Financial Statements
June 30, 2011

Joint School District No. 2

Joint School District No. 2
District Officials

July 01, 2010 - June 30, 2011

Superintendent

Dr. Linda Clark

Board of Trustees:

Reid Olsen	Zone 1
Mike Vuittonet, Chairman	Zone 2
Loraine Hand	Zone 3
Ann Ritter	Zone 4
Janet Calinsky	Zone 5
Dr. Bruce Gestrin	Assistant Superintendent
Barbara Leeds	Director of Human Resources
Don Nesbitt	Regional Director
Joe Yochum	Regional Director
Dr. Mandy Saras	Regional Director
Cathy Thornton	Director of Special Education
Cindy Sisson	Director of Curriculum
Alex Simpson	Director of Finance
Mike Carrithers	Chief Accountant
Trish Duncan	Clerk of the Board

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Independent Auditor's Report

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

We have audited the accompanying 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 08, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 37 through 39 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining schedule of changes in assets and liabilities – all fiduciary funds is presented for purposes of additional analysis and are 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Boise, Idaho
November 08, 2011

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

Financial Highlights

- The District adopted a much more conservative approach to spending in the spring of fiscal year 2011, resulting in a savings to the general fund of approximately $1,000,000.
- The District's Net Assets increased $7,939,234 due primarily to the State paid Maintenance of Effort money to school districts in the final July allocation payment resulting in approximately $7 million in unplanned revenue.
- The District's transportation department serves over 12,000 students daily, traveling over 2.75 million miles in 2011. The Transportation Department's budget was cut one million dollars in 2011. They were successfully able to meet this challenge by modifying bus routes, resulting in among other things, 51,000 fewer gallons of diesel fuel used.

Overview of the Financial Statements

This section of the annual financial report consists of three parts: management's discussion and analysis, basic financial statements, other required supplementary 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 Assets and Statement of Activities) provide readers with a broad overview of the District's finances. The Statement of Net Assets 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 Assets* provides information on all of the assets and liabilities of the District, with the difference between the two providing the *net assets*. Increases or decreases in the net assets may indicate whether the financial position of the District is improving or deteriorating, respectively.

The *Statement of Activities* shows how the net assets of the District have changed throughout the fiscal year. Changes in the net assets occur as soon as the underlying 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 9-10 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 11-15 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 16 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 assets may serve as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by $212,024,887 at the close of the most recent fiscal year.

	June 30, 2011	June 30, 2010
Assets		
Current assets	$ 62,677,375	$ 58,449,015
Non-current assets	4,015,120	4,674,418
Capital assets (net of depreciation)	374,362,723	384,080,813
Total assets	441,055,218	447,204,246
Liabilities		
Current liabilities	29,447,345	32,080,032
Long-term liabilities	199,582,986	211,038,561
Total liabilities	229,030,331	243,118,593
Net Assets		
Invested in capital assets, net of related debt	185,697,095	184,113,383
Restricted	11,449,209	16,760,215
Unrestricted	14,878,583	3,212,055
Total net assets	$ 212,024,887	$ 204,085,653

The largest portion of the District's net assets (87.6%) 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 assets represent 5.4% of the District's net assets. These resources are subject to external restrictions on how they may be used. The remaining 7.0% represents unrestricted net assets.

At the end of the current fiscal year, the District's total net assets increased by 3.9% to $212,024,887. This represents an overall increase of $7,939,234 due primarily to the State paid Maintenance of Effort money to school districts in the final July allocation payment resulting in approximately $7 million in unplanned revenue.

Changes in Net Assets – The table below shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010. The District relies on state support for 65.5% of its governmental activities. The District had total revenues of $230,063,477 and total expenses of $222,124,243 generating an increase in net assets of $7,939,234.

In fiscal year 2010, the District received $21,159,529 of American Reinvestment and Recovery Act funds to supplement the loss of revenue from the State. In 2011, $8,557,427 of stabilization funds were passed through to the District from the State. This difference of $12,602,102 is the primary change in operating grants and contributions, State support and total revenues as presented below.

Revenues	June 30, 2011	June 30, 2010
Program revenues		
Charges for services	$ 7,906,790	$ 5,858,078
Operating grants and contributions	30,990,121	42,600,672
Capital grants and contributions	469,106	16,243
General revenues		
Property taxes	39,703,594	47,074,185
State support	150,657,922	143,210,473
Grant and contributions not restricted	55,000	968,180
Other	280,944	577,827
Total revenues	230,063,477	240,305,658
Expenses		
Instruction	130,839,555	138,118,947
Support services	73,795,729	77,705,155
Non-instructional services	9,200,071	10,000,435
Community support	194,166	154,584
Interest and fees on long-term debt	8,094,722	9,695,675
Total expenses	222,124,243	235,674,796
Change in Net Assets	$ 7,939,234	$ 4,630,862

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 $19,260,446, which is up 60.2% from the ending balance in fiscal year 2010 of $12,021,926.

Expenditures for general District purposes totaled $178,456,821, a decrease of 3.4% during the current fiscal year; this decrease can be attributed to an overall decrease in spending in instructional and support services paid out of the General Fund.

General fund salaries totaled $120,467,296 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $42,044,820 to arrive at 91.1% of the District's general fund expenditures.

Debt Service Fund – The debt service fund is the fund used to account for the long-term debt activity of the District. In fiscal year 2010, the 2010 General Obligation (G.O.) bonds were issued to defease a portion of the Series 2002 G.O. bonds. In fiscal year 2011, there were no bonds issued and only the required scheduled principal and interest payments were made. The fund balance increased by $822,842 as a result of this activity.

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 $1,115,028, down $1,531,224 from the ending balance in fiscal year 2010 of $2,646,252. This decrease in the fund balance can be attributed to a voter approved shift of four million dollars from the Capital Projects Fund to the General Fund to help pay for salaries.

General Fund Budgetary Highlights

The District adopts an original budget in June for the subsequent year. The District's fund balance is $9,578,435 higher than the beginning balance budgeted in 2010-2011. The District planned on using approximately $3.9 million of the fund balance this year to cover operational costs, but three major items contributed to the actual growth of the fund balance versus a reduction. The district held over approximately $1.4 million of Federal Jobs Bill money to use in the 2011-2012 year, the State paid Maintenance of Effort money to school districts in the final July allocation payment resulting in approximately $7 million in unplanned revenue, and a spending freeze by the district which resulted in significant savings. The difference between original budget expenses and the final amended budget was an approximate increase of $8.9 million. The major contributor was the addition of the one-time Federal Jobs bill paid to schools in the 2010-2011 year.

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 approximately $485,732,685 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $111,369,962.

- Capital asset acquisitions for governmental activities totaled $2,158,190 for the fiscal year.
- The District has $7,987,272 in construction in progress. This includes sites for future construction of three new schools.

Additional information regarding the District's capital assets can be found in Note 7 to the basic financial statements.

Long-Term Debt

At year end the District had $188,665,628 in general obligation bonds and other long-term debt 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 1998 – Refunding	$	17,540,000
Series 2002	$	4,245,000
Series 2004 – Refunding	$	7,080,000
Certificates of Participation	$	2,965,000
Series 2005 – Refunding	$	26,745,000
Series 2005	$	103,815,000
Series 2010 – Refunding	$	25,880,000
Series 2010 – Supplemental	$	395,628

Additional information regarding the District's long-term debt can be found in Notes 8 and 9 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

Minimum teacher salary was raised to $30,000 annually by SB1184. Forecasted tax revenues are expected to increase enough to offset the legislated increase in teacher salary funding.

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 Mike Carrithers at the Meridian School District Services Center, 1303 E Central Drive, Meridian, ID 83642, by phone at (208) 350-5003, or by e-mail at carrithers.michael@meridianschools.org.

	Governmental Activities
Assets	
Cash and investments	$ 21,101,304
Restricted cash and investments	6,638,827
Property taxes receivable	18,705,626
State and federal receivables	15,140,301
Receivables	1,091,317
Debt issuance costs (net of amortization)	837,164
Prepaid interest on refunded bonds (net of amortization)	3,177,956
Land and construction in progress	35,778,249
Depreciable capital assets (net of depreciation)	338,584,474
Total assets	441,055,218
Liabilities	
Accounts, salaries, and other payables	25,836,396
Accrued interest payable bonds	3,610,949
Long-term liabilities	
Bond premium (net of amortization)	6,321,349
Due within one year - bonds	12,090,000
Due in more than one year - bonds	176,575,628
Due in more than one year - other liabilities	4,596,009
Total liabilities	229,030,331
Net Assets	
Invested in capital assets, net of related debt	185,697,095
Restricted for	
Capital improvements	1,773,090
Self-insured workers compensation	608,237
Grant programs	12,029
Debt service	9,055,853
Unrestricted	14,878,583
Total net assets	$ 212,024,887

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental activities					
Instruction					
Elementary programs	$ 57,200,038	$ 825,212	$ 8,021,221	$ -	$ (48,353,605)
Secondary/alternative programs	49,137,930	237,515	4,384,313	-	(44,516,102)
Exceptional/preschool program	19,429,192	373,184	8,222,144	-	(10,833,864)
Other instructional programs	5,072,395	52,904	342,329	-	(4,677,162)
Support services					
Attendance and guidance	6,249,366	-	44,195	-	(6,205,171)
Ancillary	8,052,488	-	3,387,145	-	(4,665,343)
Instructional improvement	5,966,413	116,111	825,192	-	(5,025,110)
Educational media	2,346,004	-	-	-	(2,346,004)
School administration	12,335,988	-	387,668	-	(11,948,320)
Administration	10,329,733	518,387	7,375	-	(9,803,971)
Maintenance and custodial	15,368,566	5,497	-	-	(15,363,069)
Grounds	522,186	-	-	-	(522,186)
Security	903,864	-	-	-	(903,864)
Pupil transportation services	11,721,121	371,989	-	-	(11,349,132)
Non-instructional	9,200,071	4,916,906	5,185,630	-	902,465
Community service programs	194,166	489,085	-	-	294,919
Capital improvements	-	-	182,909	469,106	652,015
Interest on long-term debt	8,094,722	-	-	-	(8,094,722)
Total Governmental Activities	$ 222,124,243	$ 7,906,790	$ 30,990,121	$ 469,106	(182,758,226)

General revenues	
Taxes	
Property taxes, levied for general purposes	13,058,535
Property taxes, levied for debt services	20,104,123
Property taxes, levied for plant facility	6,540,936
State revenue in lieu of taxes	18,013
Grants and contributions not restricted to specific programs	
State foundation program	150,639,909
Other	55,000
Interest and investment earnings	
General fund	172,454
Other funds	836
Unrealized gain on investments	95,535
Bond interest earnings	
Gain on arbitrage	12,119
Total general revenues	190,697,460
Change in net assets	7,939,234
Net assets, beginning of year	204,085,653
Net assets, end of year	$ 212,024,887

	General	Debt Service	Capital Projects
Assets			
Cash and investments	$ 21,101,304	$ -	$ -
Restricted cash and investments	608,237	5,712,508	-
Receivables			
Current property taxes receivable	5,266,233	8,101,567	2,649,891
Delinquent property taxes receivable	822,383	1,207,490	658,062
State receivable	11,463,737	-	-
Federal receivable	-	-	-
Interfund receivable	2,795,818	-	-
Other receivables	1,082,648	-	-
	$ 43,140,360	$ 15,021,565	$ 3,307,953
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 1,103,605	$ -	$ 755,908
Salaries and benefits payable	21,953,926	-	-
Interund payable	-	-	778,955
Deferred revenue	822,383	1,207,490	658,062
Total liabilities	23,879,914	1,207,490	2,192,925
Fund Balance			
Restricted for			
Debt service	-	13,814,075	-
Self-insured workers compensation	608,237	-	-
Capital projects	-	-	1,115,028
Grant programs	-	-	-
Committed for			
Early retirement incentive program	367,304	-	-
Subsequent year expenditures	7,000,000	-	-
Assigned for			
Special activities	1,630,108	-	-
Unassigned			
Unassigned	9,654,797	-	-
Total fund balance	19,260,446	13,814,075	1,115,028
	$ 43,140,360	$ 15,021,565	$ 3,307,953

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
$ -	$ 21,101,304
318,082	6,638,827
-	16,017,691
-	2,687,935
287,647	11,751,384
3,388,917	3,388,917
-	2,795,818
57,203	1,139,851
$ 4,051,849	$ 65,521,727
$ 90,318	$ 1,949,831
1,932,639	23,886,565
2,016,863	2,795,818
-	2,687,935
4,039,820	31,320,149
-	13,814,075
-	608,237
-	1,115,028
12,029	12,029
-	367,304
-	7,000,000
-	1,630,108
-	9,654,797
12,029	34,201,578
$ 4,051,849	$ 65,521,727

Total fund balances - governmental funds	$ 34,201,578
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 Assets 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.	374,362,723
Property taxes and interest receivable, as recorded in the Statement of Net Assets, 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.	2,687,935
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.	(2,306,229)
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 Assets.	(196,921,120)
Net assets	$ 212,024,887

	General	Debt Service	Capital Projects
Revenue			
Local revenues			
Property taxes	$ 13,284,023	$ 20,354,378	$ 6,995,417
Earnings on investments	172,456	-	402
State revenue	155,272,403	469,107	-
Federal revenue	8,762,789	-	-
Other revenue	3,458,730	-	10,000
Total revenue	180,950,401	20,823,485	7,005,819
Expenditures			
Instructional			
Elementary school programs	51,401,415	-	155,703
Secondary school programs	36,873,228	-	478,639
Alternative school programs	5,721,491	-	59,431
Exceptional school programs	12,915,118	-	-
Preschool school programs	913,048	-	-
Gifted and talented school programs	1,288,274	-	-
Interscholastic school programs	2,341,036	-	-
School activity programs	672,255	-	-
Summer school programs	419,066	-	-
Driver education program	-	-	-
Total instructional	112,544,931	-	693,773
Support Services			
Attendance and guidance program	6,131,711	-	-
Ancillary program	6,749,972	-	-
Instructional improvement program	2,643,191	-	18,169
Instructional technology program	1,399,450	-	-
Media program	2,326,256	-	-
School administration program	12,281,808	-	-
Administration program	5,145,570	-	259,356
Administration technology program	2,193,043	-	-
Custodial program	8,729,344	-	-
Maintenance and warehouse programs	5,320,788	-	1,230,698
Grounds program	518,663	-	-
Security program	903,864	-	-
Transportation program	10,566,625	-	1,016
Total support services	64,910,285	-	1,509,239

Other Governmental Funds	Total Governmental Funds
$ -	$ 40,633,818
434	173,292
914,847	156,656,357
16,435,690	25,198,479
4,582,467	8,051,197
21,933,438	230,713,143
1,833,881	53,390,999
1,388,046	38,739,913
43,470	5,824,392
4,826,525	17,741,643
616,142	1,529,190
-	1,288,274
-	2,341,036
-	672,255
11,626	430,692
340,138	340,138
9,059,828	122,298,532
94,948	6,226,659
1,267,747	8,017,719
1,806,656	4,468,016
78,559	1,478,009
-	2,326,256
-	12,281,808
-	5,404,926
-	2,193,043
-	8,729,344
-	6,551,486
-	518,663
-	903,864
-	10,567,641
3,247,910	69,667,434

	General	Debt Service	Capital Projects
Expenditures (Continued)			
Non-instructional	197,088	-	-
Community program	194,166	-	-
Capital outlay program	-	-	2,158,190
Debt service			
Principal	475,000	11,110,000	-
Interest and agent fees	135,351	8,890,643	-
Total debt service	610,351	20,000,643	-
Total Expenditures	178,456,821	20,000,643	4,361,202
Excess (Deficiency) of Revenue Under Expenditures	2,493,580	822,842	2,644,617
Other Financing Sources (Uses)			
Net interfund transfers	4,314,345	-	(4,000,000)
Bond issuance	-	-	-
Proceeds from sale of fixed assets	335,060	-	-
Payment on arbitrage liability	-	-	(175,841)
Gain on investments	95,535	-	-
	4,744,940	-	(4,175,841)
Excess (Deficiency) of Revenues and Other financing sources (uses) over expenditures and other financing sources (uses)	7,238,520	822,842	(1,531,224)
Fund Balance, Beginning of Year	12,021,926	12,991,233	2,646,252
Fund Balance, End of Year	$ 19,260,446	$ 13,814,075	$ 1,115,028

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
8,904,164	9,101,252
-	194,166
-	2,158,190
-	11,585,000
-	9,025,994
-	20,610,994
21,211,902	224,030,568
721,536	6,682,575
(314,345)	-
-	-
-	335,060
-	(175,841)
-	95,535
(314,345)	254,754
407,191	6,937,329
(395,162)	27,264,249
$ 12,029	$ 34,201,578

Total net change in fund balances - governmental funds	$ 6,937,329
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.	(9,718,090)
Retirement of bonds in the current year.	11,585,000
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.	(930,229)
Proceeds from bond issue is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Assets. 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.	265,285
Change in OPEB Liability.	(1,054,008)
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.	853,947
Change in net assets	$ 7,939,234

	Agency Funds
Assets	
Cash	$ 1,144,501
Investments	1,484,740
	$ 2,629,241
Liabilities	
Accounts payable	$ 126,194
Due to student groups	2,503,047
	$ 2,629,241

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 Statement Nos. 14 and 39 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 Assets 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 Assets at the fund financial statement level.

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

Program revenues

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

Allocation of indirect expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are 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 Investments

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.

Investments

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

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.

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

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.

The District is authorized to invest in the State of Idaho Local Government Investment Pool (LGIP). The LGIP is a part of Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and 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.

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 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.

Elimination and Reclassifications

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

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 other post employment liability. 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, 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, 2011, the District does not have any 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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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 Assets

For the government-wide Statement of Net Assets, net assets are 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

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- 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 Revenue

The District reports deferred revenues on its statement of net assets and fund balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. On the government fund financial statements property taxes that are delinquent are recorded as deferred revenue since they are not available within 30 days of the fiscal year end, however in the government-wide financial statements all property taxes are recognized in the year they are measurable.

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 Statement No. 16 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.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported since it cannot be easily determined. The liability is liquidated from resources from the General Fund and Special Revenue Funds (Other Governmental Funds).

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.

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 Assets:

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 Assets 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	$ 485,732,685
Depreciation expense to date	(111,369,962)
Net adjustment	$ 374,362,723

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, 2011 are:

Capitalized debt issuance costs	$ 1,828,674
Amortization of debt issuance costs to date	(991,510)
Prepaid interest	5,001,811
Amortization of prepaid interest to date	(1,823,855)
Premium on bonds issued	(10,982,901)
Amortization of bond premium to date	4,661,552
Net adjustment	$ (2,306,229)

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 Assets. Balances payable at June 30, 2011 are:

Bonds payable	$(188,665,628)
Interest payable	(3,610,949)
Prepaid interest	(48,534)
OPEB liability	(4,596,009)
Net adjustment	$(196,921,120)

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	$ (11,714,129)
Proceeds from sale of capital assets	(335,060)
Loss on disposal of capital assets	172,909
Capital outlays	2,158,190
Net adjustment	$ (9,718,090)

Proceeds from bond issue is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Assets. 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.

Amortization of debt issuance costs	$ (158,597)
Amortization of prepaid interest	(500,701)
Amortization of bond premium	924,583
Net adjustment	$ 265,285

Note 3 - Cash and Investments

At June 30, 2011, the District's cash and investments consisted of the following:

Deposits	Carrying Amount	Bank Amount	Insured or Collateralized	Uninsured and Uncollateralized
Insured or collateralized	$ 1,763,249	$ 4,634,606	$ 4,634,606	$ -
Investments	**Fair Value**	**Rating**	**Maturity**	**Concentration**
State of Idaho Local Government Investment Pool (LGIP)	$ 25,976,882	Unrated	Not applicable	100%
Total investments	25,976,882			100%
Total cash and investments	$ 27,740,131			

Note 4 - Interfund Balances and Transfers

As of June 30, 2011, the Capital Projects Fund has an interfund payable to the General Fund for $778,955 and the Other Governmental Funds have an interfund payable to the General Fund for $2,016,863 from allocations of the Districts pooled cash accounts. The following transfers occurred in the fiscal year for the purpose of funding operations:

	Interfund Transfers In
	General Fund
Interfund transfers out	
Capital projects fund	$ 4,000,000
Nonmajor governmental funds	314,345
Total interfund transfers	$ 4,314,345

Note 5 - Due from Other Agencies and Units of Government

Amounts due from other agencies and units of government were as follows as of June 30, 2011:

State Agencies	$ 11,751,384
Federal Agencies	3,388,917
	15,140,301
County Agencies	18,705,626
Total	$ 33,845,927

Note 6 - Deferred Revenues

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2011:

	General Fund	Debt Service Fund	Capital Projects Fund
Delinquent taxes	$ 822,383	$ 1,207,490	$ 658,062

Note 7 - Capital Assets

A summary of activity in the Capital Assets is as follows:

	June 30, 2010	Additions	Deletions	Transfers	June 30, 2011
Non depreciable capital assets					
Land	$ 27,919,891	$ -	$ (128,914)	$ -	$ 27,790,977
Construction in progress	23,146,928	2,158,190	(33,237)	(17,284,609)	7,987,272
Total	$ 51,066,819	$ 2,158,190	$ (162,151)	$(17,284,609)	$ 35,778,249
Depreciable capital assets					
Buildings, and improvements	$ 379,955,403	$ -	$ -	$ 15,423,997	$ 395,379,400
Furniture and equipment	52,714,424	-	-	1,860,612	54,575,036
Total	432,669,827	-	-	17,284,609	449,954,436
Less accumulated depreciation for					
Buildings, and improvements	(69,778,423)	(7,957,108)	-	-	(77,735,531)
Furniture and equipment	(29,877,410)	(3,757,021)	-	-	(33,634,431)
Total accumulated depreciation	(99,655,833)	(11,714,129)	-	-	(111,369,962)
Total depreciable capital assets, net	$ 333,013,994	$(11,714,129)	$ -	$ 17,284,609	$ 338,584,474

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

Governmental activities	
Elementary programs	$ 3,526,693
Secondary/alternative programs	4,033,083
Other instructional programs	315,944
Instructional improvement	7,314
Administration	2,594,416
Administration technology	127,405
Maintenance and custodial	24,049
Grounds	3,523
Pupil transportation services	1,035,016
Non-instructional	46,686
Total depreciation expense –Governmental activities	$ 11,714,129

Note 8 - Long-Term Debt

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

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Due within one year
Governmental activities					
Bonds payable					
General obligation	$ 200,250,628	$ -	$ (11,585,000)	$ 188,665,628	$ 12,090,000

Due to employees – benefits represent amounts not expected to be paid from expendable and available resources are as follows:

Other post employment benefits	$ 4,596,009

Note 9 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2011 consist of the following:

Series 1998 General Obligation Refunding Bonds in the original principal amount of $34,375,000 maturing through July 30, 2016. Principal payments are due annually on July 30, and interest is payable semi-annually on January 31 and July 30 of each year. Interest rates range from 5.0% to 5.5% on the outstanding bonds.	$ 17,540,000
Series 2002 General Obligation School Bonds in the original principal amount of $56,130,000 maturing through July 30, 2022. Principal payments are due annually on July 30, and interest is payable semi-annually on January 31 and July 30 of each year. Interest rates range from 3.25% to 5.125% on the outstanding bonds.	4,245,000
Series 2004 General Obligation Refunding Bonds in the original principal amount of $13,195,000 maturing through July 30, 2018. Principal payments are due annually on July 30, and interest is payable semi-annually on January 31 and July 30 of each year. Interest rates range from 3.0% to 5.0% on the outstanding bonds.	7,080,000
2003 Certificates of Participation in the original principal amount of $6,145,000 maturing through February 1, 2016. Principal payments are due annually on August 1, and interest is payable semi-annually on February 1 and August 1 of each year. Interest rates range from 2.75% to 4.15% on the outstanding certificates.	2,965,000

Series 2005 General Obligation Refunding Bonds in the original principal amount of $31,385,000 maturing through February 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 3.5% to 4.75% on the outstanding bonds.	26,745,000
Series 2005 General Obligation School Bonds in the original principal amount of $134,580,000 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 4.0% to 5.0% on the outstanding bonds.	103,815,000
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 2.5% to 5.0% on the outstanding bonds.	25,880,000
Series 2010 Supplemental General Obligation School Bonds in the original principal amount of $395,627 maturing through July 30, 2013. The principal payment is due on July 30, 2013, and interest is payable on July 30, 2013. The interest rate on the bond is 1.75%	395,628
	$ 188,665,628

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2011:

Fiscal Year Ending June 30	General Obligation Bond Principal	Interest	Total
2012	$ 12,090,000	$ 8,566,868	$ 20,656,868
2013	12,620,000	8,039,378	20,659,378
2014	13,535,628	7,483,668	21,019,296
2015	14,215,000	6,814,990	21,029,990
2016	14,895,000	6,150,729	21,045,729
2017-2021	74,860,000	20,341,116	95,201,116
2022-2025	46,450,000	4,411,500	50,861,500
	$ 188,665,628	$ 61,808,249	$ 250,473,877

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	$ 11,234,186,099
Multiplied by 5%	5%
Debt limit	561,709,305
Less outstanding indebtedness	188,665,628
Additional debt-incurring capacity	$ 373,043,677

Refunded Bonds – In 1991, 1996, 1998, 2005, 2006, 2008 and 2010 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 is recognized in the period in which the refunding occurs. At June 30, 2011, the bonds payable amount still owing but considered extinguished was $100,155,000.

Note 10 - Retirement Healthcare Plan

Plan Description. Joint School District No. 2's Post-Retirement Healthcare Plan (the plan) is a single-employer defined benefit healthcare plan administered by the Blue Cross of Idaho, Delta Dental and Willamette Dental. 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 dependants. 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. Dental benefits continue for life. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership service with a PERSI employer. The retiree is on the same medical and dental plan as the District's active employees.

Funding Policy. The contribution requirement of plan members 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. For fiscal year 2011 the District contributed approximately $688 thousand to the plan for current premiums or approximately 30% of total premiums. Plan members receiving benefits contributed approximately $1.588 million or approximately 70% of the total premiums. Retirees are required to pay 100% of the premiums for both the retiree and the dependent coverage.

Monthly contribution rates in effect for retirees under age 65 as of the end of the fiscal year 2011 were as follows:

Medical (under 65)		
Retiree Only	$	453
Retiree +1	$	997
Retiree +2 or more	$	1,074
Delta Dental		
Retiree Only	$	34
Retiree +1	$	60
Retiree +2 or more	$	88
Willamette Dental		
Retiree Only	$	46
Retiree +1	$	79
Retiree +2 or more	$	117

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the estimated amount actually contributed to the plan, and changes in the District's net OPEB obligation to Joint School District No. 2's Post Retirement Healthcare Plan:

Annual required contribution	$ 1,693,728
Interest on net OPEB obligation	159,390
Adjustment to annual required contribution	(130,810)
Annual OPEB cost (expense)	1,722,308
Estimated contributions made	(668,300)
Increase in net OPEB obligation	1,054,008
Net OPEB obligation—beginning of year	3,542,001
Net OPEB obligation—end of year	$ 4,596,009

Three year trend disclosure information of the District's plan is as follows:

	Year Ended June 30,	Annual OPEB Expense (AOE)	Estimated Contributions	Estimated Contribution as a % of AOE	Net OPEB Obligation
OPEB	2009	$ 1,787,000	$ 519,000	29%	$ 2,470,000
	2010	1,615,770	543,769	34%	3,542,001
	2011	1,722,308	668,300	39%	4,596,009

Funded Status and Funding Progress. As of July 1, 2009 and July 1, 2007, the actuarial valuation dates, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $12.4 million and $12.9 million, respectively. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was $125.4 million and the ratio of the UAAL to the covered payroll was 9.9% as of July 1, 2009. The covered payroll (annual payroll of active employees covered by the plan) was $96.2 million and the ratio of the UAAL to the covered payroll was 13.4% as of July 1, 2007.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 85% of eligible retirees will actually participate in the retiree medical and dental benefits. The valuation also assumes 10% of retirees will enroll dependents in the medical plan and 30% of retirees will enroll dependents in the dental plan. The annual healthcare cost trend rate of 7.9% initially, decreasing gradually until reaching an ultimate rate of 4.9% after 2063. It was assumed salary increases will be 3.75% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

Note 11 - 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 $621,659,998 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.

Historically, workers' compensation insurance was purchased from the State of Idaho. Effective August 1, 2009, the District became 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 $350,000 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:

Unpaid claims at inception of August 1, 2010	$ -
Total incurred claims (including IBNRs) and and prior period changes in claim estimates	813,078
Total payments and recoveries	(400,366)
Unpaid claims as of June 30, 2011	$ 412,712

The District has restricted cash and investments of $608,237 segregated in the general fund to satisfy workers' compensation claim liabilities.

Note 12 - Commitments and Contingencies

The District had $758,310 in open purchase orders at June 30, 2011 that were budgeted expenditures in the 2010/2011 school year.

There were no significant uncompleted construction contracts as of June 30, 2011.

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 13 - Pension Plan

The Public Employee Retirement System of Idaho (PERSI), The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring both the member and the employer to contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date.

Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended June 30, 2011 the required contribution rate as a percentage of covered payroll was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The District's contributions required and paid were $13,020,498, $13,672,694, and $13,300,673, for the three fiscal years ended June 30, 2011, 2010, and 2009, respectively.

Note 14 - Early Retirement Incentive Program

The District has an Early Retirement Incentive Program (the Program) available to all staff in the District who have at least fifteen years of service, attain age 55, and are not eligible for disability benefits or full PERSI benefits. The Program, implemented by the Board and subject to annual renewal, provides for payments to early retirees over a two-year period following retirement. The amount of benefits paid is based on age and salary at the date of retirement. Participation in the Program is subject to the approval of the District. The District funds the Program from current operating funds. During the year ended June 30, 2011, the District paid Program benefits totaling $460,913.

Note 15 - Professional Technical Center Agreement

The District has an agreement with the Boise School District (Boise) to participate in the education of Meridian students attending the Professional Technical Center owned and operated by Boise. The agreement provided for the District to contribute $1,600,000 to Boise to assist in the construction costs. This funding was spent during the 2000 fiscal year. District students are entitled to occupy 30% of the Professional Technical Center for a fifteen-year period at no cost. The agreement does provide for both entities to fund any operating deficits based on the percentage of students. In the event of termination of the agreement, Boise will reimburse the District on a declining basis $106,666 per year over the fifteen-year period. Boise has full operating and management responsibility.

Required Supplementary Information
June 30, 2011
Joint School District No. 2

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
Revenue				
Local revenues				
Property taxes	$ 14,381,814	$ 12,944,923	$ 13,284,023	$ 339,100
Earnings on investments	128,000	128,000	172,456	44,456
State revenue	149,577,564	149,696,612	155,272,403	5,575,791
Federal revenue	2,400,000	8,807,506	8,762,789	(44,717)
Other revenue	2,076,050	2,721,460	3,458,730	737,270
Total revenue	168,563,428	174,298,501	180,950,401	6,651,900
Expenditures				
Instructional				
Elementary school programs	50,975,560	54,303,211	51,401,415	2,901,796
Secondary school programs	35,844,607	37,240,707	36,873,228	367,479
Alternative school programs	5,736,812	5,839,800	5,721,491	118,309
Exceptional school programs	12,679,626	12,950,538	12,915,118	35,420
Preschool school programs	914,444	920,074	913,048	7,026
Gifted and talented school programs	1,238,435	1,409,094	1,288,274	120,820
Interscholastic school programs	2,394,220	2,400,288	2,341,036	59,252
School activity programs	606,105	606,105	672,255	(66,150)
Summer school programs	311,266	313,553	419,066	(105,513)
Total instructional	110,701,075	115,983,370	112,544,931	3,438,439
Support services				
Attendance, guidance, health program	5,541,226	6,483,402	6,131,711	351,691
Ancillary program	6,680,599	6,915,697	6,749,972	165,725
Instructional improvement program	3,212,227	3,480,013	2,643,191	836,822
Instructional technology program	1,228,378	1,197,119	1,399,450	(202,331)
Media program	2,141,366	2,331,881	2,326,256	5,625
School administration program	12,491,938	12,729,596	12,281,808	447,788
Administration program	4,739,742	5,070,406	5,145,570	(75,164)
Administration technology program	2,128,027	2,225,366	2,193,043	32,323
Custodial program	12,028,994	12,254,942	8,729,344	3,525,598
Maintenance and warehouse programs	2,548,624	2,517,193	5,320,788	(2,803,595)
Grounds program	482,257	505,044	518,663	(13,619)
Security program	798,205	863,057	903,864	(40,807)
Transportation program	9,395,195	10,418,943	10,566,625	(147,682)
Total support services	63,416,778	66,992,659	64,910,285	2,082,374

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
Expenditures (Continued)				
Non-instructional	182,061	182,061	197,088	(15,027)
Community program	160,165	163,476	194,166	(30,690)
Debt service program				
Principal	450,000	450,000	475,000	(25,000)
Interest and agent fees	142,944	142,944	135,351	7,593
Total expenditures	175,053,023	183,914,510	178,456,821	5,457,689
Excess (deficiency) of revenue over expenditures	(6,489,595)	(9,616,009)	2,493,580	12,109,589
Other financing sources (uses)				
Net interfund transfer	4,149,679	4,422,271	4,314,345	(107,926)
Proceeds from sale of fixed assets	-	-	335,060	335,060
Unrealized gain on investments	-	-	95,535	95,535
	4,149,679	4,422,271	4,744,940	322,669
Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses)	$ (2,339,916)	$ (5,193,738)	$ 7,238,520	$ 12,432,258

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, 2011.

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, 2011

Joint School District No. 2

	Beginning Balance June 30, 2010	Receipts	Expenditures	Ending Balance June 30, 2011
Assets				
Cash				
Meridian High School	$ 29,465	$ 787,241	$ 740,778	$ 75,928
Centennial High School	37,993	1,050,149	1,041,672	46,470
Eagle High School	24,249	1,256,008	1,208,357	71,900
Mountain View High School	17,376	1,235,618	1,214,327	38,667
Rocky Mountain High School	129,062	1,414,409	1,412,838	130,633
Meridian Middle School	14,203	158,183	162,526	9,860
Lowell Scott Middle School	51,212	163,048	179,335	34,925
Lake Hazel Middle School	3,480	129,650	130,254	2,876
Eagle Middle School	9,558	159,159	155,673	13,044
Lewis and Clark Middle School	15,814	107,282	116,631	6,465
Sawtooth Middle School	8,034	109,691	113,408	4,317
Heritage Middle School	6,633	212,475	212,996	6,112
Academies	90,363	309,055	281,153	118,265
Elementary Schools	527,054	2,064,650	2,006,665	585,039
Total cash	964,496	9,156,618	8,976,613	1,144,501
Investments				
Meridian High School	128,831	-	39,604	89,227
Centennial High School	300,531	719	50,000	251,250
Eagle High School	316,555	889	-	317,444
Mountain View High School	323,735	-	18,002	305,733
Rocky Mountain High School	95,922	270	-	96,192
Meridian Middle School	74,403	206	-	74,609
Lowell Scott Middle School	63,741	175	-	63,916
Lake Hazel Middle School	73,419	238	4,699	68,958
Eagle Middle School	69,595	224	8,500	61,319
Lewis and Clark Middle School	57,247	5,181	-	62,428
Sawtooth Middle School	30,445	23,133	-	53,578
Heritage Middle School	29,959	10,127	-	40,086
Total investments	1,564,383	41,162	120,805	1,484,740
Total assets	$ 2,528,879	$ 9,197,780	$ 9,097,418	$ 2,629,241

	Beginning Balance June 30, 2010	Receipts	Expenditures	Ending Balance June 30, 2011
Liabilities				
Accounts payable				
Meridian High School	$ 4,737	$ 58,584	$ 57,451	$ 5,870
Centennial High School	39,033	100,060	115,500	23,593
Eagle High School	37,467	70,988	71,602	36,853
Mountain View High School	18,756	81,307	83,974	16,089
Rocky Mountain High School	13,937	80,153	82,980	11,110
Meridian Middle School	4,921	7,084	6,877	5,128
Lowell Scott Middle School	7,827	6,134	4,968	8,993
Lake Hazel Middle School	3,048	6,290	4,063	5,275
Eagle Middle School	1,162	7,988	6,533	2,617
Lewis and Clark Middle School	2,493	4,501	5,445	1,549
Sawtooth Middle School	4,267	7,288	7,751	3,804
Heritage Middle School	932	22,750	18,369	5,313
Total accounts payable	138,580	453,127	465,513	126,194
Due to student groups				
Meridian High School	153,559	688,052	682,326	159,285
Centennial High School	299,491	900,808	926,172	274,127
Eagle High School	303,337	1,185,908	1,136,754	352,491
Mountain View High School	322,355	1,136,309	1,130,353	328,311
Rocky Mountain High School	211,047	1,334,525	1,329,857	215,715
Meridian Middle School	83,685	151,305	155,649	79,341
Lowell Scott Middle School	107,126	157,090	174,368	89,848
Lake Hazel Middle School	73,851	118,898	126,190	66,559
Eagle Middle School	77,991	142,894	149,139	71,746
Lewis and Clark Middle School	70,568	107,962	111,186	67,344
Sawtooth Middle School	34,212	102,536	82,657	54,091
Heritage Middle School	35,660	189,852	184,627	40,885
Academy Schools	90,363	309,055	281,153	118,265
Elementary Schools	527,054	2,064,650	2,006,665	585,039
Total due to student groups	2,390,299	8,589,844	8,477,096	2,503,047
Total liabilities	$ 2,528,879	$ 9,042,971	$ 8,942,609	$ 2,629,241

Single Audit and Government Auditing Standards Information
June 30, 2011

Joint School District No. 2

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*

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

We have audited 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 08, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did identify a deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as 2011-1 that we consider to be a material weakness, as defined above. 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.

Compliance and Other Matters

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

The District’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho
November 08, 2011

Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Joint School District No. 2 (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a significant deficiency.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho
November 08, 2011

Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through State Department of Education		
Child Nutrition Program - Cluster		
National School Lunch Program	10.555	$ 3,703,037
Commodities	10.555	649,747
School Breakfast Program	10.553	671,724
Summer Food Service Program	10.559	85,003
Special Milk Program	10.556	50,468
Fresh Fruits and Vegetables	10.582	25,652
Total U.S. Department of Education		5,185,631
U.S. Department of Education		
Indian Education	84.060	4,247
Passed Through State Department of Education		
Stabilization Fund American Recovery and Reinvestment Act	84.394A	4,189,000
Education Jobs Funds	84.410	4,368,430
Title I - Cluster		
Title I Local Program - 2010	84.010	2,207,017
Title I Local Program American Recovery and Reinvestment Act	84.389A	778,905
Title VI-B - Cluster		
Title VI-B - 2010	84.027	4,611,040
Title VI-B American Recovery and Reinvestment Act	84.391A	2,039,707
Title VI-B Preschool - 2010	84.173	148,484
Title VI-B Preschool American Recovery and Reinvestment Act	84.392A	109,511
Education of Homeless - Cluster		
Education of Homeless	84.196	35,958
Education of Homeless American Recovery and Reinvestment Act	84.387A	6,157
Education Technology American Recovery and Reinvestment Act	84.386A	32,457
Title III - Emergency Immigrant Education	84.365	11
Title III - English Language - 2010	84.365	149,481
Title II EESA -2010	84.367	759,069
Statewide Data Systems	84.372	4,500
Learn and Serve America	94.004	800
Passed Through Idaho Division of Vocational Technical Education		
Carl Perkins	84.048	275,075
Total U.S. Department of Education		19,719,849

U.S. Department of Health and Human Services		
Early Retiree Reinsurance Program	93.546	200,062
Passed Through State Department of Health and Welfare		
Refugee Grant	93.576	33,658
Total U.S. Department of Health and Human Services		233,720
Other Federal Financial Assistance		
Passed Through State Department of Labor		
Grow Green Project	17.275	59,279
Total Other Financial Assistance		59,279
TOTAL FEDERAL FINANCIAL ASSISTANCE		$ 25,198,479

Note 1 – Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the District. The reporting entity is defined in Note 1 to the District's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting as described in Note 1 to the District's basic financial statements.

Section I - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness identified?	No
Significant deficiency	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

CFDA number	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Program - Cluster
84.027, 84.173, 84.391A, 84.392A	Title VI-B - Cluster
84.010, 84.389A	Title I - Cluster
84.394A	Stabilization Fund ARRA
84.410	Education Jobs Fund
84.367	Title II

Dollar threshold used to distinguish between Type A and Type B programs	$755,954
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2011-1

Financial Statement Preparation and Audit Adjustments

Criteria:
Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. It also includes the ability to prepare the footnote disclosures required by GASB. Additionally, this includes posting of all material adjustments necessary to close the year and accurately reflect the activity of the District throughout the year.

Condition:
An internal control system design must include elements to accurately prepare financial statements without adjustments and significant assistance by the auditor. For the year ended June 30, 2011, the District prepared much of the financial statements. We were requested to assist in the preparation of the footnotes and provided significant guidance and assistance with many of the government wide conversion entries and elements of the financial statements.

Effect:
Management relied on significant assistance from the auditing firm to report financial data in accordance with generally accepted accounting principles. The auditor proposed certain closing entries, assisted with the government–wide reporting conversion entries and prepared the footnotes in accordance with generally accepted accounting principles.

Cause:
Joint School District No. 2 (the District) has not fully implemented an internal control structure that encompasses financial reporting in accordance with Generally Accepted Accounting Standards.

Recommendation:
We recommend management and those charged with governance annually analyze the cost/benefit of implementing a control system which would allow for the preparation of financial statements and the related disclosure and reconsider whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response and Action Plan of Management:
The District agrees that having a strong system internal control over financial reporting is an important feature of the District's overall internal control process. We have taken significant strides toward accomplishing this goal and will continue to take the necessary steps to prepare our financial statements as we feel it is a key part of the integrity of our financial statements. We are in the process of programming our financial system to prepare the government-wide reporting conversion entries. We will continue to periodically review our general ledger transactions to allow us to identify and capture all of the necessary adjusting entries prior to year-end.

Section III - Federal Award Findings and Questioned Costs

2011-2

CFDA numbers:
84.027, 84.173, 84.391A, 84.392A

Name of Federal Programs or Cluster:
Title VI-B Cluster
Title VI-B - 2010
Title VI-B Preschool – 2010
Title VI-B American Recovery and Reinvestment Act
Title VI-B Preschool American Recovery and Reinvestment Act

Pass Through Agency:
U.S. Department of Education

Criteria:
An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

Condition:
During our testing, we observed the District did not obtain semi-annual certifications from the respective grant employees.

Cause:
The District was unaware of this compliance requirement.

Effect:
Individual semi-annual certifications were not completed during the year.

Recommendation:
The District should develop a controls and processes that require semi-annual certifications on the respective grant employees.

Response and Action Plan of Management:
To meet this requirement the district will implement and maintain auditable “time and effort” documentation that show how each employee paid with IDEA Part B funds spent his or her compensated time. The district will have each employee paid with IDEA Part B funds to complete semi-annual certifications for personnel whose sole compensation is funded from the grant.