Financial Statements
June 30, 2012

Joint School District No. 2

Joint School District No. 2
District Officials

July 01, 2011 - June 30, 2012

Superintendent

Dr. Linda Clark

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
Tammie Shappee	Accounting Manager
Trish Duncan	Clerk of the Board

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CPAs & BUSINESS ADVISORS

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, 2012, 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, 2012, 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 October 17, 2012, 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 9 and 39 through 41 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 is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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
October 17, 2012

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

Financial Highlights

- **Rejected Supplemental Levy** - On May 17, 2011 voters rejected an $18.5 million annual supplemental levy forcing the District to implement severe spending cuts for FY 2012. A reduction in force of 113 staff members was made, 9 days were removed from the 2011-2012 school year, mid day busing for kindergarten was eliminated and a fee schedule for extracurricular and co-curricular programs was established to offset expense. Overall efforts to reduce expenses resulted in an $11.3 million reduction in total expenditures from the previous year.

- **Changes to Idaho Education Law** – State Superintendent Luna introduced a suite of legislation called *Students Come First* in January 2011. The legislative session was dominated by *Students Come First* policy deliberations centered upon limiting and altering teacher continuing contracts and entitlements, reconstructing school finance segmentation, increasing digital learning requirements at the secondary level, mandating pay for performance, and tying pay to measurements of student performance.

- **Revenue sources for the District** – The budget's General Fund revenue sources were compromised of 92% state foundation funding, 3% from transfers, 1% property tax dollars and 4% from federal and other funding. The state support component utilizes a funding formula based on a unit count – a measurement of average daily attendance and varying salary indexes for certified, classified, and administrative staff.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements (GWFS)

The GWFS (i.e., Statement of Net 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 10 - 11 of this report.

Fund Based Financial Statements

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

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

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

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

The basic governmental fund financial statements can be found on pages 12-17 of this report.

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

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

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

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

Government-Wide Financial Analysis

Net assets may serve as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by $216,024,323 at the close of the most recent fiscal year.

	June 30, 2012	June 30, 2011
Assets		
Current assets	$ 66,286,429	$ 62,677,375
Non-current assets	3,388,785	4,015,120
Capital assets (net of depreciation)	365,004,403	374,362,723
Total assets	434,679,617	441,055,218
Liabilities		
Current liabilities	30,269,649	29,447,345
Long-term liabilities	188,385,645	199,582,986
Total liabilities	218,655,294	229,030,331
Net Assets		
Invested in capital assets, net of related debt	188,428,775	185,697,095
Restricted	17,235,336	11,449,209
Unrestricted	10,360,212	14,878,583
Total net assets	$ 216,024,323	$ 212,024,887

The largest portion of the District's net assets (87.2%) 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 8.0% of the District's net assets. These resources are subject to external restrictions on how they may be used. The remaining 4.8% represents unrestricted net assets.

At the end of the current fiscal year, the District's total net assets increased by 1.9% to $216,024,323. This represents an overall increase of $3,999,436.

Changes in Net Assets – The table below shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011. The District relies on state support for 66.7% of its governmental activities. The District had total revenues of $214,824,971 and total expenses of $210,825,535 generating an decrease in net assets of $3,999,436.

In fiscal year 2011, $8,557,430 of stabilization funds and education jobs funds were passed through to the District from the State. In 2012, $1,689,412 of education jobs funds were passed through to the District from the State. This difference of $6,868,018 is the primary change in operating grants and contributions, State support and total revenues as presented below.

Revenues	June 30, 2012	June 30, 2011
Program revenues		
Charges for services	$ 9,212,808	$ 7,906,790
Operating grants and contributions	24,491,365	30,990,121
Capital grants and contributions	755,035	469,106
General revenues		
Property taxes	35,792,108	39,703,594
State support	143,337,468	150,657,922
Grant and contributions not restricted	51,912	55,000
Other	1,184,275	280,944
Total revenues	214,824,971	230,063,477
Expenses		
Instruction	121,775,152	130,839,555
Support services	72,054,288	73,795,729
Non-instructional services	8,712,332	9,200,071
Community support	197,260	194,166
Interest and fees on long-term debt	8,086,503	8,094,722
Total expenses	210,825,535	222,124,243
Change in Net Assets	$ 3,999,436	$ 7,939,234

DISTRICT'S FUNDS FINANCIAL ANALYSIS

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

Governmental Funds

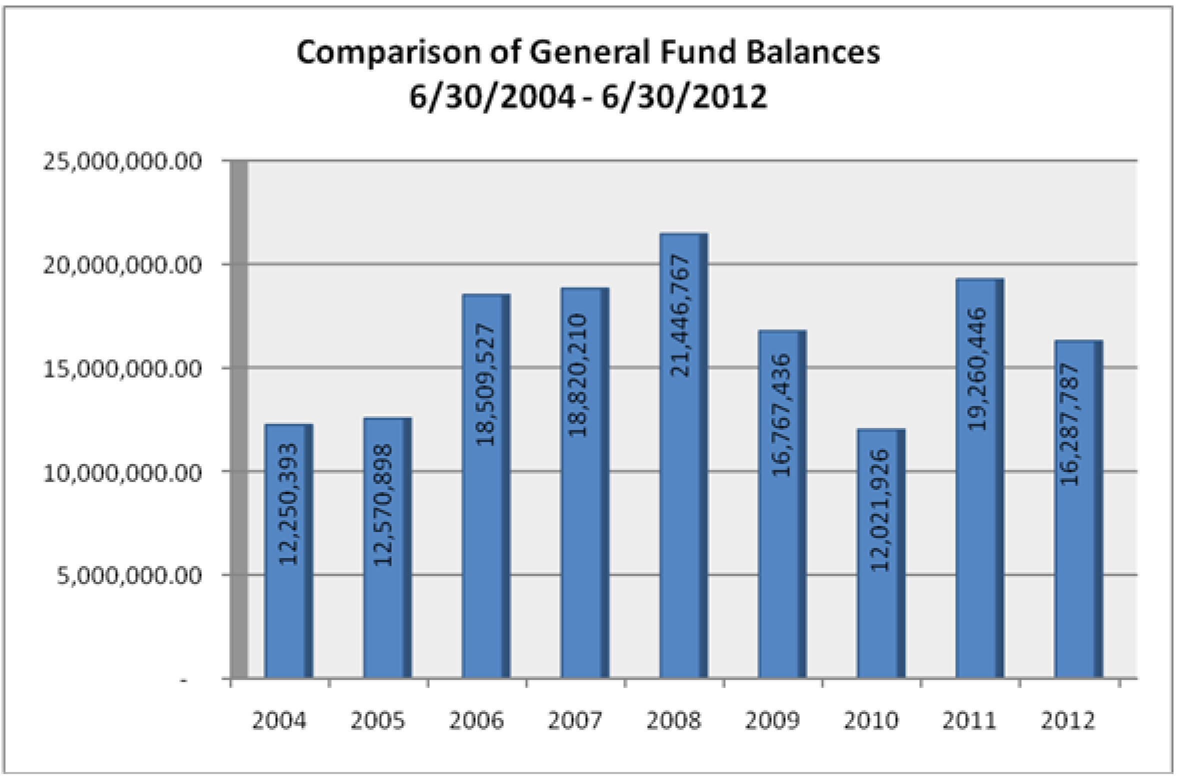
The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

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 $16,287,787 which is down 15.4% from the ending balance in fiscal year 2011 of $19,260,446.

Expenditures for general District purposes totaled $165,899,920 a decrease of 7.04% during the current fiscal year; this decrease can be attributed to severe budget cuts resulting in an overall decrease in spending in instructional and support services paid out of the General Fund.

General fund salaries totaled $108,561,206 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $38,551,377 to arrive at 88.7% of the District's general fund expenditures.

The Chart below illustrates the changes in general fund balances from June 30, 2004 through June 30, 2012.



General Fund Budgetary Highlights

As illustrated by the chart above, the General Fund balance had experienced steady growth from 2004 – 2008 due to high growth in student enrollment which increased state and local funding. The down turn in the economy in the fall of 2008 resulted in significant reductions to state apportionment allocated to school districts. In 2011 the slight increase in General Fund balance was due to state one-time funds of approximately $7 million. In 2012 the District utilized $3 million in general operating expenses from this one-time funding. It is anticipated that the District will continue to utilize General Fund balance to fund overall operating expenses. It is the District's objective to retain a minimum of one-month general operating costs in reserve.

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 2012, there were no bonds issued and only the required scheduled principal and interest payments were made. The fund balance increased by $820,664 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 $5,453,266 up $4,338,238 from the ending balance in fiscal year 2011 of $1,115,028. This increase in the fund balance can be attributed to a timing difference of when two major projects were budgeted to begin in FY 2012 and will roll to FY 2013 were the majority of the expenditures are set to occur.

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 $487,351,373 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $122,346,970.

- Capital asset acquisitions for governmental activities totaled $2,518,015 for the fiscal year.
- The District has $3,981,532 in construction in progress. This includes extensive remodels and expansions to existing 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 $176,575,628 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	$ 14,185,000
Series 2002	$ 2,160,000
Series 2004 - Refunding	$ 6,305,000
Certificates of Participation	$ 2,455,000
Series 2005 - Refunding	$ 24,280,000
Series 2005	$ 100,915,000
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

As a result of the poor economy, legislative or voter approved changes, the District has faced several challenging budget years. State apportionment to public schools has been significantly reduced. Federal funding for education through ARRA and Jobs Bill is no longer available.

Adjustments made to the District budget as a result of state cuts will not be restored for the 2012-2013 school year. While student enrollment growth is projected to increase by 600 for the 2012-2013 school years, the disparity between state allowable allocations and actual certified employed will continue until state funding is restored and/ or additional funds become available.

The State Public budget for fiscal year 2013 includes an increase of the minimum teacher salary from $30,000 to $30,500. Also one certified step plus lane changes for education and experience was granted by the State.

Supplemental Property Tax Levy **-** On March 13, 2012, voters approved a Maintenance & Operations Supplemental Levy for $14 million each year for two years (FY2013 and FY2014). As a result of this Supplemental Levy the District will be able to return 9 days to the 2012-2013 school year. Additional supplemental dollars will be used to pay for operating costs previously covered by the expiration of the voter approved 4 million dollar Plant Facilities transfers and the one-time Federal Jobs Bill funds.

According to indications from the County Property Tax Assessor, market values are anticipated to increase after a 3-year trend of significant decline. The revenue generated from this anticipated increase will be utilized to fund an extensive remodel for one of our oldest standing schools, Meridian High School and toward the continuing construction of Willow Creek Elementary which is anticipated to open fall of 2013-2014 school year.

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 Alex Simpson at the Meridian School District Services Center, 1303 E Central Drive, Meridian, ID 83642, by phone at (208) 350-5007, or by e-mail at simpson.alex@meridianschools.org.

	Governmental Activities
Assets	
Cash and investments	$ 34,943,594
Restricted cash and investments	9,553,910
Property taxes receivable	16,332,141
State and federal receivables	5,123,723
Receivables	333,061
Debt issuance costs (net of amortization)	690,766
Prepaid interest on refunded bonds (net of amortization)	2,698,019
Land and construction in progress	38,018,957
Depreciable capital assets (net of depreciation)	326,985,446
Total assets	434,679,617
Liabilities	
Accounts, salaries, and other payables	26,807,592
Deferred revenue	16,700
Accrued interest payable bonds	3,445,357
Long-term liabilities	
Bond premium (net of amortization)	5,422,958
Due within one year - bonds	12,620,000
Due in more than one year - bonds	163,955,628
Due in more than one year - other liabilities	6,387,059
Total liabilities	218,655,294
Net Assets	
Invested in capital assets, net of related debt	188,428,775
Restricted for	
Capital improvements	6,068,987
Self-insured workers compensation	325,529
Grant programs	674,228
Debt service	10,166,592
Unrestricted	10,360,212
Total net assets	$ 216,024,323

	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	$ 54,528,938	$ 1,143,099	$ 6,493,866	$ -	$ (46,891,973)
Secondary/alternative programs	46,087,595	217,693	1,201,452	-	(44,668,450)
Exceptional/preschool program	17,032,000	420,638	5,680,439	-	(10,930,923)
Other instructional programs	4,126,619	985,754	-	-	(3,140,865)
Support services					
Attendance and guidance	5,507,424	575	40,539	-	(5,466,310)
Ancillary	7,685,511	-	3,539,508	-	(4,146,003)
Instructional improvement	7,179,563	172,451	1,815,619	-	(5,191,493)
Educational media	2,012,641	-	1,900	-	(2,010,741)
School administration	10,831,909	-	261,809	-	(10,570,100)
Administration	10,684,158	846,182	4,051	-	(9,833,925)
Maintenance and custodial	16,200,108	-	-	-	(16,200,108)
Grounds	310,892	-	-	-	(310,892)
Security	833,106	-	-	-	(833,106)
Pupil transportation services	10,808,976	371,901	-	-	(10,437,075)
Non-instructional	8,712,332	4,581,477	5,452,182	-	1,321,327
Community service programs	197,260	473,038	-	-	275,778
Capital improvements	-	-	-	755,035	755,035
Interest on long-term debt	8,086,503	-	-	-	(8,086,503)
Total Governmental Activities	$ 210,825,535	$ 9,212,808	$ 24,491,365	$ 755,035	(176,366,327)

General revenues	
Taxes	
Property taxes, levied for general purposes	1,813,904
Property taxes, levied for debt services	20,178,279
Property taxes, levied for plant facility	13,799,925
State revenue in lieu of taxes	18,013
Grants and contributions not restricted to specific programs	
State foundation program	143,319,455
Other	51,912
Interest and investment earnings	
General fund	132,547
Other funds	1,616
Unrealized loss on investments	(5,404)
Loss on disposal of assets	(16,232)
Gain from easement sales	1,071,748
Total general revenues	180,365,763
Change in net assets	3,999,436
Net assets, beginning of year	212,024,887
Net assets, end of year	$ 216,024,323

	General	Debt Service	Capital Projects
Assets			
Cash and investments	$ 34,943,594	$ -	$ -
Restricted cash and investments	325,529	6,560,420	1,129,103
Receivables			
Current property taxes receivable	721,494	8,074,320	5,511,979
Delinquent property taxes receivable	397,245	1,011,382	615,721
State receivable	1,960,163	-	-
Federal receivable	-	-	-
Interfund receivable	1,689,012	-	-
Other receivables	268,289	-	-
	$ 40,305,326	$ 15,646,122	$ 7,256,803
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 803,194	$ -	$ 1,187,816
Salaries and benefits payable	22,817,100	-	-
Interund payable	-	-	-
Deferred revenue	397,245	1,011,383	615,721
Total liabilities	24,017,539	1,011,383	1,803,537
Fund Balance			
Restricted for			
Debt service	-	14,634,739	-
Self-insured workers compensation	325,529	-	-
Capital projects	-	-	5,453,266
Grant programs- School Lunch	-	-	-
Committed for			
Early retirement incentive program	102,204	-	-
Assigned for			
Grant programs	-	-	-
Subsequent year expenditures	9,572,938	-	-
Special activities	1,808,281	-	-
Unassigned			
Unassigned	4,478,835	-	-
Total fund balance	16,287,787	14,634,739	5,453,266
	$ 40,305,326	$ 15,646,122	$ 7,256,803

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
$ -	$ 34,943,594
1,538,858	9,553,910
-	14,307,793
-	2,024,348
271,767	2,231,930
2,891,793	2,891,793
-	1,689,012
64,772	333,061
$ 4,767,190	$ 67,975,441
$ 108,382	$ 2,099,392
1,891,100	24,708,200
1,689,012	1,689,012
16,700	2,041,049
3,705,194	30,537,653
-	14,634,739
-	325,529
-	5,453,266
674,228	674,228
-	102,204
387,768	387,768
-	9,572,938
-	1,808,281
-	4,478,835
1,061,996	37,437,788
$ 4,767,190	$ 67,975,441

Total fund balances - governmental funds	$	37,437,788
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.		365,004,403
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.		2,024,349
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.		(2,034,173)
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.		(186,408,044)
Net assets	$	216,024,323

	General	Debt Service	Capital Projects
Revenue			
Local revenues			
Property taxes	$ 2,239,042	$ 20,374,384	$ 13,842,266
Earnings on investments	132,547	-	-
State revenue	149,625,252	480,230	-
Federal revenue	1,807,898	-	-
Other revenue	4,770,402	-	-
Total revenue	158,575,141	20,854,614	13,842,266
Expenditures			
Instructional			
Elementary school programs	47,855,181	-	421,755
Secondary school programs	32,737,866	-	527,993
Alternative school programs	6,584,271	-	112,422
Exceptional school programs	12,282,146	-	-
Preschool school programs	832,530	-	-
Gifted and talented school programs	1,175,788	-	-
Interscholastic school programs	1,967,980	-	-
School activity programs	267,122	-	-
Summer school programs	376,395	-	-
Driver education program	-	-	-
Total instructional	104,079,279	-	1,062,170
Support Services			
Attendance and guidance program	5,400,974	-	-
Ancillary program	5,761,263	-	1,394
Instructional improvement program	2,343,666	-	378,545
Instructional technology program	2,705,944	-	-
Media program	1,983,081	-	-
School administration program	10,740,894	-	-
Administration program	5,633,324	-	286,964
Administration technology program	1,976,353	-	-
Custodial program	8,473,266	-	63,319
Maintenance and warehouse programs	5,097,537	-	2,435,031
Grounds program	307,369	-	-
Security program	833,106	-	-
Transportation program	9,556,970	-	105,144
Total support services	60,813,747	-	3,270,397

Other Governmental Funds	Total Governmental Funds
$ -	$ 36,455,692
1,614	134,161
919,716	151,025,198
15,451,305	17,259,203
4,518,980	9,289,382
20,891,615	214,163,636
2,335,044	50,611,980
1,093,695	34,359,554
-	6,696,693
3,503,365	15,785,511
172,496	1,005,026
-	1,175,788
-	1,967,980
-	267,122
9,029	385,424
316,097	316,097
7,429,726	112,571,175
67,778	5,468,752
1,868,778	7,631,435
1,647,367	4,369,578
74,030	2,779,974
-	1,983,081
-	10,740,894
-	5,920,288
-	1,976,353
-	8,536,585
-	7,532,568
-	307,369
-	833,106
-	9,662,114
3,657,953	67,742,097

	General	Debt Service	Capital Projects
Expenditures (Continued)			
Non-instructional	180,902	-	-
Community program	197,260	-	-
Capital outlay program	-	-	2,518,015
Debt service			
Principal	510,000	11,580,000	-
Interest and agent fees	118,732	8,453,950	-
Total debt service	628,732	20,033,950	-
Total Expenditures	165,899,920	20,033,950	6,850,582
Excess (Deficiency) of Revenue Over (Under) Expenditures	(7,324,779)	820,664	6,991,684
Other Financing Sources (Uses)			
Net interfund transfers	4,361,180	-	(4,000,000)
Donations	-	-	274,806
Proceeds from easment tranfers to County	-	-	1,071,748
Gain (loss) on investments	(9,060)	-	-
	4,352,120	-	(2,653,446)
Excess (Deficiency) of Revenues and Other financing sources (uses) over (under) expenditures and other financing sources (uses)	(2,972,659)	820,664	4,338,238
Fund Balance, Beginning of Year	19,260,446	13,814,075	1,115,028
Fund Balance, End of Year	$ 16,287,787	$ 14,634,739	$ 5,453,266

Other Governmental Funds	Total Governmental Funds
8,396,445	8,577,347
-	197,260
-	2,518,015
-	12,090,000
-	8,572,682
-	20,662,682
19,484,124	212,268,576
1,407,491	1,895,060
(361,180)	-
-	274,806
-	1,071,748
3,656	(5,404)
(357,524)	1,341,150
1,049,967	3,236,210
12,029	34,201,578
$ 1,061,996	$ 37,437,788

Total net change in fund balances - governmental funds	$ 3,236,210
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.	(9,358,320)
Retirement of bonds in the current year.	12,090,000
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.	(663,586)
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.	272,056
Change in OPEB Liability.	(1,791,050)
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.	214,126
Change in net assets	$ 3,999,436

	Agency Funds
Assets	
Cash	$ 1,295,209
Investments	1,554,927
	$ 2,850,136
Liabilities	
Accounts payable	$ 146,334
Due to student groups	2,703,802
	$ 2,850,136

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, 2012, 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	$ 487,351,373
Depreciation expense to date	(122,346,970)
Net adjustment	$ 365,004,403

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, 2012 are:

Capitalized debt issuance costs	$ 1,828,674
Amortization of debt issuance costs to date	(1,137,908)
Prepaid interest	5,001,811
Amortization of prepaid interest to date	(2,303,792)
Premium on bonds issued	(10,982,901)
Amortization of bond premium to date	5,559,943
Net adjustment	$ (2,034,173)

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, 2012 are:

Bonds payable	$(176,575,628)
Interest payable	(3,445,357)
OPEB liability	(6,387,059)
Net adjustment	$(186,408,044)

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	$ (11,860,103)
Loss on disposal of capital assets	258,574
Capital outlays	2,518,015
Net adjustment	$ (9,358,320)

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	$ (146,398)
Amortization of prepaid interest	(479,937)
Amortization of bond premium	898,391
Net adjustment	$ 272,056

Note 3 - Cash and Investments

At June 30, 2012, the District's cash and investments, excluding trust funds, consisted of the following:

Deposits	Carrying Amount	Bank Amount	Insured or Collateralized	Uninsured and Uncollateralized
Insured or collateralized	$ 3,335,937	$ 3,143,956	$ 3,143,956	$ -
Investments	**Fair Value**	**Rating**	**Maturity**	**Concentration**
State of Idaho Local Government Investment Pool (LGIP)	$ 41,161,567	Unrated	Not applicable	100%
Total investments	41,161,567			100%
Total cash and investments	$ 44,497,504			

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

Note 4 - Interfund Balances and Transfers

As of June 30, 2012, the Other Governmental Funds have an interfund payable to the General Fund for $1,689,102 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	361,180
Total interfund transfers	$ 4,361,180

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, 2012:

State Agencies	$ 2,231,930
Federal Agencies	2,891,793
	5,123,723
County Agencies	16,332,141
Total	$ 21,455,864

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, 2012:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Delinquent taxes	$ 397,245	$ 1,011,383	$ 615,721	$ -
Grants	-	-	-	16,700
	$ 397,245	$ 1,011,383	$ 615,721	$ 16,700

Note 7 - Capital Assets

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

	June 30, 2011	Additions	Deletions	Transfers	June 30, 2012
Non depreciable capital assets					
Land	$ 27,790,977	$ -	$ -	$ 6,246,448	$ 34,037,425
Construction in progress	7,987,272	2,243,208	(2,500)	(6,246,448)	3,981,532
Total	$ 35,778,249	$ 2,243,208	$ (2,500)	$ -	$ 38,018,957
Depreciable capital assets					
Buildings, and improvements	$ 395,379,400	$ 274,807	$ -	$ -	$ 395,654,207
Furniture and equipment	54,575,036	-	(896,827)	-	53,678,209
Total	449,954,436	274,807	(896,827)	-	449,332,416
Less accumulated depreciation for					
Buildings, and improvements	(77,735,531)	(8,248,730)	-	-	(85,984,261)
Furniture and equipment	(33,634,431)	(3,611,373)	883,095	-	(36,362,709)
Total accumulated depreciation	(111,369,962)	(11,860,103)	883,095	-	(122,346,970)
Total depreciable capital assets, net	$ 338,584,474	$(11,585,296)	$ (13,732)	$ -	$ 326,985,446

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

Governmental activities	
Elementary programs	$ 3,416,665
Secondary/alternative programs	4,297,936
Other instructional programs	310,113
Instructional improvement	7,314
Administration	2,609,427
Administration technology	163,026
Maintenance and custodial	22,725
Grounds	3,523
Pupil transportation services	982,688
Non-instructional	46,686
Total depreciation expense –Governmental activities	$ 11,860,103

Note 8 - Long-Term Debt

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

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Due within one year
Governmental activities					
Bonds payable					
General obligation	$ 188,665,628	$ -	$ (12,090,000)	$ 176,575,628	$ 12,620,000

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

Other post employment benefits	$ 6,387,059

Note 9 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2012 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.	$ 14,185,000
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.	2,160,000
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.	6,305,000
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.	2,455,000

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.	24,280,000
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.	100,915,000
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
	$ 176,575,628

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2012:

Fiscal Year Ending June 30	General Obligation Bond Principal	Interest	Total
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	14,860,000	5,480,115	20,340,115
2018-2022	72,425,000	16,841,001	89,266,001
2023-2025	34,025,000	2,431,500	36,456,500
	$ 176,575,628	$ 53,241,381	$ 229,817,009

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	$ 10,433,901,008
Multiplied by 5%	5%
Debt limit	521,695,050
Less outstanding indebtedness	176,575,628
Additional debt-incurring capacity	$ 345,119,422

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, 2012, the bonds payable amount still owing but considered extinguished was $92,955,000.

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, Regence/ LifeMap Assurance Dental, Willamette Dental, and Ameritas Vision. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Regence/ LifeMap Assurance Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependants. Ameritas Vision provides vision insurance benefits to eligible retirees and their eligible dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and/ or vision 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, dental, and vision plans 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 the District's insurance providers. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012 the District contributed approximately $1,025 thousand to the plan for current premiums or approximately 39% of total premiums. Plan members receiving benefits contributed approximately $1,598 thousand or approximately 61% of the total premiums. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool 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 2012 were as follows:

Medical (under 65)		
Retiree Only	$	531
Retiree +1	$	1,168
Retiree +2 or more	$	1,258
Vision		
Retiree Only	$	9
Retiree +1	$	14
Retiree +2 or more	$	22
Delta Dental		
Retiree Only	$	29
Retiree +1	$	56
Retiree +2 or more	$	100
Willamette Dental		
Retiree Only	$	41
Retiree +1	$	80
Retiree +2 or more	$	144

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	$ 2,796,343
Interest on net OPEB obligation	183,840
Adjustment to annual required contribution	(164,146)
Annual OPEB cost (expense)	2,816,037
Estimated contributions made	(1,024,987)
Increase in net OPEB obligation	1,791,050
Net OPEB obligation—beginning of year	4,596,009
Net OPEB obligation—end of year	$ 6,387,059

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	2010	$ 1,615,770	$ 543,769	34%	$ 3,542,001
	2011	1,722,308	668,300	39%	4,596,009
	2012	2,816,037	1,013,773	36%	6,387,059

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $22.3 million. 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 $120.4 million and the ratio of the UAAL to the covered payroll was 19%.

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.

The schedule of funding progress is as follows:

Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2007	$ -	$ 12,856,000	$ 12,856,000	0%	$108,778,000	12%
2009	-	12,437,959	12,437,959	0%	125,872,618	10%
2011	-	22,331,758	22,331,758	0%	120,423,206	19%

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, 2011 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. This is calculated based on the expected long-term rate of return on the District's general funds at the valuation date. A 3.0% implied inflation rate (CPI) assumption is used. The valuation assumes that 85% of eligible retirees will actually participate in the retiree medical and vision benefits and that 75% of eligible retirees will actually participate in the retiree dental benefits. The valuation also assumes 10% of retirees enrolled in the medical and vision plans will enroll dependents in the medical and vision plans and 30% of retirees enrolled in the dental plan will enroll dependents in the dental plan. The annual healthcare medical with vision trend rates of 8.2% in the first year, 6.7% in the second year and decreasing gradually until an ultimate rate of 4.9%, starting in 2086 are used.

The annual healthcare dental trend rates of 0.9% in the first year, and 5.0% until 2086, at which time the rate reduces to 4.9% are used. It was assumed salary increases will be 3.50% 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 $627,404,859 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 July 1, 2011	$ 412,712
Total incurred claims (including IBNRs) and and prior period changes in claim estimates	887,790
Total payments and recoveries	(247,890)
Unpaid claims as of June 30, 2012	$ 1,052,612

The District has restricted cash and investments of $325,529 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, 2012 that were budgeted expenditures in the 2011/2012 school year.

There were two uncompleted projects currently under contract. The projects, bids, and amounts paid as of June 30, 2012, were as follows:

Project	Contract Amount	Amount Paid as of June 30, 2012	(Memo Only) Balance
Meridian High School Remodel	$ 2,815,580	$ 540,265	$ 2,275,315
Willow Creek Elementary	3,558,643	1,080,871	2,477,772
	$ 6,374,223	$ 1,621,136	$ 4,753,087

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, 2012 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 $11,723,585, $13,020,498, and $13,672,694, for the three fiscal years ended June 30, 2012, 2011, and 2010, 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, 2012, the District paid Program benefits totaling $367,304.

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.

Note 16 - Subsequent Events

The District issued Series 2012 General Obligation Refunding Bonds on August 1, 2012 in the amount of $78,550,000. Proceeds of bonds will be used by the District to advance refund certain maturities of the Series 2005 General Obligation Bonds.

Required Supplementary Information
June 30, 2012

Joint School District No. 2

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget-Positive (Negative)
Revenue				
Local revenues				
Property taxes	$ 1,539,568	$ 1,774,324	$ 2,239,042	$ 464,718
Earnings on investments	150,000	150,000	132,547	(17,453)
State revenue	143,339,778	146,998,585	149,625,252	2,626,667
Federal revenue	4,237,878	975,422	1,807,898	832,476
Other revenue	2,870,306	3,765,508	4,770,402	1,004,894
Total revenue	152,137,530	153,663,839	158,575,141	4,911,302
Expenditures				
Instructional				
Elementary school programs	48,133,697	48,645,138	47,855,181	789,957
Secondary school programs	33,452,632	33,929,400	32,737,866	1,191,534
Alternative school programs	5,471,019	6,273,339	6,584,271	(310,932)
Exceptional school programs	12,278,751	12,278,242	12,282,146	(3,904)
Preschool school programs	868,270	868,270	832,530	35,740
Gifted and talented school programs	1,248,641	1,245,789	1,175,788	70,001
Interscholastic school programs	1,302,295	1,978,077	1,967,980	10,097
School activity programs	251,411	250,000	267,122	(17,122)
Summer school programs	357,702	357,703	376,395	(18,692)
Total instructional	103,364,418	105,825,958	104,079,279	1,746,679
Support services				
Attendance, guidance, health program	5,838,776	5,678,346	5,400,974	277,372
Ancillary program	6,291,445	6,294,945	5,761,263	533,682
Instructional improvement program	3,186,204	4,308,945	2,343,666	1,965,279
Instructional technology program	1,150,129	1,092,321	2,705,944	(1,613,623)
Media program	2,233,400	2,240,435	1,983,081	257,354
School administration program	10,670,841	11,090,568	10,740,894	349,674
Administration program	4,770,919	5,717,688	5,633,324	84,364
Administration technology program	2,066,208	2,134,363	1,976,353	158,010
Custodial program	11,354,963	11,326,552	8,473,266	2,853,286
Maintenance and warehouse programs	2,341,104	2,492,104	5,097,537	(2,605,433)
Grounds program	497,723	346,723	307,369	39,354
Security program	822,829	822,829	833,106	(10,277)
Transportation program	8,756,026	8,785,808	9,556,970	(771,162)
Total support services	59,980,567	62,331,627	60,813,747	1,517,880

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget-Positive (Negative)
Expenditures (Continued)				
Non-instructional	175,507	175,507	180,902	(5,395)
Community program	159,826	159,826	197,260	(37,434)
Debt service program				
Principal	510,000	510,000	510,000	-
Interest and agent fees	118,783	118,783	118,732	51
Total expenditures	164,309,101	169,121,701	165,899,920	3,221,781
Excess (deficiency) of revenue over expenditures	(12,171,571)	(15,457,862)	(7,324,779)	8,133,083
Other financing sources (uses)				
Net interfund transfer	4,317,343	4,323,717	4,361,180	37,463
Proceeds from sale of fixed assets	-	-	-	-
Unrealized loss on investments	-	-	(9,060)	(9,060)
	4,317,343	4,323,717	4,352,120	28,403
Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses)	$ (7,854,228)	$ (11,134,145)	$ (2,972,659)	$ 8,161,486

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, 2012.

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, 2012

Joint School District No. 2

	Beginning Balance June 30, 2011	Receipts	Expenditures	Ending Balance June 30, 2012
Assets				
Cash				
Meridian High School	$ 75,928	$ 812,112	$ 796,558	$ 91,482
Centennial High School	46,470	1,064,097	1,084,676	25,891
Eagle High School	71,900	1,012,962	1,052,490	32,372
Mountain View High School	38,667	1,204,844	1,183,308	60,203
Rocky Mountain High School	130,633	1,512,833	1,459,044	184,422
Meridian Middle School	9,860	175,820	176,483	9,197
Lowell Scott Middle School	34,925	249,645	224,711	59,859
Lake Hazel Middle School	2,876	197,396	197,653	2,619
Eagle Middle School	13,044	230,354	225,620	17,778
Lewis and Clark Middle School	6,465	167,980	154,841	19,604
Sawtooth Middle School	4,317	169,914	172,757	1,474
Heritage Middle School	6,112	226,826	197,866	35,072
Academies	118,265	372,863	330,639	160,489
Elementary Schools	585,039	2,194,466	2,184,758	594,747
Total cash	1,144,501	9,592,112	9,441,404	1,295,209
Investments				
Meridian High School	89,227	204	-	89,431
Centennial High School	251,250	580	-	251,830
Eagle High School	317,444	728	-	318,172
Mountain View High School	305,733	40,799	-	346,532
Rocky Mountain High School	96,192	220	-	96,412
Meridian Middle School	74,609	176	-	74,785
Lowell Scott Middle School	63,916	151	-	64,067
Lake Hazel Middle School	68,958	9,698	-	78,656
Eagle Middle School	61,319	7,195	-	68,514
Lewis and Clark Middle School	62,428	180	-	62,608
Sawtooth Middle School	53,578	20,000	4,850	68,728
Heritage Middle School	40,086	106	5,000	35,192
Total investments	1,484,740	80,037	9,850	1,554,927
Total assets	$ 2,629,241	$ 9,672,149	$ 9,451,254	$ 2,850,136

	Beginning Balance June 30, 2011	Receipts	Expenditures	Ending Balance June 30, 2012
Liabilities				
Accounts payable				
Meridian High School	$ 5,870	$ 69,640	$ 65,046	$ 10,464
Centennial High School	23,593	94,795	91,277	27,111
Eagle High School	36,853	72,004	70,101	38,756
Mountain View High School	16,089	82,538	79,597	19,030
Rocky Mountain High School	11,110	81,453	81,227	11,336
Meridian Middle School	5,128	6,847	5,562	6,413
Lowell Scott Middle School	8,993	7,915	5,821	11,087
Lake Hazel Middle School	5,275	8,129	6,948	6,456
Eagle Middle School	2,617	8,344	8,062	2,899
Lewis and Clark Middle School	1,549	46,282	45,258	2,573
Sawtooth Middle School	3,804	8,983	6,837	5,950
Heritage Middle School	5,313	14,719	15,773	4,259
Total accounts payable	126,194	501,649	481,509	146,334
Due to student groups				
Meridian High School	159,285	746,389	735,225	170,449
Centennial High School	274,127	974,623	998,140	250,610
Eagle High School	352,491	945,576	986,279	311,788
Mountain View High School	328,311	1,173,832	1,114,438	387,705
Rocky Mountain High School	215,715	1,437,951	1,384,168	269,498
Meridian Middle School	79,341	169,589	171,361	77,569
Lowell Scott Middle School	89,848	241,891	218,900	112,839
Lake Hazel Middle School	66,559	189,672	181,412	74,819
Eagle Middle School	71,746	222,384	210,737	83,393
Lewis and Clark Middle School	67,344	121,878	109,583	79,639
Sawtooth Middle School	54,091	156,107	145,946	64,252
Heritage Middle School	40,885	208,204	183,084	66,005
Academy Schools	118,265	372,863	330,639	160,489
Elementary Schools	585,039	2,194,466	2,184,758	594,747
Total due to student groups	2,503,047	9,155,425	8,954,670	2,703,802
Total liabilities	$ 2,629,241	$ 9,657,074	$ 9,436,179	$ 2,850,136

Single Audit and Government Auditing Standards Information
June 30, 2012

Joint School District No. 2

CPAs & BUSINESS ADVISORS

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2012. 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

Management of the District, is responsible for establishing and maintaining effective 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 not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, 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.

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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*.

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
October 17, 2012

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, 2012. 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, 2012.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 2012-1 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 the responses.

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
October 17, 2012

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	$ 3,850,089
Commodities	10.555	650,089
School Breakfast Program	10.553	690,056
Summer Food Service Program	10.559	194,177
Special Milk Program	10.556	6,344
		5,390,755
Fresh Fruits and Vegetables	10.582	61,427
Total U.S. Department of Agriculture		5,452,182
U.S. Department of Education		
Indian Education	84.060	7,847
Passed Through State Department of Education		
Education Jobs Funds Recovery Act	84.410A	1,689,412
Title I Program Cluster		
Title I Local Program - 2011	84.010	3,180,217
Titel I Local Program Recovery Act	84.389A	169,888
		3,350,105
Title VI-B Program Cluster		
Title VI-B - 2011	84.027	4,860,942
Title VI-B Recovery Act	84.391A	644,625
Title VI-B Preschool - 2011	84.173	144,436
Title VI-B Preschool Recovery Act	84.392A	30,436
		5,680,439
Education of Homeless	84.196	38,039
Education Technology State Grant Recovery Act	84.386A	538
Emergency Immigrant Education	84.365	50,283
Title III - English Language - 2011	84.365	82,132
		132,415
Title II EESA -2011	84.367	532,778
Passed Through Idaho Division of Vocational Technical Education		
Carl Perkins	84.048	247,216
Total U.S. Department of Education		11,678,789

U.S. Department of Health and Human Services		
Early Retiree Reinsurance Program	93.546	92,978
Passed Through State Department of Health and Welfare		
Refugee Grant	93.576	29,746
Developmental Disabilities Basic Support and Advocacy	93.630	500
Total U.S. Department of Health and Human Services		123,224
Other Federal Financial Assistance		
Passed Through Idaho Commission on Arts		
National Endowment for the Arts Grant	45.025	3,108
Passed Through Idaho Commission for Libraries		
State Library Program	45.310	1,900
Total Other Financial Assistance		5,008
Total Federal Financial Assistance		$ 17,259,203

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	No
Significant deficiency	None noted
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)?	Yes

Identification of major programs:

CFDA number	Name of Federal Program or Cluster
84.027, 84.173, 84.391A, 84.392A	Title VI-B - Cluster
84.010, 84.389A	Title I - Cluster
84.410A	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs	$517,776
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

2012-1

CFDA numbers:
84.410, 84.010

Name of Federal Programs or Cluster:
Title I Cluster
Title I Local Program
Title I 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 maintain the correct semi-annual certifications for two grant employees.

Cause
Two employees changed funding source this year between Titles I, II and III. Adjustments are occasionally made after school begins because the grant amounts for Titles I, II, and III are changed throughout the school year and the payroll adjustments are made to reflect the altered funding amounts available. The district did not update the semi-annual certification to reflect the change in funding source for these employees.

Effect
Two grant employees did not have the correct semi-annual certifications during the year.

Recommendation
The District should develop a process that maintains semi-annual certifications on the respective grant employees.

Views of Responsible Officials
To meet this requirement, the District will develop a system of reviewing the semi-annual certification list at least twice after contract has begun to assure that no payroll changes have occurred that would require a change to the current certification list.