.

## THE 2016 BONDS

### General

The 2016 Bonds will be dated the date of their original issuance and delivery<sup>1</sup> (the “Dated Date”) and will mature on September 15 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The 2016 Bonds will bear interest from their Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2016 Bonds is payable semiannually on each March 15 and September 15, commencing September 15, 2016. Interest on the 2016 Bonds will be computed on the basis of a 360-day year comprised of 12, 30-day months. Zions Bank is the Bond Registrar and Paying Agent for the 2016 Bonds under the Resolution (in such respective capacities, the initial “Bond Registrar”).

The 2016 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

### Plan Of Refunding

The District issued its General Obligation Bond, Series 2008 in the principal amount of \$19,500,000 (the “2008 Bond”) to the IBBA on November 25, 2008. The 2008 Bond financed the costs of a new high school and additional renovations within the District, and the costs of issuance of the 2008 Bond. The 2008 Bond provides the security and source of payment for the IBBA 2008 Bonds.

A portion of the proceeds of the 2016 Bonds will be used to refund certain installments due under the 2008 Bond (such refunded installments collectively referred to herein as the “Refunded Bond”). Refundings of outstanding general obligation school bonds may be issued without a vote of the electorate in the District.

Pursuant to an escrow agreement between the District, IBBA and Zions Bank, a division of ZB, National Association, serving in its role as the escrow agent for the Refunded Bond (the “Escrow Agent”), a portion of the proceeds of the 2016 Bonds will purchase certain direct United States government obligations to defease and pay the loan installment payments, including accrued interest, callable under the 2008 Bond maturing on and after September 15, 2019, in the principal amount of \$14,440,000, thereby defeasing \$14,440,000 in principal amount of the IBBA 2008 Bonds, described below:

<u>Scheduled Maturity (September 15)</u>	<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
2019 .....	September 15, 2018	\$ 610,000	4.50 %	100%
2020 .....	September 15, 2018	695,000	5.25	100
2021 .....	September 15, 2018	675,000	5.00	100
2022 .....	September 15, 2018	705,000	5.00	100
2023 .....	September 15, 2018	740,000	5.00	100
2024 .....	September 15, 2018	780,000	5.00	100
2025 .....	September 15, 2018	815,000	5.00	100
2026 .....	September 15, 2018	860,000	5.00	100
2028 .....	September 15, 2018	<u>8,560,000</u>	4.75	100
Totals .....		<u>\$14,440,000</u>		

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<sup>1</sup> The anticipated date of delivery is Wednesday, March 9, 2016.

The government obligations will be deposited in the custody of the Escrow Agent. The maturing principal of the government obligations, interest earned thereon, and necessary cash balance, if any, will provide funds to pay the loan installment payments on the Refunded Bond, comprised of interest only commencing September 15, 2016 until payment of the Refunded Bond installments, including principal and interest, on September 15, 2018, and the corresponding debt service on the IBBA 2008 Bonds until called on September 15, 2018.

The government obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust by the Escrow Agent for the benefit of the IBBA and the owners of the IBBA 2008 Bonds pursuant to the escrow agreement.

Certain mathematical computations regarding the sufficiency of and the yield on the investments held in the escrow account held by the Escrow Agent will be verified by Grant Thornton LLP, Minneapolis, Minnesota. See “MISCELLANEOUS—Escrow Verification” below.

## Sources And Uses Of Funds

The sources and uses of funds in connection with the issuance of the 2016 Bonds are estimated to be as follows:

### *Sources:*

Par amount of 2016 Bonds.....	\$13,875,000.00
Original issue premium.....	2,245,202.35
Transfer from prior issue Debt Service Fund.....	<u>349,643.75</u>
Total .....	<u>\$16,469,846.10</u>

### *Uses:*

Deposit to Escrow Account .....	\$16,239,561.78
Underwriter’s discount.....	116,520.47
Costs of Issuance (1).....	<u>113,763.85</u>
Total .....	<u>\$16,469,846.10</u>

- (1) Includes legal fees, Municipal Advisor fees, rating agency fees, credit enhancement application fees, Bond Registrar and Paying Agent fees, Escrow Agent fees, escrow verification agent fees rounding amounts and other miscellaneous costs of issuance.

## Security And Sources Of Payment

The 2016 Bonds will be general obligations of the District, payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all of the taxable property in the District, fully sufficient to pay the 2016 Bonds as to both principal and interest.

Payment of the principal of and interest on the 2016 Bonds when due is guaranteed by the State of Idaho pursuant to the Idaho Sales Tax Guaranty Program. See “STATE OF IDAHO GUARANTY” above.

See “TAXES AND STATE FUNDING—Ad Valorem Tax System” and “STATE OF IDAHO SCHOOL FINANCE” below.

## Redemption Provisions

*Optional Redemption.* The 2016 Bonds maturing on or after September 15, 2026, are subject to redemption at the option of the District on March 15, 2026 (the “First Redemption Date”), and on any date thereafter

prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the District, and at random within each maturity if less than the full amount of any maturity is to be redeemed, upon not less than 30 days' prior written notice, at a redemption price equal to 100% of the principal amount of the 2016 Bonds to be redeemed, plus accrued interest thereon to the redemption date. 2016 Bonds maturing on or prior to the First Redemption Date are not subject to optional redemption.

*Selection for Redemption.* If less than all 2016 Bonds of any maturity are to be redeemed, the particular 2016 Bonds or portion of 2016 Bonds of such maturity to be redeemed will be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered 2016 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a whole multiple thereof, and in selecting portions of such 2016 Bonds for redemption, the Bond Registrar will treat each such 2016 Bond as representing that number of 2016 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2016 Bond by \$5,000.

*Notice of Redemption.* Notice of redemption will be given by the Bond Registrar by registered or certified mail, not less than 30 nor more than 60 days prior to the redemption date, to the owner, as of the Record Date, as defined under "THE 2016 BONDS—Registration And Transfer" below, of each 2016 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the District kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2016 Bonds are to be redeemed, the distinctive numbers of the 2016 Bonds or portions of 2016 Bonds to be redeemed, and will also state that the interest on the 2016 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2016 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2016 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the District will not be required to redeem such 2016 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2016 Bond will not affect the validity of the proceedings for redemption with respect to any other 2016 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Bond Registrar to DTC and certain registered securities depositories and national information services as provided in the Resolution, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Resolution.

*For so long as a book-entry system is in effect with respect to the 2016 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2016 Bonds. See "THE 2016 BONDS—Book-Entry System" below.*

## **Registration And Transfer; Record Date**

In the event the book-entry system is discontinued, any 2016 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner's duly authorized attorney, upon surrender of such 2016 Bond for cancella-

tion, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2016 Bond is surrendered for transfer, the Bond Registrar will authenticate and deliver a new fully-registered 2016 Bond or 2016 Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the District, for a like aggregate principal amount.

The 2016 Bonds may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of fully-registered 2016 Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2016 Bonds, the Bond Registrar must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2016 Bonds.

The Bond Registrar will not be required to transfer or exchange any 2016 Bond (a) after the Record Date with respect to any interest payment date to and including such interest payment date, or (b) after the Record Date with respect to any redemption of such 2016 Bond. The term "Record Date" means (i) with respect to each interest payment date, the first day of the month of each interest payment date, or if such day is not a business day for the Bond Registrar, the next preceding day that is a business day for the Bond Registrar, and (ii) with respect to any redemption of any 2016 Bond such Record Date as is specified by the Bond Registrar in the notice of redemption, provided that such Record Date will be not less than 15 calendar days before the mailing of such notice of redemption.

The District, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2016 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof (on the 2016 Bonds) and interest due thereon and for all other purposes whatsoever.

### **Book-Entry System**

DTC will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX D—BOOK-ENTRY SYSTEM" for a more detailed discussion of the book-entry system and DTC.

The District, the Bond Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the 2016 Bonds registered in its name for the purpose of payment of the principal of and interest on the 2016 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of 2016 Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The District, the Bond Registrar and the Paying Agent shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2016 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the District.

So long as Cede & Co. is the registered Owner of the 2016 Bonds, as nominee of DTC, references herein and in the Resolution to the Bondowners or registered owners of the 2016 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2016 Bonds.

*Neither the District, the Bond Registrar nor the Paying Agent will have any responsibility or obligation to any Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice to the Participants, or Beneficial Owners of the 2016 Bonds.*

In the event the book-entry system is discontinued, interest on the 2016 Bonds will be payable by check or draft of the Paying Agent, mailed to the registered owners thereof at the addresses shown on the registration books of the District kept for that purpose by the Bond Registrar. The principal of all 2016 Bonds will be payable at the principal office of the Paying Agent.

### Debt Service On The 2016 Bonds

<u>Payment Date</u>	<u>The 2016 Bonds</u>		<u>Period Total</u>	<u>Fiscal Total</u>
	<u>Principal</u>	<u>Interest</u>		
September 15, 2016 .....	\$ 155,000.00	\$ 275,822.50	\$ 430,822.50	
March 15, 2017 .....	0.00	265,375.00	265,375.00	\$ 696,197.50
September 15, 2017 .....	170,000.00	265,375.00	435,375.00	
March 15, 2018 .....	0.00	263,675.00	263,675.00	699,050.00
September 15, 2018 .....	170,000.00	263,675.00	433,675.00	
March 15, 2019 .....	0.00	261,975.00	261,975.00	695,650.00
September 15, 2019 .....	775,000.00	261,975.00	1,036,975.00	
March 15, 2020 .....	0.00	254,225.00	254,225.00	1,291,200.00
September 15, 2020 .....	850,000.00	254,225.00	1,104,225.00	
March 15, 2021 .....	0.00	241,475.00	241,475.00	1,345,700.00
September 15, 2021 .....	820,000.00	241,475.00	1,061,475.00	
March 15, 2022 .....	0.00	229,175.00	229,175.00	1,290,650.00
September 15, 2022 .....	850,000.00	229,175.00	1,079,175.00	
March 15, 2023 .....	0.00	207,925.00	207,925.00	1,287,100.00
September 15, 2023 .....	890,000.00	207,925.00	1,097,925.00	
March 15, 2024 .....	0.00	185,675.00	185,675.00	1,283,600.00
September 15, 2024 .....	940,000.00	185,675.00	1,125,675.00	
March 15, 2025 .....	0.00	162,175.00	162,175.00	1,287,850.00
September 15, 2025 .....	1,000,000.00	162,175.00	1,162,175.00	
March 15, 2026 .....	0.00	137,175.00	137,175.00	1,299,350.00
September 15, 2026 .....	2,835,000.00	137,175.00	2,972,175.00	
March 15, 2027 .....	0.00	66,300.00	66,300.00	3,038,475.00
September 15, 2027 .....	<u>4,420,000.00</u>	<u>66,300.00</u>	<u>4,486,300.00</u>	4,486,300.00
Totals .....	<u>\$13,875,000.00</u>	<u>\$4,826,122.50</u>	<u>\$18,701,122.50</u>	

## THE DISTRICT

### General

Idaho school districts are political subdivisions empowered to provide elementary and secondary educational services. Their operations are supported primarily by State funds appropriated by the State Legislature, property taxes, and federal grants. School districts are governed by a board of trustees elected by the qualified electors within the school district.

The District is located in the southeast portion of the State and encompasses the entire City and approximately 73% of the County. Population estimates rank the County, which consists of 473 square miles, as the 11<sup>th</sup> most populous county in the State with approximately 38,038 residents as of the July 1, 2014 estimate by the U.S. Bureau of the Census. The District is the 14th largest school district in the State with current enrollment of approximately 5,286 students for the 2015–2016 academic year according to DOE records. The District's estimated 2014 population was 34,111, according to the U.S. Census Bureau.

The administrative offices of the District are located in the City, a city with a population of approximately 27,094 residents as of the July 1, 2014 estimate by the U.S. Bureau of the Census. The City is a business and shopping center for various farm communities. Brigham Young University, Idaho, a four year college with approximately 11,477 full-time equivalent students as of Spring Semester 2015, is located in the City.

The District currently consists of 11 schools: two high school (grades 10–12), one junior high school (grades 7–9), one middle school (grades 5–6), six elementary schools (grades K–4), and Madison Academy (junior high school).

### **District Enrollment And Average Daily Attendance**

The amount of State funding provided to each school district is determined, in part, by support units calculated for each district, which units are calculated largely based on average daily attendance (“ADA”) at each district. ADA is calculated in accordance with Idaho Code § 33–1003A, based on the entire school year except that the 28 weeks having the highest ADA, not necessarily consecutive, may be used. Accordingly, an increase or decrease in a district’s enrollment and ADA will affect the level of state funding received by the district. In the event a school district’s annual ADA drops for a period of one year, Idaho Code § 33–1003 provides for only a minimal percentage decrease in funding to allow a school district one year to adjust to the lower ADA. Although the District’s ADA has remained relatively stable to date, students of the District could be recruited to a number of area charter schools or could petition to enroll in a neighboring school district, which would result in a reduction of state funding based on the District’s decreased ADA.

Following is a table showing the historic and projected enrollment and ADA for the District, calculated in accordance with Idaho statutes.

**Historical and Projected Average Daily Attendance and Enrollment**

Fiscal Year	Elementary (P–4)	Middle (5–8)	Secondary (9–12)	Total	% Change	ADA
2017 (1)*...	2,153	1,588	1,603	5,344	1.1%	5,075
2016 (2)*...	2,098	1,636	1,552	5,286	0.0	5,042
2015 (3)....	2,139	1,571	1,518	5,288	3.1	4,992
2014 (3)....	2,125	1,549	1,457	5,131	3.3	4,506
2013 (3)....	2,025	1,497	1,443	4,965	(0.6)	4,901
2012 (3)....	2,147	1,481	1,367	4,995	4.7	4,665
2011 (3)....	1,949	1,438	1,383	4,770	2.4	4,605
2010 (3)....	1,930	1,375	1,352	4,657	0.8	4,591
2009 (3)....	1,889	1,353	1,378	4,620	3.3	4,505
2008 (3)....	1,794	1,291	1,387	4,472	3.9	4,467

\* Preliminary; subject to change.

- (1) Estimates based on District’s projections. The District makes no assurance that the projections will be achieved; actual results may differ materially from the forecasts shown above.
- (2) Enrollment as of December 14, 2015, midterm reporting period.
- (3) Historical enrollment as of fall each year.

(Source: The Idaho State Department of Education.)

### **Form Of Government**

*Board of Trustees.* The determination of policies for the management of the District is the responsibility of its Board, the members of which are elected by the qualified electors within the District. The District is divided into five representative zones, and a member of the Board is elected from each of the five zones. Members serve four–year terms, which are staggered to provide continuity.

The Board is empowered, among other things, to: (i) implement core curriculum; (ii) administer tests which measure the progress of each student, and are used to create plans to improve the student’s progress; (iii) implement training programs for school administrators; (iv) purchase, sell and improve school sites, buildings and equipment; (v) construct and furnish school buildings; (vi) establish, locate and maintain elementary, secondary and applied technology schools; (vii) maintain school libraries; (viii) make and enforce all necessary rules and regulations for the control and management of the public schools in the District;

(ix) adopt bylaws and rules for its own procedure; and (x) appoint a superintendent of schools, business administrator, and such officers or employees as are deemed necessary for the promotion of the interests of the schools.

*Superintendent.* The Superintendent of Schools (the “Superintendent”) is appointed by the Board and is responsible for the actual administration of the schools in the District. The powers and duties of the Superintendent are prescribed by the Board. Pursuant to State law, the Superintendent is required to prepare and submit to the Board an annual budget itemizing anticipated revenues and expenditures for the next school year. The current Superintendent is employed by the Board for a three-year term.

*Business Manager.* The Business Manager (the “Business Manager”) is appointed by the Board and reports to the Superintendent. The duties of the Business Manager, among others, are to (i) keep an account and prepare and publish an annual statement of moneys received by the District and amounts paid out of the treasury and (ii) have custody of the records and papers of the Board. The Business Manager is the custodian of all moneys belonging to the District and is required to prepare and submit to the Board a monthly report of the receipts and disbursements of the Business Manager’s office.

Current members of the Board, the Superintendent and the Business Manager and their respective terms in office are as follows:

Office	Person	Years in Service	Expiration of Current Term
Chairperson .....	Kevin Howell	13	July 2017
Vice Chairperson .....	Brian Pyper	4	July 2017
Member .....	Holly Allen	1	July 2019
Member .....	Janet Crawford	1	July 2019
Member .....	Ryan Laird	1	July 2019
Superintendent .....	Dr. Geoffrey Thomas	15	Appointed
Business Manager/Treasurer...	Varr Snedaker	16	Appointed

## District Staff

The District employs approximately 831 persons in the following capacities: 268 certified staff (including teachers); 19 administrators; 435 classified staff; 19 adjunct coaches; and 90 substitutes. The number of teachers who are members of the Idaho Educational Association (“IEA”) is not available to the District.

## Other Post–Employment Benefits; Pension System

*Other Post–Employment Benefits.* The District provides continuation of medical insurance coverage to employees who retire at the end of their service to the District before the age of 65, with the premiums for such insurance being paid by the retiree. For Fiscal Year 2015, the unfunded actuarial accrued liability for the District was \$365,227. As of the date of this OFFICIAL STATEMENT, the District currently does not expect its current or future policies regarding post–employment benefits will have a negative financial impact on the District or the issuance of the 2016 Bonds. For a discussion regarding the District’s post–employment benefits and the projected calculations of these benefits see “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR’S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015–Notes To Financial Statements–Note 12. Post–Employment Benefits” (page A–27).

*Pension System.* The District is a member of the Idaho State Public Employees’ Retirement System (“PERSI”). PERSI is the administrator of a multiple employer cost–sharing defined benefit public employee retirement system. A retirement board (the “PERSI Board”), appointed by the governor and confirmed by the legislature, manages the system which includes selecting investment managers to direct the investment, ex-

change and liquidation of assets in the managed accounts and to establish policy for asset allocation and other investment guidelines. The retirement board is charged with the fiduciary responsibility of administering the plan.

PERSI is the administrator of six fiduciary funds, including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (“PERSI Base Plan”) and the Firefighters’ Retirement Fund (“FRF”); two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k); and two Sick Leave Insurance Reserve Trust Funds, one of State employers and one for school district employers.

PERSI membership is mandatory for eligible employees of participating employers. Employees must be: (i) working 20 hours per week or more; (ii) teachers working a half-time contract or greater; or (iii) persons who are elected or appointed officials. Membership is mandatory for State agency and local school district employees, and membership by contract is permitted for participating political subdivisions such as cities and counties. On July 1, 2015, PERSI had 67,008 active members, 29,827 inactive members (of whom 11,859 are entitled to vested benefits), and 42,657 annuitants. As of July 1, 2015, there were 766 participating employers in the PERSI Base Plan. Total membership in PERSI was 139,492.

As of July 1, 2015, PERSI’s actuarial value of assets total \$13,956.7 million and the actuarial liabilities funded by PERSI total \$15,448.2 million. This means that as of July 1, 2015 PERSI is 90.4% funded. Governmental Accounting Standards Board (“GASB”) Statement 25 (Reporting Standards for defined benefit pension plans) has replaced Projected Benefits Obligations as the measure of pension plan funding status. As required by GASB Statement 25, the PERSI Schedule of Funding Progress shows a Funded Ratio of 90.4% and an amortization period of 17.4 years for the PERSI Base Plan, based on contribution rates and scheduled increases established as of the valuation date. The Schedule of Employer Contributions shows that PERSI employers have contributed at least 100% of the Actuarially Required Contributions.

Annual actuarial valuations for PERSI are provided by the private actuarial firm of Milliman, which has provided the actuarial valuations for PERSI since PERSI’s inception. As a result of the statutory requirement that the amortization period for the unfunded actuarial liability be 25 years or less, contribution rate increases for the three years beginning July 1, 2011, as proposed by the actuary, were reviewed and approved by the Retirement Board on December 8, 2009. The current contribution rates are shown below:

	Member		Employer	
	General/ Teacher	Fire/ Police	General/ Teacher	Fire/ Police
Contribution Rates (1) (2).....	6.79%	8.36 %	11.32%	11.66%

(1) Rate as of June 30, 2015.

(2) Contribution rate increases were scheduled for July 1, 2015 (1.5%) and July 1, 2016 (2.28%) but have each been cancelled.

(Source: PERSI 2015 CAFR for Fiscal Year 2015.)

The District reported a liability for its proportionate share of the net pension liability. The net pension liability is measured as of July 1 annually, and the total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability is 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. On July 1, 2015, the District’s proportion was 0.613792 percent or \$8,082,642.15. For the year ended June 30, 2015, the District recognized pension expense of \$1,946,151.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information and may be found at <http://www.persi.idaho.gov>. See “APPENDIX A—ANNUAL FI-

NANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR'S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015—Notes To The Financial Statements—Note 7. Pension Plans Obligations” (page A–22).

## **Risk Management**

The District manages its risks through the purchase of individual insurance policies through a commercial insurance company. The District has earthquake protection included in its insurance policies. As of the date of this OFFICIAL STATEMENT, all policies are current and in force. The District believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the District provides.

See “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR'S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015—Notes To The Financial Statements—Note 9. Risk Management” (page A–26).

## **Investment Of Funds**

Chapter 12 of Title 67, Idaho Code, provides authorization for the investment of funds as well as specific direction as to what constitutes an allowable investment. District procedures are consistent with the Idaho Code. The Code limits investments to the following general types: (i) certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of State and local governmental entities; (ii) time deposits accounts and tax anticipation and interest-bearing notes; (iii) bonds, treasury bills, debentures or other similar obligations issued or guaranteed by agencies or instrumentalities of the government of the State of Idaho or the United states; and (iv) repurchase agreements.

The District has adopted a formal investment policy and is governed by Idaho Code 67–1210 and 67–1210A. Local governments, including the District, are also authorized to invest in the Local Government Investment Pool (“LGIP”) and the Joint Powers Investment Pool (“Pool”), established as cooperative endeavors 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. Both the LGIP and the Pool are managed by the State Treasurer’s Office. Information about the LGIP and the Pool investments is available from the Idaho State Treasurer at <http://sto.idaho.gov>. The District does invest in the LGIP.

Investments are stated at cost, except for investments in the deferred compensation agency fund, which are reported at market value. Interest income on such investments is recorded as earned in the General Fund of the District unless otherwise specified by law.

See “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR'S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015—Notes To The Financial Statements—Note 2. Cash and Cash Equivalents” (page A–18).

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## DEMOGRAPHIC INFORMATION ABOUT THE DISTRICT

### Population

The following historical population information is provided for the City and the County.

	<u>The City</u>	<u>% Change Over Prior Period</u>	<u>The County</u>	<u>% Change Over Prior Period</u>
2014 Estimate (1) .....	27,094	2.2%	38,038	1.2%
2013 Estimate (2) .....	26,520	4.1	37,572	0.1
2010 Census .....	25,484	47.7	37,536	36.5
2000 Census .....	17,257	20.7	27,497	16.1
1990 Census .....	14,298	23.7	23,674	21.5
1980 Census .....	11,559	39.7	19,480	44.8
1970 Census (3) .....	8,272	73.5	13,452	42.8

(1) 2014 estimate compared to 2013 estimate.

(2) 2013 estimate compared to 2000 Census.

(3) 1970 percent change as compared to 1960 Census.

(Source: U.S. Department of Commerce, Bureau of the Census.)

### Economic Indicators of the County

#### Per Capita, Total Personal Income and Median Income

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Per Capita Income (1)</b>					
Madison County .....	\$21,779	\$21,662	\$20,954	\$19,961	\$18,834
% change from prior year .....	0.5	3.4	5.0	6.0	(0.8)
State of Idaho .....	36,734	35,641	34,846	33,544	32,050
% change from prior year .....	3.1	2.3	3.9	4.7	1.3
<b>Total Personal Income (1)</b>					
Madison County (\$ in thousands) .....	\$828,428	\$813,872	\$789,557	\$756,221	\$708,069
% change from prior year .....	1.8	3.1	4.4	6.8	0.5
State of Idaho (\$ in millions) .....	60,041	57,484	55,599	53,127	50,339
% change from prior year .....	4.4	3.4	4.7	5.5	2.4
<b>Median Income (2)</b>					
Madison County .....	\$36,065	\$37,142	\$37,565	\$33,343	\$36,202
% change from prior year .....	(2.9)	(1.1)	12.7	(7.9)	2.3
State of Idaho .....	47,572	46,621	45,296	43,345	43,259
% change from prior year .....	2.0	2.9	4.5	0.2	(3.1)

(1) Source: Bureau of Economic Analysis, U.S. Department of Commerce.

(2) Source: U.S. Census Bureau.

## Largest Employers (1)

The following is a list of the largest employers in the County:

Firm/Location	Business	Employees
Brigham Young University Idaho (Rexburg) .....	Private education	4,700–4,750
The District (Madison No. 321).....	Local government education	700–750
Madison Memorial Hospital (Rexburg).....	Health care	500–550
Melaleuca Inc. (Rexburg) .....	Wholesale trade	400–450
Survey Sampling International LLC (Rexburg)....	Personal and technical services	400–450
Madison County (county–wide) .....	Local government	200–250
Joint School District No. 322 (Sugar–Salem).....	Education	200–250
WalMart (Rexburg).....	Department store	200–250
Artco U.S. Inc (Rexburg).....	Manufacturing	150–200
Broulim’s Foodtown (Rexburg).....	Supermarkets and other grocery	150–200
City of Rexburg .....	Local government administration	150–200
Dickinson Frozen Foods Inc. (Sugar City) .....	Manufacturing	150–200
Basic American Foods (Rexburg).....	Manufacturing	150–200
Floyd Wilcox & Sons Inc. (Rexburg) .....	Wholesale trade	100–150
Bench Mark Potato Co. (Rexburg) .....	Wholesale trade	100–150
Sun Glo of Idaho Inc. (Sugar City).....	Wholesale trade	100–150

(1) Some employers may not be included on this list because they have not signed a consent form.

(Source: Idaho Department of Labor, Communications and Research, Quarterly Report of Employment and Wages 2014 as of March 19, 2015.)

## Labor Market Data of the County and Employment by Industry (1)

	2014	2013	2012	2011	2010
Total civilian work force.....	18,851	18,443	18,430	17,894	17,843
Unemployed.....	622	752	842	940	939
Percent of labor force unemployed.....	3.3	4.1	4.6	5.3	5.4
Total employment.....	18,229	17,691	17,588	16,954	16,545
Total covered wages .....	13,381	12,668	12,044	12,043	11,750
Agriculture, forestry, fishing and hunting.....	341	306	336	336	336
Mining.....	1	ND	ND	ND	ND
Construction.....	446	433	365	365	371
Manufacturing.....	783	729	699	699	702
Trade, utilities, and transportation .....	3,573	3,482	3,209	3,194	3,100
Information .....	91	73	72	88	82
Financial activities .....	527	486	464	464	439
Professional and business services.....	1,494	1,287	1,304	1,314	1,216
Educational and health services .....	2,780	2,575	2,345	2,379	2,281
Leisure and hospitality .....	1,190	1,143	1,138	1,138	1,081
Other services .....	158	145	127	153	158
Government .....	1,996	2,008	1,985	1,860	1,924

(1) All amounts shown are annual averages. ND: Not disclosed.

(Source: Idaho Department of Labor.)

## Construction Value And Building Permits Of The County

Year	Units	Permits Issued	Single Family	Repairs/ Additions/ Remodel	Commercial/ Industrial	Total Construction Value
2015 (1).....	30	21	\$1,289,657	\$ 905,253	—	\$ 2,194,910
2014.....	133	99	6,475,843	928,973	\$2,735,675	10,140,491
2013.....	119	107	6,422,135	3,935,844	2,310,336	12,668,315
2012.....	92	91	3,837,084	2,804,856	365,952	7,007,892
2011.....	73	93	1,903,116	2,565,637	136,080	4,604,833
2010.....	49	75	2,913,226	2,133,201	143,096	5,189,523

(1) Preliminary; subject to change. First quarter information only.

(Source: Madison County Department of Planning and Zoning.)

## Rate Of Unemployment—Annual Average

<u>Year</u>	<u>The County</u>	<u>State of Idaho</u>	<u>United States</u>
2015 (1).....	2.8%	3.9%	5.0%
2014 .....	3.6	4.8	6.2
2013 .....	4.1	6.1	7.4
2012 .....	4.6	7.2	8.1
2011 .....	5.3	8.3	8.9
2010 .....	5.4	9.0	9.6

(1) Preliminary; subject to change. November 2015 only, seasonally adjusted.

(Source: U.S Bureau of Labor Statistics.)

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## DEBT STRUCTURE OF THE DISTRICT

### Outstanding General Obligation Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2016 (a) (1) .....	Refunding	\$13,875,000	September 15, 2028	\$13,875,000
2014B (2) .....	Refunding	19,990,000	August 15, 2026	19,990,000
2014A (1) .....	Refunding	5,205,000	August 15, 2019	5,120,000
2008 (3) (4) .....	School building	19,500,000	September 15, 2018 (5)	1,725,000 (5)
2006 (6) (7) .....	School building	40,500,000	August 15, 2016 (8)	<u>2,075,000</u>
Total outstanding direct debt .....				<u>\$42,785,000</u>

- (a) For purposes of this OFFICIAL STATEMENT, the 2016 Bonds will be considered issued and outstanding.
- (1) Rated “Aa1” (Idaho Sales Tax Guaranty; “A1” underlying) by Moody’s as of the date of this OFFICIAL STATEMENT.
- (2) Rated “Aaa” (Idaho Sales Tax and Credit Enhancement Guaranty; “A1” underlying) by Moody’s as of the date of this OFFICIAL STATEMENT.
- (3) This bond was issued to the IBBA and is a general obligation of the District, payable from the proceeds of ad valorem taxes to be levied, without limitation as to rate or amount, on all of the taxable property in the District. The related IBBA bonds were rated “Aa1” by Moody’s as of the date of this OFFICIAL STATEMENT.
- (4) Portions of this bond will be refunded by the 2016 Bonds.
- (5) Principal outstanding and final maturity date given refunding by the 2016 Bonds.
- (6) Rated “A1” by Moody’s as of the date of this OFFICIAL STATEMENT. These bonds are insured by Assured Guaranty Municipal Corp.
- (7) Portions of these bonds were refunded by the 2014A Bonds and the 2014B Bonds.
- (8) Final maturity date after refunding by the 2014A Bonds and the 2014B Bonds.

### Other Financial Considerations/Future Issuance of Bonds

Other than the outstanding general obligation bonds, the District has no other long-term debt or capital leases outstanding.

*Future Issuance of Bonds.* The District anticipates it may hold a bond election for construction purposes within the next five Fiscal Years.

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### Debt Service Schedule Of Outstanding General Obligation Bonds By Fiscal Year

Fiscal Year Ending June 30	\$13,875,000 Series 2016		\$19,990,000 Series 2014B		\$5,205,000 Series 2014A		\$19,500,000 Series 2008 (1)		\$40,500,000 Series 2006		<b>Totals</b>		
											Total	Total	Total Debt
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service
2015.....	\$ 0	\$ 0	\$ 0	\$ 727,279	\$ 85,000	\$ 141,111	\$ 485,000	\$ 811,500	\$ 1,900,000	\$ 250,000	\$ 2,470,000	\$ 1,929,890	\$ 4,399,890
2016.....	0	0	0	945,200	0	182,500	505,000	791,700	1,975,000	153,125	2,480,000	2,072,525	4,552,525
2017.....	155,000	541,198	0	945,200	0	182,500	525,000	71,156	2,075,000	51,875	2,755,000	1,791,929	4,546,929
2018.....	170,000	529,050	0	945,200	2,230,000	149,050	600,000	45,000	0	0 (3)	3,000,000	1,668,300	4,668,300
2019.....	170,000	525,650	0	945,200	2,310,000	69,400	600,000	15,000	0	0 (3)	3,080,000	1,555,250	4,635,250
2020.....	775,000	516,200	1,810,000	927,100	580,000	11,600	0	0 (2)	0	0 (3)	3,165,000	1,454,900	4,619,900
2021.....	850,000	495,700	2,455,000	847,625	—	—	0	0 (2)	0	0 (3)	3,305,000	1,343,325	4,648,325
2022.....	820,000	470,650	2,595,000	721,375	—	—	0	0 (2)	0	0 (3)	3,415,000	1,192,025	4,607,025
2023.....	850,000	437,100	2,710,000	588,750	—	—	0	0 (2)	0	0 (3)	3,560,000	1,025,850	4,585,850
2024.....	890,000	393,600	2,850,000	449,750	—	—	0	0 (2)	0	0 (3)	3,740,000	843,350	4,583,350
2025.....	940,000	347,850	2,995,000	303,625	—	—	0	0 (2)	0	0 (3)	3,935,000	651,475	4,586,475
2026.....	1,000,000	299,350	3,160,000	149,750	—	—	0	0 (2)	0	0 (3)	4,160,000	449,100	4,609,100
2027.....	2,835,000	203,475	1,415,000	35,375	—	—	0	0 (2)	0	0 (3)	4,250,000	238,850	4,488,850
2028.....	4,420,000	66,300	—	—	—	—	0	0 (2)	—	—	4,420,000	66,300	4,486,300
2029.....	—	—	—	—	—	—	0	0 (2)	—	—	0	0	0
Totals.....	<u>\$ 13,875,000</u>	<u>\$ 4,826,123</u>	<u>\$ 19,990,000</u>	<u>\$ 8,531,429</u>	<u>\$ 5,205,000</u>	<u>\$ 736,161</u>	<u>\$ 2,715,000</u>	<u>\$ 1,734,356</u>	<u>\$ 5,950,000</u>	<u>\$ 455,000</u>	<u>\$ 47,735,000</u>	<u>\$ 16,283,068</u>	<u>\$ 64,018,068</u>

(1) This bond was issued to the IBBA.

(2) Principal and interest were refunded by the 2016 Bonds.

(3) Principal and interest were refunded by the 2014A Bonds and the 2014B Bonds.

## Overlapping General Obligation Debt

As of the date of this OFFICIAL STATEMENT, there is no overlapping general obligation debt within the District's boundaries.

## Debt Ratios

The following table sets forth the ratios of general obligation debt that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the market value of property within the District and the population of the District. The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.

	To 2015 Net Taxable Value (1)	To 2015 Full Taxable Value (2)	To 2014 Population Estimate Per Capita (3)
Direct General Obligation Debt .....	3.15%	2.60%	\$1,254
Direct and Overlapping General Obligation Debt .....	3.15	2.60	1,254

- (1) Based on a 2015 Net Taxable Value of \$1,357,561,996, which value excludes homeowners' exemptions and urban renewal increment.  
(2) Based on a 2015 Full Taxable Value of \$1,646,231,298, which value includes homeowners' exemptions and urban renewal increment.  
(3) Based on 2014 population estimate of 34,111 according to the U.S. Census Bureau.

(Source of values: Idaho State Tax Commission)

## General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

Section 33-1103, Idaho Code, establishes limits on bonded indebtedness for school districts in Idaho. The general obligation indebtedness of the District is limited by State law to 5% of the market value of taxable property in the District. The legal debt limit and additional debt incurring capacity of the District are based on the full taxable value for 2015, and are calculated as follows:

2015 Full Taxable Market Value .....	<u>\$1,646,231,298</u>
"Taxable Market Value" time 5% equals the ("Debt Limit") .....	\$82,311,565
Less: Current Outstanding General Obligation Debt .....	<u>(42,785,000)</u>
Estimated Additional Debt Incurring Capacity .....	<u>\$39,526,565</u>

## No Defaulted Obligations

The District has never failed to pay principal of and interest on its bond obligations when due.

## FINANCIAL INFORMATION REGARDING THE DISTRICT

### Fund Structure; Accounting Basis

The accounting policies of the District conform to all generally accepted accounting principles for governmental units in general and the State's school districts' accounting policies in particular. The accounts of the District are organized on the basis of funds or groups of accounts, each of which is considered to be a sep-

arate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements. See “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR’S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015—Notes To The Financial Statements—Note 1—Summary of Significant Accounting Policies” below.

### **Budgets And Budgetary Accounting**

The District operates within the budget requirements for school districts as specified by State law and as interpreted by the State Superintendent of Public Instruction.

No later than 28 days prior to its annual meeting (the annual meeting is the date of its regular July meeting in each year) the board of trustees of each school district shall have prepared a budget, in form prescribed by the state superintendent of public instruction, and shall have called and caused to be held a public hearing thereon, and at such public hearing, or at a special meeting held no later than 14 days after the public hearing, shall adopt a budget for the ensuing year.

### **Undistributed Reserve In School District Budget**

A board of trustees of any school district may create and establish a general fund contingency reserve within the annual school district budget. The general fund contingency reserve may not exceed 5% of the total general fund budget, or the equivalent value of one “support unit” as defined and described under the Idaho Code. Disbursements from said fund may be made by resolution from time to time as the board of trustees determines necessary for contingencies that may arise. The balance of said fund shall not be accumulated beyond the budgeted fiscal year. If any money remains in the contingency reserve it shall be treated as an item of income in the following year’s budget.

### **Financial Summaries**

The summaries contained herein were extracted from the District’s basic financial statements and required supplementary information for Fiscal Years 2011 through 2015. The summaries have not been audited. See “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR’S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015” below.

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# School District No. 321

## Statement of Net Position

### Governmental Activities

(This summary has not been audited)

	As of June 30				
	2015	2014	2013	2012	2011
<b>Assets</b>					
Cash and equivalents.....	\$ 8,965,037	\$ 6,355,852	\$ 8,622,708	\$ 10,369,400	\$ 11,395,308
Cash investments restricted for bonds.....	—	—	—	—	206,078
Accounts receivable.....	767	3,963	576	753	563
Taxes receivable.....	2,098,822	2,083,338	1,829,914	2,072,240	2,042,786
Due from other governmental agencies.....	2,304,342	3,011,676	2,542,998	2,595,254	4,272,015
Inventory.....	47,415	41,948	—	—	258,790
Other assets—bond issue costs.....	—	—	426,218	465,223	504,228
Capital assets:					
Construction in progress.....	3,499	75,285	690,027	267,939	3,137,406
Land and improvements not being depreciated.....	3,205,837	3,175,837	2,674,099	2,704,873	2,691,788
Buildings.....	99,284,244	98,341,676	95,642,250	93,445,565	89,040,036
Equipment and furniture.....	6,094,066	5,758,625	5,449,786	5,301,591	5,070,222
Less: accumulated depreciation.....	(25,033,248)	(22,873,406)	(21,153,891)	(19,200,580)	(17,094,762)
Total capital assets.....	83,554,398	84,478,017	83,302,271	82,519,388	82,844,690
Total assets.....	96,970,781	95,974,794	96,724,685	98,022,258	101,524,458
<b>Deferred Outflows of Resources</b>					
Expenses unavailable for use.....	2,848,160	568,043	—	—	—
<b>Liabilities</b>					
Accounts payable and accrued expenses.....	921,338	234,298	608,675	957,943	2,287,135
Salaries and benefits payable.....	3,254,332	3,116,868	3,180,549	3,106,013	3,343,921
Deferred refunding and bond premium.....	—	—	784,818	843,211	914,221
Long-term liabilities:					
Due within one year:					
Bonds, capital leases and contracts.....	2,480,000	2,470,000	2,295,000	2,200,000	1,965,000
Accrued interest.....	727,169	769,565	822,045	852,882	878,865
Compensated absences.....	461,789	487,434	445,212	453,052	470,192
Post employment benefit payable.....	365,227	327,379	548,535	509,505	451,356
Due in more than one year:					
Bonds, capital leases and contracts.....	43,350,000	45,830,000	49,880,000	52,175,000	54,375,000
Net pension liability.....	2,644,535	—	—	—	—
Total liabilities.....	54,204,390	53,235,544	58,564,834	61,097,606	64,685,690
<b>Deferred Inflows of Resources</b>					
Revenue unavailable for use.....	8,488,075	2,306,427	—	—	—
<b>Net position</b>					
Invested in capital assets, net of related debt.....	35,273,739	34,408,452	29,946,626	26,913,518	25,215,832
Restricted for:					
Debt service.....	3,845,388	3,344,989	3,482,809	4,009,611	3,920,243
Other projects.....	2,874,405	2,607,824	3,851,615	4,476,954	4,113,180
Unrestricted.....	(4,867,056)	639,601	878,801	1,524,569	3,589,513
Total net position.....	\$37,126,476	\$41,000,866	\$38,159,851	\$36,924,652	\$36,838,768

(Source: Information taken from the District's basic financial statements. This summary itself has not been audited.)

# School District No. 321

## Statement of Activities (1)

### Total Governmental Activities

(This summary has not been audited)

	Fiscal Year Ended June 30				
	Net (Expense) Revenue and Changes in Net Assets				
	2015	2014	2013	2012	2011
Primary government:					
Governmental activities:					
Instruction.....	\$ (15,237,695)	\$ (15,176,898)	\$ (15,853,725)	\$ (16,287,402)	\$ (14,854,522)
Instructional and media resources.....	(178,509)	(164,526)	(175,283)	(261,492)	(174,275)
Instructional improvement.....	(2,833,447)	(2,704,837)	(3,296,301)	(3,432,786)	(2,585,713)
Special services.....	(597,873)	(505,421)	(644,298)	(403,465)	(448,980)
Guidance counseling and evaluation.....	(395,568)	(395,894)	(405,993)	(389,723)	(345,448)
Student transportation.....	(1,653,832)	(1,568,007)	(1,529,308)	(1,582,831)	(1,383,447)
Food services.....	(53,925)	21,586	(47,068)	(142,933)	(4,447)
Interest on long-term debt.....	(1,876,092)	(2,254,639)	(2,390,252)	(2,462,575)	(2,535,834)
General administration.....	(3,421,096)	(3,065,466)	(3,263,510)	(3,046,466)	(2,886,070)
Plant maintenance and operations.....	(2,614,586)	(2,797,310)	(2,799,594)	(2,491,751)	(2,543,422)
Total governmental activities.....	<u>(28,862,623)</u>	<u>(28,611,412)</u>	<u>(30,405,332)</u>	<u>(30,501,424)</u>	<u>(27,762,158)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes.....	377,638	472,142	551,823	348,514	449,724
Property taxes, levied for debt service.....	4,004,849	3,676,691	3,248,496	5,028,298	4,824,304
Property taxes, levied for school plant facilities.....	1,502,260	1,500,197	1,396,929	—	—
State and federal revenue.....	24,416,419	24,802,893	25,054,420	23,959,960	24,610,900
Unrestricted investment earnings.....	45,544	8,054	21,529	29,279	30,223
Miscellaneous.....	1,185,823	988,241	1,305,737	1,220,605	679,043
Gain (loss) on pension expenses.....	3,330,414	—	—	—	—
Special item—gain on sale of asset.....	16,660	4,209	61,597	652	2,450
Total general revenues, special items, and transfers.....	<u>34,879,607</u>	<u>31,452,427</u>	<u>31,640,531</u>	<u>30,587,308</u>	<u>30,596,644</u>
Change in net position.....	<u>6,016,984</u>	<u>2,841,015</u>	<u>1,235,199</u>	<u>85,884</u>	<u>2,834,486</u>
Net position—beginning (2).....	<u>31,109,492</u>	<u>38,159,851</u>	<u>36,924,652</u>	<u>36,838,768</u>	<u>34,004,282</u>
Net position—ending.....	<u>\$ 37,126,476</u>	<u>\$ 41,000,866</u>	<u>\$ 38,159,851</u>	<u>\$ 36,924,652</u>	<u>\$ 36,838,768</u>

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete. For a detailed itemized report see “APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS OF THE DISTRICT FOR FISCAL YEAR 2015—Statement of Activities for the Fiscal Year Ended June 30, 2015” below.

(2) Adoption of GASB 68 required a restatement of the beginning Net Position in the amount of \$9,891,374 for the pension liability and related deferred outflows and inflows in Fiscal Year 2015.

(Source: Information taken from the District’s basic financial statements. This summary itself has not been audited.)

## School District No. 321

### Balance Sheet—Maintenance and Operation (General) Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
<b>Assets</b>					
Cash and cash equivalents.....	\$3,886,356	\$2,254,891	\$3,780,196	\$4,317,702	\$4,116,015
Taxes receivable, net.....	37,519	151,508	222,027	133,095	198,511
Interfund receivable.....	805,397	1,898,603	469,955	637,557	998,826
Receivables from other governments.....	611,610	563,485	216,636	296,426	1,437,397
Other receivables.....	767	3,963	576	753	563
<b>Total assets.....</b>	<b>\$5,341,649</b>	<b>\$4,872,450</b>	<b>\$4,689,390</b>	<b>\$5,385,533</b>	<b>\$6,751,312</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 192,035	\$ 118,563	\$ 146,888	\$ 445,335	\$ 123,705
Deferred revenue.....	—	—	18,064	18,924	26,161
Other accrued expenses.....	2,820,785	2,739,752	2,820,969	2,693,847	2,601,385
<b>Total liabilities.....</b>	<b>3,012,820</b>	<b>2,858,315</b>	<b>2,985,921</b>	<b>3,158,106</b>	<b>2,751,251</b>
<b>Deferred Inflows of Resources</b>					
Expenses unavailable for use.....	5,535	17,439	—	—	—
<b>Fund Balances:</b>					
<b>Committed to:</b>					
Board Policy 317.....	1,139,811	1,094,046	1,138,365	1,131,759	991,985
<b>Assigned:</b>					
Special revenue deficit cash.....	805,396	601,230	469,955	637,557	998,826
M & O grant fund balance.....	—	16,181	46,099	23,366	52,065
Unassigned.....	378,087	285,239	49,050	434,745	1,957,185
<b>Total fund balances.....</b>	<b>2,323,294</b>	<b>1,996,696</b>	<b>1,703,469</b>	<b>2,227,427</b>	<b>4,000,061</b>
<b>Total liabilities and fund balances...</b>	<b>\$5,341,649</b>	<b>\$4,872,450</b>	<b>\$4,689,390</b>	<b>\$5,385,533</b>	<b>\$6,751,312</b>

(Source: Information taken from the District's basic financial statements. This summary itself has not been audited.)

# School District No. 321

## Statement of Revenues, Expenditures and Changes in Fund Balance

### Maintenance and Operation (General) Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
Revenues:					
Property taxes.....	\$ 423,529	\$ 445,119	\$ 642,443	\$ 341,025	\$ 516,233
Intergovernmental.....	—	—	—	—	20,871,790
Intergovernmental, State.....	22,436,218	21,572,211	21,391,972	19,491,687	—
Intergovernmental, Federal.....	118,222	101,472	96,920	917,809	—
Investment earnings.....	42,240	5,087	13,581	17,251	25,882
Other revenue.....	102,603	58,231	94,945	69,679	94,909
Total revenues.....	<u>23,122,812</u>	<u>22,182,120</u>	<u>22,239,861</u>	<u>20,837,451</u>	<u>21,508,814</u>
Expenditures:					
Current:					
Instruction.....	13,783,071	13,766,126	14,256,649	14,369,017	12,715,304
Instructional and media resources.....	178,509	164,526	170,238	183,659	174,275
Instructional improvement.....	177,769	163,877	166,185	158,293	374
Special services.....	597,873	505,421	641,358	398,357	401,512
Plant maintenance and operation.....	2,611,481	2,766,471	2,783,350	2,878,118	2,343,543
General administration.....	2,959,122	2,645,177	2,869,918	2,682,974	2,632,122
Guidance, counseling, and evaluation services....	395,568	395,894	405,993	389,723	345,448
Transportation.....	1,457,500	1,380,925	1,348,256	1,399,124	1,183,904
Food services.....	33,454	32,019	33,407	47,455	43,210
Total expenditures.....	<u>22,194,347</u>	<u>21,820,436</u>	<u>22,675,354</u>	<u>22,506,720</u>	<u>19,839,692</u>
Revenues over (under) expenditures.....	<u>928,465</u>	<u>361,684</u>	<u>(435,493)</u>	<u>(1,669,269)</u>	<u>1,669,122</u>
Other financing sources (uses):					
Operating transfers out.....	(601,867)	(68,457)	(88,465)	(103,365)	(134,004)
Total other financing sources (uses).....	<u>(601,867)</u>	<u>(68,457)</u>	<u>(88,465)</u>	<u>(103,365)</u>	<u>(134,004)</u>
Excess of revenues and other resources over expenditures .....	326,598	293,227	(523,958)	(1,772,634)	1,535,118
Fund balance, beginning of year.....	1,996,696	1,703,469	2,227,427	4,000,061	2,464,943
Fund balance, end of year.....	<u>\$ 2,323,294</u>	<u>\$ 1,996,696</u>	<u>\$ 1,703,469</u>	<u>\$ 2,227,427</u>	<u>\$ 4,000,061</u>

(Source: Information taken from the District's basic financial statements. This summary itself has not been audited.)

## TAXES AND STATE FUNDING

### Overview

This section describes the process for levying and collecting taxes as well as receipt of State resources. Significant recent changes to State funding sources are described below and under the heading entitled “STATE OF IDAHO SCHOOL FINANCE.”

*Operating Resources.* The District receives revenues from three primary sources for operations: Local sources, State sources and Federal sources. In Fiscal Year 2015, State sources represented 97% of the District’s total General Fund revenues, local sources represented 2% and federal sources represented 1%. The District’s tax levy is certified to the Board of County Commissioners in September. The County Treasurer disburses tax receipts to the District approximately one month after the statutory payable dates.

*Resources for Capital Projects.* The District may pay for capital improvements from unappropriated resources, voter-approved general obligation bonds, voter-approved special plant facilities levies, and donations. General obligation bond levies and special plant facilities levies are property tax levies that are certified above and beyond all other amounts certified to be levied and collected.

### Tax Levy And Collection; Collection Of Revenues For Bond Payments

The District’s taxes are collected by the County. Prior to the second Monday in September, the District certifies its levy for all funds, including the debt service fund, to the Board of County Commissioners of the County. These levies are based on the equalized or adjusted valuations assessed within the District. These levies are then incorporated within the total levy for all local governments units for each property owner. Taxes become due on December 20 but may be paid in installments on December 20 and June 20. Payment is made to the treasurer of the County and transmitted to the District monthly. A penalty of 2% is applied to taxes paid after the December 20 and June 20 payment dates plus interest at the rate of 1% per month, calculated from January 1 of the year following the date of the levy, on the amount of the unpaid installment plus the penalty. Delinquent taxes on property outstanding for three years subject the property to a county tax deed, and said property can be auctioned off for tax purposes.

The District’s bond resolutions for its outstanding bonds as well as the resolution for the 2016 Bonds provide that property taxes collected for payment of the District’s bonds shall be placed into the District’s debt service fund or bond fund and used for no other purpose than for payment of principal and interest on the District’s bonds as they become due. The Idaho system of ad valorem tax collection and disbursement does not require counties to segregate tax collections dedicated to pay principal and interest on bonded indebtedness of political subdivisions from the other revenues the county collects on behalf of the political subdivision. In addition to the revenues collected from the dedicated ad valorem tax levy for the District’s bonds, such revenues include revenues from the District’s other ad valorem tax levies. See in this section “School District Levies” herein. The District maintains certain internal controls to ensure that monies received from the County are properly allocated to their intended purposes, and that monies received from the bond levy are promptly deposited into the District’s debt service fund. The District also has internal controls in place to prevent withdrawals from the debt service fund for any purpose other than payment of principal and interest on the District’s bonds.

Similarly, Bond Levy Subsidy payments received from the State are direct deposited to the District in the same manner as other state funds. The District’s internal controls ensure that Bond Levy Subsidy payments are properly allocated to the payment of debt service and promptly deposited into the District’s debt service fund.

## **Ad Valorem Tax System**

Property taxes are established and collected by individual counties and taxing districts to provide local services and do not generate revenue for State use. The State has the responsibility of overseeing property tax procedures to make sure they comply with State laws. In addition, the Idaho State Tax Commission is responsible for valuing public utilities, railroad car companies and railroads which, collectively, are called operating property.

Property taxes apply to homes (including manufactured housing), farms, businesses, industry, warehouses, offices, most privately owned real estate, and operating property, as well as personal property such as machinery and equipment, farm implements and office furniture and equipment. Exemptions from property tax include inventories, livestock, stored property in transit, pollution control facilities, household belongings, clothing, property licensed motor or recreational vehicles, and most property belonging to religious, fraternal and educational organizations and institutions. Partial exemptions are available for residential improvement and the speculative value of agricultural land. Partial tax credits are available to elderly, widowed and disabled homeowners.

Timberland is taxed according to the acreage involved and rural electrical associations pay a 3 ½% tax on adjusted gross revenue instead of property tax. Counties collect the tax, which is computed by the State Tax Commission and apportioned on a wire mile basis.

Complaints or disagreement concerning assessed values of real or personal property are being taken to the assessors of the respective county. If differences are not resolved at this level, a property owner may proceed through the County Board of Equalization, State Board of Tax Appeals or District Court, and the Idaho State Supreme Court. Operating property assessments must be appealed to the State Tax Commission, then through the courts.

Certain property acts in the Idaho Code provide that all real and personal property within the District are to be subject to assessment as of January 1 of each year, unless otherwise provided by law. All taxes levied upon real property shall be a lien upon the real property assessed. All taxes levied upon personal property shall be a lien upon the real property of the owner.

## **Homeowner's Exemption**

The homeowner's exemption provides a permanent exemption from ad valorem taxation for 50% of the market value for assessment purposes of a homeowner's primary residence including up to one acre of the land value, up to a maximum of \$94,745 (the "Homeowner's Exemption") for tax year 2016 (increased from \$89,580 for tax year 2015). The maximum amount of the Homeowner's Exemption is adjusted annually by the percentage change in the State housing price index as determined by the United States office of Federal Housing Enterprise Oversight.

## **Legislation Affecting Personal Property Tax**

The 2016 Bonds are secured by an unlimited tax on taxable property in the District. Taxable property includes real property and personal property. In 2008, the State Legislature amended Idaho Code Section 63-602KK to exempt the first \$100,000 of personal property tax value effective the year after the State general fund revenues increase 5% over the fiscal 2008 base year. The 2013 State Legislature adopted HB 315 which creates a new \$3,000 exemption on a de minimus item of taxable property, includes operating property in the exemption (which was excluded in the 2008 legislation) and triggers the \$100,000 exemption on business personal property on January 1, 2013. Section 63-602KK contains a provision for appropriations from the State sales tax receipts to taxing districts to replace the lost revenues, estimated at \$20 million. Because of the replacement provision, HB 315 has not had an effect on the District's finances. However; there is no assurance that the Legislature will appropriate sufficient moneys in future years to replace lost revenues.

## School District Levies

*Tax Levy Procedure.* Prior to the commencement of each Fiscal Year, the Board adopts a resolution to adopt its annual budget and approve submission of its property tax levies to the Board of County Commissioners of the County. The budget and tax levy process is described under “FINANCIAL INFORMATION REGARDING THE DISTRICT—Budgets and Budgetary Accounting” above. The District’s tax levy is certified to the Board of County Commissioners in September. The County Treasurer disburses tax receipts to the District approximately one month after the statutory payable dates. The District may levy the following ad valorem taxes for the following purposes:

*Supplemental M&O Levy.* Subject to voter approval school districts can levy and collect a supplemental maintenance and operation levy (the “Supplemental M&O Levy”). The Supplemental M&O Levy may be authorized for up to two years for a non-charter district through an election approved by a simple majority of the district electors voting in such an election. *The District currently levies a Supplemental M&O Levy.*

*Emergency Levy; Tort Levy; Judgment Levy.* Taxes may be levied and collected for the purpose of paying for a specific, unanticipated expenditure, judgment, or legal claim for which funds were not budgeted in the prior year. *The District currently levies Tort and Emergency Levies.*

*Tuition Levy.* When a pupil leaves the school district of his residence to attend a nonresident school, the receiving district is authorized to charge for the tuition of its nonresident pupils where tuition has not been waived. The District is authorized to levy (above the regular maintenance and operation levy, if levied) for the purpose of paying tuition costs of students who, under the authorization of the board of trustees of the district, attend school in another district either in or out of the State. *The District currently does not levy a Tuition Levy.*

*Bond Levy.* Subject to voter approval and debt limitations the District may levy a tax for the purposes of repaying voter approved debt for specific capital projects. *The District currently levies a Bond Levy.*

*Plant Facilities Levy.* A plant facilities levy must be authorized by voter approval. The annual dollar amount of the levy requested is limited to an amount that does not exceed 0.4% of the taxable market value of a school district as of December 31 of the year immediately prior to the year of election. The collection term of a Plant Facilities Levy is limited to 10 years. *The District currently does not levy a Plant Facilities Levy.*

## Historical Tax Rates

	Tax Rate				
	<u>2015–16</u>	<u>2014–15</u>	<u>2013–14</u>	<u>2012–13</u>	<u>2011–12</u>
Supplemental Maint. and Oper.....	.001344712	.000367762	.000000000	.000000000	.000000000
Emergency.....	.000272790	.000000000	.000258215	.000439937	.000178522
Tort Liability .....	.000052692	.000046965	.000098886	.000105860	.000101223
Judgment/Tuition.....	.000000000	.000015301	.000009467	.000000000	.000000000
Total Maintenance and Operation Fund .....	<u>.001670194</u>	<u>.000430028</u>	<u>.000366568</u>	<u>.000545797</u>	<u>.000279745</u>
Bond Levy .....	.002941963	.003023702	.002888609	.002644212	.002975044
Plant .....	<u>.000000000</u>	<u>.001158460</u>	<u>.001205815</u>	<u>.001167406</u>	<u>.001186033</u>
Total All Funds.....	<u>.004612157</u>	<u>.00461219</u>	<u>.004460992</u>	<u>.004357415</u>	<u>.004440822</u>

(Source: *Tax Levies for School Purposes*, State Superintendent of Public Instruction.)

## Comparative Total School District Tax Rates

Tax Levying District	Tax Rate				
	2014–15	2013–14	2012–13	2011–12	2010–11
Ririe #252 .....	.006974596	.007172495	.007355327	.005495038	.005567861
Sugar Salem #322 .....	.005113926	.003965498	.003446635	.004061269	.001982615
West Jefferson #253 .....	.004805272	.004251630	.004607823	.002503541	.002524529
Madison #321 .....	.004612157	.004612190	.004460992	.004357415	.004440822
Jefferson #251 .....	.004266089	.004273898	.004273898	.004632386	.002957426
Teton #401 .....	.003578840	.003970629	.003961409	.003311804	.002855388
Clark #161 .....	.003080877	.002901351	.004570983	.004558580	.004591200
Fremont #215 .....	.002415166	.002513774	.002514688	.001587750	.002733328

(Source: *Tax Levies for School Purposes*, State Superintendent of Public Instruction.)

## Market Value Of Property Of The District

Year (1)	Full Taxable Value (2)	% Change Over Prior Year	Net Taxable Value (1)	% Change Over Prior Year
2015 .....	\$1,646,231,298	5.8%	\$1,357,561,996	6.3%
2014 .....	1,555,885,795	3.5	1,277,558,682	4.1
2013 .....	1,503,188,057	1.7	1,227,385,372	2.3
2012 .....	1,478,623,798	0.3	1,199,239,931	1.5
2011 .....	1,474,836,017	0.5	1,180,405,684	1.9

(1) “Net Taxable Value” is the full market value less statutory exemptions. Statutory exemptions include homeowner’s exemption and property tax reductions. The Net Taxable Value is the value against which tax levies are applied.

(Source: State Tax Commission.)

## Tax Collection Record Of The District

Tax Year (1)	Tax Levy In Dollars	Amount Collected (2)	% Collected
2014 (3) .....	\$6,029,289	\$5,971,987	99.5%
2013 (3) .....	5,498,812	5,491,170	99.8
2012 .....	5,323,795	5,342,940	99.8
2011 .....	5,326,675	5,371,593	100.0
2010 .....	5,232,570	5,232,570	100.0

Final 2015 information is not available.

(1) The tax year runs from January 1 to December 31.

(2) Ad valorem taxes, including delinquent taxes and penalties, are collected by the Treasurer of Madison County and are remitted to the District during the month following collection.

(3) Includes personal property tax replacement from the State of Idaho.

(Source: Madison County Treasurer.)

## Some Of The Largest Taxpayers

The following list represents some of the largest taxpayers in the District.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2015 Taxable Value</u>	<u>% District's 2015 Tax- able Value</u>
Rexburg Property Owner .....	Apartment complex	\$ 53,152,580	3.9%
NG Rexburg Housing .....	Apartment complex	35,495,643	2.6
Basic American Inc.....	Manufacturing (food)	24,025,895	1.8
Mesa Falls Apartment LLC ....	Apartment complex	22,491,261	1.7
BVH I LLC .....	Apartment complex	18,454,989	1.4
Bonneville Mortgage Co.....	Real estate	14,499,992	1.1
Barlow-Stone Brook LLC.....	Apartment complex	13,500,317	1.0
Nauvoo House ID LLC.....	Apartment complex	11,406,420	0.8
PacifiCorp .....	Electric utilities	11,146,374	0.8
Craigland Properties LLC .....	Apartment complex	<u>10,493,044</u>	0.8
Totals .....		<u>\$214,666,515</u>	15.8%

(Source: The Office of the County Treasurer.)

## STATE OF IDAHO SCHOOL FINANCE

### General

The State Legislature appropriates State and federal moneys for support of public school districts (the “Schools Appropriations”). The Schools Appropriations are deposited into the “Public School Income Fund” for further distribution by the DOE to school districts pursuant to a formula set forth in Idaho Code Section 33–1002 and accompanying rules and regulations of the DOE. See in this section “State Support to the District” below. The amount of State funding provided to each school district is determined, in part, by support units calculated for each district, which units are calculated largely based on ADA at each district. ADA is calculated in accordance with Idaho Code Section 33–1003A, based on the entire school year except that the 28 weeks having the highest ADA, not necessarily consecutive, may be used. Accordingly, an increase or decrease in a district’s ADA will affect the level of state funding received by the district. See “THE DISTRICT—District Enrollment And Average Daily Attendance” herein for a discussion of the District’s ADA.

The State sets an annual budget based on the State’s Fiscal Year which begins on July 1 and ends on the following June 30. Both the executive and legislative branches play a role in the budget setting process. All State agencies, including the DOE, submit a budget request to the Division of Financial Management (the “DFM”) in the Governor’s office and to the Legislative Services Office not later than September 1 of each year. The Governor, through DFM, then prepares a proposed budget for the subsequent fiscal year, and the Governor submits this budget recommendation to the State Legislature within five days after the commencement of the annual legislative session in early January. The Governor’s budget recommendation is based on revenue projections developed by DFM.

A joint committee composed of the Senate Finance Committee and the House Appropriations Committee (“JFAC”) then initiates legislative action on the state budget. Taking into account the Governor’s recommendation, JFAC hears presentations of, or reviews without hearings, budget requests of all State agencies and drafts a series of appropriation bills that are sent to the entire legislative body. The JFAC budget is based on the revenue projections of a joint legislative economic outlook committee. Upon passage by each legislative

body, the appropriation bills for each agency are sent to the Governor for signature. The Governor has “line-item” veto power for distinct appropriations. The Idaho Constitution requires a balanced budget, stating that appropriations must match the projected revenues currently provided for by law.

The State Legislature usually adjourns before April 15, once it has adopted a budget, set appropriations for the upcoming fiscal year, and, if necessary, revised the current fiscal year’s budget. The appropriations, as enacted by the State Legislature, constitute the limit for each agency’s authorized expenditures, subject to limited flexibility for emergency situations and/or unanticipated revenue.

If during the course of a fiscal year the Governor determines anticipated revenues expected to be available fail to meet the State Legislature’s authorized expenditures, the Governor may issue an executive order to reduce (or holdback) the spending authority on file in the office of the State Controller for any department, agency, or institution of the State.

Beginning July 1, 2003, the State established an Education Stabilization Fund (the “Stabilization Fund”). The Stabilization Fund acts as a reserve account from which the State can draw funds to make up revenue shortfalls and into which funds are deposited in times of surplus. Stabilization Fund balances were drawn down in Fiscal Years 2009–2011 to supplement general fund appropriations and restored in subsequent Fiscal Years. The balance in the Stabilization Fund at June 30, 2015 was \$90,900,000.

### Appropriations To Public Schools

The State legislature adjourned April 11, 2015, after completing the appropriations and budgeting process for Fiscal Year 2016. The Fiscal Year 2016 budget approved an increase of approximately 7.4% for general fund public school support appropriations for Fiscal Year 2016 compared to Fiscal Year 2015.

#### Historical and Budgeted State Appropriations (1)

	Fiscal Year (\$ In Thousands)				
	2016	2015	2014	2013	2012
General Fund .....	\$1,475,784	\$1,374,598	\$1,308,365	\$1,279,819	\$1,223,580
Transfers from Public Education Stabilization Fund .....	0	0	0	0	0
Dedicated Funds (2).....	74,189	86,812	74,568	66,873	68,547
Federal Funds.....	<u>264,339</u>	<u>215,224</u>	<u>215,224</u>	<u>220,121</u>	<u>268,942</u>
Total State appropriation .....	<u>\$1,814,312</u>	<u>\$1,676,634</u>	<u>\$1,598,157</u>	<u>\$1,566,813</u>	<u>\$1,561,069</u>
% change over previous year ..	8.2%	4.9%	2.0%	0.4%	(1.3)%

(1) Years 2012 to 2015 are historical; Year 2016 is budgeted and appropriated.

(2) Includes Lottery Receipts, Endowment Fund Receipts, Miscellaneous Receipt Balances, and Cigarette Taxes & Lottery Income.

(Source: Idaho Legislature, Sine Die Reports for the relevant year.)

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The State funding schedule for distributions is as follows:

<u>Payment Date</u>	<u>Payment Amount (1)</u>
August 15	50%
November 15	20%
February 15	20%
May 15	10%
July 15	Final payment adjustment (2)

---

(1) Percentages are an approximation of the distribution to be received, final amounts may vary.

(2) For the Fiscal Year ending the previous June 30.

### **Legislation Affecting Public School Appropriations**

The Legislature annually reviews the overall framework for funding of public schools. Generally, these actions relate to operations funding and do not affect the District's ability to pay debt service on the 2016 Bonds, which is funded from local property tax revenues allowed to be levied without limitation as needed to pay debt service on the 2016 Bonds.

The current template for Legislative action is a set of twenty recommendations developed by a broad-based task force appointed by the Governor in 2013 (the "Task Force Recommendations"). The 2014 Legislature took action with regard to seven of the Task Force Recommendations, including an increase in operations funding to help reverse the recession era cuts to education funding in the State, and a \$15.8 million appropriation for teacher leadership premiums to reward mentoring and other professional development. These funding increases were included in the overall increase in Schools Appropriations of approximately 5% from Fiscal Year 2014 to Fiscal Year 2015. The 2015 Legislation further increased operations fund and adopted additional recommendations, including adoption of a "career ladder" and a commitment over the next five years to increase funding for teacher salaries by a total of approximately \$214 million, of which approximately \$33 million was approved for funding in the Fiscal Year 2016 budget. (Source: HB 296, 2015 Legislature.)

The District cannot predict the outcome of other Task Force Recommendations or of other possible proposals regarding education funding, programs, or requirements, all of which are subject to the plenary authority of the Legislature to consider and approve or reject.

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## State Support To The District

In Fiscal Year 2015, the dedicated and appropriated funding sources from the State account for approximately 95% of the District's budgeted General Fund revenue. A summary of funds the District has received from the State over the past five years follows:

	Fiscal Year Ended June 30				
	2016 (1)	2015	2014	2013	2012
August.....	\$11,046,205	\$10,423,819	\$6,020,381	\$ 5,647,947	\$ 5,503,104
October .....	n/a	n/a	6,027,846	5,645,163	5,505,920
November .....	4,427,741	4,180,830	4,023,949	3,798,689	3,685,549
February .....	—	4,391,954	1,468,881	2,396,828	2,298,256
May .....	—	2,221,879	2,905,638	2,511,446	2,009,582
July.....	—	611,610	563,485	216,636	296,426
Total .....	<u>\$15,473,946</u>	<u>\$21,830,092</u>	<u>\$21,010,180</u>	<u>\$20,216,709</u>	<u>\$19,298,837</u>
% change over prior year .....	n/a	3.9%	3.9%	4.8%	(2.4)%

(1) The District has yet to collect payments in the months of February, May and July in Fiscal Year 2016.

(Source: The District.)

See “FINANCIAL INFORMATION REGARDING THE DISTRICT—Five-Year Financial Summaries” above.

## The Initiative Process

*The Initiative Process.* Article I, Section 3 of the Idaho Constitution provides that the people of the State have reserved to themselves the power of initiative and referendum, pursuant to which measures to enact or repeal laws can be placed on the statewide general election ballot for consideration by the voters. The initiative and referendum powers relate only to laws; the Idaho Supreme Court has ruled that the Idaho Constitution cannot be amended by initiative or referendum.

In 1997, the State Legislature enacted significant procedural prerequisites including signature distribution requirements, to qualify an initiative or referendum measure for submittal to the electors. Any person may file a proposed measure with the signatures of 20 qualified electors of the State with the Idaho Secretary of State's office. The Idaho Attorney General is required by law to review and make recommendations (if any) on the petition to the petitioner before issuing a certificate of review to the Secretary of State. The petitioner then, within 15 working days, files the measure with the Secretary of State for assignment of a ballot title and submittal to the Attorney General. The Attorney General, within 10 working days thereafter, shall provide a ballot title for the measure. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Idaho Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the form of the petition has been approved by the Secretary of State, the proponents of the measure shall print the petition and, during an 18 month circulation period or until April 30 in an election year, whichever occurs first, may start gathering the petition signatures necessary to place the proposed measure on the ballot.

To be placed on a general election ballot, not less than four months prior to the election, the proponents must submit to the Secretary of State petitions signed by a number of qualified voters equal to at least 6% of the qualified electors, i.e., registered voters, at the immediately previous general election. The 2013 State Leg-

islature adopted SB 1108 which increases the number of registered voters needed to place an initiative or referendum on the ballot by requiring signatures of 6% of the registered voters in at least a majority of the State's 35 legislative districts, as well as 6% of the total registered voters of the State.

Proponents of measures are permitted to compensate persons obtaining signatures for the petition, but in such instances the petition must contain a notice of such payment to the elector whose signature is being sought.

### **Historical Initiative Petitions**

According to the Elections Division of the Idaho Secretary of State, there are no initiative petitions that have qualified for the ballot since 2006, at which time there were 2 initiatives that qualified.

## **LEGAL MATTERS**

### **Absence Of Litigation Concerning The 2016 Bonds**

The attorneys for the District, Anderson, Julian & Hull LLP, Boise, Idaho, have advised that, to the best of their knowledge after due inquiry, there is no pending or threatened litigation that would legally stop, enjoin, or prohibit the issuance, sale or delivery of the 2016 Bonds.

### **Tax Exemption**

In the opinion of Hawley Troxell Ennis & Hawley LLP, Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2016 Bonds is not included in gross income under present federal income tax laws pursuant to Section 103 of the Code, and is exempt from all State of Idaho income taxes under present State income tax laws, and interest on the 2016 Bonds is not included in alternative minimum taxable income as defined in Section 55(b)(2) of the Code under present federal income tax laws except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below. The Code imposes several requirements that must be met with respect to the 2016 Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations).

Certain of these requirements must be met on a continuous basis throughout the term of the 2016 Bonds. These requirements include: (i) limitations as to the use of proceeds of the 2016 Bonds, and (ii) limitations on the extent to which the proceeds of the 2016 Bonds may be invested in higher yielding investments. The Board will covenant that they will take all steps to comply with the requirements of the Code to the extent necessary to maintain the exclusion of interest on the 2016 Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustments applicable to corporations) under present federal income tax laws. Bond Counsel's opinion as to the exclusion of interest on the 2016 Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the 2016 Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance.

Section 55 of the Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Code, for taxable years beginning after 1989, 75% of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the 2016 Bonds.

The Code contains numerous provisions that may affect an investor's decision to purchase the 2016 Bonds. Beneficial Owners should be aware that the ownership of tax exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "Subchapter S" corporations, may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the 2016 Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on ownership of the 2016 Bonds. Beneficial Owners should consult their own tax advisors as to the applicability of these consequences.

Amendments to the federal tax laws could be proposed or enacted in the future, and there can be no assurance that any such future amendments which may be made to the federal tax laws will not adversely affect the value of the 2016 Bonds, the exclusion of interest on the 2016 Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the 2016 Bonds or any other date, or result in other adverse federal tax consequences.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the 2016 Bonds. If an audit is commenced, under current procedures the IRS may treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2016 Bonds until the audit is concluded, regardless of the ultimate outcome. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2016 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

The opinions expressed by Bond Counsel are based on existing law as of the date of delivery of the 2016 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed litigation. Amendments to the federal or state laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2016 Bonds, the exclusion of interest on the 2016 Bonds or any other from gross income or alternative minimum taxable income or both from the date of issuance of the 2016 Bonds or any other date, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the market value of the 2016 Bonds. For example, although the U.S. Supreme Court recently decided that the U.S. Constitution does not preclude the current practice that states grant more favorable tax treatment to bonds issued by issuers inside the state than bonds issued outside that state, the pendency of such case caused uncertainty until it was decided. There can be no assurance that other cases may from time to time create uncertainty or could result in a change in the treatment for state tax purposes of obligations such as the 2016 Bonds, or a change in the market value of the 2016 Bonds. Owners of the 2016 Bonds are advised to consult with their own tax advisors with respect to such matters.

## **Premium Bonds**

The initial public offering price of the maturities of the 2016 Bonds (the "Premium Bonds"), as shown on the inside front cover, are issued at original offering prices in excess of their original principal amount. The difference between the amount of the Premium Bonds at the original offering price and the principal amount payable at maturity represents "bond premium" under the Code. As a result of requirements of the Code relating to the amortization of bond premium, under certain circumstances an initial owner of a Bond may realize a taxable gain upon disposition of such a bond, even though such bond is sold or redeemed for an amount equal to the original owner's cost of acquiring such bond. All owners of 2016 Bonds are advised that they

should consult with their own tax advisors with respect to the tax consequences of owning and disposing of 2016 Bonds, whether the disposition is pursuant to a sale of the 2016 Bonds or other transfer, or redemption.

### **Tax Legislative Changes**

Current law may change so as directly or indirectly to reduce or eliminate the benefit of the exclusion of interest on the 2016 Bonds from the gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult with their own tax advisors with respect to the effects of any proposed or future legislation.

### **Municipal Reorganization**

Idaho Code Section 67–3903 permits school districts, as taxing districts of the State, to file a petition for federal bankruptcy relief, in accordance with Chapter 9 of the United States Bankruptcy Code, which permits municipalities to file a voluntary petition for the adjustment of debts. Prior to filing such petition, the taxing district is required to adopt a resolution authorizing the filing. The statute authorizes the taxing district to take actions to consummate a plan of readjustment pursuant to its bankruptcy proceedings, including cancellation and remission of moneys payable under bonds, warrants or other obligations; issuance of refunding bonds on certain conditions, adoption of necessary ordinances, assessment, levy and collection of taxes to enforce collections necessary pursuant to the plan of readjustment, cancellation or reduction in taxes or special assessments for bonds refunded under the plan as a result of reduction in debt service accomplished by such refunding and to take any other actions necessary for accomplishment of the plan. Prior to refunding bonds or levying any taxes or special assessments, the taxing district is required to provide notice and hold a hearing prior to the adoption of the plan for readjustment requiring such actions.

Bankruptcy proceedings by the District could have an adverse effect on the owners of the 2016 Bonds, including but not limited to delay in the enforcement of their remedies, subordination of their claims to those supplying goods or services to the District and to the administrative expenses of the bankruptcy proceedings and the imposition of a plan of reorganization reducing or delaying payment of the 2016 Bonds.

The District does not expect to file a petition for federal bankruptcy relief.

### **General**

The authorization and issuance of the 2016 Bonds are subject to the approval of Hawley Troxell Ennis & Hawley LLP, Boise, Idaho, Bond Counsel. Certain legal matters will be passed upon for the District by Anderson, Julian & Hull LLP, Boise, Idaho. The approving opinion of Bond Counsel will be delivered with the 2016 Bonds. A copy of the opinion of Bond Counsel in substantially the form set forth in “APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL” of this OFFICIAL STATEMENT will be made available upon request from the contact person as indicated under “INTRODUCTION—Contact Persons” above.

Bond Counsel has not participated in the preparation of this OFFICIAL STATEMENT. The employment of Bond Counsel is limited to the review of the transcripts of legal proceedings authorizing the issuance of the 2016 Bonds and the legality of the source of payment of the 2016 Bonds, and to the issuance of the legal opinion, in conventional form, relating solely to the validity of the 2016 Bonds pursuant to such authority and the excludability of interest on the 2016 Bonds for income tax purposes as described above. Except for said legal matters, which will be specifically covered in its opinion, Bond Counsel has assumed no responsibility for the accuracy or completeness of any information furnished to any person in connection with or any offer or sale of the 2016 Bonds in the OFFICIAL STATEMENT or otherwise.

## **MISCELLANEOUS**

### **Bond Ratings**

The District has received a rating for the 2016 Bonds from Moody's. As of the date of this OFFICIAL STATEMENT, the 2016 Bonds have been rated "Aa1" by Moody's based upon the Sales Tax Guaranty Program. An explanation of the above ratings may be obtained from Moody's. The District has not directly applied to S&P or Fitch Ratings for a rating on the 2016 Bonds.

The 2016 Bonds have an "A1" underlying rating from Moody's.

Such ratings do not constitute a recommendation by the rating agencies to buy, sell or hold the 2016 Bonds. Such ratings reflect only the views of Moody's and any desired explanation of the significance of such ratings should be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the ratings given 2016 Bonds will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2016 Bonds.

### **Escrow Verification**

Grant Thornton LLP, Minneapolis, Minnesota, Certified Public Accountants, will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the obligations of the United States of America, together with other escrowed moneys to be placed in the Escrow Account to pay when due pursuant to prior redemption the redemption price of, and interest on the Refunded Bond and the mathematical computations of the yield on the 2016 Bonds and the yield on the government obligations purchased with a portion of the proceeds of the sale of the 2016 Bonds. Such verifications shall be based in part upon information supplied by the successful bidder.

### **Municipal Advisor**

The District has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the District with respect to preparation for sale of the 2016 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2016 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

### **Independent Auditors**

The financial statements of the District as of June 30, 2015 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by Searle Heart and Associates, PLLC, Rexburg, Idaho ("Searle Heart and Associates") as stated in its report in "APPENDIX A—ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR'S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015."

Searle Heart and Associates has not participated in the preparation or review of this OFFICIAL STATEMENT. Based upon Searle Heart and Associates' non-participation, they have not consented to the use of their name in this OFFICIAL STATEMENT.

### **Additional Information**

All quotations contained herein from and summaries and explanations of the State Constitution, statutes, programs and laws of the State, court decisions and the Resolution, do not purport to be complete, and reference is made to said State Constitution, statutes, programs, laws, court decisions and the Resolution for full and complete statements of their respective provisions.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact.

The appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the District.

**Board of Trustees of School District No. 321  
Madison County, State of Idaho**

\_\_\_\_\_  
/s/ Kevin Howell

Kevin Howell  
Chairperson of the Board of Trustees

## **APPENDIX A**

### **ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR'S REPORT FOR SCHOOL DISTRICT NO. 321 FOR FISCAL YEAR 2015**

The annual financial report and compliance reports with independent auditor's report for Fiscal Year 2015 are contained herein. Copies of current and prior financial statements are available upon request from the contact persons as indicated under "INTRODUCTION—Contact Persons" above.

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**MADISON SCHOOL DISTRICT #321 – STATE OF IDAHO  
REXBURG, IDAHO  
ANNUAL FINANCIAL REPORT  
and  
COMPLIANCE REPORTS  
with  
INDEPENDENT AUDITOR'S REPORT  
For the Year Ended June 30, 2015**

**MADISON SCHOOL DISTRICT #321**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**For the Year Ended June 30, 2015**

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## ***INDEPENDENT AUDITOR'S REPORT***

The Board of Trustees  
Madison School District #321  
Rexburg, Idaho

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison School District #321, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Madison School District #321'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 of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madison School District #321 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis Matters**

As discussed in Note 14 to the financial statements, the beginning Net Position balance was restated because of implementing GASB 68 for pensions. 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 budgetary comparison information on pages 31 through 37 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 response 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 management's discussion and analysis 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 the 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, the Statement of Changes in Assets and Liabilities-Agency Funds, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Statement of Changes in Assets and Liabilities-Agency Funds, and the Schedule of Expenditures of Federal Awards are the responsibility of

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2015, on our consideration of Madison School District #321's internal control over financial reporting and 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 the 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 Madison School District #321's internal control over financial reporting and compliance.

*Sean Hart + Associates PLLC*

Rexburg, Idaho

September 17, 2015

## **FINANCIAL SECTION**

**MADISON SCHOOL DISTRICT #321**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 8,965,037
Accounts receivable	767
Taxes receivable	2,098,822
Due from Other Governmental Agencies	2,304,342
Inventory	47,415
<b>Capital assets</b>	
Construction in progress	3,499
Land and improvements not being depreciated	3,205,837
Buildings	99,284,244
Equipment and vehicles	6,094,066
Less: accumulated depreciation	(25,033,248)
Total Capital Assets	83,554,398
<b>TOTAL ASSETS</b>	96,970,781
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Expenses unavailable for use	2,848,160
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	921,338
Salaries and benefits payable	3,254,332
<b>Long-term liabilities</b>	
<b>Due within one year</b>	
Bonds, capital leases and contracts	2,480,000
Accrued interest	727,169
Compensated absences	461,789
Postemployment benefit payable	365,227
<b>Due in more than one year</b>	
Bonds, capital leases and contracts	43,350,000
Net pension liability	2,644,535
<b>TOTAL LIABILITIES</b>	54,204,390
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Revenue unavailable for use	8,488,075
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	35,273,739
Restricted for:	
Debt Service	3,845,388
Other projects	2,874,405
Unrestricted	(4,867,056)
<b>TOTAL NET POSITION</b>	\$ 37,126,476

The notes to the financial statements are an integral part of this statement.

**MADISON SCHOOL DISTRICT #321**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Primary government</b>				
Governmental Activities:				
Instruction	\$ 19,110,302	\$ 26,765	\$ 3,845,842	\$ (15,237,695)
Instructional and media resources	178,509	-	-	(178,509)
Instructional improvement	2,833,447	-	-	(2,833,447)
Special services	597,873	-	-	(597,873)
Guidance counseling & evaluation	395,568	-	-	(395,568)
Student transportation	1,653,832	-	-	(1,653,832)
Food services	1,413,851	453,285	906,641	(53,925)
Interest on long-term debt	1,876,092	-	-	(1,876,092)
General administration	3,421,096	-	-	(3,421,096)
Plant maintenance & operations	2,614,586	-	-	(2,614,586)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 34,095,156</b>	<b>\$ 480,050</b>	<b>\$ 4,752,483</b>	<b>(28,862,623)</b>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				377,638
Property taxes, levied for Debt Service				4,004,849
Property taxes, levied for School Plant Facilities				1,502,260
State and federal revenue				24,416,419
Unrestricted investment earnings				45,544
Miscellaneous				1,185,823
Gain (loss) on pension expenses				3,330,414
<i>Special item</i> - gain on sale of assets				16,660
<b>TOTAL GENERAL REVENUES</b>				<b>34,879,607</b>
Change in net position				6,016,984
Net Position - Beginning restated ( see Note 14)				31,109,492
<b>NET POSITION - Ending</b>				<b>\$ 37,126,476</b>

**MADISON SCHOOL DISTRICT #321**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<u>GENERAL FUND</u>	<u>FOOD SERVICE</u>	<u>DEBT SERVICE</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,886,356	\$ 183,952	\$ 2,450,462
Taxes receivable, net	37,519	-	1,498,552
Interfund receivable	805,397	-	-
Receivable from other governments	611,610	45,606	-
Other receivables	767	-	-
Inventory	-	47,415	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Expenditures unavailable for use	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 5,341,649</u>	<u>\$ 276,973</u>	<u>\$ 3,949,014</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 192,035	\$ 15,795	\$ -
Interfund payable	-	-	-
Other accrued expenses	2,820,785	86,186	-
	<u>2,820,785</u>	<u>86,186</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>3,012,820</u>	<u>101,981</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenue unavailable for use	5,535	-	103,626
	<u>5,535</u>	<u>-</u>	<u>103,626</u>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b>			
Inventory	-	47,415	-
<b>Committed to:</b>			
Board Policy 317	1,139,811	-	-
<b>Assigned:</b>			
Debt Service	-	-	3,845,388
Special Revenue Deficit Cash	805,396	-	-
M & O Grant Fund Balance	-	-	-
Other Purposes	-	127,577	-
<b>Unassigned</b>	<u>378,087</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>2,323,294</u>	<u>174,992</u>	<u>3,845,388</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 5,341,649</u>	<u>\$ 276,973</u>	<u>\$ 3,949,014</u>

<b>SCHOOL PLANT FACILITIES</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 51,685	\$ 2,392,582	\$ 8,965,037
562,751	-	2,098,822
-	-	805,397
-	1,647,126	2,304,342
-	-	767
-	-	47,415
-	-	-
<u>\$ 614,436</u>	<u>\$ 4,039,708</u>	<u>\$ 14,221,780</u>
\$ 411,867	\$ 301,641	\$ 921,338
-	805,397	805,397
-	347,361	3,254,332
<u>411,867</u>	<u>1,454,399</u>	<u>4,981,067</u>
<u>39,850</u>	<u>1,200</u>	<u>150,211</u>
-	-	47,415
-	-	1,139,811
-	-	3,845,388
-	-	805,396
-	-	-
162,719	2,584,109	2,874,405
-	-	378,087
<u>162,719</u>	<u>2,584,109</u>	<u>9,090,502</u>
<u>\$ 614,436</u>	<u>\$ 4,039,708</u>	<u>\$ 14,221,780</u>

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**MADISON SCHOOL DISTRICT #321**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

Total fund balance, governmental funds	\$ 9,090,502
--	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Historical Cost	108,587,646
Accumulated Depreciation	(25,033,248)

Certain other expenses unavailable for use are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,848,160
--	-----------

Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	150,211
--	---------

Certain other liabilities are not current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	(365,227)
--	-----------

Certain other revenues unavailable for use are not current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	(8,488,075)
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consisted of:

General obligation bonds	(45,830,000)
Accrued compensated absences	(461,789)
Net pension liability	(2,644,535)
Accrued interest payable	(727,169)

Net position of governmental activities in the Statement of Net Position	<u>\$ 37,126,476</u>
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**MADISON SCHOOL DISTRICT #321**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<u>GENERAL FUND</u>	<u>FOOD SERVICE</u>	<u>DEBT SERVICE</u>
<b>REVENUES</b>			
Property taxes	\$ 423,529	\$ -	\$ 4,004,849
Intergovernmental-State	22,436,218	-	895,854
Intergovernmental-Federal	118,222	906,641	-
Charges for services	-	453,285	-
Investment earnings	42,240	226	3,078
Miscellaneous	-	-	-
Other revenue	102,603	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	23,122,812	1,360,152	4,903,781
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Instruction	13,783,071	-	-
Instruction and media resources	178,509	-	-
Instruction improvement	177,769	-	-
Special services	597,873	-	-
Plant maintenance and operation	2,611,481	-	-
General administration	2,959,122	-	-
Guidance, counseling, and evaluation	395,568	-	-
Transportation	1,457,500	-	-
Food service	33,454	1,371,229	-
Debt service:			
Principal	-	-	2,470,000
Interest and other charges	-	-	1,933,382
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	22,194,347	1,371,229	4,403,382
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	928,465	(11,077)	500,399
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(601,867)	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(601,867)	-	-
	<hr/>	<hr/>	<hr/>
<b>SPECIAL ITEM</b>			
Proceeds from sale of assets	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	326,598	(11,077)	500,399
Fund balances - Beginning	1,996,696	186,069	3,344,989
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES - Ending</b>	<u>\$ 2,323,294</u>	<u>\$ 174,992</u>	<u>\$ 3,845,388</u>

The notes to the financial statements are an integral part of this statement.

<b>SCHOOL PLANT FACILITIES</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 1,502,260	\$ -	\$ 5,930,638
263,772	2,255,195	25,851,039
-	2,390,505	3,415,368
-	26,765	480,050
-	-	45,544
39,344	-	39,344
30,168	916,203	1,048,974
<u>1,835,544</u>	<u>5,588,668</u>	<u>36,810,957</u>
-	3,356,398	17,139,469
-	-	178,509
-	2,655,678	2,833,447
-	-	597,873
-	-	2,611,481
174,895	66,769	3,200,786
-	-	395,568
-	-	1,457,500
-	-	1,404,683
-	-	2,470,000
-	-	1,933,382
<u>1,266,392</u>	<u>197,534</u>	<u>1,463,926</u>
<u>1,441,287</u>	<u>6,276,379</u>	<u>35,686,624</u>
<u>394,257</u>	<u>(687,711)</u>	<u>1,124,333</u>
601,867	-	601,867
<u>-</u>	<u>-</u>	<u>(601,867)</u>
<u>601,867</u>	<u>-</u>	<u>-</u>
<u>16,660</u>	<u>-</u>	<u>16,660</u>
1,012,784	(687,711)	1,140,993
<u>(850,065)</u>	<u>3,271,820</u>	<u>7,949,509</u>
<u>\$ 162,719</u>	<u>\$ 2,584,109</u>	<u>\$ 9,090,502</u>

**MADISON SCHOOL DISTRICT #321**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Net change in fund balances - total governmental funds:	\$ 1,140,993
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$1,381,821 exceed depreciation \$2,305,440 in the current period.	(923,619)
---	-----------

Property tax revenues (including penalties and interest) in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	(45,891)
---	----------

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.	2,470,000
---	-----------

Governmental funds do not report the pension contribution expense and revenue because it does not provide current financial resources. In contrast, the Statement of Activities reports the expense and revenue. Thus, the change in net position differs from the change in fund balance by this pension contribution expense and revenue.	3,330,414
---	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental funds	42,396
Amortization of bond issue costs and deferred refunding and bond premium	(22,954)
Compensated absences	25,645

Change in net position of governmental activities	<u>\$ 6,016,984</u>
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**MADISON SCHOOL DISTRICT #321**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**June 30, 2015**

	<u><b>AGENCY FUNDS</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 733,188
TOTAL ASSETS	<u>733,188</u>
<b>LIABILITIES</b>	
Accounts payable	-
Due to student groups	<u>733,188</u>
TOTAL LIABILITIES	<u>733,188</u>
<b>NET POSITION</b>	
Held in trust for benefits and other purposes	<u><u>\$ -</u></u>

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## **NOTES TO THE FINANCIAL STATEMENTS**

**MADISON SCHOOL DISTRICT #321**  
**INDEX TO NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTES INDEX**

1. Summary of Significant Accounting Policies
  - A. Reporting Entity
  - B. Government-wide and Fund Financial Statements
  - C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
  - D. Compensated Absences
  - E. Long-term Obligations
  - F. Pensions
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  - J. Property Tax
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7. Pension Plans
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12. Postemployment Benefits
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**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Madison School District #321 (District) is the basic level of government exercising oversight responsibility for all activities related to public school education in Madison School District, Madison County, Idaho. The Board of Trustees, a five member group, is elected by the public and as such has governance responsibility over all activities related to public elementary and secondary school education within the jurisdiction of the school district. The Board of Trustees have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity."

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

In 2003, the District implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes. The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

**A. Reporting Entity**

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The governmental activities are supported by tax revenues and intergovernmental revenues. The District has no business-type activities that rely, to a significant extent, on fees and charges for support.

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

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by block grants, and then by general revenues.

Buildings, furniture, fixtures, equipment and vehicles of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Category of Asset</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40-50
Furniture, fixtures & equipment	5-20
Vehicles	7-12

**D. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated personal leave balances. The liability has been calculated using vesting method, in which leave amounts for employees who currently are eligible to receive termination payments are included.

**E. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after June 30, 2004, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the 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 is reported as other financing sources. Premiums received on debt issuances 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.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**F. 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.

**G. Use of Estimates**

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

**H. Fund Accounting**

According to generally accepted accounting principles for governmental units, the District's financial operations are accounted for in the following funds:

**GOVERNMENTAL FUND TYPES**

**General Fund**

This fund accounts for the general operating (M&O) fund of the District. It is used to account for all financial resources except those required to be accounted for in any other fund.

**Special Revenue Funds**

These funds account for federal and state funded grants as well as locally funded educational programs whose expenditures are limited to specific purposes. Such grants have been awarded to the district with the purpose of accomplishing specified educational tasks defined in the grant agreements.

**Debt Service Fund**

This fund accounts for the use of taxes levied and other revenues collected for the retirement of debt principal, interest and related costs.

**Capital Projects Fund**

This fund is used to account for bond proceeds for the construction of school buildings and various capital projects.

**School Plant Facilities**

This fund is used to account for the school plant facility tax levied and other resources to be used for the construction, purchase and maintenance of school buildings and equipment.

**Fiduciary Fund Types**

**Trust and Agency Funds**

Trust and agency funds are used to account for assets held by the district in a trustee capacity or as an agent for student groups.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**I. Budgets**

Annual budgets are prepared and adopted by the board of Trustees before the beginning of the fiscal year July 1st. Budgets are prepared on the GAAP basis of accounting.

**J. Property Tax**

Property taxes are collected by the County Treasurer and remitted to the District monthly. Taxes are payable in semi-annual installments due December 20 and June 20 of each year after which time they become delinquent. Taxes levied but not received by the district by June 30 have been accrued and taxes still unpaid after sixty days beyond the fiscal year are shown as deferred inflows of resources.

**K. Nonspendable and Spendable Fund Balances**

Fund balance is separated into nonspendable and spendable fund balance. Nonspendable fund balance includes amounts that cannot be spent because they are either: (1) not in spendable form; or (2) legally or contractually required to be maintained intact. Spendable amounts are classified into restricted, committed, assigned, and unassigned. The following is a list of nonspendable and spendable fund balance designations for Madison School District #321:

*Nonspendable for inventory.* This fund balance cannot be spent. It is designated to be used for inventory.

*Committed to Board Policy 317.* This fund balance is committed to a 5% of current total expenditures as mandated by Board Policy 317.

*Assigned for debt service.* This designation was created to segregate a portion of the fund balance account for debt service, including both principal payments and interest payments. The designation was established to satisfy restrictions imposed by various bond agreements.

*Assigned for special revenue deficit cash and M & O grant.* The fund balance is assigned for deficit cash balance covered by the General Fund for various Special Revenue Funds of \$805,397.

*Assigned for other purposes.* This designation indicates fund balance that can only be spent for purposes authorized by the funding source.

*Unassigned.* This fund balance is not assigned to any specific purpose. The District will use the unassigned fund balance for expenditures in the subsequent fiscal year.

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are defined as those financial instruments which have a maturity date of three months or less from the date of acquisition.

**Deposits**

The carrying amount of the District's deposits with financial institutions was \$1,905,246 and the bank balance was \$2,268,870. The amount not covered by FDIC insurance was \$1,593,602.

**Investments**

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. The District's investments at year end consisted of the following:

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**2. CASH AND CASH EQUIVALENTS (cont.)**

Investment Type	Fair Value	< 1 year	1-5 years	> 5 years	Cost	Rating	%
						S&P	
FNMA	\$ 2,985,696	\$ -	\$ 2,985,696	\$ -	\$ 2,970,125	AAA	38.31%
FHLB LOC	1,322,263	1,322,263	-	-	1,322,263	AAA	16.97%
Id. St. Invest. Pool	3,485,322	3,485,322	-	-	3,485,322	Unrated	44.72%
Total Investments	<u>\$ 7,793,281</u>	<u>\$ 4,807,585</u>	<u>\$ 2,985,696</u>	<u>\$ -</u>	<u>\$ 7,777,710</u>		<u>100.00%</u>

*Custodial Credit Risk-Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	BALANCE 7/1/2014	ADDITIONS	DELETIONS	BALANCE 6/30/2015
Capital assets not being depreciated				
Construction in progress	\$ 75,285	\$ 333,877	\$ 405,663	\$ 3,499
Land	3,175,837	30,000	-	3,205,837
Total capital assets not being depreciated	<u>3,251,122</u>	<u>363,877</u>	<u>405,663</u>	<u>3,209,336</u>
Capital assets, being depreciated				
Buildings	98,341,676	942,568	-	99,284,244
Vehicles	4,185,212	340,826	145,598	4,380,440
Equipment	1,573,413	140,213	-	1,713,626
Total capital assets being depreciated	<u>104,100,301</u>	<u>1,423,607</u>	<u>145,598</u>	<u>105,378,310</u>
Less accumulated depreciation for				
Buildings	(18,734,521)	(2,001,340)	-	(20,735,861)
Vehicles	(2,991,389)	(196,332)	145,598	(3,042,123)
Equipment	(1,147,496)	(107,768)	-	(1,255,264)
Total accumulated depreciation	<u>(22,873,406)</u>	<u>(2,305,440)</u>	<u>145,598</u>	<u>(25,033,248)</u>
Total capital assets being depreciated, net	<u>81,226,895</u>	<u>(881,833)</u>	<u>-</u>	<u>80,345,062</u>
Capital assets, net	<u>\$ 84,478,017</u>	<u>\$ (517,956)</u>	<u>\$ 405,663</u>	<u>\$ 83,554,398</u>

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**3. CAPITAL ASSETS (cont.)**

In the government-wide Statement of Activities the column labeled "Expenses" includes charges for depreciation expense to the following functions or programs:

<u>EXPENSE</u>	
Instruction	\$ 1,958,630
Food services	9,168
Administration	141,310
Transportation	<u>196,332</u>
Total	<u>\$ 2,305,440</u>

The School District's capitalization policy is to capitalize equipment over \$5,000 and buildings over \$20,000.

**4. CHANGES IN LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS**

A summary of general long-term debt transactions of the District, for the year ended June 30, 2015, follows:

	<u>BALANCE</u> <u>7/1/2014</u>	<u>ADDITIONS</u>	<u>RETIREMENT</u>	<u>BALANCE</u> <u>6/30/2015</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
General obligation bond	\$ -	\$ -	\$ -	\$ -	\$ -
Gen. oblig. bond-building	31,145,000	-	1,985,000	29,160,000	1,975,000
Gen. oblig. bond-building	17,155,000	-	485,000	16,670,000	485,000
Capital lease payment	-	-	-	-	-
OPEB liability	327,379	37,848	-	365,227	365,227
Compensated absences	<u>487,434</u>	<u>-</u>	<u>25,645</u>	<u>461,789</u>	<u>461,789</u>
Total	<u>\$ 49,114,813</u>	<u>\$ 37,848</u>	<u>\$ 2,495,645</u>	<u>\$ 46,657,016</u>	<u>\$ 3,287,016</u>

The schedule below presents the outstanding notes and bonds payable included in the Long-term Debt.

General Obligation School Building Bonds Refunding due in annual installments ranging from \$3,254,575 to \$3,309,750 including interest ranging from 2.0% to 5.0%.

\$ 29,160,000

\$19,500,000 General Obligation School Building Bonds due in annual installments ranging from \$1,306,800 to \$4,586,600 including interest ranging from 4.0% to 5.25%.

16,670,000

\$ 45,830,000

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**4. CHANGES IN LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS (cont.)**

Annual requirements to amortize all bonded long-term notes payable outstanding, as of June 30, 2015, follow:

Debt service requirements to amortize bond debt to maturity as of June 30, 2015, are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 2,480,000	\$ 1,981,275	\$ 4,461,275
2017	2,600,000	1,898,144	4,498,144
2018	2,830,000	1,853,538	4,683,538
2019	2,910,000	1,728,888	4,638,888
2020	3,085,000	1,592,304	4,677,304
2021-2025	17,150,000	5,840,827	22,990,827
2026-2030	14,775,000	1,510,550	16,285,550
Total	<u>\$ 45,830,000</u>	<u>\$ 16,405,526</u>	<u>\$ 62,235,526</u>

During a previous year, the \$40,500,000 General Obligation School Building Bond was refunded by the \$25,195,000 General Obligation School Building Refunding Bonds Series 2014 AB. The cash flows required to service the old debt are \$36,507,891. The cash flows required to service the new debt are \$34,458,347. This results in an economic gain of \$2,049,544 over time from this advanced refunding transaction.

The debt balance at June 30, 2015 defeased through this advanced refunding was \$26,775,000.

**5. NONMONETARY TRANSACTIONS**

The District received \$89,014 in USDA Commodities during the 2014-2015 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and expense of the fund receiving the commodities.

**6. DEFICIT FUND BALANCES**

The deficit fund balances as of June 30, 2015 are as follows:

	<u>DEFICIT</u>
Drivers Ed 241	\$ 4,066

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**7. PENSION PLANS**

*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](http://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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

	<u>2014</u>
Active plan members	66,223
Terminated employees entitled to but not yet receiving benefits	11,504
Retirees and beneficiaries currently receiving benefits	<u>40,776</u>
Total system members	<u><u>118,503</u></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% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

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 of 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

*Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limits, 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.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**7. PENSION PLANS (cont.)**

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2014 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The District's contributions were \$1,888,338.00 for the year ended June 30, 2014.

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

At June 30, 2014, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, 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 July 1, 2014, the District's proportion was .6157486 percent.

For the year ended June 30, 2015, the District recognized pension expense (revenue) of \$1,384,122.00. At June 30, 2015, the District 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 experience	\$ -	\$ 56,286
Changes in assumptions or other inputs	377,322	-
Net difference between projected and actual earnings on pension plan investments	-	5,677,353
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
District contributions subsequent to the measurement date	1,946,292	-
	<hr/>	<hr/>
Total	\$ <u>2,323,614</u>	\$ <u>6,240,039</u>

\$1,946,292.00 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, 2015.

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, 2013 the beginning of the measurement period ended June 30, 2014 is 5.6 years.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**7. PENSION PLANS (cont.)**

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

**Year ended June 30:**

2015	\$ (1,459,635)
2016	(1,459,635)
2017	(1,459,635)
2018	(1,459,635)
2019	<u>(24,178)</u>
Total	\$ <u><u>(5,862,718)</u></u>

*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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return (net of investment expenses)	7.1%
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 on 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, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**7. PENSION PLANS (cont.)**

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on the 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 show 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.

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long- Term Expected Real Rate of Return</b>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	6.9%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation – Mean			3.25%
Assumed Inflation – Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b><u>7.10%</u></b>

*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.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**7. PENSION PLANS (cont.)**

*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%, 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%) or 1-percentage-point higher (8.10%) than the current rate.

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
Employer's proportionate share of the net pension liability (asset)	\$ 15,741,345	\$ 4,532,873	\$ (4,784,634)

*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, 2015, the District had no payables for the defined benefit pension plan.

**8. CONTINGENCIES**

As of the balance sheet date, there are no known claims or lawsuits against the District. All claims and lawsuits are handled by the District's insurance company and the probability of potential loss in excess of insurance coverage is remote.

**9. RISK MANAGEMENT**

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers and from participation in a risk pool. The District's participation in the risk pool is limited to paying premiums for its general liability insurance coverage. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in coverage from that of the previous year.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**10. SUBSEQUENT EVENTS**

There are no known subsequent events that will have a material impact on the operation of the District. Subsequent events have been considered through the report date of September 17, 2015.

**11. INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer from:	General Fund	\$	601,867
Transfer to:	School Plant Facilities	\$	601,867

Transfer was for the accumulation of funds for future replacement of capital assets (bus depreciation).

Interfund balances consist of the General Fund covering negative cash balances for Other Special Revenue Funds. The total amount of the balance was \$805,397.

**12. POSTEMPLOYMENT BENEFITS**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the District recognizes the cost of postemployment healthcare in the year when employee services are received. This reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. The District is adopting the requirements of GASB Statement No. 45 in 2009, recognition of the liability is included in the financial statement as a liability in 2015.

*Plan Descriptions.* The School District provides continuation of medical insurance coverage to employees who retire at end of their service to the District before the age of 65.

The School District Plan is administered by District personnel. No separate financial statements are issued. The following is a summary of the Plan:

	Accrued Liability	Annual Required Contribution	Participant Counts
Active Participants	\$ 285,817	\$ 41,582	293
Retirees, Spouses, and Surviving Spouses	79,410	3,311	13
	<u>\$ 365,227</u>	<u>\$ 44,893</u>	<u>306</u>

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**12. POSTEMPLOYMENT BENEFITS (cont.)**

	<u><b>Annual Required Contributions (ARC)</b></u>
Normal Cost as of June 30, 2015	\$ 28,454
Actuarial Accrued Liability (AAL)	\$ 365,227
Actuarial Value of Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 365,227
Amortization Factor	25.0
Amortization of the Unfunded Actuarial Accrued Liability	\$ 44,893
Annual Required Contribution for Fiscal Year Ending 6-30-15	\$ 44,893

	<u><b>Annual OPEB Cost</b></u>
Annual Required Contribution as of 6-30-15	\$ 44,893
Net OPEB Obligation at 7-01-15	\$ 134,297
Interest on Net OPEB Obligation	\$ -
Amortization Factor	25.0
ARC Adjustment	\$ -
Annual OPEB Cost	\$ 45,167

	<u><b>Schedule of Funding Progress</b></u>
Actuarial Valuation Date	7-01-14
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL)	\$ 365,227
Unfunded Actuarial Accrued Liability (UAAL)	\$ 365,227
Funded Ratio	0.00%

In future years, three-year trend information will be presented. Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 25 years on a level dollar open basis.

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**12. POSTEMPLOYMENT BENEFITS (cont.)**

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 4.25% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 4.25% rate. The valuation assumes a 3.10% healthcare cost trend increase for fiscal year 2014-15, reduced by decrements to a rate of .50% after six years.

**13. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of bond issue expenses from previous bond issues and pension contributions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources for the Statement of Net Position consist of bond premiums from outstanding bonds that will reduce the interest expense in future periods and pension earnings. The District has one type of item, which arises only under a modified accrual basis of accounting (fund level) that qualifies for reporting in this category. Accordingly the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that amounts become available.

A summary of deferred inflows and outflows follows:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED OUTFLOWS OF RESOURCES
Bond Issue Expenses	\$ 524,546	\$ -
Bond Premiums		2,248,036
Pension Contributions	2,323,614	
Pension Earnings		6,240,039
	<u>\$ 2,848,160</u>	<u>\$ 8,488,075</u>

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**13. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (cont.)**

Deferred inflows of resources at June 30, 2015, represent revenues that are not available for use by the District to liquidate current year liabilities. A summary of deferred inflows by fund follows:

	GENERAL	DEBT SERVICE	SCHOOL PLANT FACILITIES	SPECIAL REVENUE	TOTAL
Property Tax	\$ 5,535	\$ 103,626	\$ 39,850	\$ -	\$ 149,011
Other Revenue	-	-	-	1,200	1,200
TOTAL	<u>\$ 5,535</u>	<u>\$ 103,626</u>	<u>\$ 39,850</u>	<u>\$ 1,200</u>	<u>\$ 150,211</u>

**14. NET POSITION RESTATEMENT**

Adoption of GASB 68 required a restatement of the beginning Net Position in the amount of \$9,891,374 for the pension liability and related deferred outflows and inflows.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**MADISON SCHOOL DISTRICT #321**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY PERSI – BASE PLAN**  
**LAST 10 – FISCAL YEARS\***

	<b>2015</b>
Employer's portion of net the pension liability	.6157486 %
Employer's proportionate share of the net pension liability	\$ 4,532,873
Employer's covered-employee payroll	\$ 18,116,942
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	25.02 %
Plan fiduciary net position as a percentage of the total pension liability	94.95 %

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

Data reported is measured as of July 1, 2014

**MADISON SCHOOL DISTRICT #321**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS PERSI – BASE PLAN**  
**LAST 10 – FISCAL YEARS\***

	<b>2015</b>
Statutorily required contribution	\$ 1,888,338
Contributions in relation to the statutorily required contribution	\$ 1,946,292
Contribution (deficiency) excess	\$ 57,954
Employer's covered-employee payroll	\$ 18,116,942
Contributions as a percentage of covered-employee payroll	10.74 %

\*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 is reported is measured as of June 30, 2015.

**MADISON SCHOOL DISTRICT #321**  
**BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND**  
**For the year ended June 30, 2015**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ 599,428	\$ 599,428	\$ 423,529	\$ (175,899)
Intergovernmental-State	22,430,204	22,430,204	22,436,218	6,014
Intergovernmental-Federal	100,000	100,000	118,222	18,222
Charges for services	-	-	-	-
Investment earnings	6,000	6,000	42,240	36,240
Miscellaneous	-	-	-	-
Other revenue	52,000	52,000	102,603	50,603
<b>TOTAL REVENUES</b>	<b>23,187,632</b>	<b>23,187,632</b>	<b>23,122,812</b>	<b>(64,820)</b>
<b>EXPENDITURES</b>				
Instruction	14,137,001	14,137,001	13,783,071	353,930
Instruction and media services	172,393	172,393	178,509	(6,116)
Instruction improvement	171,927	171,927	177,769	(5,842)
Special services	575,934	575,934	597,873	(21,939)
Plant maintenance and operation	2,865,134	2,865,134	2,611,481	253,653
General administration	2,782,595	2,782,595	2,959,122	(176,527)
Guidance, counseling, and evaluation	404,017	404,017	395,568	8,449
Transportation	1,351,017	1,351,017	1,457,500	(106,483)
Food service	35,287	35,287	33,454	1,833
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	515,000	515,000	-	515,000
<b>TOTAL EXPENDITURES</b>	<b>23,010,305</b>	<b>23,010,305</b>	<b>22,194,347</b>	<b>815,958</b>
Excess (deficiency) of revenues over expenditures	177,327	177,327	928,465	751,138
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(77,000)	(77,000)	(601,867)	(524,867)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(77,000)</b>	<b>(77,000)</b>	<b>(601,867)</b>	<b>(524,867)</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 100,327</b>	<b>\$ 100,327</b>	<b>326,598</b>	<b>\$ 226,271</b>
Fund balances - Beginning			1,996,696	
<b>FUND BALANCES - Ending</b>			<b>\$ 2,323,294</b>	

**MADISON SCHOOL DISTRICT #321**  
**BUDGET AND ACTUAL (WITH VARIANCES) - FOOD SERVICE**  
**For the year ended June 30, 2015**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental-State	-	-	-	-
Intergovernmental-Federal	888,000	888,000	906,641	18,641
Charges for services	375,000	375,000	453,285	78,285
Investment earnings	100	100	226	126
Miscellaneous	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>1,263,100</b>	<b>1,263,100</b>	<b>1,360,152</b>	<b>97,052</b>
<b>EXPENDITURES</b>				
Instruction	-	-	-	-
Instruction and media services	-	-	-	-
Instruction improvement	-	-	-	-
Special services	-	-	-	-
Plant maintenance and operation	-	-	-	-
General administration	-	-	-	-
Guidance, counseling, and evaluation	-	-	-	-
Transportation	-	-	-	-
Food service	1,256,500	1,256,500	1,371,229	(114,729)
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,256,500</b>	<b>1,256,500</b>	<b>1,371,229</b>	<b>(114,729)</b>
Excess (deficiency) of revenues over expenditures	<b>6,600</b>	<b>6,600</b>	<b>(11,077)</b>	<b>(17,677)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 6,600</b>	<b>\$ 6,600</b>	<b>(11,077)</b>	<b>\$ (17,677)</b>
Fund balances - Beginning			<b>186,069</b>	
<b>FUND BALANCES - Ending</b>			<b>\$ 174,992</b>	

**MADISON SCHOOL DISTRICT #321**  
**BUDGET AND ACTUAL (WITH VARIANCES) - DEBT SERVICE**  
**For the year ended June 30, 2015**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ 4,520,000	\$ 4,520,000	\$ 4,004,849	\$ (515,151)
Intergovernmental-State	800,000	800,000	895,854	95,854
Intergovernmental-Federal	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	2,000	2,000	3,078	1,078
Miscellaneous	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>5,322,000</b>	<b>5,322,000</b>	<b>4,903,781</b>	<b>(418,219)</b>
<b>EXPENDITURES</b>				
Instruction	-	-	-	-
Instruction and media services	-	-	-	-
Instruction improvement	-	-	-	-
Special services	-	-	-	-
Extracurricular	-	-	-	-
Plant maintenance and operation	-	-	-	-
General administration	-	-	-	-
Guidance, counseling, and evaluation	-	-	-	-
Transportation	-	-	-	-
Food service	-	-	-	-
Debt Service:				
Principal	2,470,000	2,470,000	2,470,000	-
Interest and other charges	1,930,890	1,930,890	1,933,382	(2,492)
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,400,890</b>	<b>4,400,890</b>	<b>4,403,382</b>	<b>(2,492)</b>
Excess (deficiency) of revenues over expenditures	921,110	921,110	500,399	(420,711)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond refunding	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	\$ 921,110	\$ 921,110	500,399	\$ (420,711)
Fund balances - Beginning			3,344,989	
<b>FUND BALANCES - Ending</b>			<b>\$ 3,845,388</b>	

**MADISON SCHOOL DISTRICT #321****BUDGET AND ACTUAL (WITH VARIANCES) - SCHOOL PLANT FACILITIES****For the year ended June 30, 2015**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ 1,490,000	\$ 1,490,000	\$ 1,502,260	\$ 12,260
Intergovernmental-State	265,000	265,000	263,772	(1,228)
Intergovernmental-Federal	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	3,000	3,000	39,344	36,344
Other revenue	-	-	30,168	30,168
<b>TOTAL REVENUES</b>	<b>1,758,000</b>	<b>1,758,000</b>	<b>1,835,544</b>	<b>77,544</b>
<b>EXPENDITURES</b>				
Instruction	-	-	-	-
Instruction and media services	-	-	-	-
Instruction improvement	-	-	-	-
Special services	-	-	-	-
Plant maintenance and operation	-	-	-	-
General administration	75,000	75,000	174,895	(99,895)
Guidance, counseling, and evaluation	-	-	-	-
Transportation	-	-	-	-
Food service	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	960,000	960,000	1,266,392	(306,392)
<b>TOTAL EXPENDITURES</b>	<b>1,035,000</b>	<b>1,035,000</b>	<b>1,441,287</b>	<b>(406,287)</b>
Excess (deficiency) of revenues over expenditures	723,000	723,000	394,257	(328,743)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	77,000	77,000	601,867	524,867
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>77,000</b>	<b>77,000</b>	<b>601,867</b>	<b>524,867</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	16,660	16,660
Net change in fund balances	\$ 800,000	\$ 800,000	1,012,784	\$ 212,784
Fund balances - Beginning			(850,065)	
<b>FUND BALANCES - Ending</b>			<b>\$ 162,719</b>	

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2015**

**SCHEDULES OF EMPLOYER CONTRIBUTIONS AND EMPLOYER'S SHARE OF NET PENSION LIABILITY**

1. These schedules are prepared on the accrual basis of accounting.
2. Changes of assumptions produced a \$377,322 deferred outflows of resources this year.

**BUDGET TO ACTUAL STATEMENTS**

1. The legally adopted budget for Madison School District #321 is based on the modified accrual basis of accounting.
2. Actual expenditures exceeded the budget in the major funds for Food Service Fund, Debt Service, and School Plant Facilities; however additional monies were available to cover expenditures.

## **SUPPLEMENTARY INFORMATION**

**MADISON SCHOOL DISTRICT #321**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2015**

	<b>FEDERAL FOREST RESERVE 220</b>	<b>DISTRICT E- RATE FUND 231</b>	<b>3L FUND 232</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,082	\$ 1,882	\$ 571,111
Receivable from other governments	20,197	-	-
Taxes receivable, net	-	-	-
Inventory	-	-	-
<b>TOTAL ASSETS</b>	<b>47,279</b>	<b>1,882</b>	<b>571,111</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Expenditures unavailable for use	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 47,279</b>	<b>\$ 1,882</b>	<b>\$ 571,111</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 1,580	\$ -
Other accrued expenses	-	-	-
Interfund payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,580</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenue unavailable for use	-	-	-
<b>FUND BALANCES</b>			
Nonspendable: Inventory	-	-	-
Assigned: Other Purposes	47,279	302	571,111
<b>TOTAL FUND BALANCES</b>	<b>47,279</b>	<b>302</b>	<b>571,111</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 47,279</b>	<b>\$ 1,882</b>	<b>\$ 571,111</b>

<b>PAT DATABASE 233</b>	<b>ICF 239</b>	<b>DRIVERS ED 241</b>	<b>PRO TECH 243</b>	<b>TECHNOLOGY ICTL 245</b>
\$ 7,214	\$ 690,430	\$ 6,321	\$ -	\$ 265,846
-	-	1,100	40,763	-
-	-	-	-	-
-	-	-	-	-
7,214	690,430	7,421	40,763	265,846
-	-	-	-	-
\$ 7,214	\$ 690,430	\$ 7,421	\$ 40,763	\$ 265,846
\$ -	\$ -	\$ 686	\$ 10,901	\$ 246,514
-	-	9,601	11,617	-
-	-	-	9,766	-
-	-	10,287	32,284	246,514
-	-	1,200	-	-
-	-	-	-	-
7,214	690,430	(4,066)	8,479	19,332
7,214	690,430	(4,066)	8,479	19,332
\$ 7,214	\$ 690,430	\$ 7,421	\$ 40,763	\$ 265,846

**MADISON SCHOOL DISTRICT #321**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2015**

	STATE SAFE & DRUG FREE SCHOOLS 246	STATE PROFESSIONAL DEVELOP 247	STATE LEP 248
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,231	\$ 86,011	\$ 32,804
Receivable from other governments	-	-	-
Taxes receivable, net	-	-	-
Inventory	-	-	-
<b>TOTAL ASSETS</b>	<b>35,231</b>	<b>86,011</b>	<b>32,804</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Expenditures unavailable for use	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 35,231</b>	<b>\$ 86,011</b>	<b>\$ 32,804</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 248	\$ -
Other accrued expenses	-	20,507	7,417
Interfund payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>20,755</b>	<b>7,417</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenue unavailable for use	-	-	-
<b>FUND BALANCES</b>			
Nonspendable: Inventory	-	-	-
Assigned: Other Purposes	35,231	65,256	25,387
<b>TOTAL FUND BALANCES</b>	<b>35,231</b>	<b>65,256</b>	<b>25,387</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 35,231</b>	<b>\$ 86,011</b>	<b>\$ 32,804</b>

<b>MEDICAID REIMBURSE 249</b>	<b>TL1 DISADV 251</b>	<b>TL1 MIGRANT 253</b>	<b>TITLE VIB 257</b>	<b>VIB PRESCHOOL 258</b>
\$ 498,757	\$ -	\$ -	\$ -	\$ -
191,307	455,191	2,836	336,604	6,308
-	-	-	-	-
-	-	-	-	-
690,064	455,191	2,836	336,604	6,308
-	-	-	-	-
\$ 690,064	\$ 455,191	\$ 2,836	\$ 336,604	\$ 6,308
\$ -	\$ 9,809	\$ -	\$ 2,533	\$ -
84,327	145,228	2,766	57,230	2,390
-	160,383	70	159,494	3,918
84,327	315,420	2,836	219,257	6,308
-	-	-	-	-
-	-	-	-	-
605,737	139,771	-	117,347	-
605,737	139,771	-	117,347	-
\$ 690,064	\$ 455,191	\$ 2,836	\$ 336,604	\$ 6,308

**MADISON SCHOOL DISTRICT #321**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2015**

	<b>CPIII PRO TECH FUND 263</b>	<b>THII LEP 270</b>	<b>THIA 271</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 4,388
Receivable from other governments	58,942	17,130	173
Taxes receivable, net	-	-	-
Inventory	-	-	-
<b>TOTAL ASSETS</b>	<b>58,942</b>	<b>17,130</b>	<b>4,561</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Expenditures unavailable for use	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 58,942</b>	<b>\$ 17,130</b>	<b>\$ 4,561</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 6,666	\$ -	\$ 704
Other accrued expenses	585	2,009	3,684
Interfund payable	51,691	15,121	-
<b>TOTAL LIABILITIES</b>	<b>58,942</b>	<b>17,130</b>	<b>4,388</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenue unavailable for use	-	-	-
<b>FUND BALANCES</b>			
Nonspendable: Inventory	-	-	-
Assigned: Other Purposes	-	-	173
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>173</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 58,942</b>	<b>\$ 17,130</b>	<b>\$ 4,561</b>

<b>MADISON COMMUNITY COUNCIL 275</b>	<b>PROJECT AWARE 278</b>	<b>21ST CENTURY CHS &amp; SF 279</b>	<b>21ST CENTURY JHS &amp; KENNEDY 283</b>	<b>CHILD MENTAL HEALTH 287</b>
\$ -	\$ -	\$ -	\$ -	\$ -
76,364	32,809	25,870	35,703	345,829
-	-	-	-	-
-	-	-	-	-
76,364	32,809	25,870	35,703	345,829
-	-	-	-	-
-	-	-	-	-
\$ 76,364	\$ 32,809	\$ 25,870	\$ 35,703	\$ 345,829
\$ 187	\$ -	\$ -	\$ -	\$ 19,020
-	-	-	-	-
34,298	28,502	25,870	35,703	280,581
34,485	28,502	25,870	35,703	299,601
-	-	-	-	-
-	-	-	-	-
41,879	4,307	-	-	46,228
41,879	4,307	-	-	46,228
\$ 76,364	\$ 32,809	\$ 25,870	\$ 35,703	\$ 345,829

**MADISON SCHOOL DISTRICT #321**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2015**

	<b>OTHER SPECIAL FUNDS 288</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 165,505	\$ 2,392,582
Receivable from other governments	-	1,647,126
Taxes receivable, net	-	-
Inventory	-	-
<b>TOTAL ASSETS</b>	<b>165,505</b>	<b>4,039,708</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Expenditures unavailable for use	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 165,505</b>	<b>\$ 4,039,708</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 2,793	301,641
Other accrued expenses	-	347,361
Interfund payable	-	805,397
<b>TOTAL LIABILITIES</b>	<b>2,793</b>	<b>1,454,399</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Revenue unavailable for use	-	1,200
<b>FUND BALANCES</b>		
Nonspendable: Inventory	-	-
Assigned: Other Purposes	162,712	2,584,109
<b>TOTAL FUND BALANCES</b>	<b>162,712</b>	<b>2,584,109</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 165,505</b>	<b>\$ 4,039,708</b>

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**MADISON SCHOOL DISTRICT #321**  
**COMBINING STATEMENT OF**  
**REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE**  
**FUNDS**  
**For the Year Ended June 30, 2015**

	<b>FEDERAL FOREST RESERVE 220</b>	<b>DISTRICT E- RATE FUND 231</b>	<b>3L FUND 232</b>
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental-State	-	-	-
Intergovernmental-Federal	20,923	-	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Other revenue	-	48,529	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	20,923	48,529	-
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Instruction	-	-	-
Special services	-	-	-
Instruction improvement	-	-	24,944
Support services	-	-	-
General administration	-	66,769	-
Capital outlay	197,534	-	-
Debt service-principal	-	-	-
Debt service-interest	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	197,534	66,769	24,944
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(176,611)	(18,240)	(24,944)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
	<hr/>	<hr/>	<hr/>
<b>SPECIAL ITEM</b>			
Proceeds from sale of equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(176,611)	(18,240)	(24,944)
	<hr/>	<hr/>	<hr/>
Fund balance - Beginning	223,890	18,542	596,055
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES - Ending</b>	<u>\$ 47,279</u>	<u>\$ 302</u>	<u>\$ 571,111</u>

<b>PAT DATABASE 233</b>	<b>ICF 239</b>	<b>DRIVERS ED 241</b>	<b>PRO TECH 243</b>	<b>TECHNOLOGY ICTL 245</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	30,063	133,237	240,429
-	-	-	-	-
-	-	26,765	-	-
-	-	-	-	-
-	-	-	-	-
10	57,564	-	-	-
<u>10</u>	<u>57,564</u>	<u>56,828</u>	<u>133,237</u>	<u>240,429</u>
-	-	54,187	127,498	352,487
-	-	-	-	-
1,591	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,591</u>	<u>-</u>	<u>54,187</u>	<u>127,498</u>	<u>352,487</u>
(1,581)	57,564	2,641	5,739	(112,058)
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,581)	57,564	2,641	5,739	(112,058)
<u>8,795</u>	<u>632,866</u>	<u>(6,707)</u>	<u>2,740</u>	<u>131,390</u>
<u>\$ 7,214</u>	<u>\$ 690,430</u>	<u>\$ (4,066)</u>	<u>\$ 8,479</u>	<u>\$ 19,332</u>

**MADISON SCHOOL DISTRICT #321**  
**COMBINING STATEMENT OF**  
**REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE**  
**FUNDS**  
**For the Year Ended June 30, 2015**

	STATE SAFE & DRUG FREE SCHOOLS 246	STATE PROFESSIONAL DEVELOP 247	STATE LEP 248
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental-State	35,275	125,581	37,077
Intergovernmental-Federal	-	-	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Other revenue	-	5,358	46,181
	<u>35,275</u>	<u>130,939</u>	<u>83,258</u>
<b>EXPENDITURES</b>			
Instruction	-	-	57,871
Special services	-	-	-
Instruction improvement	44	65,683	-
Support services	-	-	-
General administration	-	-	-
Capital outlay	-	-	-
Debt service-principal	-	-	-
Debt service-interest	-	-	-
	<u>44</u>	<u>65,683</u>	<u>57,871</u>
Excess (deficiency) of revenues over expenditures	35,231	65,256	25,387
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>			
Proceeds from sale of equipment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	35,231	65,256	25,387
Fund balance - Beginning	-	-	-
<b>FUND BALANCES - Ending</b>	<u>\$ 35,231</u>	<u>\$ 65,256</u>	<u>\$ 25,387</u>

<b>MEDICAID REIMBURSE 249</b>	<b>TL1 DISADV 251</b>	<b>TL1 MIGRANT 253</b>	<b>TITLE VIB 257</b>	<b>VIB PRESCHOOL 258</b>
\$ -	\$ -	\$ -	\$ -	\$ -
1,497,929	-	-	-	-
-	963,718	15,573	854,475	29,202
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,497,929</u>	<u>963,718</u>	<u>15,573</u>	<u>854,475</u>	<u>29,202</u>
986,126	949,215	14,360	710,192	28,047
-	-	-	-	-
-	15,241	1,213	37,577	1,155
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>986,126</u>	<u>964,456</u>	<u>15,573</u>	<u>747,769</u>	<u>29,202</u>
511,803	(738)	-	106,706	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
511,803	(738)	-	106,706	-
93,934	140,509	-	10,641	-
<u>\$ 605,737</u>	<u>\$ 139,771</u>	<u>\$ -</u>	<u>\$ 117,347</u>	<u>\$ -</u>

**MADISON SCHOOL DISTRICT #321**  
**COMBINING STATEMENT OF**  
**REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE**  
**FUNDS**  
**For the Year Ended June 30, 2015**

	<b>CPIII PRO TECH FUND 263</b>	<b>TIH LEP 270</b>	<b>THA 271</b>
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental-State	-	-	-
Intergovernmental-Federal	58,942	17,473	156,733
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Other revenue	-	-	-
	<u>58,942</u>	<u>17,473</u>	<u>156,733</u>
<b>EXPENDITURES</b>			
Instruction	58,942	17,473	-
Special services	-	-	-
Instruction improvement	-	-	156,560
Support services	-	-	-
General administration	-	-	-
Capital outlay	-	-	-
Debt service-principal	-	-	-
Debt service-interest	-	-	-
	<u>58,942</u>	<u>17,473</u>	<u>156,560</u>
Excess (deficiency) of revenues over expenditures	-	-	173
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>			
Proceeds from sale of equipment	-	-	-
Net change in fund balances	-	-	173
Fund balance - Beginning	-	-	-
<b>FUND BALANCES - Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 173</u></u>

<b>MADISON COMMUNITY COUNCIL 275</b>	<b>PROJECT AWARE 278</b>	<b>21ST CENTURY CHS &amp; SF 279</b>	<b>21ST CENTURY JHS &amp; KENNEDY 283</b>	<b>CHILD MENTAL HEALTH 287</b>
\$ -	\$ -	\$ -	\$ -	\$ -
100,000	-	-	-	-
-	50,000	110,214	113,252	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
100,000	50,000	110,214	113,252	-
-	-	-	-	-
-	-	-	-	-
58,121	45,693	110,214	113,252	1,221,785
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
58,121	45,693	110,214	113,252	1,221,785
41,879	4,307	-	-	(1,221,785)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
41,879	4,307	-	-	(1,221,785)
-	-	-	-	1,268,013
\$ 41,879	\$ 4,307	\$ -	\$ -	\$ 46,228

**MADISON SCHOOL DISTRICT #321  
COMBINING STATEMENT OF  
REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE  
FUNDS**

**For the Year Ended June 30, 2015**

	<b>OTHER SPECIAL FUNDS 288</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
<b>REVENUES</b>		
Property taxes	\$ -	\$ -
Intergovernmental-State	55,604	2,255,195
Intergovernmental-Federal	-	2,390,505
Charges for services	-	26,765
Investment earnings	-	-
Miscellaneous	-	-
Other revenue	758,561	916,203
	<u>814,165</u>	<u>5,588,668</u>
<b>EXPENDITURES</b>		
Instruction	-	3,356,398
Special services	-	-
Instruction improvement	802,605	2,655,678
Support services	-	-
General administration	-	66,769
Capital outlay	-	197,534
Debt service-principal	-	-
Debt service-interest	-	-
	<u>802,605</u>	<u>6,276,379</u>
Excess (deficiency) of revenues over expenditures	11,560	(687,711)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	-	-
	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>		
Proceeds from sale of equipment	-	-
Net change in fund balances	11,560	(687,711)
Fund balance - Beginning	<u>151,152</u>	<u>3,271,820</u>
<b>FUND BALANCES - Ending</b>	<u><u>\$ 162,712</u></u>	<u><u>\$ 2,584,109</u></u>

**MADISON SCHOOL DISTRICT #321 - STATE OF IDAHO**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2015**

	<b>BALANCE</b> <b>07/01/14</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>BALANCE</b> <b>06/30/15</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 635,150	\$ 1,871,037	\$ 1,772,999	\$ 733,188
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to student organizations				
Elementary Schools:				
Adams	4,771	73,980	70,773	7,978
Burton	20,733	36,880	34,836	22,777
Hibbard	3,665	28,150	26,708	5,107
Kennedy	21,826	50,274	42,195	29,905
Lincoln	17,087	24,075	28,421	12,741
South Fork	28,930	34,473	28,549	34,854
Middle Schools:				
Madison Middle School	69,724	75,291	81,256	63,759
Junior High Schools				
Madison Junior High School	82,588	307,737	319,257	71,068
High Schools				
Madison High School	349,195	1,185,029	1,085,570	448,654
Central High School	36,631	55,148	55,434	36,345
<b>TOTAL LIABILITIES</b>	<b>\$ 635,150</b>	<b>\$ 1,871,037</b>	<b>\$ 1,772,999</b>	<b>\$ 733,188</b>

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## **OTHER SUPPLEMENTARY INFORMATION**

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**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**

***INDEPENDENT AUDITOR'S REPORT***

The Board of Trustees  
Madison School District #321  
Rexburg, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison School District #321, as of and for the year ended June 30, 2015, 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 17, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Madison School District #321'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 Madison School District #321's internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison School District #321's internal control.

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

Our consideration of 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 Madison School District #321'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.

*Searle Hart & Associates PLLC*

Rexburg, Idaho

September 17, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees  
Madison School District #321  
Rexburg, Idaho

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

We have audited Madison School District #321's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Madison School District #321's major federal programs for the year ended June 30, 2015. Madison School District #321's major federal programs are identified in the summary of auditor's results section of accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Madison School District #321's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison School District #321'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 on Madison School District #321's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Madison School District #321 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, 2015.

## Report on Internal Control over Compliance

Management of Madison School District #321 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison School District #321'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 circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison School District #321'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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Searle Hart & Associates PLLC*

Rexburg, Idaho

September 17, 2015

**MADISON SCHOOL DISTRICT #321**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>FEDERAL CFDA NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed Through State Department of Education:		
School Breakfast	10.553	\$ 37,057
National School Lunch	10.555	779,809
Summer Food Program	10.559	89,775
Passed Through Madison County:		
Forest Reserve	10.665	197,533
TOTAL OF DEPARTMENT OF AGRICULTURE		<u>1,104,174</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
Passed Through State Department of Education:		
Title 1 Grant to Local Educational Agencies	84.010	963,238
Migrant Education Basic State Grant Program	84.011	15,573
Special Education-Grants to States	84.027	747,770
Vocational Education Basic Grants to States	84.048	58,942
Special Education Preschool Grants	84.173	29,202
Twenty First Century Community Learning Grant	84.287	223,466
English Language Acquisition Grants	84.365	17,473
Improving Teacher Quality	84.367	156,560
TOTAL OF DEPARTMENT OF EDUCATION		<u>2,212,224</u>
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>		
Direct		
Child Mental Health Services	93.104	1,221,748
Project Aware	93.243	45,693
TOTAL OF DEPARTMENT HEALTH & HUMAN SERVICES		<u>1,267,441</u>
TOTAL		<u>\$ 4,583,839</u>

**MADISON SCHOOL DISTRICT #321**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting as described in Note 1 of the District's financial statements.

**NOTE 2- NONMONETARY TRANSACTIONS**

Nonmonetary assistance is reported for the Food Distribution Program at fair market value of commodities received which established by the State Department of Education. The District held an undetermined amount of those commodities in inventory at June 30, 2015.

**MADISON SCHOOL DISTRICT #321**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weaknesses Identified	<u>      </u> YES	<u>  X  </u> NO
Significant Deficiencies Identified that are not considered to be material weaknesses	<u>      </u> YES	<u>  X  </u> None Reported
Noncompliance Material to financial statements noted	<u>      </u> YES	<u>  X  </u> NO

Federal Awards

Internal Control Over Major Programs:

Material Weaknesses Identified	<u>      </u> YES	<u>  X  </u> NO
Significant Deficiencies Identified that are not considered to be material weaknesses	<u>      </u> YES	<u>  X  </u> None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unmodified

Audit Findings Required to be reported in accordance with section 510(a) of Circular A-133	<u>      </u> YES	<u>  X  </u> NO
--	-------------------	-----------------

Identification of Major Programs:

84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster

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

Auditee Qualified as Low-Risk Auditee   X   YES        NO

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**MADISON SCHOOL DISTRICT #321  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

*None reported last year.*

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## **APPENDIX B**

### **PROPOSED FORM OF OPINION OF BOND COUNSEL**

Upon the delivery of the 2016 Bonds, Hawley Troxell Ennis & Hawley LLP, Bond Counsel, proposes to issue their final approving opinion in substantially the following form:

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[Date of Delivery]

School District No. 321, Madison County, State of Idaho  
60 W. Main Street  
Rexburg, ID 83440

Robert W. Baird & Co., Inc.  
1 Harding Road, Suite 207  
Red Bank, New Jersey 07701

School District No. 321, Madison County, State of Idaho  
General Obligation Refunding Bonds, Series 2016 (Idaho Sales Tax Guaranty)

This is to certify that we have acted as Bond Counsel in connection with the issuance by School District No. 321, Madison County, State of Idaho (the "District"), of its \$13,875,000 General Obligation Refunding Bonds, Series 2016 (Idaho Sales Tax Guaranty) (the "Bonds"), dated March 9, 2016, issued pursuant to a Resolution of the District adopted January 21, 2016 (the "Resolution"). The Bonds are being issued under the authority of chapter 11 of Title 33, chapters 2, 5 and 9 of Title 57 and Section 57-504, Idaho Code, as amended, for the purpose of refunding the debt service of certain principal repayment installments aggregating \$14,440,000 of the District's General Obligation Bond, Series 2008, dated November 25, 2008 (the "2008 Bond"). We have examined the Constitution and laws of the State of Idaho and such certified proceedings and other papers as we deem necessary to render this opinion.

Our services as Bond Counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Bonds under the applicable laws of the State of Idaho and to a review of the transcript of such proceedings and certifications. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Bonds bear interest from their date at the rates per annum payable pursuant to the provisions of the Resolution, and mature on the dates in each of the designated years and in the principal amounts set forth below:

<u>Due September 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$ 155,000	2.000
2017	170,000	2.000
2018	170,000	2.000
2019	775,000	2.000
2020	850,000	3.000
2021	820,000	3.000
2022	850,000	5.000
2023	890,000	5.000
2024	940,000	5.000
2025	1,000,000	5.000
2026	2,835,000	5.000
2027	4,420,000	3.000

The Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds are subject to optional call and redemption prior to maturity in the manner and pursuant to the terms thereof.

The District issued the 2008 Bond to the Idaho Bond Bank Authority (the “IBBA”) under a Loan Agreement dated as of November 1, 2008 (the “Loan Agreement”) between the District and the IBBA representing the principal amount of the “Repayment Installments” (as defined in the Loan Agreement) that relates to the corresponding principal amount of the IBBA’s Revenue Bonds, Series 2008E (the “IBBA Bonds”) coming due on and after September 15, 2019. The Repayment Installments to be refunded are herein referred to as the “Refunded Installments” and the IBBA Bonds to be refunded are herein referred to as the “Refunded IBBA Bonds.” A portion of the proceeds of the sale of the Bonds has been applied to the purchase of certain obligations of the United States of America, which obligations have been deposited in trust pursuant to an escrow agreement (the “Escrow Agreement”) among the District, the IBBA, and Zions Bank, a division of ZB, National Association, Seattle, Washington (“Zions Bank”), as escrow agent, in an escrow fund (the “Escrow Fund”) in such manner that the collection of the principal thereof and the interest thereon, together with a cash deposit therein, is to be applied by Zions Bank as paying agent to the payment of accrued interest on the Refunded Installments and to the prepayment of the Refunded Installments on September 15, 2018 (the “Redemption Date”), which in turn will be applied by Zions Bank to pay interest on the Refunded IBBA Bonds as such interest becomes due, and to pay the principal thereof pursuant to call on the Redemption Date.

We have relied upon an accountant’s report of Grant Thornton LLP, Certified Public Accountants, as to the accuracy of the mathematical computations concerning the adequacy of the maturing principal of and interest on the obligations of the United States of America, together with the other moneys in the Escrow Fund, to pay when due interest on the Refunded Installments, to be applied to interest on the Refunded IBBA Bonds, and to prepay the Refunded Installments and the principal of the Refunded IBBA Bonds on the Redemption Date. We have relied on calculations

made by Zions Public Finance, Inc., as municipal advisor for the District for (i) the calculation of the net interest cost on the Bonds compared to the net interest cost of the Refunded IBBA Bonds, and (ii) the calculation of savings in debt service to be realized by the District as a result of refunding the Refunded Installments and Refunded IBBA Bonds.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Resolution has been duly adopted and authorized by the District's Board of Trustees and constitutes a legal, valid, and binding agreement of the District, enforceable against the District in accordance with its terms, except as such enforceability may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally from time to time in effect and from the application of general principles of equity and public policy limitations on the exercise of any rights to indemnification and contribution.

2. The Bonds have been duly authorized, executed, and delivered under the Constitution and the laws of the State of Idaho.

3. The Bonds are valid and legally binding general obligations of the District, enforceable in accordance with their terms except to the extent such enforcement is limited by the bankruptcy laws of the United States of America and by the reasonable exercise of the sovereign police power of the State of Idaho.

4. Provision has been made for the levy and collection each year of ad valorem taxes on all the taxable property within the District sufficient to pay the principal of and interest on the Bonds as the same become due, and all of the taxable property in the District is subject to the levy of ad valorem taxes to pay the same without limitation as to rate or amount.

5. The interest on the Bonds is not includable in gross income of the owners of the Bonds for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The foregoing opinions set forth in this paragraph 5 assume that the District will comply with certain covenants in the Resolution relating to requirements of the Internal Revenue Code of 1986, as amended.

6. To the extent that interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes, interest on the Bonds is exempt from taxes imposed by the Idaho Income Tax Act, as amended.

7. Based upon the certificate of eligibility issued to the District by the Treasurer of the State of Idaho, payment of the interest and the principal of the Bonds when due is guaranteed by the sales tax collected by the State of Idaho under the provisions of the Idaho School Bond Guaranty Act, Title 33, chapter 53, Idaho Code.

8. Upon the issuance of the Bonds and the application of the proceeds thereof to advance refund the Refunded Installments and by such application to refund the Refunded IBBA Bonds in accordance with the Resolution, the Refunded Installments and the Refunded IBBA Bonds shall be

deemed duly paid and discharged for the purposes of the indebtedness limitation contained in Section 33-1103, Idaho Code, and all other purposes.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the Bonds should consult their own tax advisors as to the applicability of any such collateral consequences.

Very truly yours,

HAWLEY TROXELL ENNIS & HAWLEY LLP

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## **APPENDIX C**

### **PROPOSED FORM OF INFORMATION REPORTING AGREEMENT**

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**SCHOOL DISTRICT NO. 321,  
MADISON COUNTY, STATE OF IDAHO**

**INFORMATION REPORTING AGREEMENT**

Re: General Obligation Refunding Bonds, Series 2016 (Idaho Sales Tax Guaranty) (the "Bonds") dated March 9, 2016, of School District No. 321, Madison County, State of Idaho (the "Issuer") and issued pursuant to a Resolution authorizing the issuance of the sale of the Bonds (the "Resolution").

THIS INFORMATION REPORTING AGREEMENT (the "Agreement") is executed and delivered by the Issuer and Zions Public Finance, Inc. (also known for purposes of this Agreement as the "Disclosure Agent") as of the date set forth below in order for the Issuer to authorize and direct the Disclosure Agent, as the agent of the Issuer, to make certain information available to the public in compliance with Section (b)(5)(i) of Rule 15c2-12, as hereinafter defined.

WITNESSETH:

**1. Background.** The Issuer issued the Bonds pursuant to the Resolution. The CUSIP number assigned to the final maturity of the Bonds is 556819GE4.

**2. Appointment of Disclosure Agent.** The Issuer hereby appoints the Disclosure Agent, and any successor Disclosure Agent acting as such under the Resolution, as its agent under this Agreement to disseminate the financial information and notices furnished by the Issuer hereunder in the manner and at the times as herein provided and to discharge the other duties assigned.

**3. Information to be Furnished by the Issuer.** The Issuer hereby covenants for the benefit of the registered and beneficial owners of the Bonds that, as long as the Bonds are outstanding under the Resolution, the Issuer will deliver the following information to the Disclosure Agent:

a. No later than December 31 of each year, the audited financial statements of the Issuer prepared in accordance with generally-accepted accounting principles, together with the report thereon of the Issuer's independent auditors, beginning with fiscal year ending June 30, 2016. If audited financial statements are not available by the time specified herein, unaudited financial statements will be provided and audited financial statements will be provided when, and if, available. The Issuer shall include with each submission a written representation addressed to the Disclosure Agent to the effect that the financial statements are the financial statements required by this Agreement and that they comply with the applicable requirements of this Agreement. For the purposes of determining whether information received from the Issuer

is the required financial statements, the Disclosure Agent shall be entitled conclusively to rely on the Issuer's written representation made pursuant to this Section.

b. No later than December 31 of each year, beginning with fiscal year ending June 30, 2016, the other financial, statistical and operating data for said fiscal year of the Issuer in the form and scope similar to the financial, statistical and operating data contained in the Issuer's Official Statement, specifically the tables and/or information contained under the following headings and subheadings of the Official Statement reflected on the referenced pages of the Official Statement:

#### THE DISTRICT

- District Enrollment and Average Daily Attendance - Historical and Projected Average Daily Attendance and Enrollment - page 15

#### DEBT STRUCTURE OF THE DISTRICT

- Outstanding General Obligation Bonded Indebtedness - page 22
- Overlapping General Obligation Debt - page 24

#### FINANCIAL INFORMATION REGARDING THE DISTRICT

- Financial Summaries- pages 26 - 29

#### TAXES AND STATE FUNDING

- Historical Tax Rates- page 32
- Market Value of Property In the District- page 33
- Tax Collection Record of the District- page 33
- Some of the Largest Taxpayers- page 34

#### STATE OF IDAHO SCHOOL FINANCE

- State Support to the District- page 37

c. No later than December 31 of each year, beginning with the fiscal year ending June 30, 2016, information in the form of a weblink or other means through which the Comprehensive Annual Financial Report of the State of Idaho can be located, provided that the Issuer shall be required to use only reasonable best efforts to obtain such information.

d. The Disclosure Agent shall provide notice to the Issuer of its requirement to provide the information listed in Sections 3.a. and 3.b. at least thirty (30) days prior to the date such information is to be provided to the Disclosure Agent by the Issuer. Any or all of the items listed above in Sections 3.a. or 3.b. may be incorporated by reference from other documents, including official statements of debt issues of the Issuer which have been previously submitted to the Repository or the SEC. If the document incorporated by reference is a final official

statement, it must be available from the MSRB. The Issuer shall clearly identify each such document incorporated by reference.

e. Within ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment-related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>1</sup>
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of

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For the purposes of the event identified in paragraph (12) above, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(15) In a timely manner, notice of a failure of the Issuer or the obligated person to provide the required annual financial information specified in Sections 3.a and 3.b above, on or before the date specified therein.

f. Although the Disclosure Agent disclaims any affirmative obligation to monitor occurrences affecting the Issuer, the Disclosure Agent shall promptly advise the Issuer whenever, in the course of performing its duties under the Resolution, the Disclosure Agent identifies an occurrence which would require the Issuer to provide a notice of the occurrence of any of the events listed in Section 3.e. above; provided that the failure of the Disclosure Agent so to advise the Issuer of such occurrence shall not constitute a breach by the Disclosure Agent of any of its duties and responsibilities hereunder.

#### **4. Manner and Time by Which Information is to be Made Public by the Disclosure Agent.**

a. The information required to be delivered to the Disclosure Agent pursuant to Sections 3.a and 3.b hereof shall be referred to as the Continuous Disclosure Information (the "Continuous Disclosure Information"), and the notices required to be delivered to the Disclosure Agent pursuant to Section 3.e hereof shall be referred to as the Event Information (the "Event Information").

b. After the receipt of any Continuous Disclosure Information or any Event Information, the Disclosure Agent will deliver the information as provided in the following Section 4.c.

c. It shall be the Disclosure Agent's duty:

(1) to deliver the Continuous Disclosure Information to the Repository once it is received from the Issuer not later than five (5) days after receipt thereof;

(2) to deliver the Event Information to the Repository immediately upon receipt from the Issuer and within ten (10) business days of the occurrence of the subject event;

(3) to determine the identity and address of the then existing Repository to which Continuous Disclosure Information and Event Information must be sent under rules and regulations promulgated by the MSRB or by the SEC.

d. The Disclosure Agent shall have no duty or obligation to disclose to the Repository any information other than (i) Continuous Disclosure Information that the Disclosure Agent actually has received from the Issuer and (ii) Event Information about which the Disclosure Agent has received notice from the Issuer. Any such disclosures shall be required to be made only as and when specified in this Agreement. The Disclosure Agent's duties and obligations are only those specifically set forth in this Agreement, and the Disclosure Agent shall have no implied duties or obligations.

e. All Continuous Disclosure Information and Event Information, or other financial information and notices pursuant to this undertaking are to be provided to the Repository in electronic PDF format (word-searchable) as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

## **5. Indemnification.**

a. The Disclosure Agent shall have no obligation to examine or review the Continuous Disclosure Information and shall have no liability or responsibility for the accurateness or completeness of the Continuous Disclosure Information disseminated by the Disclosure Agent hereunder.

b. The Issuer hereby agrees to hold harmless and to indemnify the Disclosure Agent, its employees, officers, directors, agents and attorneys from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorneys' fees and expenses, whether incurred before trial, at trial, or on appeal, or in any bankruptcy or arbitration proceedings), which may be incurred by the Disclosure Agent by reason of or in connection with the disclosure of information in accordance with this Agreement, except to the extent such claims, damages, losses, liabilities, costs or expenses result directly from the willful or negligent conduct of the Disclosure Agent in the performance of its duties under this Agreement.

**6. Compensation.** The Issuer hereby agrees to compensate the Disclosure Agent for the services provided and the expenses incurred pursuant to this Agreement in an amount to be agreed upon from time to time hereunder. Such compensation shall be in addition to any fees previously agreed upon with respect to the fiduciary services of the Disclosure Agent in its capacity as the Disclosure Agent.

**7. Enforcement.** The obligations of the Issuer under this Agreement shall be for the benefit of the registered and beneficial holders of the Bonds. Any holder of the Bonds then outstanding, including any beneficial owner of the Bonds (as defined in the Resolution), may enforce specific performance of such obligations by any judicial proceeding available. However, any failure by the Issuer to perform in accordance with this Agreement shall not constitute a default under the Resolution. Neither the Issuer nor the Disclosure Agent shall have any power or duty to enforce this Agreement.

This Agreement shall inure solely to the benefit of the Issuer, the Disclosure Agent and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

**8. Definitions.** As used herein, the following terms shall have the following meanings:

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"obligated person" as defined in Rule 15c2-12 shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the municipal securities to be sold in the offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"Official Statement" shall mean the final official statement relating to the Bonds dated February 24, 2016.

"Repository" shall mean MSRB through its Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org>, or such other nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to the Rule.

"Rule 15c2-12" shall mean Rule 15c2-12, as amended, promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

"SEC" shall mean the Securities and Exchange Commission.

**9. Amendments and Termination.** This Agreement may be amended with the mutual agreement of the Issuer and the Disclosure Agent and without the consent of any registered or beneficial holders of the Bonds under the following conditions:

a. the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

b. this Agreement, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and

c. the amendment does not materially impair the interests of holders of the Bonds, as determined by parties unaffiliated with the Issuer (such as the Disclosure Agent or nationally recognized bond counsel).

Any party to this Agreement may terminate this Agreement by giving written notice of an intent to terminate to the other parties at least thirty (30) days prior to such termination, provided that no such termination shall relieve the obligation of the Issuer to comply with Rule 15c2-12(b)(5) either through a successor agent or otherwise.

The undertaking contained in this Agreement shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earlier of (i) the date all principal and interest on the Bonds shall have been paid pursuant to the terms of the Resolution; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 that require this written undertaking (a) are held to be invalid by a court of competent jurisdiction in a nonappealable action, (b) have been repealed retroactively, or (c) in the opinion of counsel who is an expert in federal securities laws, acceptable to the Issuer or the Disclosure Agent, otherwise, do not apply to the Bonds. The Issuer shall notify the Repository if this Agreement is terminated pursuant to (iii), above.

**10. Successor Disclosure Agent.** Upon the transfer of the duties created under the Resolution from the current Disclosure Agent to a successor Disclosure Agent, such successor Disclosure Agent shall succeed to the duties under this Agreement without any further action on the part of any party, and the then current Disclosure Agent shall have no further duties or obligations upon the transfer to a successor Disclosure Agent. Such Successor Disclosure Agent may terminate this Agreement or cause it to be amended as provided in paragraph 9.

**11. Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating (or cause the Disclosure Agent to disseminate) any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Continuous Disclosure Information or notice of the occurrence of any Event Information, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Continuous Disclosure Information or Event Information in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Continuous Disclosure Information or notice of occurrence of any Event Information.

If the Issuer provides to the Disclosure Agent information relating to the Issuer or the Bonds, which information is not designated as Event Information, and directs the Disclosure Agent to provide such information to the Repository, the Disclosure Agent shall provide such information in a timely manner to the Repository.

**12. Notices.** Notices and the required information under this Agreement shall be given to the parties at their addresses set forth below under their signatures or at such places as the parties to this Agreement may designate from time to time.

**13. Counterparts.** This Agreement may be executed in one or more counterparts, and each such instrument shall constitute an original counterpart of this Agreement.

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**14. Governing Law.** This Agreement shall be governed by the laws of the State of Idaho.

IN WITNESS WHEREOF, the Issuer and the Disclosure Agent have caused this Agreement to be executed and delivered by a duly authorized officer of each of them, all as of this 9th day of March, 2016.

ISSUER: SCHOOL DISTRICT NO. 321,  
MADISON COUNTY, STATE OF IDAHO

By: \_\_\_\_\_  
Vice Chair, Board of Trustees

DISCLOSURE AGENT: ZIONS PUBLIC FINANCE, INC.

By: \_\_\_\_\_  
Vice President

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## APPENDIX D

### BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [dtcc.com](http://dtcc.com).

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners

may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2016 Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2016 Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.*

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