

District Indebtedness

The constitution of the State of Idaho, Article VIII, Section 3, provides that no school district shall incur indebtedness, exceeding the revenues for such year, without the approval of 2/3 of the qualified electors voting in the election. All of the District’s general obligation bonds have been authorized by successful elections.

The District follows all Idaho Code, Section 33, Chapter 11 “School Bonds” requirement for debt service limitations and debt service payment. This levy rate is one of the lowest in the State of Idaho.

The District has promptly met principal and interest payment on all outstanding bonds and other indebtedness when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

The District owes \$23,070,000 for general obligation bonds refunded or issued in 2003, 2005 & 2006. Principal payments are due in August each year and Interest payments are paid semi annually to our bond paying agent, Zion’s Bank. The District is well below the debt capacity allowed by Idaho Code. Debt service payments are made with tax revenues certified annually to meet required payment obligations. Minidoka School District has one of the lowest levy rates in the State of Idaho. Property tax is collected by the county treasurer and remitted monthly to the District.

OUTSTANDING LONG-TERM DEBT

General Obligation Bonds	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
Series 2003 G O Bonds	8/1/2003	2/1/2022	9,895,000	8,030,000
Series 2005 G O Bonds	7/13/2005	2/15/2021	1,500,000	1,340,000
Series 2006 G O Bonds	8/16/2006	8/15/2026	14,000,000	13,700,000
Total			25,395,000	23,070,000

District Debt Capacity

The District has an adopted debt policy, but is also governed by Idaho Code, Section 33, Chapter 11 “School Bonds”. Idaho Code, Section 33-1103 limits general obligation debt for Idaho school districts to an amount not to exceed five percent (5%) of the market value for assessment purposes, less the aggregate outstanding indebtedness. Thus the debt limit and additional debt-incurring capacity of the District is calculated as follows:

December 2007 Assessed Market Value of the District	\$903,097,180
plus homeowners exemption – for this calculation purpose only	165,000
Total	<u>1,068,097,180</u>
General Obligation Debt Capacity (5.0% of Assessed Value)	53,404,859
Less: Outstanding debt as of 04/01/07	<u>23,070,000</u>
Remaining Legal Debt Capacity	\$ 30,334,859

Paying for Existing Debt

Idaho Code Section 33-801 provides for a bond and interest obligation local property tax levy as is required to satisfy all maturing bond and bond interest obligations. Idaho Code Section 33-802A provides for the computation of the bond and interest property tax levy. When the board of trustees determines and makes the levy and incorporates the levy as a part of the district's budget to service all maturing bond and interest payments for the ensuing year, the District takes into consideration any balances remaining in the bond interest and redemption fund after meeting its bond and interest obligation for the current year. The levy for the ensuing year will be an amount which together with the balance on hand in the bond interest and redemption fund will satisfy all maturing bond and bond interest payment for the next twenty one (21) months counted from July 1 of the current calendar year. The laws, allows us to have an amount sufficient to cover four dept service payment dates.

Existing dept levels have not impact on current operations and the District does not anticipate future dept levels to have an impact on current operations. The District has promptly met principal and interest payments on outstanding bonds and other indebtedness when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

The Idaho School Bond Guaranty Act

The State created the Idaho School Bond Guaranty Program (the "Guaranty Program") to be administered by the State Treasurer for the purpose of establishing a default to seek bond insurance to receive an "AAA" rating because the Guaranty Program secured a rating of "Aaa" by Moody's Investor Service. Under the Guaranty Program, the State made available \$600,000,000 of State backing.

This guarantee results in a District receiving a higher bond rating, thus interest costs associated with the outstanding debt. This ultimately reduces costs to property taxpayers. The District accessed this guarantee for the 2002 and 2003 refunded bonds.

As of March 2006, the state cap had been reached, and the State Treasurer is currently not issuing any additional certificated of eligibility for the Guaranty Program until additional capacity is available. Due to these limitations the Guaranty does not apply to the 2007 general obligation bonds.

Bond Levy Equalization

Bond Levy Equalization (Idaho Code section 33-906) is a system by which the state will provide subsidies ranging from 10% to 100% of the principal and interest of school bonds passed after September 15th, 2002 (with the exception of bonds passed to refinance existing debt). To determine eligibility for the subsidy, a "value index", which is intended to measure each school district's relative ability to pay for school bonds, is calculated based on three factors. These three factors [to determine fiscal ability] will be the adjusted market value per support unit (50%), the unemployment rate (25%) and the per capita income (25%). Each school districts with a value index less than 1.5 receives an annual subsidy of at least 10% of the dept service cost. School districts with a value index greater than 1.5 will receive no subsidy.

Both our 2002 and 2005 successful bond issues qualify for this payment. The District received a subsidy of \$530,112 during 2006-2007, which is the **minimum** subsidy. The District's value index for 2006-2007 was 1.075. The value index is calculated each year.