Financial Statements
June 30, 2016

Joint School District No. 2

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint School District No. 2 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying 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 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining schedule of changes in assets and liabilities – all fiduciary funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 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* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 12, 2016

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

Financial Highlights

- **State Funding Increased by $10.5 Million –** The state legislature has continued the restoration of previous funding levels. Student growth from 2015-2016 increased by 685 which increased funding received from state support funding calculation. The increase in state funding has enabled the District to implement the first year of the new Certified Career Ladder, hire 40 new certified employees which contributed to the reduction of the District's deficit of the State's qualifying allotment, and allocate a 3 percent increase to the base salary for Administrators and Classified staff.

- **Construction Bond Issued** – In the spring of 2015 patrons authorized a bond sale of $96 million dollars, of which $85,830,000 are fully issued. On June 1, 2015 the District received proceeds from the bond issuance. The bond proceeds will fund several construction projects to accommodate the growth of the District. The major projects include Victory Middle School, Hillsdale Elementary School (both opened in the Fall 2016), Star Middle School (to open Fall of 2018) and the remaining phases of the remodel of Meridian High School.

- **Capital Projects** – In addition to the $43.5 million expended under the construction bonds discussed above, the District expended $26.6 million dollars on capital projects throughout the year. These projects were primarily funded with Plant Facility funds saving tax payers bond interest. The largest expenditures pertain to the purchase of the land and building for Idaho Fine Arts Academy ($6.0 million), the purchase of surplus land adjacent to the District Service Center for future expansion (net $3.5 million after a land swap), and the yearly technology refresh, upgrading all staff and student computers ($4.5 million). Various other projects were completed during the year such as classroom updates, sewer system replacements, new roofs on various schools and parking lot improvements.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements (GWFS)

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

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

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

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

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

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

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

Fund Based Financial Statements

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by $214,490,000 at the close of the most recent fiscal year.

	June 30, 2016	June 30, 2015
Assets		
Current assets	$ 139,155,580	$ 170,553,931
Non-current assets	867,879	1,125,220
Capital assets (net of depreciation)	408,412,694	362,788,986
Total assets	548,436,153	534,468,137
Deferred Outflows of Resources	44,508,391	23,902,355
Liabilities		
Current liabilities	42,937,830	37,914,142
Long-term liabilities	294,953,418	285,485,915
Total liabilities	337,891,248	323,400,057
Deferred Inflows of Resources	40,563,296	47,030,359
Net Position		
Net investment in capital assets	206,642,694	146,983,986
Restricted	62,550,445	102,314,931
Unrestricted	(54,703,139)	(61,358,841)
Total net position	$ 214,490,000	$ 187,940,076

The largest portion of the District's net position 96.3% reflect investments in capital assets (i.e., land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending.

Restricted net position represents 29.2% of the District's net position. These resources are subject to external restrictions on how they may be used. The remaining (25.5%) represents unrestricted net position.

At the end of the current fiscal year, the District's total net position increased by 14.1% to $214,490,000. This represents an overall increase of $26,549,924. Increase is due primarily to an increase in property taxes, state support, and the effects of recording the pension accrual in the current year.

Changes in Net Position – The table below shows the changes in net position for the fiscal year ended June 30, 2016. The District relies on state support for 61.5% of its governmental activities. The District had total revenues of $278,455,033 and total expenses of $251,916,910 generating an increase in net position of $26,549,924.

Revenues	June 30, 2016	June 30, 2015
Program revenues		
Charges for services	$ 9,521,634	$ 8,837,486
Operating grants and contributions	31,080,289	28,956,005
Capital grants and contributions	495,724	447,899
General revenues		
Property taxes	65,587,543	58,270,534
State support	171,111,079	160,938,568
Other	670,565	252,529
Total revenues	278,466,834	257,703,021
Expenses		
Instruction	144,095,840	131,826,872
Support services	90,472,926	81,714,334
Non-instructional services	9,852,689	9,181,353
Community support	177,685	158,655
Interest and fees on long-term debt	7,317,770	5,672,441
Total expenses	251,916,910	228,553,655
Change in Net Position	$ 26,549,924	$ 29,149,366

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 $12,857,075 which is up 22.78% from the ending balance in fiscal year 2015 of $10,471,273.

Expenditures for general District purposes totaled $188,281,297, an increase of 5.23% during the current fiscal year; this difference is the result of the overall increase in student enrollment and the increase to all staff salaries and benefits.

General fund salaries totaled $120,353,617 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $41,874,752 to arrive at 86.2% of the District's general fund expenditures.

General Fund Budgetary Highlights

For the last three years as a result of District wide savings initiatives, the District was able to avoid utilizing the General Fund's fund balance. The 2016-2017 budget includes the General Fund's fund balance to cover budgeted expenditures over projected revenue. The District continues to monitor expenses in anticipation of stabilizing the General Fund going forward.

Debt Service Fund – The debt service fund is the fund used to account for the long-term debt activity of the District. The District paid approximately $13.4 million in principal payments and $7.9 million in interest payments during fiscal year 2016.

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 $53,077,020, a decrease of $47,287,257 from the ending balance in fiscal year 2015 of $100,364,277. This decrease in fund balance can be attributed to the continuing construction of three projects – Meridian High School (scheduled completion Fall 2018), Victory Middle School (opening Fall 2016), and Hillsdale Elementary School (opening Fall 2016).

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 $577,070,817 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $168,658,123.

- Capital asset acquisitions for governmental activities totaled $57,856,067 for the fiscal year.
- The District has $59,363,469 in construction in progress. This includes extensive remodels and expansions to existing schools as well as the construction of additional schools.

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

Long-Term Debt

At year end the District had $201,770,000 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	$ 1,555,000
Series 2010 - Refunding	$ 23,265,000
Series 2012 - Refunding	$ 78,550,000
Series 2014 - Refunding	$ 12,570,000
Series 2015	$ 85,830,000

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

The State Education General Fund budget for 2016-2017 was increased 7.4 percent, which included a 7.7 percent increase in the discretionary funding ($27.3 million), $41.5 million to fund the second year of career ladder, which is intended to move compensation to a performance basis, and a 3 percent increase for all other base salaries. The State continues to dedicate funds to enhance classroom learning through programs focused on teacher professional development, classroom technology and remediation for students requiring additional help, including an additional $9.1 million dedicated to increasing literacy proficiency at the K-3 levels.

The District anticipates that the increase in state revenue will be approximately $10.3 million for fiscal year 2016-2017 which includes $5.6 million for certified staff, $1.0 million for all other staff, and $3.7 million for discretionary and operational expenditures for a projected enrollment growth of 500 students.

A local supplemental tax levy was passed in November 2015 for $14 million for two years. This levy expires at the end of the 2017-2018 school year. Funds from the levy will continue to support 9 school days, additional certified and classified staff and operational expenses. Due to the deficit in the general fund the levy has been crucial in supporting additional instructional days and operating expenses.

In 2016-2017 the District has budgeted a 4 percent increase in salary for certified staff, including 18 new full-time certified staff, a 3 percent increase in salary for all other staff, $600,000 to cover course fees charged to students in previous years, $1.8 million to open two new schools in the fall of 2016, and $1.5 million for additional operating and instructional expenses for a projected enrollment growth of 500 students.

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 Debbie Arstein at the West Ada School District Services Center, 1303 E Central Drive, Meridian, ID 83642, by phone at (208) 855-4500, or by e-mail at arstein.debbie@westada.org.

	Governmental Activities
Assets	
Cash and cash equivalents	$ 24,250,570
Restricted cash and cash equivalents	79,121,304
Property taxes receivable	27,442,159
State and federal receivables	7,436,718
Receivables	796,045
Other assets	108,784
Prepaid interest on refunded bonds (net of amortization)	867,879
Land and construction in progress	98,797,830
Depreciable capital assets (net of depreciation)	309,614,864
Total assets	548,436,153
Deferred Outflows of Resources	
Deferred amount on refunding	6,091,821
Pension obligations	38,416,570
Total deferred outflow of resources	44,508,391
Liabilities	
Accounts, salaries, and other payables	39,671,547
Accrued interest payable bonds	3,266,283
Long-term liabilities	
Bond premium (net of amortization)	20,552,804
Due within one year - bonds	16,325,000
Due in more than one year - bonds	185,445,000
Due in more than one year - pension liabilities	58,277,099
Due in more than one year - other post employment benefit liabilities	14,353,515
Total liabilities	337,891,248
Deferred Inflows of Resources	
Employer pension assumption	40,563,296
Net Position	
Net investment in capital assets	206,642,694
Restricted for	
Capital improvements	53,676,819
Self-insured workers compensation	740,205
Grant programs	1,863,415
Debt service	6,270,006
Unrestricted	(54,703,139)
	$ 214,490,000

	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	$ 63,571,026	$ 1,389,108	$ 4,865,847	$ -	$ (57,316,071)
Secondary/alternative programs	53,980,220	65,026	2,550,016	-	(51,365,178)
Exceptional/preschool program	21,870,284	504,157	5,523,359	-	(15,842,768)
Other instructional programs	4,674,310	748,791	-	-	(3,925,519)
Support services					
Attendance and guidance	6,716,281	-	520,948	-	(6,195,333)
Ancillary	7,919,570	-	3,244,721	-	(4,674,849)
Instructional improvement	15,821,531	-	2,969,297	-	(12,852,234)
Educational media	2,300,792	-	-	-	(2,300,792)
School administration	12,616,213	-	3,167,237	-	(9,448,976)
Administration	11,399,856	2,131,613	226,372	-	(9,041,871)
Maintenance and custodial	21,213,605	-	-	-	(21,213,605)
Grounds	862,172	-	-	-	(862,172)
Security	953,608	-	-	-	(953,608)
Pupil transportation services	10,669,298	-	-	-	(10,669,298)
Non-instructional	9,852,689	4,061,655	5,707,852	-	(83,182)
Community service programs	177,685	621,284	111,063	-	554,662
Capital improvements	-	-	2,193,577	495,724	2,689,301
Interest on long-term debt	7,317,770	-	-	-	(7,317,770)
Total Governmental Activities	$ 251,916,910	$ 9,521,634	$ 31,080,289	$ 495,724	(210,819,263)

General Revenues	
Taxes	
Property taxes, levied for general purposes	18,104,653
Property taxes, levied for debt services	27,146,276
Property taxes, levied for plant facility	20,336,614
State revenue in lieu of taxes	18,013
Grants and contributions not restricted to specific programs	
State foundation program	171,093,066
Interest and investment earnings	
General fund	193,114
Other funds	37,515
Capital projects	505,673
Unrealized loss on investments	(174,055)
Gain on disposal of assets	108,318
Total general revenues	237,369,187
Change in net position	26,549,924
Net position, beginning of year	187,940,076
Net position, end of year	$ 214,490,000

	General	Debt Service	Capital Projects
Assets			
Cash and investments	$ 24,250,570	$ -	$ -
Restricted cash and cash equivalents	740,205	11,760,214	55,393,263
Other assets	108,784	-	-
Receivables			
Current property taxes receivable	7,089,054	10,589,159	7,924,933
Delinquent property taxes receivable	464,234	774,980	599,799
State receivable	4,039,218	-	-
Federal receivable	-	-	-
Interfund receivable	4,286,980	-	-
Other receivables	210,751	5,040	34,337
	$ 41,189,796	$ 23,129,393	$ 63,952,332
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 1,025,860	$ -	$ 8,242,693
Salaries and benefits payable	26,842,627	-	-
Interfund payable	-	-	2,032,820
Total liabilities	27,868,487	-	10,275,513
Deferred Inflows of Resources			
Property taxes	464,234	774,979	599,799
Fund Balance			
Restricted for			
Debt service	-	22,354,414	-
Self-insured workers compensation	740,205	-	-
Capital projects	-	-	53,077,020
Grant programs- School Lunch	-	-	-
Assigned for			
Grant programs	-	-	-
Subsequent year expenditures	9,868,345	-	-
Special activities	-	-	-
Unassigned			
Unassigned	2,248,525	-	-
Total fund balance	12,857,075	22,354,414	53,077,020
Total Liabilities, Deferred Inflow and Fund Balances	$ 41,189,796	$ 23,129,393	$ 63,952,332

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
$ -	$ 24,250,570
11,227,622	79,121,304
-	108,784
-	25,603,146
-	1,839,013
356,337	4,395,555
3,041,163	3,041,163
-	4,286,980
545,917	796,045
$ 15,171,039	$ 143,442,560
$ 631,457	$ 9,900,010
2,928,910	29,771,537
2,254,161	4,286,981
5,814,528	43,958,528
-	1,839,012
-	22,354,414
-	740,205
-	53,077,020
1,863,415	1,863,415
1,176,408	1,176,408
-	9,868,345
6,316,688	6,316,688
-	2,248,525
9,356,511	97,645,020
$ 15,171,039	$ 143,442,560

Total fund balances - governmental funds	$	97,645,020
The cost of capital assets (land, buildings, furniture, equipment and construction in process) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.		408,412,694
Property taxes and interest receivable, as recorded in the Statement of Net Position, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.		1,839,012
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.		(19,684,924)
Certain costs related to bond refundings (refunding costs) are considered expenditures when paid on the Governmental Fund Statements, but are recorded as assets and amortized over the life of the bonds on the Statement of Net Position.		6,091,821
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.		(277,666,897)
Deferred outflows of resources related to pension obligations.		38,416,570
Deferred inflows of resources related to pensions.		(40,563,296)
Net Position	$	214,490,000

	General	Debt Service	Capital Projects
Revenue			
Local revenues			
Property taxes	$ 16,087,291	$ 27,027,326	$ 20,267,643
Earnings on investments	193,114	28,386	505,673
State revenue	171,654,761	447,899	2,193,577
Federal revenue	-	-	-
Other revenue	2,351,681	-	23,401
Total revenue	190,286,847	27,503,611	22,990,294
Expenditures			
Instructional			
Elementary school programs	55,337,595	-	806,895
Secondary school programs	42,362,363	-	1,099,163
Alternative school programs	3,801,132	-	61,339
Exceptional school programs	15,500,608	-	-
Preschool school programs	981,622	-	7,639
Gifted and talented school programs	1,416,039	-	-
Interscholastic school programs	1,482,463	-	-
School activity programs	184,251	-	-
Summer school programs	380,005	-	-
Driver education program	-	-	-
Total instructional	121,446,078	-	1,975,036
Support Services			
Attendance and guidance program	6,362,513	-	-
Ancillary program	6,472,953	-	14,711
Instructional improvement program	3,605,687	-	30,835
Instructional technology program	1,351,335	-	4,476,546
Media program	2,259,445	-	-
School administration program	12,715,794	-	-
Administration program	4,432,292	-	10,379
Administration technology program	2,496,084	-	-
Custodial program	9,431,680	-	182,694
Maintenance and warehouse programs	5,411,576	-	6,266,248
Grounds program	456,034	-	378,869
Security program	953,608	-	46,684
Transportation program	9,769,900	-	-
Total support services	65,718,901	-	11,406,966

Other Governmental Funds	Total Governmental Funds
$ 2,013,662	$ 65,395,922
9,129	736,302
11,661,973	185,958,210
16,142,851	16,142,851
7,732,587	10,107,669
37,560,202	278,340,954
4,861,453	61,005,943
2,526,104	45,987,630
1,699	3,864,170
5,533,724	21,034,332
114,122	1,103,383
68,824	1,484,863
662,676	2,145,139
86,116	270,367
94,989	474,994
298,947	298,947
14,248,654	137,669,768
392,982	6,755,495
1,496,241	7,983,905
4,359,023	7,995,545
2,083,005	7,910,886
69,950	2,329,395
-	12,715,794
1,017,739	5,460,410
577,916	3,074,000
-	9,614,374
13,171	11,690,995
-	834,903
-	1,000,292
-	9,769,900
10,010,027	87,135,894

	General	Debt Service	Capital Projects
Expenditures (Continued)			
Non-instructional	230,413	-	-
Community program	177,685	-	-
Capital outlay program	-	-	56,750,438
Debt service			
Principal	680,000	13,355,000	-
Interest and agent fees	28,220	7,859,838	-
Total debt service	708,220	21,214,838	-
Total expenditures	188,281,297	21,214,838	70,132,440
Excess (Deficiency) of Revenue Over (Under) Expenditures	2,005,550	6,288,773	(47,142,146)
Other Financing Sources (Uses)			
Net interfund transfers	397,800	4,359	(4,609)
Gain (loss) on investments	(17,548)	(11,319)	(140,502)
	380,252	(6,960)	(145,111)
Excess (Deficiency) of Revenues and Other financing sources (uses) over (under) expenditures and other financing sources (uses)	2,385,802	6,281,813	(47,287,257)
Fund Balance, Beginning of Year	10,471,273	16,072,601	100,364,277
Fund Balance, End of Year	$ 12,857,075	$ 22,354,414	$ 53,077,020

Other Governmental Funds	Total Governmental Funds
9,670,632	9,901,045
-	177,685
85,629	56,836,067
-	14,035,000
-	7,888,058
-	21,923,058
34,014,942	313,643,517
3,545,260	(35,302,563)
(397,550)	-
(4,686)	(174,055)
(402,236)	(174,055)
3,143,024	(35,476,618)
6,213,487	133,121,638
$ 9,356,511	$ 97,645,020

Total net change in fund balances - governmental funds	$ (35,476,618)
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.	45,623,708
Retirement of bonds in the current year.	14,035,000
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.	191,621
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	1,707,331
Change in OPEB Liability.	(2,248,394)
Change in Pension Liability.	(24,113,424)
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.	(1,137,042)
Deferred outflows of resources related to pension obligations.	21,500,679
Deferred inflows of resources related to pensions.	6,467,063
Change in net position	$ 26,549,924

	Agency Funds
Assets	
Cash	$ 1,534,835
Investments	1,730,044
	$ 3,264,879
Liabilities	
Accounts payable	$ 99,808
Due to student groups	3,165,071
	$ 3,264,879

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

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

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

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

Governmental Funds

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

Governmental funds include:

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

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

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

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

Fiduciary Funds

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

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

These agency funds are as follows:

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program revenues

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

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

Ad valorem taxes are susceptible to accrual.

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

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Deposits and Investments

Investments, when held, are stated at fair value, as determined by quoted market prices. Certificates of deposit, which are non-participating contracts, are carried at amortized cost. Interest earned is allocated on a basis of average investment or deposit balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A. For the year ended June 30, 2016, the District did not hold any investments at fair value.

Idaho Code limits investments to the following general types:

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

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

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

Repurchase agreements secured by the above.

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

Custodial Credit Risk

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

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.

Eliminations

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

Estimates

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

Property Taxes

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

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

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

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

Capital Assets

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

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

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

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

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

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

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

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statements at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statements at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. As of June 30, 2016, 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 are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Restricted Net Position

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

Fund Balances of Fund Financial Statements

Fund balances of the governmental funds are classified as follows:

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

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

Interfund Transactions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Financial Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The two items are as follows: the pension obligation and deferred charge on debt refunding, both reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Financial Position will include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category reported on the government-wide statement of net position. It is the employer pension assumption.

Compensated Absences

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

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

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

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

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.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

Costs of capital assets	$ 577,070,817
Depreciation expense to date	(168,658,123)
Net adjustment	$ 408,412,694

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, 2016 are:

Defered loss on refunding	$ 9,202,672
Amortization of debt issuance costs to date	(3,110,851)
Prepaid interest	2,591,348
Amortization of prepaid interest to date	(1,723,469)
Premium on bonds issued	(28,367,622)
Amortization of bond premium to date	7,814,818
Net adjustment	$ (13,593,104)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances payable at June 30, 2016 are:

Bonds payable	$(201,770,000)
Interest payable	(3,266,283)
Net pension liability	(58,277,099)
OPEB liability	(14,353,515)
Net adjustment	$(277,666,897)

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	$ (11,348,191)
Loss on disposal of capital assets	(912,370)
Capital outlays	57,884,269
Net adjustment	$ 45,623,708

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 prepaid interest	$ (257,341)
Amortization of bond premium	2,859,315
Amortization of deferred loss on refunding	(894,643)
Net adjustment	$ 1,707,331

Note 3 - Cash and Cash Equivalents

At June 30, 2016, the District's cash and cash equivalents, excluding trust funds, consisted of the following:

Deposits	Carrying Amount	Bank Amount	Insured or Collateralized	Uninsured and Uncollateralized
Insured or collateralized	$ 5,062,227	$ 10,546,324	$ 10,546,324	$ -
Bayeriche	53,729,871	53,729,871	53,729,871	-
State of Idaho Local Government Investment Pool (LGIP)	44,579,776	44,579,776	44,579,776	-
Total cash and deposits	$ 103,371,874	$108,855,971	$ 108,855,971	$ -

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, 2016, the Other Governmental Funds and the Capital Projects Fund have an interfund payable to the General Fund for $2,032,820 and $2,254,161, respectively, from allocations of the District's pooled cash accounts. The following transfers occurred in the fiscal year for the purpose of funding operations:

	Interfund Transfers In General Funds	Interfund Transfers In Debt Service Fund
Interfund transfers out		
Nonmajor governmental funds	$ 397,550	$ -
Capital projects fund	250	4,359
Total interfund transfers	$ 397,800	$ 4,359

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, 2016:

State Agencies	$ 4,395,555
Federal Agencies	3,041,163
	7,436,718
County Agencies	27,442,159
Total	$ 34,878,877

Note 6 - Unavailable and Advanced Revenues

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements and are reported as deferred inflows of resources. The following revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2016:

	General Fund	Debt Service Fund	Capital Projects Fund
Delinquent taxes	$ 464,234	$ 774,979	$ 599,799
	$ 464,234	$ 774,979	$ 599,799

Note 7 - Capital Assets

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

	June 30, 2015	Additions	Deletions	Transfers	June 30, 2016
Non depreciable capital assets					
Land	$ 34,745,102	$ 1,020,000	$ (903,959)	$ 4,573,218	$ 39,434,361
Construction in progress	17,846,901	56,836,067	(5,444)	(15,314,055)	59,363,469
Total	$ 52,592,003	$ 57,856,067	$ (909,403)	$ (10,740,837)	$ 98,797,830
Depreciable capital assets					
Buildings, and improvements	$ 410,739,684	$ -	$ -	$ 10,512,586	$ 421,252,270
Furniture and equipment	56,823,612	28,202	(59,348)	228,251	57,020,717
Total	467,563,296	28,202	(59,348)	10,740,837	478,272,987
Less accumulated depreciation for					
Buildings, and improvements	(111,399,302)	(8,864,317)	-	-	(120,263,619)
Furniture and equipment	(45,967,011)	(2,483,874)	56,381	-	(48,394,504)
Total accumulated depreciation	(157,366,313)	(11,348,191)	56,381	-	(168,658,123)
Total depreciable capital assets, net	$ 310,196,983	$ (11,319,989)	$ (2,967)	$ 10,740,837	$ 309,614,864

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

Governmental activities	
Elementary programs	$ 3,041,097
Secondary/alternative programs	4,261,700
Other instructional programs	279,703
Instructional improvement	896
Administration	2,790,500
Maintenance and custodial	37,268
Grounds	27,269
Pupil transportation services	899,398
Non-instructional	10,360
Total depreciation expense –governmental activities	$ 11,348,191

Note 8 - Long-Term Debt

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

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016	Due within one year
Governmental activities					
Bonds payable					
General obligation	$ 215,805,000	$ -	$ (14,035,000)	$ 201,770,000	$ 16,325,000
Compensated absences	422,390	339,773	(337,302)	424,861	337,302
	$ 216,227,390	$ 339,773	$ (14,372,302)	$ 202,194,861	$ 16,662,302

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

Other post employment benefits	$ 14,353,515
Net pension liability	58,277,099
	$ 72,630,614

Note 9 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2016, 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.	$	1,555,000
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.		23,265,000
Series 2012 General Obligation Refunding Bonds in the original principal amount of $78,550,000 maturing through August 15, 2024. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 2.0% to 5.0% on the outstanding bonds.		78,550,000
Series 2014 General Obligation Refunding Bonds in the original principal amount of $19,420,000 maturing through August 15, 2020. Principal payments are due annually on February 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 2.0% to 4.0% on the outstanding bonds.		12,570,000
Series 2015 General Obligation School Bonds in the original principal amount of $85,830,000 maturing through August 15, 2034. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 2.0% to 5.0% on the outstanding bonds.		85,830,000
	$	201,770,000

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2016:

Fiscal Year Ending June 30	General Obligation Bond Principal	Interest	Total
2017	$ 16,325,000	$ 8,365,169	$ 24,690,169
2018	17,720,000	7,693,556	25,413,556
2019	18,450,000	6,970,575	25,420,575
2020	18,570,000	6,165,944	24,735,944
2021	15,555,000	5,427,944	20,982,944
Thereafter	115,150,000	28,017,828	143,167,828
	$ 201,770,000	$ 62,641,016	$ 264,411,016

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	$ 15,186,704,617
Multiplied by 5%	5%
Debt limit	759,335,231
Less outstanding indebtedness	201,770,000
Additional debt-incurring capacity	$ 557,565,231

<u>Refunded Bonds</u> – In 1996, 1998, 2004, 2005, 2006, 2008, 2010, and 2013 the District entered into refunding transactions whereby refunding bonds were issued to facilitate the retirement of the District's general obligation bonds already outstanding. The proceeds of the refunding issues were placed in the irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the issues being refunded. The refunded bonds are not included in the District's outstanding long-term debt since the District legally satisfied its obligation with respect thereto through consummation of the refunding transaction. Any gain or loss on a refunding was recognized in the period in which the refunding occurs.

Note 10 - Lease Obligations

The District is committed under an operating lease agreement for copiers, which expires in June 2019. The annual payment on the lease is $173,976.

Note 11 - Retirement Healthcare Plan

Plan Description. The District's Post-Retirement Healthcare Plan (the plan) is a single-employer defined benefit healthcare plan administered by the Blue Cross of Idaho, Ameritas Dental, Willamette Dental, and Ameritas Vision, and LifeMap. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Ameritas Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. Ameritas Vision provides vision insurance benefits to eligible retirees and their eligible dependents. LifeMap provides life insurance benefits to eligible retirees and their eligible dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical 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. Retirees and their spouses may also enroll in a life benefit until age 70. 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 2016 the District contributed approximately $852 thousand to the plan for current premiums or approximately 35% of total premiums. Plan members receiving benefits contributed approximately $1,612 thousand or approximately 65% 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 2015 were as follows:

Medical (under 65)		
Retiree Only	$	582
Retiree + Spouse	$	1,280
Retiree + Child	$	698
Retiree + Children	$	823
Retiree + Spouse + Child	$	1,396
Retiree + Spouse + Children	$	1,521
Vision		
Retiree Only	$	7
Retiree +1	$	13
Family	$	21
Ameritas Dental		
Retiree Only	$	39
Retiree +1	$	78
Family	$	136
Willamette Dental		
Retiree Only	$	49
Retiree +1	$	96
Family	$	172
LifeMap		
Term Life Insurance	$	27

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. 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	$ 3,140,588
Interest on net OPEB obligation	363,154
Adjustment to annual required contribution	(403,504)
Annual OPEB cost (expense)	3,100,238
Estimated contributions made	(851,844)
Increase in net OPEB obligation	2,248,394
Net OPEB obligation—beginning of year	12,105,121
Net OPEB obligation—end of year	$ 14,353,515

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	2014	$ 2,764,386	$ 884,604	32%	$ 10,125,552
	2015	$ 2,929,015	$ 949,446	32%	$ 12,105,121
	2016	$ 3,100,238	$ 851,844	27%	$ 14,353,515

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $26.6 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 $126.3 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 represents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

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
2011	$ -	$ 22,331,758	$ 22,331,758	0%	$120,423,206	19%
2013	-	$ 23,129,730	$ 23,129,730	0%	$119,124,308	19%
2015	-	$ 26,597,870	$ 26,597,870	0%	$126,340,902	21%

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, 2015 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.00% 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 2.50% implied inflation rate (CPI) assumption is used. The valuation assumes that 90% of eligible retirees will actually participate in the retiree medical, 75% of eligible retirees will actually participate in the retiree dental benefits, that 60% of eligible retirees will participate in the vision benefit and that 55% of eligible retirees will participate in the life benefit. The valuation also assumes, 10% of future retirees enrolled in the medical plan will enroll dependents in the medical plan, 30% of future retirees enrolled in the dental plan will enroll dependents in the dental plan, 5% of future retirees enrolled in the vision plan will enroll dependents in the vision plan, and 10% of future retirees enrolled in the life plan will enroll a spouse in the life plan. The annual healthcare medical trend rates of 4.7% in the first valuation year, 7.0% in the second valuation year, between 7.3-5.8% through 2041, and decreasing gradually until an ultimate rate of 4.4%, starting in 2091 are used.

The annual healthcare dental trend rates of -5.1% in the first year, 5.0% in the second year and thereafter until an ultimate rate of 4.4%, starting in 2091 is used. The annual healthcare vision trend rates of -14.5% in the first year, 5.0% in the second year and 5.0% and thereafter until an ultimate rate of 4.4%, starting in 2091. It was assumed salary increases will be 3.00% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

Note 12 - Insurance and Self-Insurance

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

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 $500,000 per occurrence.

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

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

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

The District has restricted cash and investments of $740,205 segregated in the general fund to satisfy workers' compensation claim liabilities.

Unpaid claims at July 1, 2015	$ 2,365,181
Total incurred claims (including IBNRs) and and prior period changes in claim estimates	(143,755)
Total payments and recoveries	(425,439)
Unpaid claims as of June 30, 2016	$ 1,795,987

Note 13 - Commitments and Contingencies

The District had $4,914,008 in open purchase orders at June 30, 2016 that were budgeted expenditures in the 2016/2017 school year.

There were three uncompleted projects currently under contract. The projects, bids, and amounts paid as of June 30, 2016, were as follows:

Project	Contract Amount	Amount Paid as of June 30, 2016	(Memo Only) Balance
Meridian High School Remodel	$ 20,866,836	$ 8,866,836	$ 12,000,000
Victory Middle School	26,159,428	19,659,428	6,500,000
Hillsdale Elementary School	15,552,071	11,552,071	4,000,000
Star Middle School	29,828,678	1,828,678	28,000,000
Spalding Roof	786,868	706,845	80,023
CDSA Roof	657,191	409,559	247,632
Joplin Roof	697,183	41,322	655,861
Meridian High School Turf	568,610	86,951	481,659
	$ 95,116,865	$ 43,151,690	$ 51,965,175

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 14 - Pension Plan

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by stature at 60% of the employer rate. As of June 30, 2015 it was 6.79% for general employees. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were $14,846,616 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the District's portion was 4.4255352 percent.

For the year ended June 30, 2016, the District recognized pension expense of $11,653,129. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,447,594	$ 6,986,172
Changes in assumptions or other inputs	2,122,360	
Net difference between projected and actual earnings on pension plan investments	-	30,603,387
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions	-	2,973,737
District's contributions susbequent to the measurement date	14,846,616	-
Total	$ 38,416,570	$ 40,563,296

$14,846,616 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 and 5.6 years for the measurement period June 30, 2014.

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

Year ended June 30,	
2017	$ 6,638,833
2018	6,638,833
2019	6,638,833
2020	(3,678,145)
2021	754,990

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individuals between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation for that date.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			**7.10%**

Discount Rate

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

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

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

	1% decrease (6.10%)	Current discount rate (7.10%)	1% increase (8.10%)
Employer's net pension liability (asset)	$ 141,941,842	$ 58,277,099	$ (11,279,037)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At June 30, 2016, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Required Supplementary Information
June 30, 2016

Joint School District No. 2

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

	2016	2015
Employer's proportionate share of the net pension liability	4.42553520%	4.64081690%
Employer's proportion share of the net pension liability	$ 58,277,099	$ 34,163,675
Employer's covered-employee payroll	$ 129,321,123	$ 131,109,688
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	45.06%	26.06%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

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

Date reported is measured as of June 30, 2015 (measurement date)

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

	2016	2015
Statutorily required contribution	$ 14,846,616	$ 14,072,065
Contributions in relation to the statutorily required contribution	$ (14,846,616)	$ (14,072,065)
Contribution (deficiency) excess	$ -	$ -
Employer's covered - employee payroll	$ 135,875,067	$ 129,321,123
Contributions as a percentage of the covered-employee payroll	10.93%	10.88%

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

Data is reported is measured as of June 30, 2016.

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual Amounts	Positive (Negative)
Revenue				
Local revenues				
Property taxes	$ 15,322,589	$ 15,322,589	$ 16,087,291	$ 764,702
Earnings on investments	48,850	48,850	193,114	144,264
State revenue	170,064,152	171,162,114	171,654,761	492,647
Other revenue	1,098,650	1,108,140	2,351,681	1,243,541
Total revenue	186,534,241	187,641,693	190,286,847	2,645,154
Expenditures				
Instructional				
Elementary school programs	56,727,138	56,483,513	55,337,595	1,145,918
Secondary school programs	42,926,512	42,816,292	42,362,363	453,929
Alternative school programs	3,780,751	3,870,009	3,801,132	68,877
Exceptional school programs	15,768,016	16,013,839	15,500,608	513,231
Preschool school programs	961,603	1,010,652	981,622	29,030
Gifted and talented school programs	1,341,490	1,532,954	1,416,039	116,915
Interscholastic school programs	1,397,478	1,343,367	1,482,463	(139,096)
School activity programs	232,334	209,195	184,251	24,944
Summer school programs	390,019	390,019	380,005	10,014
Total instructional	123,525,341	123,669,840	121,446,078	2,223,762
Support services				
Attendance, guidance, health program	9,012,681	9,196,875	6,362,513	2,834,362
Ancillary program	4,152,455	4,108,209	6,472,953	(2,364,744)
Instructional improvement program	4,102,342	4,051,630	3,605,687	445,943
Instructional technology program	1,312,060	1,370,838	1,351,335	19,503
Media program	2,128,630	2,321,281	2,259,445	61,836
School administration program	12,932,420	13,126,477	12,715,794	410,683
Administration program	4,622,373	4,931,745	4,432,292	499,453
Administration technology program	2,440,516	2,418,865	2,496,084	(77,219)
Custodial program	12,711,575	12,552,312	9,431,680	3,120,632
Maintenance and warehouse programs	2,635,164	2,610,516	5,411,576	(2,801,060)
Grounds program	558,738	565,292	456,034	109,258
Security program	925,373	1,001,504	953,608	47,896
Transportation program	10,038,184	10,087,349	9,769,900	317,449
Total support services	67,572,511	68,342,893	65,718,901	2,623,992

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual Amounts	(Negative)
Expenditures (Continued)				
Non-instructional	197,403	197,403	230,413	(33,010)
Community program	231,879	230,228	177,685	52,543
Debt service program				
Principal	680,000	680,000	680,000	-
Interest and agent fees	30,520	30,520	28,220	2,300
Total expenditures	192,237,654	193,150,884	188,281,297	4,869,587
Excess (deficiency) of revenue over expenditures	(5,703,413)	(5,509,191)	2,005,550	7,514,741
Other financing sources (uses)				
Net interfund transfer	311,043	414,878	397,800	(17,078)
Unrealized loss on investments	-	-	(17,548)	(17,548)
	311,043	414,878	380,252	(34,626)
Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses)	$ (5,392,370)	$ (5,094,313)	$ 2,385,802	$ 7,480,115

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, 2016.

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, 2016

Joint School District No. 2

	Beginning Balance June 30, 2015	Receipts	Expenditures	Ending Balance June 30, 2016
Assets				
Cash				
Meridian High School	$ 175,782	$ 908,182	$ 880,296	$ 203,668
Centennial High School	21,440	1,166,466	1,123,700	64,206
Eagle High School	5,763	1,307,512	1,310,439	2,836
Mountain View High School	7,509	1,266,243	1,164,379	109,373
Rocky Mountain High School	192,964	1,499,800	1,630,461	62,303
Renaissance High School	144,284	314,521	336,471	122,334
Meridian Middle School	4,947	181,105	183,688	2,364
Lowell Scott Middle School	9,457	220,972	222,295	8,134
Lake Hazel Middle School	5,253	213,501	201,467	17,287
Eagle Middle School	9,628	217,598	223,310	3,916
Lewis and Clark Middle School	30,226	178,782	188,182	20,826
Sawtooth Middle School	3,100	180,528	173,082	10,546
Heritage Middle School	598	213,721	207,915	6,404
Academies	61,106	140,258	139,873	61,491
Elementary Schools	862,077	2,256,736	2,279,666	839,147
Total cash	1,534,134	10,265,925	10,265,224	1,534,835
Investments				
Meridian High School	89,846	260	-	90,106
Centennial High School	252,938	646	-	253,584
Eagle High School	304,575	16,096	-	320,671
Mountain View High School	443,271	-	84,166	359,105
Rocky Mountain High School	196,890	151,059	-	347,949
Meridian Middle School	58,082	197	11,500	46,779
Lowell Scott Middle School	80,473	-	19,729	60,744
Lake Hazel Middle School	70,853	196	35,000	36,049
Eagle Middle School	82,449	285	-	82,734
Lewis and Clark Middle School	62,863	161	-	63,024
Sawtooth Middle School	63,046	-	9,758	53,288
Heritage Middle School	41,396	-	25,385	16,011
Total investments	1,746,682	168,900	185,538	1,730,044
Total assets	$ 3,280,816	$ 10,434,825	$ 10,450,762	$ 3,264,879

	Beginning Balance June 30, 2015	Receipts	Expenditures	Ending Balance June 30, 2016
Liabilities				
Accounts payable				
Meridian High School	$ 1,330	$ 19,358	$ 11,009	$ 9,679
Centennial High School	3,323	19,532	12,636	10,219
Eagle High School	9,130	37,200	35,487	10,843
Mountain View High School	24,463	12,927	4,940	32,450
Rocky Mountain High School	16,135	26,188	18,565	23,758
Renaissance High School	22,900	5,476	17,167	11,209
Meridian Middle School	3,968	1,372	5,203	137
Lowell Scott Middle School	22	3,653	3,781	(106)
Lake Hazel Middle School	6,793	1,413	8,008	198
Eagle Middle School	3,368	1,160	4,300	228
Lewis and Clark Middle School	455	3,052	2,908	599
Sawtooth Middle School	4,141	1,873	5,526	488
Heritage Middle School	1,290	2,331	3,515	106
Total accounts payable	97,318	135,535	133,045	99,808
Due to student groups				
Meridian High School	264,299	889,083	869,287	284,095
Centennial High School	271,055	1,146,933	1,110,417	307,571
Eagle High School	301,208	1,286,307	1,274,851	312,664
Mountain View High School	426,317	1,268,769	1,259,058	436,028
Rocky Mountain High School	373,719	1,374,377	1,361,602	386,494
Renaissance High School	121,384	309,045	319,304	111,125
Meridian Middle School	59,061	181,868	191,923	49,006
Lowell Scott Middle School	89,908	197,467	218,391	68,984
Lake Hazel Middle School	69,312	215,282	231,456	53,138
Eagle Middle School	88,709	219,735	222,022	86,422
Lewis and Clark Middle School	92,634	175,769	185,152	83,251
Sawtooth Middle School	62,005	173,650	172,309	63,346
Heritage Middle School	40,704	212,085	230,480	22,309
Academy Schools	61,106	140,258	139,873	61,491
Elementary Schools	862,077	2,256,736	2,279,666	839,147
Total due to student groups	3,183,498	10,047,364	10,065,791	3,165,071
Total liabilities	$ 3,280,816	$ 10,182,899	$ 10,198,836	$ 3,264,879

Single Audit and Government Auditing Standards Information
June 30, 2016

Joint School District No. 2

EideBailly

CPAs & BUSINESS ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Joint School District No. 2 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described as 2016-A, in the accompanying schedule of findings and questioned costs to be a material weakness.

www.eidebailly.com

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
October 12, 2016

EideBailly®

CPAs & BUSINESS ADVISORS

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

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

Report on Compliance for the Major Federal Program

We have audited the Joint School District No. 2's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the of the District's major federal programs for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Report on Internal Control Over Compliance

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

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

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

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

Eide Bailly LLP

Boise, Idaho
October 12, 2016

Program Title	Pass through Number	Federal CFDA Number	Expenditures	Pass through Expenditures
U.S. Department of Agriculture				
Passed Through State Department of Agriculture				
National School Lunch Program	2016IN109947	10.555	$ 3,911,162	$ -
Commodities	2016IN109947	10.555	788,110	-
School Breakfast Program	2015IN109947	10.553	835,145	-
Summer Food Service Program	2015IN109947	10.559	96,347	-
Special Milk Program	2016IN109947	10.556	34,255	-
Child Nutrition Cluster			5,665,019	-
Fresh Fruits and Vegetables	2015IL160347	10.582	42,832	-
			42,832	-
Total U.S. Department of Agriculture			5,707,851	-
U.S. Department of Education				
Passed Through State Department of Education				
Title I Local Program	S010A140012	84.010	3,782,391	-
Title VI-B *	H027A150088	84.027	5,361,016	-
Title VI-B Preschool *	H173A150030	84.173	162,343	-
Education of Homeless	S196A150013	84.196	26,352	-
Emergency Immigrant Education	S365A150012	84.365	124,106	-
Title II Teacher Quality	S367A150011	84.367	518,062	-
Titile IV 21st Century CLC	S287C140012	84.287	124,583	-
Passed Through Idaho Division of Vocational				
Technical Education Carl Perkins	V048A140012	84.048	317,905	-
Total U.S. Department of Education			10,416,758	-
U.S. Department of Health and Human Services				
Passed Through State Department of Health and Welfare				
Refugee Grant	S19A100013	93.576	18,242	-
Total U.S. Department of Health and Human Services			18,242	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 16,142,851	$ -

* Title VI-B - Cluster

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The District received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Significant Accounting Policies

Governmental fund types account for the District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The District's summary of significant accounting policies is presented in Note 1 in the District's basic financial statements.

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

Note 3 - Food Donation

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

Section I - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness identified?	No
Significant deficiency	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes
Identification of major program:	
CFDA number	Name of Federal Program or Cluster
84.010	Title I Local Program
Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

2016 – A Material Audit Adjustments
Material Weakness in Internal Control

Criteria:
The internal control structure for the District should include procedures to ensure that the trial balance provided for the audit is free from misstatement.

Condition:
As a result of the audit procedures, it was discovered that the retainage payable had not been recorded as of year end. This resulted in a material understatement of capital outlay and accounts payable of $1,850,304.

Cause:
The controls currently in place were not sufficient to ensure that the trial balance provided for the audit did not include material misstatements.

Effect:
The capital outlay and the accounts payable were understated by $1,850,304 as of June 30, 2016.

Recommendation:
Management should review the costs incurred to date for the significant construction contracts to ensure that all costs incurred to date are properly recorded in the trial balance.

Views of Responsible Officials:
West Ada School District agrees with the adjustment noted above and has implemented procedures to review and record construction retainage on all outstanding contracts for future build projects.

Section III - Federal Award Findings and Questioned Costs

None reported

No prior year findings.