Financial Statements
June 30, 2018

Joint School District No. 2

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Independent Auditor's Report

The Board of Trustees
Joint School District No. 2
Meridian, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint School District No. 2 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Emphasis of Matter
As discussed in Notes 1 and 17 to the financial statements, the District as adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits (OPEB)*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net position liability and of employer contributions, schedule of changes in the District's total OPEB liability, schedule of changes in total sick leave plan and related ratios and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining schedule of changes in assets and liabilities – all fiduciary funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements.

The combining schedule of changes in assets and liabilities – all fiduciary 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 schedule of changes in assets and liabilities – all fiduciary 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 November 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
November 6, 2018

The discussion and analysis of the Joint School District No. 2's (the District) financial performance provides an overall review of financial activities for the fiscal year.

Financial Highlights

- **State Funding Increased –** The state legislature has continued the restoration of previous funding levels. Student growth in 2017-2018 increased by 882 which increased funding received from the state support funding calculation. Growth in student count coupled with funding increases made during the 2017 Legislative Session enabled the District to provide a 6% projected weighted average increase to certified staff for the 2017-18 school year, hire new certified employees which contributed to the reduction of the District's deficit of the State's qualifying allotment, and allocate a 3% increase to a combination of base salary and steps for Administrators and Classified staff.

- **Construction Bond Issued** – In March of 2018 patrons authorized a bond sale of $95 million dollars. On June 14, 2018, the District received proceeds from the bond issuance. The bond proceeds will fund several construction projects to accommodate the growth of the District. The major projects include Owyhee High School (opening Fall 2020), Pleasant View Elementary (opening Fall 2020), along with remodel/expansion at Mary McPherson Elementary (completed Fall 2019) and remodel/expansion at Star Elementary (completed Fall 2020).

- **Capital Projects** – The District expended approximately $32 million dollars on capital projects throughout the year. These projects were primarily funded with the 2015 General Obligation Bond and plan facility funding that is levied and approved by taxpayers. Major additions include the continued construction of Star Middle School and the remodel and additions to Meridian High School. The District also completed numerous other smaller projects including roof replacements and various classroom and facility upgrades.

Overview of the Financial Statements

This section of the annual financial report consists of five parts: management's discussion and analysis, basic financial statements, required supplementary information, other financial information, and supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

Government-Wide Financial Statements (GWFS)

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

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

The *Statement of Activities* shows how the net position of the District has changed throughout the fiscal year. Changes in the net position occur as soon as the underlying event gives rise.

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

- To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, should be considered.

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Based Financial Statements

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

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

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

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

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Fiduciary funds – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statement can be found on page 17 of this report.

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

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $281,888,727 at the close of the most recent fiscal year.

	June 30, 2018	June 30, 2017
Assets		
Current assets	$ 220,408,444	$ 121,609,796
Non-current assets	8,928,395	626,368
Capital assets (net of depreciation)	452,708,698	432,143,337
Total assets	682,045,537	554,379,501
Deferred Outflows of Resources	36,480,303	47,094,055
Liabilities		
Current liabilities	41,581,581	41,437,313
Long-term liabilities	382,702,486	310,390,245
Total liabilities	424,284,067	351,827,558
Deferred Inflows of Resources	12,353,046	11,307,602
Net Position		
Net investment in capital assets	200,133,698	246,698,337
Restricted	134,095,357	45,170,623
Unrestricted	(52,340,328)	(53,530,564)
Total net position	$ 281,888,727	$ 238,338,396

The largest portion of the District's net position 71.0% reflect investments in capital assets (i.e., land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending.

Restricted net position represents 47.6% of the District's net position. These resources are subject to external restrictions on how they may be used. The remaining (18.6%) represents unrestricted net position.

At the end of the current fiscal year, the District's total net position increased by 18.99% to $281,888,727. This represents an overall increase of $45,003,054. Increase is due primarily to an increase in property taxes, state support, and the effects of recording the pension accrual in the current year. The District also implemented GASB 75, which replaced the previously issued GASB 45 standard. The implementation of the new standard resulted in a prior period adjustment of approximately $1.45 million.

Changes in Net Position – The table below shows the changes in net position for the fiscal year ended June 30, 2018. The District relies on state support for 60.8% of its governmental activities. The District had total revenues of $322,939,858 and total expenses of $277,936,804 generating an increase in net position of $45,003,054.

Revenues	June 30, 2018	June 30, 2017
Program revenues		
Charges for services	$ 10,340,368	$ 9,944,302
Operating grants and contributions	41,729,131	35,384,576
Capital grants and contributions	680,643	1,059,858
General revenues		
Property taxes	72,194,268	68,881,578
State support	196,489,896	183,658,444
Other	1,505,552	848,965
Total revenues	322,939,858	299,777,723
Expenses		
Instruction	160,947,990	159,773,340
Support services	99,629,890	98,908,562
Non-instructional services	10,037,296	10,394,205
Community support	217,111	187,291
Capital improvements	114,151	-
Interest and fees on long-term debt	6,990,366	6,665,929
Total expenses	277,936,804	275,929,327
Prior Period Restatement - GASB 75 Implementation	(1,452,723)	-
Change in Net Position	$ 43,550,331	$ 23,848,396

DISTRICT'S FUNDS FINANCIAL ANALYSIS

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

Governmental Funds

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

General Fund – The general fund is the general operating fund for the District. At the end of the current fiscal year, the general fund balance is $23,487,458 which is up 51.5% from the ending balance in fiscal year 2017 of $15,505,804.

Expenditures for general District purposes totaled $211,339,376, an increase of 5.2% during the current fiscal year; this difference is the result of the overall increase in student enrollment and the increase to all staff salaries and benefits.

General fund salaries totaled $137,645,598 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $45,956,925 to arrive at 86.88% of the District's general fund expenditures.

General Fund Budgetary Highlights

For the last four years as a result of District wide savings initiatives, the District was able to avoid utilizing the General Fund's fund balance. The 2018-2019 budget includes the General Fund's fund balance to cover budgeted expenditures over projected revenue. The District continues to monitor expenses in anticipation of stabilizing the General Fund going forward.

Debt Service Fund – The debt service fund is the fund used to account for the long-term debt activity of the District. The District paid approximately $17.7 million in principal payments and $7.7 million in interest payments during fiscal year 2018.

Capital Projects Fund – The capital projects fund is the fund used to pay for capital construction, building repair and remodeling throughout the District. At the end of the current fiscal year, the capital projects fund balance was $104,358,813, an increase of $77,086,869 from the ending balance in fiscal year 2017 of $27,271,944. This increase in fund balance can be attributed to the March 2018 General Obligation Bond issue approved by voters in the amount of $96 million and continuing construction projects – Owyhee High School (opening Fall 2020), Pleasant View Elementary (opening Fall 2020) along with remodel/expansion at Mountain View High School (completed Fall 2019, remodel/expansion at Mary McPherson Elementary (completed Fall 2019), and remodel/expansion at Star Elementary (completed Fall 2020).

Capital Assets

The capital projects fund is used to account for the costs incurred while acquiring and improving sites, constructing and remodeling facilities, and purchasing equipment necessary for providing educational programs for all students within the District. The District has invested $643,801,918 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $191,093,220.

- Capital asset acquisitions for governmental activities totaled $32,721,973 for the fiscal year.
- The District has $67,246,975 in construction in progress. This includes extensive remodels and expansions to existing schools as well as the construction of additional schools.

Additional information regarding the District's capital assets can be found in Note 8 to the basic financial statements.

Long-Term Debt

At year end the District had $252,575,000 in general obligation bonds outstanding. The general obligation bonds of the District are secured by an annual tax levy. The bonds were authorized by the patrons of the District by a two-thirds majority vote. The certificates of participation are paid through guaranteed utility savings. The amounts outstanding on the remaining bonds and certificates are:

Series 2010 - Refunding	$ 17,595,000
Series 2012 - Refunding	$ 63,555,000
Series 2014 - Refunding	$ 6,170,000
Series 2015	$ 80,405,000
Series 2018A	$ 44,850,000
Series 2018B	$ 40,000,000

Additional information regarding the District's long-term debt can be found in Notes 9 and 10 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The State Education General Fund budget for 2018-2019 was increased by approximately 6.4 percent, which included a 2.75% percent increase in the discretionary funding factor per a support unit to $27,481 per a unit, a 4.9% increase in the career ladder, which is intended to move compensation to a performance basis, and a 3 percent increase for all other base salaries. The State continues to dedicate funds to enhance classroom learning through programs focused on teacher professional development, classroom technology and remediation for students requiring additional help.

The District anticipates that the increase in state revenue will be approximately $12.9 million for fiscal year 2018-2019, which includes $6.1 million for certified staff, $1.0 million for all other staff, $1.6 million for associated benefits, $4.2 million for discretionary and operational expenditures as well as further reducing the District's deficit budget on a projected enrollment growth of 650 students.

A local supplemental tax levy was passed in March of 2018 for $14 million for two years. This levy expires at the end of the 2019-2020 school year. Funds from the levy will continue to support 9 school days, and additional certified and classified staff and operational expenses. Due to the deficit in the general fund the levy has been crucial in supporting additional instructional days and operating expenses.

A 10 year, $16.0 million per year Plant Facilities levy was passed in March 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jonathan Gillen at the West Ada School District Service Center, 1303 E Central Drive, Meridian, ID 83642, by phone at (208) 855-4500, or by e-mail at Gillen.Jonathan@westada.org.

	Governmental Activities
Assets	
Cash and cash equivalents	$ 36,406,222
Restricted cash and cash equivalents	146,014,976
Property taxes receivable	28,518,948
State and federal receivables	7,924,299
Receivables	553,683
Other assets	990,316
Prepaid interest on refunded bonds (net of amortization)	418,208
OPEB net asset, sick leave	8,510,187
Land and construction in progress	110,488,336
Depreciable capital assets (net of depreciation)	342,220,362
Total assets	682,045,537
Deferred Outflows of Resources	
Deferred amount on refunding	4,412,850
OPEB obligations - health, dental, and vision	595,301
OPEB obligations - sick leave	1,757,431
Pension obligations	29,714,721
Total deferred outflow of resources	36,480,303
Liabilities	
Accounts, salaries, and other payables	38,652,185
Accrued interest payable bonds	2,929,396
Long-term liabilities	
Due within one year - capital lease	1,069,446
Due within one year - bonds	22,788,845
Due in more than one year - bonds	256,054,571
Due in more than one year - capital lease	1,584,885
Due in more than one year - pension liabilities	71,337,092
Due in more than one year - other post employment benefit liabilities	29,867,647
Total liabilities	424,284,067
Deferred Inflows of Resources	
Employer pension assumption	12,353,046
Total deferred inflow of resources	12,353,046
Net Position	
Net investment in capital assets	200,133,698
Restricted for	
OPEB net asset, sick leave	8,510,187
Capital improvements	104,770,390
Self-insured workers compensation	905,282
Grant programs	1,516,977
Debt service	18,392,521
Unrestricted	(52,340,328)
	$ 281,888,727

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental activities					
Instruction					
Elementary programs	$ 69,558,627	$ 3,058,260	$ 6,054,644	$ -	$ (60,445,723)
Secondary/alternative programs	60,205,472	25,330	5,783,119	-	(54,397,023)
Exceptional/preschool program	25,835,095	-	6,102,186	-	(19,732,909)
Other instructional programs	5,348,796	-	-	-	(5,348,796)
Support services					
Attendance and guidance	8,261,408	-	505,404	-	(7,756,004)
Ancillary	8,703,923	-	4,915,768	-	(3,788,155)
Instructional improvement	15,104,141	-	4,782,022	-	(10,322,119)
Educational media	2,573,946	-	-	-	(2,573,946)
School administration	14,047,251	-	4,535,154	-	(9,512,097)
Administration	16,732,512	1,834,512	882,166	-	(14,015,834)
Maintenance and custodial	19,728,205	-	-	-	(19,728,205)
Grounds	895,322	-	-	-	(895,322)
Security	1,058,872	-	-	-	(1,058,872)
Pupil transportation services	12,524,310	-	-	-	(12,524,310)
Non-instructional	10,037,296	4,617,587	5,597,985	-	178,276
Community service programs	217,111	804,679	113,750	-	701,318
Capital improvements	114,151	-	2,456,933	680,643	3,023,425
Interest and other costs	6,990,366	-	-	-	(6,990,366)
Total Governmental Activities	$ 277,936,804	$ 10,340,368	$ 41,729,131	$ 680,643	(225,186,662)

General Revenues	
Taxes	
Property taxes, levied for general purposes	19,016,641
Property taxes, levied for debt services	36,907,616
Property taxes, levied for plant facility	16,270,011
State revenue in lieu of taxes	175,526
Grants and contributions not restricted to specific programs	
State foundation program	196,314,370
Interest and investment earnings	
General fund	1,029,767
Other funds	289,895
Capital projects	185,890
Total general revenues	270,189,716
Change in net position	45,003,054
Net position, beginning of year as restated	236,885,673
Net position, end of year	$ 281,888,727

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 36,406,222	$ -	$ -	$ -	$ 36,406,222
Restricted cash and cash equivalents	905,282	28,221,656	102,997,892	13,890,146	146,014,976
Other assets	921,411	-	4,756	64,149	990,316
Receivables					
Current property taxes receivable	7,120,997	13,723,942	6,053,741	-	26,898,680
Delinquent property taxes receivable	433,396	770,546	416,326	-	1,620,268
State receivable	4,894,433	-	-	57,350	4,951,783
Federal receivable	-	-	-	2,972,516	2,972,516
Interfund receivable	2,997,787	-	-	-	2,997,787
Other receivables	152,144	43,133	98,504	259,902	553,683
	$ 53,831,672	$ 42,759,277	$ 109,571,219	$ 17,244,063	$ 223,406,231
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 1,339,678	$ -	$ 3,752,706	$ 2,002,991	$ 7,095,375
Salaries and benefits payable	28,571,140	-	-	2,985,670	31,556,810
Interfund payable	-	-	1,043,374	1,954,413	2,997,787
Total liabilities	29,910,818	-	4,796,080	6,943,074	41,649,972
Deferred Inflows of Resources					
Property taxes	433,396	770,546	416,326	-	1,620,268
Fund Balance					
Nonspendable					
Inventories and prepaid assets	921,405	-	4,749	64,149	990,303
Restricted for					
Debt service	-	41,988,731	-	-	41,988,731
Self-insured workers compensation	905,282	-	-	-	905,282
Capital projects	-	-	104,354,064	-	104,354,064
Grant programs- School Lunch	-	-	-	1,516,977	1,516,977
Assigned for					
Grant programs	-	-	-	4,716,121	4,716,121
Subsequent year expenditures	15,505,804	-	-	-	15,505,804
Special activities	-	-	-	4,003,742	4,003,742
Unassigned					
Unassigned	6,154,967	-	-	-	6,154,967
Total fund balance	23,487,458	41,988,731	104,358,813	10,300,989	180,135,991
Total Liabilities, Deferred Inflow and Fund Balances	$ 53,831,672	$ 42,759,277	$ 109,571,219	$ 17,244,063	$ 223,406,231

Total fund balances - governmental funds	$	180,135,991
The cost of capital assets (land, buildings, furniture, equipment and construction in process) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.		452,708,698
Property taxes and interest receivable, as recorded in the Statement of Net Position, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.		1,620,268
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.		(25,850,209)
Certain costs related to bond refundings (refunding costs) are considered expenditures when paid on the Governmental Fund Statements, but are recorded as assets and amortized over the life of the bonds on the Statement of Net Position.		4,412,850
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.		(359,363,466)
Total OPEB asset for sick leave is a long term asset which is not recognized on the governmental statements.		8,510,187
Deferred outflows of resources related to pension obligations, OPEB sick leave, and OPEB health, dental, and vision plan.		32,067,453
Deferred inflows of resources related to pensions.		(12,353,045)
Net Position	$	281,888,727

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenue					
Local revenues					
Property taxes	$ 16,963,844	$ 36,735,150	$ 16,280,061	$ 2,000,000	$ 71,979,055
Earnings on investments	1,029,767	260,092	185,890	29,803	1,505,552
State revenue	197,475,422	671,841	2,325,332	18,810,484	219,283,079
Federal revenue	-	-	-	17,011,709	17,011,709
Other revenue	2,419,369	5,341	135,061	10,385,478	12,945,249
Total revenue	217,888,402	37,672,424	18,926,344	48,237,474	322,724,644
Expenditures					
Instructional					
Elementary school programs	61,680,861	-	327,525	5,855,416	67,863,802
Secondary school programs	48,292,355	-	539,645	3,838,026	52,670,026
Alternative school programs	4,058,640	-	270,283	52,799	4,381,722
Exceptional school programs	17,894,518	-	-	6,992,479	24,886,997
Preschool school programs	1,284,636	-	3,073	128,989	1,416,698
Gifted and talented school programs	1,883,573	-	-	-	1,883,573
Interscholastic school programs	1,799,576	-	38,966	695,072	2,533,614
School activity programs	210,139	-	-	103,318	313,457
Summer school programs	423,703	-	-	25,643	449,346
Driver education program	-	-	-	318,613	318,613
Total instructional	137,528,001	-	1,179,492	18,010,355	156,717,848
Support Services					
Attendance and guidance program	7,043,725	-	-	1,404,553	8,448,278
Ancillary program	7,332,632	-	19,359	1,591,647	8,943,638
Instructional improvement program	2,896,574	-	-	7,499,916	10,396,490
Instructional technology program	1,819,280	-	2,048	2,640,837	4,462,165
Media program	2,545,105	-	-	83,308	2,628,413
School administration program	14,431,847	-	-	-	14,431,847
Administration program	6,138,237	-	108,520	1,539,271	7,786,028
Administration technology program	2,015,810	-	2,485,336	1,511,079	6,012,225
Custodial program	10,050,597	-	148,032	-	10,198,629
Maintenance and warehouse programs	5,476,449	-	4,170,130	30,905	9,677,484
Grounds program	823,745	-	41,157	-	864,902
Security program	1,058,872	-	-	-	1,058,872
Transportation program	11,713,157	-	-	14,031	11,727,188
Total support services	73,346,030	-	6,974,582	16,315,547	96,636,159

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Expenditures (Continued)					
Non-instructional	248,234	-	-	9,834,584	10,082,818
Community program	217,111	-	-	-	217,111
Capital outlay program	-	-	28,685,401	1,616,490	30,301,891
Debt service					
Principal	-	17,720,000	-	-	17,720,000
Interest and agent fees	-	7,697,806	-	-	7,697,806
Bond issuance costs	-	-	538,595	-	538,595
Total debt service	-	25,417,806	538,595	-	25,956,401
Total expenditures	211,339,376	25,417,806	37,378,070	45,776,976	319,912,228
Excess (Deficiency) of Revenue Over (Under) Expenditures	6,549,026	12,254,618	(18,451,726)	2,460,498	2,812,416
Other Financing Sources (Uses)					
Net interfund transfers	1,432,628	-	-	(1,432,628)	-
Bond issuance - par	-	-	84,850,000	-	84,850,000
Bond issuance - premium	-	-	10,688,595	-	10,688,595
Total other financiang sources (uses)	1,432,628	-	95,538,595	(1,432,628)	95,538,595
Excess (Deficiency) of Revenues and Other financing sources (uses) over (under) expenditures and other financing sources (uses)	7,981,654	12,254,618	77,086,869	1,027,870	98,351,011
Fund Balance, Beginning of Year	15,505,804	29,734,113	27,271,944	9,273,119	81,784,980
Fund Balance, End of Year	$ 23,487,458	$ 41,988,731	$ 104,358,813	$ 10,300,989	$ 180,135,991

Total net change in fund balances - governmental funds	$ 98,351,011
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the fiscal year.	20,565,361
Retirement of bonds in the current year.	17,720,000
Retirement of capital leases in the current year.	1,611,966
Because some property taxes and interest earnings will not be collected for several months after the District's fiscal year end they are not considered available revenues in the governmental funds, but are instead counted as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.	215,212
Proceeds from bond issue is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Position. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Position. This amount is the net effect of these differences in treatment of long-term debt and related items.	(95,538,595)
Capital leases are not due and payable in the current period and therefore are not reported at the fund level.	(4,266,297)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	1,391,133
Change in OPEB Liability - health/dental/vision	(2,386,673)
Change in Net OPEB Asset - Sick Leave	1,287,040
Change in Pension Liability	18,932,473
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, thus requiring the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	89,152
Deferred outflows of resources related to pension obligations	(12,145,969)
Deferred outflow of resources related to OPEB liability - health/dental/vision	103,355
Deferred outflow of resources related to Net OPEB Asset - Sick Leave	119,329
Deferred inflows of resources related to pensions	(1,045,444)
Change in net position	$ 45,003,054

	Agency Funds
Assets	
Cash	$ 1,796,225
Investments	1,765,335
	$ 3,561,560
Liabilities	
Accounts payable	$ 48,244
Due to student groups	3,513,316
	$ 3,561,560

Note 1 - Summary of Significant Accounting Policies

The Joint School District No. 2 of Meridian, Idaho (the District) is governed by an elected five-member Board of Trustees. The District is the primary government exercising financial accountability for public education within its boundaries.

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

Financial Reporting Entity

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

The District contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho. A ten-year history is provided in PERSI's annual report.

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

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

Governmental Funds

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

Governmental funds include:

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

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

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

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

Fiduciary Funds

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

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

These agency funds are as follows:

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

Program revenues

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

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual, defined as measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are susceptible to accrual.

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are accrued at June 30.

Other Financing Sources (Uses)

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Restricted cash and investments consist of funds in the debt service account restricted for bond payments and proceeds. Restricted cash and investments are also maintained in the general fund for the self-insured workers' compensation plan.

Deposits and Investments

Investments, when held, are stated at fair value, as determined by quoted market prices. Certificates of deposit, which are non-participating contracts, are carried at amortized cost. Interest earned is allocated on a basis of average investment or deposit balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

Idaho Code limits investments to the following general types:

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

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

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

Repurchase agreements secured by the above.

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

Custodial Credit Risk

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

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The District does not have a restrictive policy regarding rated investments.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The District does not have a policy concerning maturities of investments.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principal that governments should provide note disclosure when five percent of the total entity's investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District has no policy limiting it on the amount it may invest in any one issuer.

Short-term Interfund Receivables and Payables

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

Eliminations

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include those assumed in determining the actuarial assumptions made in the pension liability, other post-employment liability and the incurred but not reported liability for self-insured workers compensation. Accordingly, actual results could differ from those estimates.

Property Taxes

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

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

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

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

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands.

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

Buildings	25-50 years
Improvements other than buildings	15-50 years
Vehicles	5-20 years
Furniture and equipment	3-10 years

The costs of land and buildings acquired before 1996 are recorded at estimated historical cost. Land and buildings acquired after 1996 are recorded at historical cost. The cost of equipment and vehicles is based on historical cost.

The District's capitalization threshold is $20,000 unless the assets were purchased with bond funds. Under these circumstances, it is the District's policy to include capital assets less than $20,000. The purpose of the lower threshold is to properly match capital assets with the related liabilities already included in the financial statements.

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

The District does not possess any material amounts of infrastructure capital assets (e.g. roads, bridges, parking lots, and sewer). Amounts expended for such items prior to June 30, 2001 were considered part of the cost of the buildings or other immovable property. In the future, if such items are built or constructed, and appear to be material in cost compared to all capital assets, they will be capitalized and depreciated over their estimated useful lives.

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statements at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statements at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. As of June 30, 2018, the District had two outstanding capital leases.

Long-Term Liabilities

For government-wide reporting, the costs associated with the bonds are recognized over the lives of the bonds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Restricted Net Position

For the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as debt covenants, grantors, contributors, or laws or regulations of other governments, imposed by law through constitutional provision or enabling legislation.

Fund Balances of Fund Financial Statements

Fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance—amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually require to be maintained intact.
- Restricted fund balance—amounts that can be spent only for specific purposes because of enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by a designee if the Board of Trustees delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District applies the highest level of restricted resources before applying unrestricted resources to expenditures incurred for which various levels of resources are available.

Interfund Transactions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element 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 only has three items that qualify for reporting in this category: the pension obligation, OPEB obligation and deferred charge on refunding, both reported on the government-wide statement of net position. The pension and OPEB obligation results from changes in assumptions or other inputs in the actuarial calculation of the District's net pension liability and OPEB liability. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Employees cannot accumulate more than 22.5 days of vacation leave. Upon retirement, unused vacation leave up to 22.5 days is paid to employees. No reimbursement or accrual is made for unused sick leave.

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

GASB provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

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

Grants and Other Intergovernmental Revenues

Federal and State reimbursement-type grants are recorded as intergovernmental revenues when the related expenditures/expenses are incurred and, in the governmental funds, when the revenues meet the availability criterion.

Long-Term Liabilities

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

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

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.

Postemployment Benefits Other Than Pensions (OPEB) and Related Investments

The District allows employees the ability to remain on the District's retirement healthcare plan. As a result, the District calculates an OPEB liability associated with the implied rate subsidy relating to the additional future cost of this benefit provided. Employees are also allowed to save unused sick leave to use toward future health care premium payments. These payments are collected by PERSI and distributed upon retirement. Accounting standards qualify these as two different plans. For purposes of measuring the net OPEB liability and related investments, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Health Plan (Health Plan) and Public Employee Retirement System of Idaho Sick Leave Insurance Fund (Sick Leave Plan) and additions to/deductions from the Healthcare Plan and Sick Leave Plans' fiduciary net position have been determined on the same basis as they are reported by PERSI. For this purpose, the Sick Leave Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily out of the General Fund.

New Accounting Standards

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of these standards requires governments calculate and report the cost and obligations associated with other postemployment benefits (OPEB) in their financial statements, including additional note disclosures and required supplementary information. The effect of the implementation of these standards on beginning net position is disclosed in Note 17 and the additional disclosures required by these standards are included in Note 12 and 13.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The cost of capital assets (land, buildings, furniture, equipment and construction in process) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.

Costs of capital assets	$ 643,801,918
Depreciation expense to date	(191,093,220)
Net adjustment	$ 452,708,698

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items. Balances at June 30, 2018 are:

Deferred loss on refunding	$ 9,202,672
Amortization of deferred loss on refunding to date	(4,789,822)
Prepaid interest	2,591,348
Amortization of prepaid interest to date	(2,173,141)
Premium on bonds issued	(38,441,862)
Amortization of bond premium to date	12,173,446
Net adjustment	$ (21,437,359)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances payable at June 30, 2018 are:

Bonds payable	$ (252,575,000)
Interest payable	(2,929,396)
Capital lease payable	(2,654,331)
Net pension liability	(71,337,092)
OPEB liability	(29,867,647)
Net adjustment	$ (359,363,466)

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the government-wide Statement of Activities:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the fiscal year:

Depreciation expense	$ (12,156,612)
Capital outlays	32,721,973
Net adjustment	$ 20,565,361

Proceeds from bond issue is a revenue is the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Position. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Position. This amount is the net effect of these differences in treatment of long-term debt and related items.

Amortization of prepaid interest	$ (208,160)
Amortization of bond premium	2,419,808
Amortization of deferred loss on refunding	(820,515)
Net adjustment	$ 1,391,133

Note 3 - Cash and Cash Equivalents

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

	Bank Deposit Balance	Carrying Amount
Cash Insured or collateralized	$ 10,202,704	$ 7,854,374
Total cash and cash equivalents	$ 10,202,704	7,854,374
Investments in LGIP at NAV		174,566,824
Total cash and investments		$ 182,421,198

The bank balances of the deposits in trust funds are fully covered by FDIC insurance.

Note 4 - Fair Value

Investments are reported at fair market value for investments with quoted market prices. Investments in government pools are reported at net asset value. All investment income, including changes in fair market value of investments is reported as revenue in the statements of revenues, expenditures, and changes in fund balances.

Idaho Code 67-1210 and 67-1210A provides authorization for the investment of funds as well as to what constitutes an allowable investment.

The following investments were held by the District as of June 30, 2018:

Investment Type	Fair Value	Duration	Credit Rating
Local Government Investment Pool (LGIP) at NAV	$ 174,566,824	94 days	A-Aaa
Total Investments	$ 174,566,824		

Note 5 - Interfund Balances and Transfers

As of June 30, 2018, the Other Governmental Funds and the Capital Projects Fund have an interfund payable to the General Fund for $2,997,787, respectively, from allocations of the District's pooled cash accounts. The following transfers occurred in the fiscal year for the purpose of funding operations:

	Interfund Transfers In
	General Funds
Interfund transfers out	
Nonmajor governmental funds	$ 1,432,628
Total interfund transfers	$ 1,432,628

Note 6 - Due from Other Agencies and Units of Government

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

State Agencies	$ 4,951,783
Federal Agencies	2,972,516
	7,924,299
County Agencies	28,518,948
Total	$ 36,443,247

Note 7 - Unavailable and Advanced Revenues

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements and are reported as deferred inflows of resources. The following revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2018:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Delinquent taxes	$ 433,396	$ 770,546	$ 416,326	$ -
	$ 433,396	$ 770,546	$ 416,326	$ -

Note 8 - Capital Assets

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

	June 30, 2017	Additions	Deletions	Transfers	June 30, 2018
Non depreciable capital assets					
Land	$ 43,241,361	$ -	$ -	$ -	$ 43,241,361
Construction in progress	50,596,285	32,721,973	-	(16,071,283)	67,246,975
Total	$ 93,837,646	$ 32,721,973	$ -	$ (16,071,283)	$ 110,488,336
Depreciable capital assets					
Buildings, and improvements	$ 460,863,722	$ -	$ (1,415,257)	$ 11,086,127	$ 470,534,592
Furniture and equipment	57,793,834	-	-	4,985,156	62,778,990
Total	518,657,556	-	(1,415,257)	16,071,283	533,313,582
Less accumulated depreciation for					
Buildings, and improvements	(130,019,685)	(9,962,562)	1,415,257	-	(138,566,990)
Furniture and equipment	(50,332,180)	(2,194,050)	-	-	(52,526,230)
Total accumulated depreciation	(180,351,865)	(12,156,612)	1,415,257	-	(191,093,220)
Total depreciable capital assets, net	$ 338,305,691	$ (12,156,612)	$ -	$ 16,071,283	$ 342,220,362

Depreciation expense was charged to the functions/programs of the District as follows:

Governmental activities	
Elementary programs	$ 3,355,535
Secondary/alternative programs	4,156,616
Other instructional programs	338,139
Instructional improvement	391,028
Administration	2,912,320
Maintenance and custodial	160,501
Grounds	30,420
Pupil transportation services	797,122
Non-instructional	14,931
Total depreciation expense – governmental activities	$ 12,156,612

Note 9 - Long-Term Liabilities

A summary of activity in the long-term debt is as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due within one year
Governmental activities					
Bonds payable					
General obligation	$ 185,445,000	$ 84,850,000	$ (17,720,000)	$ 252,575,000	$ 18,450,000
Premium	17,999,629	10,688,595	(2,419,808)	26,268,416	4,338,845
Capital lease obligation	-	4,266,297	(1,611,966)	2,654,331	1,069,446
Compensated absences	433,867	357,587	(335,347)	456,107	335,347
	$ 203,878,496	$ 100,162,479	$ (22,087,121)	$ 281,953,854	$ 24,193,638
Other post employment benefits					$ 29,867,647
Net pension liability					71,337,092
					$ 101,204,739

Note 10 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2018, consist of the following:

Series 2010 General Obligation School Bonds in the original principal amount of $25,880,000 maturing through January 30, 2022. Principal payments are due annually on January 30, and interest is payable semi-annually on January 30 and July 30 of each year. Interest rates range from 3.25% to 5.0% on the outstanding bonds.	$ 17,595,000
Series 2012 General Obligation Refunding Bonds in the original principal amount of $78,550,000 maturing through August 15, 2024. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 3.0% to 5.0% on the outstanding bonds.	63,555,000
Series 2014 General Obligation Refunding Bonds in the original principal amount of $19,420,000 maturing through August 15, 2020. Principal payments are due annually on February 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 2.0% to 4.0% on the outstanding bonds.	6,170,000
Series 2015 General Obligation School Bonds in the original principal amount of $85,830,000 maturing through August 15, 2034. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 3.5% to 5.0% on the outstanding bonds.	80,405,000
Series 2018A General Obligation School Bonds in the original principal amount of $44,850,000 maturing through September 15, 2025. Principal payments are due annually on September 15, and interest is payable semi-annually on March 15 and September 15 of each year. Interest rates range from 3.0% to 5.0% on the outstanding bonds.	44,850,000
Series 2018B General Obligation School Bonds in the original principal amount of $40,000,000 maturing through September 15, 2037. Principal payments are due annually on September 15, and interest is payable semi-annually on March 15 and September 15 of each year. Interest rate of 5.0% on the outstanding bonds.	40,000,000
	$ 252,575,000

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2018:

Fiscal Year Ending June 30	General Obligation Bond Principal	Interest	Total
2019	$ 18,450,000	$ 10,154,298	$ 28,604,298
2020	35,570,000	9,970,244	45,540,244
2021	34,555,000	8,332,244	42,887,244
2022	17,735,000	7,148,119	24,883,119
2023	18,515,000	6,356,494	24,871,494
2024-2028	53,830,000	22,293,544	76,123,544
2029-2033	42,230,000	12,774,869	55,004,869
2034-2038	31,690,000	2,951,903	34,641,903
	$ 252,575,000	$ 79,981,715	$ 332,556,715

The general obligation bonded debt of the District is limited by State law to 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:

Market value for assessment purposes	$ 18,809,715,103
Multiplied by 5%	5%
Debt limit	940,485,755
Less outstanding indebtedness	252,575,000
Additional debt-incurring capacity	$ 687,910,755

Refunded Bonds – In 1998, 2001, 2002, 2004, and 2005 the District entered into refunding transactions whereby refunding bonds were issued to facilitate the retirement of the District's general obligation bonds already outstanding. The proceeds of the refunding issues were placed in the irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the issues being refunded. The refunded bonds are not included in the District's outstanding long-term debt since the District legally satisfied its obligation with respect thereto through consummation of the refunding transaction. Any gain or loss on a refunding was recognized in the period in which the refunding occurs. As of June 30, 2018, $123,550,000 of the defeased bonds are outstanding.

Note 11 - Lease Obligations

Operating Lease Obligations

The District is committed under various operating leases agreements for districtwide copiers, vehicles for drivers' education, and a facility for one of the District's Opportunity Schools. The annual payments expense for operating leases was $1,077,831. As of June 30, 2018, future minimum operating lease commitments are as follows:

Fiscal Year Ending June 30	
2019	$ 896,113
2020	27,597
	$ 923,710

Capital Lease Obligations

The District entered into two capital lease agreement for iPads and Laptops beginning in fiscal year 2018. The District pays an annual payment of $692,293 for the iPads and $489,962 for the Laptops. Both leases are set to expire in May of 2020. Amortization of assets under capital lease is included in depreciation expense. The total cost of the Ipads is $2,498,214 and the total cost of the Laptops is $1,768,083. As of June 30, 2018, future minimum capital lease commitments are as follows:

Fiscal Year Ending June 30	
2019	$ 1,182,255
2020	1,182,255
2021	489,962
Total minimum obligations	2,854,472
less interest	(200,141)
Total	$ 2,654,331

Total accumulated amortization expense for the year ended June 30, 2018 was $390,132 for the iPads and $303,238 for the Laptops.

Note 12 - Retirement Healthcare Plan

Plan Description

The District's Post-Retirement Healthcare Plan (the plan) is a single-employer defined benefit healthcare plan administered by the Blue Cross of Idaho, Delta Dental, Willamette Dental, and United Heritage, and LifeMap. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. United Heritage provides vision insurance benefits to eligible retirees and their eligible dependents. LifeMap provides life insurance benefits to eligible retirees and their eligible dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare.

Total OPEB Liability

The District's total OPEB liability of $29,867,647 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

A.	General wage increase and assumed payroll growth	3.00%
B.	Investment earnings unfunded (net of investment expenses)	3.58%
C.	Growth in membership	0.00%
D.	Medical trend is 1.6% in the first year, 5.8% in the second year and generally grades down to an ultimate rate of 4.3% after 2089	
E.	Dental trend is 3.9% in the first year and 4.0% thereafter	
F.	Vision trend is 2.0% in the first year and 4.0% thereafter	
G.	Implied inflation (CPI)	2.50%

The discount rate was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the 2016 PERSI experience study.

Balance as of June 30, 2016	$ 27,480,974
Charges for the year:	
Service cost	1,836,760
Interest on total OPEB liability	1,040,864
Expected benefit payments	(490,951)
Balance as of June 30, 2017	$ 29,867,647

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District using the discount rate of 3.58%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% decrease (2.58%)	Current discount rate (3.58%)	1% increase (4.58%)
Total June 30, 2017 OPEB liability	$ 33,892,584	$29,867,647	$ 26,477,591

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% decrease	Current trend rate	1% increase
Total June 30, 2017 OPEB liability	$ 25,406,244	$29,867,647	$ 35,490,543

OPEB Expense and Deferred Outflow of Resources

For the year ended June 30, 2018, the District recognized OPEB expense of $2,386,673. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 595,301	$ -

$595,301 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Funding Policy. The contribution requirement of retirees is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100% of the premiums for both the retiree and the dependent coverage based on the combined active and retiree pool. Monthly contribution rates in effect for retirees from July 1, 2017 through June 30, 2018, were as follows:

Under 65	Medical	Vision
Retiree Only	$575	$6
Retiree + Spouse	$1,206	$12
Retiree + Child	$689	$13
Retiree + Children	$814	$13
Retiree + Spouse + Child	$1,320	$21
Retiree + Spouse + Children	$1,445	$21

Pre and Post 65	Delta Dental	Willamette Denta
Retiree Only	$37	$50
Retiree + 1	$74	$97
Retiree + 2 or more	$126	$175

Note 13 - Sick Leave Insurance Reserve Fund

Plan Description

The District contributes to the Sick Leave Insurance Reserve Fund (Sick Leave Plan) which is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits that are administered by PERSI that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for the Sick Leave Plan. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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

OPEB Benefits

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

Employer Contributions

The contribution rate for employers are set by statute at .065% of covered compensation for state members. Covered school members contribution rates are set by statute based on the number of sick days offered by the employer. The contribution rate of 1.16% for school members with nine or ten sick days, 1.26% for school members with 11-14 sick days. If a school member has more than 14 days of sick leave then the contribution rate will be set by the PERSI Retirement Board based on current cost and actuarial data and reviewed annually. The Districts contributions were $1,638,102 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on the District's share of contributions relative to the total contributions of all participating Sick Leave employers. At June 30, 2017, the District's proportion was 11.0863237 percent.

For the year ended June 30, 2018, the District recognized OPEB expense (expense offset) of ($351,062). $1,638,102 reported as deferred outflows of resources related to OPEBs resulting from Employer contributions subsequent to the measurement date will be recognized as an addition of the net OPEB asset in the year ending June 30, 2019.

Actuarial Assumptions

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

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

Inflation	3.25%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses

The long-term expected rate of return on OPEB plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The health care trend rate is not applicable as the benefit amount a participant will receive is established with a set amount upon retirement thus would have no impact.

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%
Actuarial Assumptions				
Assumed Inflation – Mean				3.25%
Assumed Inflation – Standard Deviation				2.00%
Portfolio Arithmetic Mean Return				8.08%
Portfolio Long-Term Expected Geometric Rate of Return				7.50%
Assumed Investment Expenses				0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses				**7.10%**

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net OPEB liability (asset)	$(7,555,581)	$(8,510,187)	$(9,625,714)

OPEB plan fiduciary net position

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

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

Payables to the OPEB plan

At June 30, 2018, the District did not have payables to the defined benefit OPEB plan withheld from employee wages but not yet remitted to PERSI.

Note 14 - Insurance and Self-Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The District purchases insurance for property losses from independent carriers. The District has in effect property insurance coverage up to $620,000,000 with a $2,500 deductible per incident. The District maintains a $2,000,000 commercial general liability policy per occurrence and a $5,000,000 maximum aggregate.

The District is self-insured for workers' compensation as authorized by the Idaho Industrial Commission. The program is administered by a third party, and the District purchases excess workers' compensation insurance (with per occurrence and aggregate indemnity limits of $1,000,000) to provide coverage for individual claims above the District's self-insured retention (SIR). The Districts SIR is the first $500,000 per occurrence.

Except as noted above concerning workers' compensation, there have been no significant reductions in insurance coverage from the previous year, and no settlements in excess of insurance coverage in any of the prior three fiscal years.

A liability for a claim for workers' compensation is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated based on the estimated ultimate cost of settling the claim, considering the effect of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Claim liabilities include any specific, incremental claim adjustment expense, and any material estimated recoveries are deducted from the liability for unpaid claims.

Changes in the balance of workers' compensation claim liabilities are as follows:

The District has restricted cash and investments of $905,282 segregated in the general fund to satisfy workers' compensation claim liabilities.

Unpaid claims at July 1, 2017	$ 2,683,806
Total incurred claims (including IBNRs) and and prior period changes in claim estimates	982,432
Total payments and recoveries	(997,584)
Unpaid claims as of June 30, 2018	$ 2,668,654

Note 15 - Commitments and Contingencies

The District had $1,291,792 in open commitments at June 30, 2018, that were budgeted expenditures in the 2018/2019 school year.

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the District. District management believes disallowances, if any, will be immaterial

The District has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of the District's management and legal counsel, the amount of losses that might be sustained, if any, would not materially affect the District's financial position.

Note 16 - Pension Plan

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by stature at 60% of the employer rate for general employees. As of June 30, 2016 it was 6.79% for general employees. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were $17,119,292 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2017, the District's portion was 4.5384789 percent.

For the year ended June 30, 2018, the District recognized pension expense of $11,525,469. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,882,439	$ 6,426,871
Changes in assumptions or other inputs	1,319,215	
Net difference between projected and actual earnings on pension plan investments		4,274,100
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions - 2016	-	1,652,075
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions - 2017	265,739	-
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions - 2018	1,128,036	
District's contributions subsequent to the measurement date	17,119,292	-
Total	$ 29,714,721	$ 12,353,046

$17,119,292 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, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016 the beginning of the measurement period ended June 30, 2015 is 4.9 and 5.5 years for the measurement period June 30, 2016.

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

Year ended June 30,	
2019	$ (4,158,088)
2020	6,422,189
2021	1,942,992
2022	(3,964,710)

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 individuals between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years

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

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

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

- Set back 3 years for teachers
- Set back one year for all general employees and all beneficiaries

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

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

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

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

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 the assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

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

	1% decrease (6.10%)	Current discount rate (7.10%)	1% increase (8.10%)
Employer's net pension liability	$ 165,802,080	$ 71,337,092	$ (7,165,817)

Pension plan fiduciary net position

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

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

Payables to the pension plan

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

Note 17 - Adoption of New Standard

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability and total OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Beginning net position as previously reported at June 30, 2017	$ 238,338,396
Prior period adjustment - Implementation of GASB 75	
Remove GASB 45 OPEB liability - health, dental, and vision	16,676,051
Net OPEB asset (measurement date) sick leave	7,223,147
Deferred outflow contribution after measurement date sick leave	1,638,102
Total OPEB liability (measurement date) sick leave	(27,480,974)
Deferred outflow contribution after measurement date health, dental, and vision	490,951
Total prior period adjustment	(1,452,723)
Net position as restated, July 1, 2017	$ 236,885,673

Required Supplementary Information
June 30, 2018

Joint School District No. 2

Schedule of Changes in the District's Total OPEB Liability
Last 10 - Fiscal Years *

	2018
Service cost	$ 1,836,760
Interest	1,040,864
Benefit payments	(490,951)
Net change in total OPEB liability	2,386,673
Total OPEB liability- beginning	27,480,974
Total OPEB liability- ending	$ 29,867,647
Covered payroll	$ 140,962,000
Total OPEB liability as a percentage of covered payroll	21.19%

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

Data reported is measured as of June 30th of each fiscal year.

No assets were accumulated in a trust.

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

	2018
Employer's portion of net OPEB asset	0.1108632
Employer's proportionate share of net OPEB asset	$ 8,510,187
Employer's covered-employee payroll	$ 147,379,330
Employer's proportional share of the net OPEB asset as a percentage of its covered-employee payroll	5.77%
Plan Fidcuciary net position as a percentage of the total OPEB asset	137%

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

Date repoted is measured as of June 30, 2017 (measurement date).

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

	2018
Statutorily required contribution	$ 1,757,431
Contributions in relation to the statutorily required contribution	$ 1,757,431
Contribution (deficiency) excess	-
Employer’s covered-employee payroll	$ 157,253,941
Contributions as a percentage of covered-employee payroll	1.12%

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

Date reported is as of June 30, 2018.

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

	2018	2017	2016	2015
Employer's proportionate share of the net pension liability	4.53847890%	4.45302050%	4.42553520%	4.64081690%
Employer's proportion share of the net pension liability	$ 71,337,092	$ 90,269,565	$ 58,277,099	$ 34,163,675
Employer's covered-employee payroll	$ 147,379,330	$ 135,875,067	$ 129,321,123	$ 131,109,688
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	48.40%	66.44%	45.06%	26.06%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.00%	91.38%	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 years for which information is available.

Date reported is measured as of June 30th. (measurement date)

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

	2018	2017	2016	2015
Statutorily required contribution	$ 17,119,292	$ 16,089,624	$ 14,846,616	$ 14,072,065
Contributions in relation to the statutorily required contribution	$ (17,119,292)	$ (16,089,624)	$ (14,846,616)	$ (14,072,065)
Contribution (deficiency) excess	$ -	$ -	$ -	$ -
Employer's covered - employee payroll	$ 157,253,941	$ 147,379,330	$ 135,875,067	$ 129,321,123
Contributions as a percentage of the covered-employee payroll	10.89%	10.92%	10.93%	10.88%

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

Data is reported is measured as of June 30th.

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenue				
Local revenues				
Property taxes	$ 15,468,013	$ 16,784,266	$ 16,963,844	$ 179,578
Earnings on investments	40,000	40,000	1,029,767	989,767
State revenue	193,921,819	193,761,819	197,475,422	3,713,603
Other revenue	791,000	804,887	2,419,369	1,614,482
Total revenue	210,220,832	211,390,972	217,888,402	6,497,430
Expenditures				
Instructional				
Elementary school programs	61,529,262	61,998,446	61,680,861	317,585
Secondary school programs	49,225,692	48,662,751	48,292,355	370,396
Alternative school programs	4,084,539	4,056,312	4,058,640	(2,328)
Exceptional school programs	17,351,156	17,979,060	17,894,518	84,542
Preschool school programs	1,212,690	1,313,526	1,284,636	28,890
Gifted and talented school programs	1,852,671	1,897,286	1,883,573	13,713
Interscholastic school programs	1,879,353	1,869,113	1,799,576	69,537
School activity programs	211,454	226,516	210,139	16,377
Summer school programs	435,908	499,506	423,703	75,803
Total instructional	137,782,725	138,502,516	137,528,001	974,515
Support services				
Attendance, guidance, health program	9,336,658	9,803,647	7,043,725	2,759,922
Ancillary program	4,317,998	4,634,333	7,332,632	(2,698,299)
Instructional improvement program	3,439,776	3,268,755	2,896,574	372,181
Instructional technology program	1,282,770	1,815,054	1,819,280	(4,226)
Media program	2,426,335	2,568,265	2,545,105	23,160
School administration program	14,823,699	14,569,528	14,431,847	137,681
Administration program	7,355,680	6,584,583	6,138,237	446,346
Administration technology program	2,336,570	2,022,589	2,015,810	6,779
Custodial program	13,633,443	13,641,923	10,050,597	3,591,326
Maintenance and warehouse programs	2,187,988	2,138,404	5,476,449	(3,338,045)
Grounds program	959,626	1,013,008	823,745	189,263
Security program	1,091,275	1,089,211	1,058,872	30,339
Transportation program	11,823,606	11,882,231	11,713,157	169,074
Total support services	75,015,424	75,031,531	73,346,030	1,685,501

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual Amounts	(Negative)
Expenditures (Continued)				
Non-instructional	210,239	210,239	248,234	(37,995)
Community program	265,255	261,810	217,111	44,699
Total expenditures	213,273,643	214,006,096	211,339,376	2,666,720
Excess (deficiency) of revenue over expenditures	(3,052,811)	(2,615,124)	6,549,026	9,164,150
Other financing sources				
Net interfund transfer	1,416,760	1,406,990	1,432,628	25,638
Total other financing sources	1,416,760	1,406,990	1,432,628	25,638
Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses)	$ (1,636,051)	$ (1,208,134)	$ 7,981,654	$ 9,189,788

Note 1 - Basis of Budgeting

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

1. The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures by department, fund or service as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.

2. The proposed budget is published in the local newspaper.

3. A public hearing is conducted to obtain citizen comments.

4. The budget is formally adopted through approval by the Board of Trustees and published in the local newspaper.

5. The District may, after school starts and actual enrollment figures are known, amend the budget using the same procedure that was used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was amended for the fiscal year ended June 30, 2018.

6. Formal budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.

7. Budget for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The level of control (level at which expenditures may not exceed budget) is the fund.

All annual appropriations lapse at fiscal year-end.

Other Financial Information
June 30, 2018

Joint School District No. 2

	Beginning Balance June 30, 2017	Receipts	Expenditures	Ending Balance June 30, 2018
Assets				
Cash				
Meridian High School	$ 281,480	$ 1,061,221	$ 1,019,018	$ 323,683
Centennial High School	91,290	1,164,550	1,121,835	134,005
Eagle High School	41,127	1,287,169	1,253,352	74,944
Mountain View High School	118,536	1,135,729	1,180,712	73,553
Rocky Mountain High School	118,000	1,436,318	1,466,256	88,062
Renaissance High School	146,489	229,393	229,007	146,875
Meridian Middle School	16,619	124,442	140,483	578
Lowell Scott Middle School	2,168	133,230	119,024	16,374
Lake Hazel Middle School	13,054	133,754	128,997	17,811
Eagle Middle School	7,877	191,950	193,890	5,937
Lewis and Clark Middle School	15,026	159,159	171,295	2,890
Sawtooth Middle School	8,769	124,935	122,660	11,044
Victory Middle School	27,035	160,796	147,824	40,007
Heritage Middle School	13,742	211,769	203,417	22,094
Academies	61,491	133,362	125,943	68,910
Elementary Schools	839,150	2,327,286	2,396,978	769,458
Total cash	1,801,853	10,015,063	10,020,691	1,796,225
Investments				
Meridian High School	90,404	122	-	90,526
Centennial High School	255,368	-	-	255,368
Eagle High School	302,768	4,028	-	306,796
Mountain View High School	361,921	-	45,459	316,462
Rocky Mountain High School	365,601	55,384	-	420,985
Meridian Middle School	47,033	700	-	47,733
Lowell Scott Middle School	61,168	814	-	61,982
Lake Hazel Middle School	36,049	478	-	36,527
Eagle Middle School	82,922	1,166	14,560	69,528
Lewis and Clark Middle School	63,467	797	10	64,254
Sawtooth Middle School	63,760	10,873	-	74,633
Heritage Middle School	20,272	269	-	20,541
Total investments	1,750,733	74,631	60,029	1,765,335
Total assets	$ 3,552,586	$ 10,089,694	$ 10,080,720	$ 3,561,560

	Beginning Balance June 30, 2017	Receipts	Expenditures	Ending Balance June 30, 2018
Liabilities				
Accounts payable				
Meridian High School	$ 4,397	$ 19,192	$ 19,759	$ 3,830
Centennial High School	10,411	20,016	20,824	9,603
Eagle High School	3,136	34,006	33,741	3,401
Mountain View High School	19,700	26,114	26,764	19,050
Rocky Mountain High School	24,187	28,437	44,057	8,567
Renaissance High School	1,698	4,803	3,614	2,887
Meridian Middle School	187	2,650	2,730	107
Lowell Scott Middle School	26	2,753	2,722	57
Lake Hazel Middle School	1,117	1,791	2,728	180
Eagle Middle School	498	4,090	4,476	112
Lewis and Clark Middle School	(70)	2,821	2,795	(44)
Sawtooth Middle School	460	2,517	2,507	470
Heritage Middle School	104	3,888	3,992	-
Victory Middle School	-	2,069	2,045	24
Total accounts payable	65,851	155,147	172,754	48,244
Due to student groups				
Meridian High School	367,487	1,042,151	999,257	410,381
Centennial High School	336,247	1,144,533	1,101,011	379,769
Eagle High School	340,759	1,257,191	1,219,611	378,339
Mountain View High School	460,757	1,109,615	1,199,407	370,965
Rocky Mountain High School	459,413	1,411,910	1,370,843	500,480
Renaissance High School	144,791	224,590	225,393	143,988
Meridian Middle School	63,465	121,991	137,252	48,204
Lowell Scott Middle School	63,310	130,606	115,619	78,297
Lake Hazel Middle School	47,986	124,455	118,283	54,158
Eagle Middle School	90,301	187,096	202,044	75,353
Lewis and Clark Middle School	78,563	156,328	167,702	67,189
Sawtooth Middle School	72,069	121,928	108,790	85,207
Heritage Middle School	33,911	205,466	196,742	42,635
Victory Middle School	27,035	158,728	145,780	39,983
Academy Schools	61,491	133,362	125,943	68,910
Elementary Schools	839,150	2,327,286	2,396,978	769,458
Total due to student groups	3,486,735	9,857,236	9,830,655	3,513,316
Total liabilities	$ 3,552,586	$ 10,012,383	$ 10,003,409	$ 3,561,560

Single Audit and Government Auditing Standards Information
June 30, 2018

Joint School District No. 2

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Joint School District No. 2
Meridian, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Joint School District No. 2 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency. See finding 2018-A.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
November 6, 2018

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Joint School District No. 2
Meridian, Idaho

Report on Compliance for Each Major Federal Program

We have audited the Joint School District No. 2's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each the of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
November 6, 2018

Program Title	Pass through Number	Federal CFDA Number	Expenditures	Pass through Expenditures
U.S. Department of Agriculture				
Passed Through State Department of Agriculture				
National School Lunch Program	201818N109947	10.555	$ 3,934,369	$ -
Commodities	201717N109947	10.555	562,097	-
School Breakfast Program	201818N109947	10.553	870,936	-
Summer Food Service Program	201717N109947	10.559	173,319	-
Special Milk Program	201818N109947	10.556	14,192	-
Child Nutrition Cluster			5,554,913	-
Fresh Fruits and Vegetables	201818L160347	10.582	43,072	-
			43,072	-
Total U.S. Department of Agriculture			5,597,985	-
U.S. Department of Education				
Passed Through State Department of Education				
Title I Local Program	S010A150012	84.010	4,001,016	-
Title VI-B	H027A160088	84.027	5,922,444	-
Title VI-B Preschool	H173A160030	84.173	179,483	-
Special Education Cluster			6,101,927	-
Education of Homeless	S196A160013	84.196	26,625	-
Emergency Immigrant Education	S365A160012	84.365	138,252	-
Title II Teacher Quality	S367A160011	84.367	689,838	-
Title IV-A ESSA	Not Available	84.424	56,780	-
Title IV 21st Century CLC	S287C150012	84.287	85,455	-
Passed Through Idaho Division of Vocational				
Technical Education Carl Perkins	V048A150012	84.048	297,226	-
Total U.S. Department of Education			11,397,119	-
U.S. Department of Health and Human Services				
Passed Through State Department of Health and Welfare				
Refugee Grant	S19A100013	93.576	16,605	-
Total U.S. Department of Health and Human Services			16,605	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 17,011,709	$ -

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District, under programs of the federal government for the year ended June 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District. The District received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate, but uses the Idaho State Department of Education calculated rate for indirect costs.

Note 4 - Food Donation

Nonmonetary assistance is reported in the SEFA at the fair market value of the commodities received and disbursed.

Section I - Summary of Auditor's Results

<u>Financial Statements</u>	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered To be material weaknesses	Yes
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered To be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major program:

CFDA number	Name of Federal Program or Cluster
84.010	Title I
84.027, 84.173	Title VI-B

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2018-A Overstatement of Revenue and Receivable
Significant Deficiency

Criteria: The District and its management are responsible to determine that internal controls ensure that accounting transactions are recorded accurately, and financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Condition: As part of our audit, we identified an overstatement of a receivable and revenue related to property taxes for which an audit adjustment was proposed and recorded by management.

Cause: The property tax receivable was doubled up due to the subtotal page mistakenly recorded as one of the tax years, which was not discovered during the review process.

Effect: The property tax revenue and the deferred inflows of resources related to property taxes were overstated by $656,280 in total.

Recommendation: Management should review the property tax schedules for each of the tax years against the property tax receivable recorded as of year-end to ensure that the appropriate amount is recorded.

Views of Responsible Officials: Management agrees with the finding.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.