Financial Statements
June 30, 2017

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, 2017, 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.

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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, 2017, 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 and 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 combining schedule of changes in assets and liabilities – all fiduciary funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining schedule of changes in assets and liabilities – all fiduciary funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of changes in assets and liabilities – all fiduciary funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 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 10, 2017

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

Financial Highlights

- **State Funding Increased –** The state legislature has continued the restoration of previous funding levels. Student growth in 2016-2017 increased by 624 which increased funding received from the state support funding calculation. Growth in student count coupled with funding increases made during the 2016 Legislative Session enabled the District to provide a 5% projected weighted average increase to certified staff for the 2016-17 school year, hire new certified employees which contributed to the reduction of the District's deficit of the State's qualifying allotment, and allocate a 3 percent increase to a combination of base salary and steps 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), the remaining phases of the remodel of Meridian High School and the purchase of 90+ acres of land in the western edge of the District for a potential new high school ($2.5 million).

- **Capital Projects –** In addition to the $32.3 million expended under the construction bonds discussed above, the District expended $17.4 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 construction of a new facility for Pathways Middle School ($3.6 million), and the yearly technology refresh for staff and student computers ($2.2 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 and deferred outflows exceeded liabilities and deferred inflows by $238,338,396 at the close of the most recent fiscal year.

	June 30, 2017	June 30, 2016
Assets		
Current assets	$ 121,609,796	$ 139,155,580
Non-current assets	626,368	867,879
Capital assets (net of depreciation)	432,143,337	408,412,694
Total assets	554,379,501	548,436,153
Deferred Outflows of Resources	47,094,055	44,508,391
Liabilities		
Current liabilities	41,437,313	42,937,830
Long-term liabilities	310,390,245	294,953,418
Total liabilities	351,827,558	337,891,248
Deferred Inflows of Resources	11,307,602	40,563,296
Net Position		
Net investment in capital assets	246,698,337	206,642,694
Restricted	45,170,623	62,550,445
Unrestricted	(53,530,564)	(54,703,139)
Total net position	$ 238,338,396	$ 214,490,000

The largest portion of the District's net position 103.5% 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 19.0% of the District's net position. These resources are subject to external restrictions on how they may be used. The remaining (22.4%) represents unrestricted net position.

At the end of the current fiscal year, the District's total net position increased by 11.1% to $238,338,396. This represents an overall increase of $23,848,396. 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, 2017. The District relies on state support for 61.3% of its governmental activities. The District had total revenues of $299,777,723 and total expenses of $275,929,327 generating an increase in net position of $23,848,396.

Revenues	June 30, 2017	June 30, 2016
Program revenues		
Charges for services	$ 9,944,302	$ 9,521,634
Operating grants and contributions	35,384,576	31,080,289
Capital grants and contributions	1,059,858	495,724
General revenues		
Property taxes	68,881,578	65,587,543
State support	183,658,444	171,111,079
Other	848,965	670,565
Total revenues	299,777,723	278,466,834
Expenses		
Instruction	159,773,340	144,095,840
Support services	98,908,562	90,472,926
Non-instructional services	10,394,205	9,852,689
Community support	187,291	177,685
Interest and fees on long-term debt	6,665,929	7,317,770
Total expenses	275,929,327	251,916,910
Change in Net Position	$ 23,848,396	$ 26,549,924

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 $15,505,804, which is up 20.6% from the ending balance in fiscal year 2016 of $12,857,075.

Expenditures for general District purposes totaled $200,973,103, an increase of 6.7% 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 $129,083,683 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $45,337,887 to arrive at 86.8% 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 2017-2018 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 $16.3 million in principal payments and $8.4 million in interest payments during fiscal year 2017.

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 $27,271,944, a decrease of $25,805,076 from the ending balance in fiscal year 2016 of $53,077,020. This decrease in fund balance can be attributed to the continuing construction of four projects – Meridian High School (scheduled completion Fall 2018), Victory Middle School (opened Fall 2016), Hillsdale Elementary School (opened Fall 2016), and Pathways Middle School (opening Fall 2017).

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 $612,495,202 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $180,351,865.

- Capital asset acquisitions for governmental activities totaled $35,448,190 for the fiscal year.
- The District has $50,596,285 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 $185,445,000 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 2010 - Refunding	$ 21,270,000
Series 2012 - Refunding	$ 71,210,000
Series 2014 - Refunding	$ 9,435,000
Series 2015	$ 83,530,000

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 2017-2018 was increased 6.4 percent, which included a 6.0 percent increase in the discretionary funding ($23.0 million), $53.1 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.

The District anticipates that the increase in state revenue will be approximately $10.3 million for fiscal year 2017-2018, which includes $5.3 million for certified staff, $947,000 for all other staff, $1.3 million for associated benefits, $1.6 million for discretionary and operational expenditures and $1.3 million further reducing the District's deficit budget on a projected enrollment growth of 600 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, and additional certified and classified staff and operational expenses. Due to the deficit in the general fund the levy has been crucial in supporting additional instructional days and operating expenses.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

	Governmental Activities
Assets	
Cash and cash equivalents	$ 29,050,331
Restricted cash and cash equivalents	57,617,422
Property taxes receivable	26,602,515
State and federal receivables	7,860,059
Receivables	241,551
Other assets	237,918
Prepaid interest on refunded bonds (net of amortization)	626,368
Land and construction in progress	93,837,646
Depreciable capital assets (net of depreciation)	338,305,691
Total assets	554,379,501
Deferred Outflows of Resources	
Deferred amount on refunding	5,233,365
Pension obligations	41,860,690
Total deferred outflow of resources	47,094,055
Liabilities	
Accounts, salaries, and other payables	38,403,754
Advanced revenue	16,006
Accrued interest payable bonds	3,017,553
Long-term liabilities	
Bond premium (net of amortization)	17,999,629
Due within one year - bonds	17,720,000
Due in more than one year - bonds	167,725,000
Due in more than one year - pension liabilities	90,269,565
Due in more than one year - other post employment benefit liabilities	16,676,051
Total liabilities	351,827,558
Deferred Inflows of Resources	
Employer pension assumption	11,307,602
Total deferred inflow of resources	11,307,602
Net Position	
Net investment in capital assets	246,698,337
Restricted for	
Capital improvements	27,698,315
Self-insured workers compensation	776,209
Grant programs	1,521,356
Debt service	15,174,743
Unrestricted	(53,530,564)
	$ 238,338,396

	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	$ 68,904,930	$ 1,698,880	$ 5,802,390	$ -	$ (61,403,660)
Secondary/alternative programs	60,145,402	38,124	3,905,902	-	(56,201,376)
Exceptional/preschool program	25,445,591	399,705	5,878,596	-	(19,167,290)
Other instructional programs	5,277,417	753,051	-	-	(4,524,366)
Support services					
Attendance and guidance	7,600,054	62,376	512,747	-	(7,024,931)
Ancillary	8,653,819	-	3,684,095	-	(4,969,724)
Instructional improvement	15,043,068	-	3,506,685	-	(11,536,383)
Educational media	2,564,271	-	-	-	(2,564,271)
School administration	13,931,279	-	3,410,633	-	(10,520,646)
Administration	14,130,775	1,976,422	673,532	-	(11,480,821)
Maintenance and custodial	23,631,637	-	-	-	(23,631,637)
Grounds	1,123,554	-	-	-	(1,123,554)
Security	980,135	-	-	-	(980,135)
Pupil transportation services	11,249,970	9,104	-	-	(11,240,866)
Non-instructional	10,394,205	4,260,982	5,596,284	-	(536,939)
Community service programs	187,291	598,423	112,750	-	523,882
Capital improvements	-	147,235	2,300,962	1,059,858	3,508,055
Interest on long-term debt	6,665,929	-	-	-	(6,665,929)
Total Governmental Activities	$ 275,929,327	$ 9,944,302	$ 35,384,576	$ 1,059,858	(229,540,591)

General Revenues	
Taxes	
Property taxes, levied for general purposes	17,706,810
Property taxes, levied for debt services	30,915,293
Property taxes, levied for plant facility	20,259,475
State revenue in lieu of taxes	367,745
Grants and contributions not restricted to specific programs	
State foundation program	183,290,699
Interest and investment earnings	
General fund	485,716
Other funds	98,574
Capital projects	264,675
Total general revenues	253,388,987
Change in net position	23,848,396
Net position, beginning of year	214,490,000
Net position, end of year	$ 238,338,396

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 29,050,331	$ -	$ -	$ -	$ 29,050,331
Restricted cash and cash equivalents	776,209	18,461,120	25,638,697	12,741,396	57,617,422
Other assets	144,801	-	-	93,117	237,918
Receivables					
Current property taxes receivable	6,558,484	11,258,894	7,380,081	-	25,197,459
Delinquent property taxes receivable	380,599	598,080	426,377	-	1,405,056
State receivable	4,706,806	-	-	618,381	5,325,187
Federal receivable	-	-	-	2,534,872	2,534,872
Interfund receivable	2,279,740	-	-	-	2,279,740
Other receivables	143,492	14,099	14,886	69,074	241,551
	$ 44,040,462	$ 30,332,193	$ 33,460,041	$ 16,056,840	$ 123,889,536
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 1,114,485	$ -	$ 5,761,720	$ 1,458,470	$ 8,334,675
Salaries and benefits payable	27,039,574	-	-	3,029,505	30,069,079
Advanced revenue	-	-	-	16,006	16,006
Interfund payable	-	-	-	2,279,740	2,279,740
Total liabilities	28,154,059	-	5,761,720	6,783,721	40,699,500
Deferred Inflows of Resources					
Property taxes	380,599	598,080	426,377	-	1,405,056
Fund Balance					
Nonspendable					
Inventories and prepaid assets	144,801	-	-	93,117	237,918
Restricted for					
Debt service	-	29,734,113	-	-	29,734,113
Self-insured workers compensation	776,209	-	-	-	776,209
Capital projects	-	-	27,271,944	-	27,271,944
Grant programs- School Lunch	-	-	-	1,428,239	1,428,239
Assigned for					
Grant programs	-	-	-	1,806,256	1,806,256
Subsequent year expenditures	12,857,082	-	-	-	12,857,082
Special activities	-	-	-	5,945,507	5,945,507
Unassigned					
Unassigned	1,727,712	-	-	-	1,727,712
Total fund balance	15,505,804	29,734,113	27,271,944	9,273,119	81,784,980
Total Liabilities, Deferred Inflow and Fund Balances	$ 44,040,462	$ 30,332,193	$ 33,460,041	$ 16,056,840	$ 123,889,536

Total fund balances - governmental funds	$	81,784,980
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.		432,143,337
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.		1,405,056
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.		(17,373,261)
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.		5,233,365
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.		(295,408,169)
Deferred outflows of resources related to pension obligations.		41,860,690
Deferred inflows of resources related to pensions.		(11,307,602)
Net Position	$	238,338,396

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenue					
Local revenues					
Property taxes	$ 15,790,445	$ 31,092,192	$ 20,432,896	$ 2,000,000	$ 69,315,533
Earnings on investments	485,716	84,591	264,675	13,983	848,965
State revenue	184,555,765	895,785	2,300,962	14,793,019	202,545,531
Federal revenue	-	-	-	16,426,656	16,426,656
Other revenue	1,957,423	-	164,078	8,953,496	11,074,997
Total revenue	202,789,349	32,072,568	23,162,611	42,187,154	300,211,682
Expenditures					
Instructional					
Elementary school programs	57,678,661	-	1,196,573	6,207,625	65,082,859
Secondary school programs	45,494,032	-	2,583,473	2,995,334	51,072,839
Alternative school programs	3,922,982	-	38,038	10,521	3,971,541
Exceptional school programs	17,622,695	-	-	6,299,862	23,922,557
Preschool school programs	1,123,966	-	-	138,362	1,262,328
Gifted and talented school programs	1,834,231	-	-	-	1,834,231
Interscholastic school programs	1,715,239	-	-	652,400	2,367,639
School activity programs	209,507	-	-	100,651	310,158
Summer school programs	445,338	-	-	23,266	468,604
Driver education program	-	-	-	283,429	283,429
Total instructional	130,046,651	-	3,818,084	16,711,450	150,576,185
Support Services					
Attendance and guidance program	6,591,191	-	-	964,232	7,555,423
Ancillary program	6,843,784	-	10,709	1,746,513	8,601,006
Instructional improvement program	3,650,951	-	100	8,994,429	12,645,480
Instructional technology program	1,498,244	-	(9,135)	883,090	2,372,199
Media program	2,429,769	-	-	107,122	2,536,891
School administration program	13,832,089	-	-	-	13,832,089
Administration program	5,105,160	-	19,716	1,189,469	6,314,345
Administration technology program	2,274,209	-	2,245,968	546,187	5,066,364
Custodial program	10,268,373	-	-	-	10,268,373
Maintenance and warehouse programs	5,664,365	-	7,490,282	51,384	13,206,031
Grounds program	949,621	-	144,832	-	1,094,453
Security program	944,706	-	35,429	-	980,135
Transportation program	10,381,086	-	-	8,809	10,389,895
Total support services	70,433,548	-	9,937,901	14,491,235	94,862,684

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Expenditures (Continued)					
Non-instructional	305,619	-	-	9,998,890	10,304,509
Community program	187,285	-	-	-	187,285
Capital outlay program	-	-	35,211,702	236,488	35,448,190
Debt service					
Principal	-	16,325,000	-	-	16,325,000
Interest and agent fees	-	8,367,869	-	-	8,367,869
Total debt service	-	24,692,869	-	-	24,692,869
Total expenditures	200,973,103	24,692,869	48,967,687	41,438,063	316,071,722
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,816,246	7,379,699	(25,805,076)	749,091	(15,860,040)
Other Financing Sources (Uses)					
Net interfund transfers	832,483	-	-	(832,483)	-
Total other financiang sources (uses)	832,483	-	-	(832,483)	-
Excess (Deficiency) of Revenues and Other financing sources (uses) over (under) expenditures and other financing sources (uses)	2,648,729	7,379,699	(25,805,076)	(83,392)	(15,860,040)
Fund Balance, Beginning of Year	12,857,075	22,354,414	53,077,020	9,356,511	97,645,020
Fund Balance, End of Year	$ 15,505,804	$ 29,734,113	$ 27,271,944	$ 9,273,119	$ 81,784,980

Total net change in fund balances - governmental funds	$ (15,860,040)
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.	23,730,643
Retirement of bonds in the current year.	16,325,000
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.	(433,955)
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.	1,453,206
Change in OPEB Liability.	(2,322,536)
Change in Pension Liability.	(31,992,466)
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.	248,730
Deferred outflows of resources related to pension obligations.	3,444,120
Deferred inflows of resources related to pensions.	29,255,694
Change in net position	$ 23,848,396

	Agency Funds
Assets	
Cash	$ 1,801,850
Investments	1,750,733
	$ 3,552,583
Liabilities	
Accounts payable	$ 65,851
Due to student groups	3,486,732
	$ 3,552,583

Note 1 - Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

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

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

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

Governmental Funds

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

Governmental funds include:

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

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

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

Capital Projects 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, 2017, 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, 2017, 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.

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	$ 612,495,202
Depreciation expense to date	(180,351,865)
Net adjustment	$ 432,143,337

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, 2017 are:

Deferred loss on refunding	$ 9,202,672
Amortization of deferred loss on refunding to date	(3,969,307)
Prepaid interest	2,591,348
Amortization of prepaid interest to date	(1,964,980)
Premium on bonds issued	(27,753,266)
Amortization of bond premium to date	9,753,636
Net adjustment	$ (12,139,897)

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, 2017 are:

Bonds payable	$(185,445,000)
Interest payable	(3,017,553)
Net pension liability	(90,269,565)
OPEB liability	(16,676,051)
Net adjustment	$(295,408,169)

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	$ (11,693,742)
Loss on disposal of capital assets	(23,805)
Capital outlays	35,448,190
Net adjustment	$ 23,730,643

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	$ (241,511)
Amortization of bond premium	2,553,174
Amortization of deferred loss on refunding	(858,457)
Net adjustment	$ 1,453,206

Note 3 - Cash and Cash Equivalents

At June 30, 2017, 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	$ 1,917,514	$ 2,729,707	$ 2,729,707	$ -
Bayeriche	63,738,990	63,738,990	63,738,990	-
State of Idaho Local Government Investment Pool (LGIP)	21,011,249	21,011,249	21,011,249	-
Total cash and deposits	$ 86,667,753	$ 87,479,946	$ 87,479,946	$ -

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, 2017, the Other Governmental Funds has an interfund payable to the General Fund for $2,279,740, respectively, from allocations of the District's pooled cash accounts. The following transfers occurred in the fiscal year for the purpose of funding operations:

	Interfund Transfers In
	General Funds
Interfund transfers out	
Nonmajor governmental funds	$ 832,483
Total interfund transfers	$ 832,483

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, 2017:

State Agencies	$ 5,325,187
Federal Agencies	2,534,872
	7,860,059
County Agencies	26,602,515
Total	$ 34,462,574

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 or advanced revenue. The following revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2017:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Delinquent taxes	$ 380,599	$ 598,080	$ 426,377	$ -
Advanced revenue	-	-	-	16,006
	$ 380,599	$ 598,080	$ 426,377	$ 16,006

Note 7 - Capital Assets

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

	June 30, 2016	Additions	Deletions	Transfers	June 30, 2017
Non depreciable capital assets					
Land	$ 39,434,361	$ -	$ -	$ 3,807,000	$ 43,241,361
Construction in progress	59,363,469	35,448,190	(23,805)	(44,191,569)	50,596,285
Total	$ 98,797,830	$ 35,448,190	$ (23,805)	$ (40,384,569)	$ 93,837,646
Depreciable capital assets					
Buildings, and improvements	$ 421,252,270	$ -	$ -	$ 39,611,452	$ 460,863,722
Furniture and equipment	57,020,717	-	-	773,117	57,793,834
Total	478,272,987	-	-	40,384,569	518,657,556
Less accumulated depreciation for					
Buildings, and improvements	(120,263,619)	(9,756,066)	-	-	(130,019,685)
Furniture and equipment	(48,394,504)	(1,937,676)	-	-	(50,332,180)
Total accumulated depreciation	(168,658,123)	(11,693,742)	-	-	(180,351,865)
Total depreciable capital assets, net	$ 309,614,864	$ (11,693,742)	$ -	$ 40,384,569	$ 338,305,691

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

Governmental activities	
Elementary programs	$ 3,332,351
Secondary/alternative programs	4,399,662
Other instructional programs	282,842
Instructional improvement	896
Administration	2,735,494
Maintenance and custodial	37,268
Grounds	29,101
Pupil transportation services	860,075
Non-instructional	16,053
Total depreciation expense – governmental activities	$ 11,693,742

Note 8 - Long-Term Debt

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

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Due within one year
Governmental activities					
Bonds payable					
General obligation	$ 201,770,000	$ -	$ (16,325,000)	$ 185,445,000	$ 17,720,000
Compensated absences	424,861	376,479	(367,473)	433,867	367,473
	$ 202,194,861	$ 376,479	$ (16,692,473)	$ 185,878,867	$ 18,087,473

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

Other post employment benefits	$ 16,676,051
Net pension liability	90,269,565
	$ 106,945,616

Note 9 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2017, consist of the following:

Series 2010 General Obligation School Bonds in the original principal amount of \$25,880,000 maturing through January 30, 2022. Principal payments are due annually on January 30, and interest is payable semi-annually on January 30 and July 30 of each year. Interest rates range from 2.5% to 5.0% on the outstanding bonds.	\$ 21,270,000
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.	71,210,000
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.	9,435,000
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.	83,530,000
	\$ 185,445,000

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2017:

Fiscal Year Ending June 30	General Obligation Bond Principal	Interest	Total
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
2022	15,835,000	4,766,319	20,601,319
2023-2027	58,810,000	16,548,363	75,358,363
2028-2032	33,870,000	6,582,888	40,452,888
2033-2037	6,635,000	120,359	6,755,359
	$ 185,445,000	$ 54,275,948	$ 239,720,948

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	$ 16,829,596,520
Multiplied by 5%	5%
Debt limit	841,479,826
Less outstanding indebtedness	185,445,000
Additional debt-incurring capacity	$ 656,034,826

Refunded Bonds – In 2010, 2012, 2014 the District entered into refunding transactions whereby refunding bonds were issued to facilitate the retirement of the District's general obligation bonds already outstanding. The proceeds of the refunding issues were placed in the irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the issues being refunded. The refunded bonds are not included in the District's outstanding long-term debt since the District legally satisfied its obligation with respect thereto through consummation of the refunding transaction. Any gain or loss on a refunding was recognized in the period in which the refunding occurs. As of June 30, 2017, $142,590,000 of the defeased bonds are outstanding.

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 $734,000.

The District has entered into a lease agreement for Apple iPads commencing on July 1, 2017, with four annual installments of $692,293, until its expiration in fiscal year 2021.

The District has also entered into a lease agreement for HP Pro Books commencing on July 1, 2017, with four annual installments of $520,810, until its expiration in fiscal year 2021.

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, Delta Dental, Willamette Dental, and United Heritage VSP Vision, and LifeMap. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. United Heritage VSP 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 2017 the District contributed approximately $942 thousand to the plan for current premiums or approximately 35% of total premiums. Plan members receiving benefits contributed approximately $1,788 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 2017 were as follows:

Medical (under 65)		
Retiree Only	$	582
Retiree + Spouse	$	1,282
Retiree + Child	$	700
Retiree + Children	$	825
Retiree + Spouse + Child	$	1,400
Retiree + Spouse + Children	$	1,525
Vision		
Retiree Only	$	6
Retiree + Spouse	$	12
Retiree + Child(ren)	$	13
Family	$	21
Delta Dental		
Retiree Only	$	36
Retiree +1	$	72
Family	$	124
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	$ 3,312,780
Interest on net OPEB obligation	430,605
Adjustment to annual required contribution	(478,451)
Annual OPEB cost (expense)	3,264,934
Estimated contributions made	(942,398)
Increase in net OPEB obligation	2,322,536
Net OPEB obligation—beginning of year	14,353,515
Net OPEB obligation—end of year	$ 16,676,051

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	2015	$ 2,929,015	$ 949,446	32%	$ 12,105,121
	2016	$ 3,100,238	$ 851,844	27%	$ 14,353,515
	2017	$ 3,264,934	$ 942,398	29%	$ 16,676,051

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 $776,209 segregated in the general fund to satisfy workers' compensation claim liabilities.

Unpaid claims at July 1, 2016	$ 1,795,987
Total incurred claims (including IBNRs) and and prior period changes in claim estimates	1,500,855
Total payments and recoveries	(613,036)
Unpaid claims as of June 30, 2017	$ 2,683,806

Note 13 - Commitments and Contingencies

The District had $2,562,563 in open purchase orders at June 30, 2017, that were budgeted expenditures in the 2017/2018 school year.

There were six uncompleted significant projects currently under contract. The projects, bids, and amounts paid as of June 30, 2017, were as follows:

Project	Contract Amount	Amount Paid as of June 30, 2017	(Memo Only) Balance
Star Middle School	$ 25,051,533	$ 17,112,334	$ 7,939,199
Meridian High School Remodel	18,203,710	14,841,654	3,362,056
Pathways Middle School Construction	5,388,610	3,139,754	2,248,856
Meridian High School Bus Loop	1,497,170	-	1,497,170
Eagle High School Football Field	621,204	87,010	534,194
Centennial High School Tennis Court Remodel	569,660	87,450	482,210
	$ 51,331,887	$ 35,268,202	$ 16,063,685

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 for general employees. As of June 30, 2016 it was 6.79% for general employees. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The District's contributions were $16,089,624 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2017, the District's portion was 4.4530205 percent.

For the year ended June 30, 2017, the District recognized pension expense of $15,951,472. At June 30, 2017, 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	$ -	$ 8,994,695
Changes in assumptions or other inputs	2,006,631	
Net difference between projected and actual earnings on pension plan investments	23,407,062	-
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions - 2016	-	2,312,907
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions - 2017	357,373	-
District's contributions subsequent to the measurement date	16,089,624	-
Total	$ 41,860,690	$ 11,307,602

$16,089,624 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, 2017.

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, 2015 the beginning of the measurement period ended June 30, 2015 is 4.9 and 5.5 years for the measurement period June 30, 2015.

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,	
2018	$ (477,458)
2019	(477,458)
2020	9,903,594
2021	5,514,786

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, 2016 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, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date July 1, 2016.

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, 2016.

Capital Market Assumptions

Asset Class	**Expected**	**Expected Risk**	**Strategic**	**Strategic**
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
Total Fund	**Expected**	**Expected**	**Expected Real**	**Expected Risk**
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

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

Discount Rate

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

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

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

	1% decrease (6.10%)	Current discount rate (7.10%)	1% increase (8.10%)
Employer's net pension liability	$ 177,076,849	$ 90,269,565	$ 18,079,722

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, 2017, 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, 2017

Joint School District No. 2

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

	2017	2016	2015
Employer's proportionate share of the net pension liability	4.45302050%	4.42553520%	4.64081690%
Employer's proportion share of the net pension liability	$ 90,269,565	$ 58,277,099	$ 34,163,675
Employer's covered-employee payroll	$ 135,875,067	$ 129,321,123	$ 131,109,688
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	66.44%	45.06%	26.06%
Plan fiduciary net position as a percentage of the total pension liability	87.00%	91.38%	94.95%

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

Date reported is measured as of June 30, 2016. (measurement date)

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

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

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

Data is reported is measured as of June 30, 2017.

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual Amounts	Positive (Negative)
Revenue				
Local revenues				
Property taxes	$ 15,322,589	$ 15,735,129	$ 15,790,445	$ 55,316
Earnings on investments	48,850	48,850	485,716	436,866
State revenue	181,757,850	183,849,371	184,555,765	706,394
Other revenue	808,140	822,525	1,957,423	1,134,898
Total revenue	197,937,429	200,455,875	202,789,349	2,333,474
Expenditures				
Instructional				
Elementary school programs	57,984,428	58,589,023	57,678,661	910,362
Secondary school programs	45,398,935	46,157,660	45,494,032	663,628
Alternative school programs	4,031,154	4,002,331	3,922,982	79,349
Exceptional school programs	17,005,865	17,051,092	17,622,695	(571,603)
Preschool school programs	1,093,622	1,144,195	1,123,966	20,229
Gifted and talented school programs	1,606,995	1,846,221	1,834,231	11,990
Interscholastic school programs	1,763,223	1,841,967	1,715,239	126,728
School activity programs	210,306	210,306	209,507	799
Summer school programs	407,546	409,547	445,338	(35,791)
Total instructional	129,502,074	131,252,342	130,046,651	1,205,691
Support services				
Attendance, guidance, health program	9,731,088	9,221,098	6,591,191	2,629,907
Ancillary program	4,318,060	4,267,291	6,843,784	(2,576,493)
Instructional improvement program	4,416,313	4,302,451	3,650,951	651,500
Instructional technology program	1,426,474	1,478,812	1,498,244	(19,432)
Media program	2,384,173	2,423,553	2,429,769	(6,216)
School administration program	13,972,062	14,133,973	13,832,089	301,884
Administration program	5,126,822	5,126,420	5,105,160	21,260
Administration technology program	2,426,414	2,389,255	2,274,209	115,046
Custodial program	13,255,172	13,484,920	10,268,373	3,216,547
Maintenance and warehouse programs	2,716,269	2,490,240	5,664,365	(3,174,125)
Grounds program	639,041	889,454	949,621	(60,167)
Security program	1,202,299	1,012,567	944,706	67,861
Transportation program	11,185,213	11,178,227	10,381,086	797,141
Total support services	72,799,400	72,398,261	70,433,548	1,964,713

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
Expenditures (Continued)				
Non-instructional	203,720	203,720	305,619	(101,899)
Community program	235,740	235,740	187,285	48,455
Total expenditures	202,740,934	204,090,063	200,973,103	3,116,960
Excess (deficiency) of revenue over expenditures	(4,803,505)	(3,634,188)	1,816,246	5,450,434
Other financing sources				
Net interfund transfer	808,330	809,951	832,483	22,532
Total other financing sources	808,330	809,951	832,483	22,532
Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses)	$ (3,995,175)	$ (2,824,237)	$ 2,648,729	$ 5,472,966

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, 2017.

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, 2017

Joint School District No. 2

	Beginning Balance June 30, 2016	Receipts	Expenditures	Ending Balance June 30, 2017
Assets				
Cash				
Meridian High School	$ 203,668	$ 879,410	$ 801,598	$ 281,480
Centennial High School	64,206	1,119,868	1,092,784	91,290
Eagle High School	2,836	1,176,608	1,138,317	41,127
Mountain View High School	109,373	1,248,552	1,239,389	118,536
Rocky Mountain High School	62,303	1,379,143	1,323,446	118,000
Renaissance High School	122,334	268,773	244,618	146,489
Meridian Middle School	2,364	141,987	127,732	16,619
Lowell Scott Middle School	8,134	158,959	164,925	2,168
Lake Hazel Middle School	17,287	104,353	108,586	13,054
Eagle Middle School	3,916	201,243	197,282	7,877
Lewis and Clark Middle School	20,826	154,359	160,159	15,026
Sawtooth Middle School	10,546	136,748	138,525	8,769
Victory Middle School	23,679	158,612	155,256	27,035
Heritage Middle School	6,404	128,258	120,920	13,742
Academies	61,491	-	-	61,491
Elementary Schools	839,147	-	-	839,147
Total cash	1,558,514	7,256,873	7,013,537	1,801,850
Investments				
Meridian High School	90,106	298	-	90,404
Centennial High School	253,584	1,784	-	255,368
Eagle High School	320,671	1,961	19,864	302,768
Mountain View High School	359,105	2,816	-	361,921
Rocky Mountain High School	347,949	17,652	-	365,601
Meridian Middle School	46,779	254	-	47,033
Lowell Scott Middle School	60,744	424	-	61,168
Lake Hazel Middle School	36,049	-	-	36,049
Eagle Middle School	82,734	188		82,922
Lewis and Clark Middle School	63,024	443	-	63,467
Sawtooth Middle School	53,288	10,472	-	63,760
Heritage Middle School	16,011	30,288	26,027	20,272
Total investments	1,730,044	66,580	45,891	1,750,733
Total assets	$ 3,288,558	$ 7,323,453	$ 7,059,428	$ 3,552,583

	Beginning Balance June 30, 2016	Receipts	Expenditures	Ending Balance June 30, 2017
Liabilities				
Accounts payable				
Meridian High School	$ 9,679	$ 13,818	$ 19,100	$ 4,397
Centennial High School	10,219	20,581	20,389	10,411
Eagle High School	10,843	31,364	39,071	3,136
Mountain View High School	32,450	13,454	26,204	19,700
Rocky Mountain High School	23,758	29,200	28,771	24,187
Renaissance High School	11,209	90	9,601	1,698
Meridian Middle School	137	2,847	2,797	187
Lowell Scott Middle School	(106)	3,278	3,146	26
Lake Hazel Middle School	198	1,632	713	1,117
Eagle Middle School	228	4,305	4,035	498
Lewis and Clark Middle School	599	2,805	3,474	(70)
Sawtooth Middle School	488	3,516	3,544	460
Heritage Middle School	106	3,615	3,617	104
Victory Middle School	-	2,317	2,317	-
Total accounts payable	99,808	132,822	166,779	65,851
Due to student groups				
Meridian High School	284,095	865,890	782,498	367,487
Centennial High School	307,571	1,099,287	1,070,611	336,247
Eagle High School	312,664	1,147,205	1,119,110	340,759
Mountain View High School	436,028	1,235,098	1,210,369	460,757
Rocky Mountain High School	386,494	1,352,283	1,279,364	459,413
Renaissance High School	111,125	263,696	230,030	144,791
Meridian Middle School	49,006	139,429	124,970	63,465
Lowell Scott Middle School	68,984	156,027	161,701	63,310
Lake Hazel Middle School	53,138	102,722	107,874	47,986
Eagle Middle School	86,422	197,079	193,200	90,301
Lewis and Clark Middle School	83,251	151,554	156,242	78,563
Sawtooth Middle School	63,346	133,232	124,509	72,069
Heritage Middle School	22,309	185,268	173,666	33,911
Victory Middle School	23,679	125,941	122,585	27,035
Academy Schools	61,491	-	-	61,491
Elementary Schools	839,147	-	-	839,147
Total due to student groups	3,188,750	7,154,711	6,856,729	3,486,732
Total liabilities	$ 3,288,558	$ 7,287,533	$ 7,023,508	$ 3,552,583

Single Audit and Government Auditing Standards Information
June 30, 2017

Joint School District No. 2

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Joint School District No. 2 (the District) as of and for the year ended June 30, 2017, 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 10, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. See finding 2017-A.

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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 10, 2017

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CPAs & BUSINESS ADVISORS

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

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

Report on Compliance for 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, 2017. The District's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 each 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, 2017.

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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 10, 2017

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	201616N109947	10.555	$ 707,566	$ -
National School Lunch Program	201717N109947	10.555	$ 3,156,100	
Commodities	201616N109947	10.555	714,645	-
School Breakfast Program	201616N109947	10.553	142,667	-
School Breakfast Program	201717N109947	10.553	668,607	
Summer Food Service Program	201616N109947	10.559	160,289	-
Special Milk Program	201616N109947	10.556	5,305	
Special Milk Program	201717N109947	10.556	19,301	-
Child Nutrition Cluster			5,574,480	-
Fresh Fruits and Vegetables	201717L160347	10.582	21,804	-
			21,804	-
Total U.S. Department of Agriculture			5,596,284	-
U.S. Department of Education				
Passed Through State Department of Education				
Title I Local Program	S010A150012	84.010	2,042,297	-
Title I Local Program	S010A160012	84.010	1,946,823	
Title VI-B	H027A150088	84.027	2,454,101	-
Title VI-B	H027A160088	84.027	3,238,660	
Title VI-B Preschool	H173A150030	84.173	62,735	
Title VI-B Preschool	H173A160030	84.173	123,100	-
Special Education Cluster			5,878,596	
Education of Homeless	S196A150013	84.196	15,184	-
Education of Homeless	S196A160013	84.196	17,959	
Emergency Immigrant Education	S365A150012	84.365	60,927	-
Emergency Immigrant Education	S365A160012	84.365	95,375	
Title II Teacher Quality	S367A150011	84.367	151,012	-
Title II Teacher Quality	S367A160011	84.367	214,770	
Title IV 21st Century CLC	S287C150012	84.287	86,966	-
Passed Through Idaho Division of Vocational				
Technical Education Carl Perkins	V048A150012	84.048	300,164	-
Total U.S. Department of Education			10,810,073	-
U.S. Department of Health and Human Services				
Passed Through State Department of Health and Welfare				
Refugee Grant	S19A100013	93.576	20,299	-
Total U.S. Department of Health and Human Services			20,299	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 16,426,656	$ -

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 the SEFA 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 SEFA 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	No
Significant deficiency	Yes
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	No
Identification of major program:	
CFDA number	Name of Federal Program or Cluster
10.555, 10.553, 10.559, 10.556	Child Nutrition Cluster
84.027, 84.173	Title VI-B
Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2017 – A Significant Audit Adjustments
Significant Deficiency 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 repairs and maintenance expenses included items that should have been capitalized in accordance with the District's capitalization policy. This resulted in a significant understatement of capital assets and an overstatement in repairs and maintenance expenses of $1,700,000.

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

Effect:
The capital assets were understated and the repairs and maintenance were overstated by $1,700,000, as of June 30, 2017.

Recommendation:
Management should review the repairs and maintenance costs against the District's capitalization policy to ensure that all items meeting the District's capitalization threshold are correctly capitalized.

Views of Responsible Officials:
West Ada School District agrees with the adjustment noted above and has implemented procedures to review and correctly classify expenditures meeting the District's capitalization threshold.

Section III - Federal Award Findings and Questioned Costs

None reported