Financial Statements
June 30, 2013

Joint School District No. 2

Joint School District No. 2
District Officials

July 01, 2012 - June 30, 2013

Superintendent

Dr. Linda Clark

Board of Trustees:

Tina Dean	Zone 1
Mike Vuittonet	Zone 2
Carol Sayles	Zone 3
Ann Ritter, Chairman	Zone 4
Janet Calinsky	Zone 5
Dr. Bruce Gestrin	Assistant Superintendent
Barbara Leeds	Director of Human Resources
Don Nesbitt	Regional Director
Joe Yochum	Regional Director
Dr. Mandy Saras	Regional Director
Cathy Thornton	Director of Special Education
Cindy Sisson	Director of Curriculum
Alex Simpson	Director of Finance
Tammie Shappee	Controller
Trish Duncan	Clerk of the Board

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

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, 2013, 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Notes 1 and 16 to the financial statements, the District presented a retroactive restatement of the previously reported net position from adopting the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 combining schedule of changes in assets and liabilities – all fiduciary funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining schedule of changes in assets and liabilities – all fiduciary funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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 24, 2013 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 24, 2013

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

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

- **Students Come First Education Laws Repealed by Voters –** On November 7, 2012, voters resoundingly rejected the *Students Come First* education laws that were passed in 2011. Each of the three Propositions on the ballots failed by at least 15 percent of the vote. Once the vote became official all the education laws that were in effect before the *Students Come First* laws were once again the laws that governed education. The 2013 Legislature had to reallocate funds that were slated to fund *Students Come First* to school districts to make them whole in 2012-2013 fiscal year or the District would have faced a revenue shortfall.

- **District Continues to Grow –** The District's enrollment has continued to grow through the recession. In 2012-2013 the total student population of the District was 35,645 students as compared to 33,449 in fiscal year 2008-2009. This increase of over 2,000 students has caused some schools to be over capacity. A portion of the Plant Facilities Levy money will go towards completing Willow Creek Elementary and to the remodel of Meridian High School, updating classroom sizes and providing newer amenities similar to other more recently constructed high schools in the District.

- **2005 General Obligation Bonds Refinanced –** On July 17, 2012, the District refinanced the 2005 General Obligation Bonds to reduce interest costs and save local tax payers money. The refinance resulted in a net present value savings of $6.7 million in interest cost.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements (GWFS)

The GWFS (i.e., Statement of Net 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 have 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 11 - 12 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 13-17 of this report.

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

The basic fiduciary fund financial statement can be found on page 18 of this report.

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

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by $218,290,769 at the close of the most recent fiscal year.

	June 30, 2013	Restated June 30, 2012
Assets		
Current assets	$ 62,333,812	$ 66,286,429
Non-current assets	2,240,371	2,698,019
Capital assets (net of depreciation)	361,373,190	365,004,403
Total assets	425,947,373	433,988,851
Deferred Outflows of Resources	7,953,324	-
Liabilities		
Current liabilities	30,372,626	30,269,649
Long-term liabilities	185,237,302	188,385,645
Total liabilities	215,609,928	218,655,294
Net Position		
Net investment in capital assets	199,197,562	188,428,775
Restricted	14,366,257	17,235,336
Unrestricted	4,726,950	9,669,446
Total net position	$ 218,290,769	$ 215,333,557

The largest portion of the District's net position 91.3% reflect investments in capital assets (i.e., land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending.

Restricted net position represents 6.6% of the District's net position. These resources are subject to external restrictions on how they may be used. The remaining 2.1% represents unrestricted net position.

At the end of the current fiscal year, the District's total net position increased by 1.4% to $218,290,769. This represents an overall increase of $2,957,212.

Changes in Net Position – The table below shows the changes in net position for the fiscal year ended June 30, 2013. The District relies on state support for 62.8% of its governmental activities. The District had total revenues of $231,563,546 and total expenses of $228,606,334 generating a decrease in net position of $2,957,212.

Revenues	June 30, 2013	Restated June 30, 2012
Program revenues		
Charges for services	$ 8,268,879	$ 9,212,808
Operating grants and contributions	27,634,999	24,491,365
Capital grants and contributions	646,419	755,035
General revenues		
Property taxes	49,609,060	35,792,108
State support	145,314,242	143,337,468
Grant and contributions not restricted	60,708	51,912
Other	29,239	1,184,275
Total revenues	231,563,546	214,824,971
Expenses		
Instruction	132,632,460	121,775,152
Support services	79,155,833	72,054,288
Non-instructional services	9,320,723	8,712,332
Community support	189,335	197,260
Interest and fees on long-term debt	7,307,983	8,777,269
Total expenses	228,606,334	211,516,301
Change in Net Position	$ 2,957,212	$ 3,308,670

DISTRICT'S FUNDS FINANCIAL ANALYSIS

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

Governmental Funds

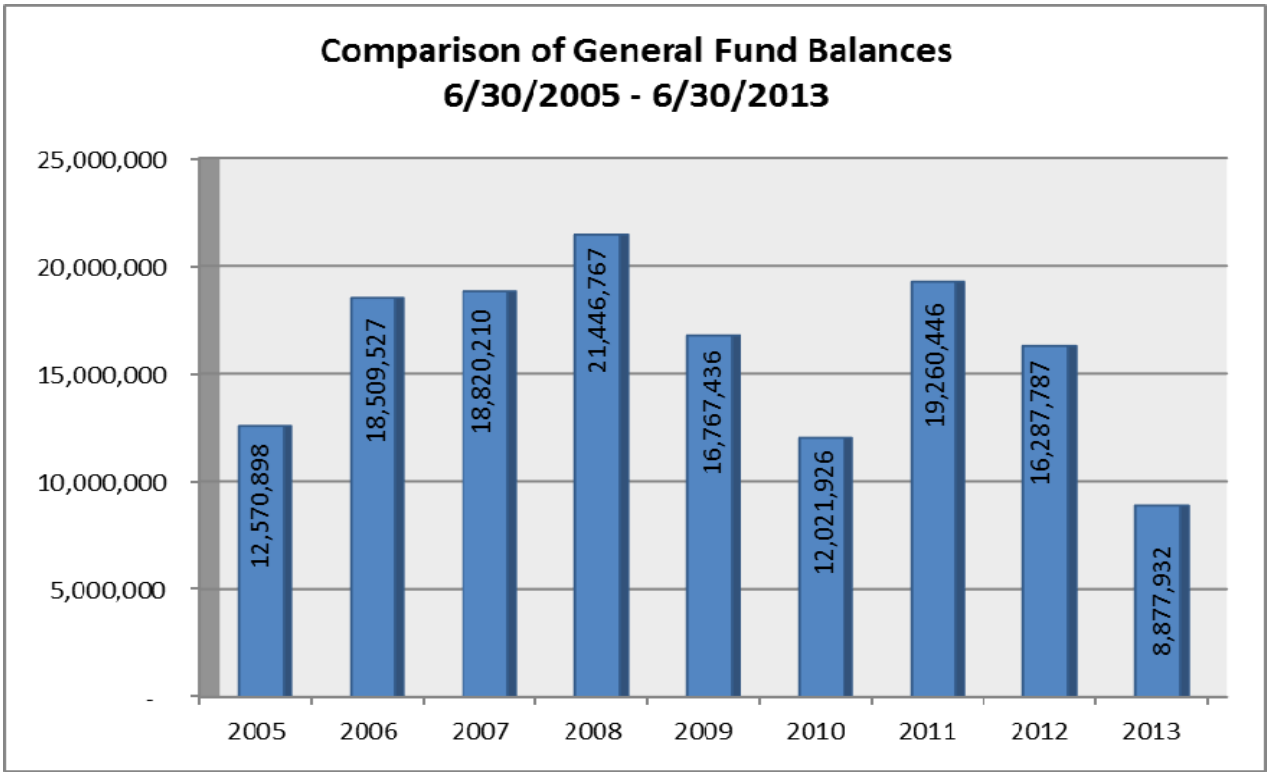
The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

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 $8,877,932 which is down 45.5% from the ending balance in fiscal year 2012 of $16,287,787.

Expenditures for general District purposes totaled $169,544,844, an increase of 2.2% during the current fiscal year; this difference is the result of the net effect of a decrease in expenses from a fund transfer of self-funded programs to the Special Revenue Fund and the increase of expenses associated with the reinstatement of nine previously furloughed school days.

General fund salaries totaled $113,862,084 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $40,034,282 to arrive at 90.8% of the District's general fund expenditures.

The Chart below illustrates the changes in general fund balances from June 30, 2005 through June 30, 2013.



General Fund Budgetary Highlights

As illustrated by the chart above, the General Fund balance had experienced steady growth from 2005 – 2008 due to high growth in student enrollment which increased state and local funding. The down turn in the economy in the fall of 2008 resulted in significant reductions to state apportionment allocated to school districts. In 2011 the slight increase in General Fund balance was due to state one-time funds of approximately $7 million. In 2012 the District utilized $3 million in general operating expenses from this one-time funding. In 2013 the District continued to use General Fund to balance the budget in addition to the decrease associated with a fund transfer of self-funded programs to the Special Revenue Fund of $1.8 million. It is anticipated that the District will continue to utilize General Fund balance to fund overall operating expenses.

Debt Service Fund – The debt service fund is the fund used to account for the long-term debt activity of the District. In fiscal year 2013, there were no bonds issued and only the required scheduled principal and interest payments were made. The fund balance increased by $1,017,081 as a result of this activity.

Capital Projects Fund – The capital projects fund is the fund used to pay for capital construction, building repair and remodeling throughout the District. At the end of the current fiscal year, the capital projects fund balance was $3,545,900 down $1,907,366 from the ending balance in fiscal year 2012 of $5,453,266. This decrease in the fund balance can be attributed to a timing difference of when two major projects were budgeted to begin in FY 2012 and have rolled to FY 2013-14 were the majority of the expenditures are set to occur.

Capital Assets

The capital projects fund is used to account for the costs incurred while acquiring and improving sites, constructing and remodeling facilities, and purchasing equipment necessary for providing educational programs for all students within the District. The District has invested $495,548,681 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $134,175,491.

- Capital asset acquisitions for governmental activities totaled $8,255,203 for the fiscal year.
- The District has $7,561,777 in construction in progress. This includes extensive remodels and expansions to existing schools.

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

Long-Term Debt

At year end the District had $162,175,628 in general obligation bonds and other long-term debt outstanding. The general obligation bonds of the District are secured by an annual tax levy. The bonds were authorized by the patrons of the District by a two-thirds majority vote. The certificates of participation are paid through guaranteed utility savings. The amounts outstanding on the remaining bonds and certificates are:

Series 1998 - Refunding	$	10,660,000
Series 2004 - Refunding	$	5,505,000
Certificates of Participation	$	1,905,000
Series 2005 - Refunding	$	21,715,000
Series 2005	$	17,565,000
Series 2010 - Refunding	$	25,880,000
Series 2010 - Supplemental	$	395,628
Series 2012 - Refunding	$	78,550,000

The District refunded $80,330,000 of the 2005 bonds at a net present value savings of $6,741,214 of interest costs.

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

After the "Students Come First" (SCF) Legislation from 2011 was established, the District was immediately required to implement various portions of the law which were subsequently repealed resulting in a lack of funding for initiatives that had already begun. The District used the 2.2% increase in state funding to restore funds expended to begin implementation of SCF Legislation. The District also allocated part of these funds toward increasing the minimum certified salary from $30,500 to $31,000 as well as funding two years of experience increases which were previously frozen during the economic recession.

Local taxpayers continue to help support the District through the supplemental levy which contributes $14 million dollars to the General Fund operating expenses. The revenue collected from this tax has restored nine of the fourteen school days previously cut from the budget. This levy is scheduled to expire after the 2013-14 school year.

The fund balance has continued to decline due to the economic down turn. The District approved General Fund Expenditure increases for the 2013-2014 school year budget, which will cover 24 additional teachers to accommodate growth and an increase in the employer retirement contribution. The District will continue to use unassigned fund balance to assist in balancing the budget unless there are significant increases in state funding, unexpected growth or market value increases. Without these factors, the District may be forced to cut expenses even further in the next couple of years.

The District continues to feel the impact of revenue losses due to the preceding decline in market value. The total taxable market value for 2013-2014 will be 13% above the previous year's value due to increased construction in both the residential and commercial sectors and the increase in real property values. This will result in an increase of tax revenue to the District. This increase will help accelerate the construction of Willow Creek Elementary and the remodel of Meridian High School. Willow Creek Elementary is slated to open for the 2013-2014 school year on a limited basis only serving grades K-2 in its first year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Alex Simpson at the Meridian School District Services Center, 1303 E Central Drive, Meridian, ID 83642, by phone at (208) 350-5007, or by e-mail at simpson.alex@meridianschools.org.

	Governmental Activities
Assets	
Cash and investments	$ 22,065,936
Restricted cash and investments	12,754,364
Property taxes receivable	21,767,422
State and federal receivables	5,321,317
Receivables	424,773
Prepaid interest on refunded bonds (net of amortization)	2,240,371
Land and construction in progress	41,599,203
Depreciable capital assets (net of depreciation)	319,773,987
Total assets	425,947,373
Deferred Outflows of Resources	
Deferred amount on refunding	7,953,324
Liabilities	
Accounts, salaries, and other payables	27,570,613
Accrued interest payable bonds	2,802,013
Long-term liabilities	
Bond premium (net of amortization)	14,824,123
Due within one year - bonds	13,535,628
Due in more than one year - bonds	148,640,000
Due in more than one year - other liabilities	8,237,551
Total liabilities	215,609,928
Net Position	
Net investment in capital assets	199,197,562
Restricted for	
Capital improvements	4,025,782
Self-insured workers compensation	145,286
Grant programs	1,273,393
Debt service	8,921,796
Unrestricted	4,726,950
Total net position	$ 218,290,769

	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	$ 58,544,057	$ 952,293	$ 4,714,167	$ -	$ (52,877,597)
Secondary/alternative programs	49,736,806	248,438	1,819,890	-	(47,668,478)
Exceptional/preschool program	19,761,498	444,506	6,009,041	-	(13,307,951)
Other instructional programs	4,590,099	829,121	-	-	(3,760,978)
Support services					
Attendance and guidance	6,114,410	-	55,443	-	(6,058,967)
Ancillary	7,493,147	-	2,791,391	-	(4,701,756)
Instructional improvement	9,996,239	134,444	1,844,641	-	(8,017,154)
Educational media	2,171,268	-	2,836	-	(2,168,432)
School administration	11,798,986	-	4,286,445	-	(7,512,541)
Administration	9,987,153	556,920	292,435	-	(9,137,798)
Maintenance and custodial	18,645,132	-	-	-	(18,645,132)
Grounds	365,308	-	-	-	(365,308)
Security	843,770	-	-	-	(843,770)
Pupil transportation services	11,740,420	296,158	-	-	(11,444,262)
Non-instructional	9,320,723	4,335,379	5,815,965	-	830,621
Community service programs	189,335	471,620	2,745	-	285,030
Capital improvements	-	-	-	646,419	646,419
Interest on long-term debt	7,307,983	-	-		(7,307,983)
Total Governmental Activities	$ 228,606,334	$ 8,268,879	$ 27,634,999	$ 646,419	(192,056,037)

General revenues	
Taxes	
Property taxes, levied for general purposes	16,598,538
Property taxes, levied for debt services	19,815,519
Property taxes, levied for plant facility	13,195,003
State revenue in lieu of taxes	18,013
Grants and contributions not restricted to specific programs	
State foundation program	145,296,229
Other	60,708
Interest and investment earnings	
General fund	115,728
Other funds	3,034
Unrealized loss on investments	(31,628)
Loss on disposal of assets	(57,895)
Total general revenues	195,013,249
Change in net position	2,957,212
Net position, beginning of year, as restated	215,333,557
Net position, end of year	$ 218,290,769

	General	Debt Service	Capital Projects
Assets			
Cash and investments	$ 22,065,936	$ -	$ -
Restricted cash and investments	145,286	7,568,204	-
Receivables			
Current property taxes receivable	6,464,694	8,083,618	5,370,092
Delinquent property taxes receivable	666,720	702,415	479,883
State receivable	1,666,831	-	-
Federal receivable	-	-	-
Interfund receivable	1,833,254	-	-
Other receivables	92,901	-	-
	$ 32,935,622	$ 16,354,237	$ 5,849,975
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 697,816	$ -	$ 1,635,029
Salaries and benefits payable	22,693,154	-	-
Interund payable	-	-	189,162
Advanced revenue	666,720	702,417	479,884
Total liabilities	24,057,690	702,417	2,304,075
Fund Balance			
Restricted for			
Debt service	-	15,651,820	-
Self-insured workers compensation	145,286	-	-
Capital projects	-	-	3,545,900
Grant programs- School Lunch	-	-	-
Committed for			
Early retirement incentive program	257,371	-	-
Assigned for			
Grant programs	-	-	-
Subsequent year expenditures	7,864,249	-	-
Special activities	-	-	-
Unassigned			
Unassigned	611,026	-	-
Total fund balance	8,877,932	15,651,820	3,545,900
	$ 32,935,622	$ 16,354,237	$ 5,849,975

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
$ -	$ 22,065,936
5,040,874	12,754,364
-	19,918,404
-	1,849,018
297,505	1,964,336
3,356,981	3,356,981
-	1,833,254
331,871	424,772
$ 9,027,231	$ 64,167,065
$ 156,134	$ 2,488,979
2,388,477	25,081,631
1,644,092	1,833,254
-	1,849,021
4,188,703	31,252,885
-	15,651,820
-	145,286
-	3,545,900
1,273,393	1,273,393
-	257,371
149,024	149,024
-	7,864,249
3,416,111	3,416,111
-	611,026
4,838,528	32,914,180
$ 9,027,231	$ 64,167,065

Total fund balances - governmental funds	$	32,914,180
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.		361,373,190
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.		1,849,019
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.		(12,583,752)
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.		7,953,324
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.		(173,215,192)
Net Position	$	218,290,769

	General	Debt Service	Capital Projects
Revenue			
Local revenues			
Property taxes	$ 16,238,170	$ 20,166,307	$ 13,379,910
Earnings on investments	115,728	-	-
State revenue	145,774,192	646,419	-
Federal revenue	2,000	-	-
Other revenue	1,299,703	-	15,562
Total revenue	163,429,793	20,812,726	13,395,472
Expenditures			
Instructional			
Elementary school programs	49,339,104	-	150,589
Secondary school programs	33,276,326	-	395,784
Alternative school programs	7,175,767	-	15,683
Exceptional school programs	13,136,525	-	-
Preschool school programs	901,327	-	-
Gifted and talented school programs	1,264,107	-	10,847
Interscholastic school programs	1,654,827	-	-
School activity programs	225,428	-	-
Summer school programs	354,581	-	-
Driver education program	-	-	-
Total instructional	107,327,992	-	572,903
Support Services			
Attendance and guidance program	5,843,766	-	-
Ancillary program	5,925,216	-	-
Instructional improvement program	3,143,743	-	10,598
Instructional technology program	1,075,599	-	2,176,720
Media program	2,080,219	-	-
School administration program	11,462,728	-	-
Administration program	3,639,935	-	154,741
Administration technology program	1,916,348	-	-
Custodial program	9,057,793	-	8,029
Maintenance and warehouse programs	5,265,696	-	4,187,202
Grounds program	361,785	-	-
Security program	843,770	-	-
Transportation program	10,571,921	-	12,442
Total support services	61,188,519	-	6,549,732

Other Governmental Funds	Total Governmental Funds
$ -	$ 49,784,387
3,039	118,767
10,284,685	156,705,296
16,651,010	16,653,010
7,248,932	8,564,197
34,187,666	231,825,657
5,186,965	54,676,658
3,821,318	37,493,428
44,314	7,235,764
5,296,246	18,432,771
177,923	1,079,250
42,381	1,317,335
568,125	2,222,952
85,135	310,563
67,207	421,788
302,782	302,782
15,592,396	123,493,291
230,689	6,074,455
1,510,619	7,435,835
2,462,927	5,617,268
1,102,656	4,354,975
60,507	2,140,726
242,223	11,704,951
1,129,416	4,924,092
247,600	2,163,948
-	9,065,822
-	9,452,898
-	361,785
-	843,770
7,652	10,592,015
6,994,289	74,732,540

	General	Debt Service	Capital Projects
Expenditures (Continued)			
Non-instructional	190,861	-	-
Community program	187,279	-	-
Capital outlay program	-	-	8,180,203
Debt service			
Principal	550,000	12,070,000	-
Interest and agent fees	100,193	7,725,645	-
Total debt service	650,193	19,795,645	-
Total expenditures	169,544,844	19,795,645	15,302,838
Excess (Deficiency) of Revenue Over (Under) Expenditures	(6,115,051)	1,017,081	(1,907,366)
Other Financing Sources (Uses)			
Net interfund transfers	(1,263,888)	-	-
Bond issuance	-	78,550,000	-
Donations	-	-	-
Bond issue costs	-	(501,434)	-
Premium on bonds issued	-	13,415,212	-
Payment to refunded bond escrow agent	-	(91,463,778)	-
Gain (loss) on investments	(30,916)	-	-
	(1,294,804)	-	-
Excess (Deficiency) of Revenues and Other financing sources (uses) over (under) expenditures and other financing sources (uses)	(7,409,855)	1,017,081	(1,907,366)
Fund Balance, Beginning of Year	16,287,787	14,634,739	5,453,266
Fund Balance, End of Year	$ 8,877,932	$ 15,651,820	$ 3,545,900

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
9,013,314	9,204,175
2,056	189,335
75,000	8,255,203
-	12,620,000
-	7,825,838
-	20,445,838
31,677,055	236,320,382
2,510,611	(4,494,725)
1,263,888	-
-	78,550,000
2,745	2,745
-	(501,434)
-	13,415,212
-	(91,463,778)
(712)	(31,628)
1,265,921	(28,883)
3,776,532	(4,523,608)
1,061,996	37,437,788
$ 4,838,528	$ 32,914,180

Total net change in fund balances - governmental funds	$ (4,523,608)
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.	(3,631,213)
Retirement of bonds in the current year.	92,950,000
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.	(175,330)
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.	(80,455,489)
Change in OPEB Liability.	(1,850,492)
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.	643,344
Change in net position	$ 2,957,212

	Agency Funds
Assets	
Cash	$ 1,555,333
Investments	1,617,442
	$ 3,172,775
Liabilities	
Accounts payable	$ 75,564
Due to student groups	3,097,211
	$ 3,172,775

Note 1 - Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

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

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

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

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

These agency funds are as follows:

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program revenues

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

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

Ad valorem taxes are susceptible to accrual.

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

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Cash and Cash Equivalents

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

Restricted Cash and Investments

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

Investments

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

Idaho Code limits investments to the following general types:

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

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

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

Repurchase agreements secured by the above.

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

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

Custodial Credit Risk

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

The District is authorized to invest in the State of Idaho Local Government Investment Pool (LGIP). The LGIP is a part of Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield.

Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Short-term Interfund Receivables and Payables

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

Elimination and Reclassifications

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include those assumed in determining the actuarial assumptions made in the other post-employment liability 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, 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, 2013, 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.

Advanced Revenue

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

Compensated Absences

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

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

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

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

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

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

Grants and Other Intergovernmental Revenues

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

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, and was implemented in fiscal year 2013.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The District has elected to early implement it in fiscal year 2013. See Note 16 for the impact to the financial statements as a result of implementation.

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	$ 495,548,681
Depreciation expense to date	(134,175,491)
Net adjustment	$ 361,373,190

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, 2013 are:

Prepaid interest	$ 5,001,811
Amortization of prepaid interest to date	(2,761,440)
Premium on bonds issued	(18,052,573)
Amortization of bond premium to date	3,228,450
Net adjustment	$ (12,583,752)

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, 2013 are:

Bonds payable	$(162,175,628)
Interest payable	(2,802,013)
OPEB liability	(8,237,551)
Net adjustment	$(173,215,192)

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	$ (11,828,521)
Loss on disposal of capital assets	(57,895)
Capital outlays	8,255,203
Net adjustment	$ (3,631,213)

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.

Proceeds from 2012 refunding	$ (78,550,000)
Write off of refunded 2005 premium	2,457,424
Amortization of prepaid interest	(457,648)
Premium on bonds issued	(13,415,212)
Deferred refunding costs	8,675,446
Amortization of deferred debt issuance costs	(722,954)
Amortization of bond premium	1,557,455
Net adjustment	$ (80,455,489)

Note 3 - Cash and Investments

At June 30, 2013, the District's cash and investments, excluding trust funds, consisted of the following:

Deposits	Carrying Amount	Bank Amount	Insured or Collateralized	Uninsured and Uncollateralized
Insured or collateralized	$ 215,735	$ 4,331,715	$ 4,331,715	$ -
Investments	**Fair Value**	**Rating**	**Maturity**	**Concentration**
State of Idaho Local Government Investment Pool (LGIP)	$ 34,604,565	Unrated	Not applicable	100%
Total investments	34,604,565			100%
Total cash and investments	$ 34,820,300			

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, 2013, the Other Governmental Funds have an interfund payable to the General Fund for $1,644,092 from allocations of the Districts pooled cash accounts. As of June 30, 2013, the Capital Project Funds have an interfund payable to the General Fund for $189,162 from allocations of the Districts pooled cash accounts. The following transfers occurred in the fiscal year for the purpose of funding operations:

	Interfund Transfers In Non Major Funds
Interfund transfers out	
General fund	$ 1,263,888
Total interfund transfers	$ 1,263,888

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, 2013:

State Agencies	$ 1,964,336
Federal Agencies	3,356,981
	5,321,317
County Agencies	21,767,422
Total	$ 27,088,739

Note 6 - Advanced Revenues

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements. The following revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2013:

	General Fund	Debt Service Fund	Capital Projects Fund
Delinquent taxes	$ 666,720	$ 702,415	$ 479,883
	$ 666,720	$ 702,415	$ 479,883

Note 7 - Capital Assets

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

	June 30, 2012	Additions	Deletions	Transfers	June 30, 2013
Non depreciable capital assets					
Land	$ 34,037,425	$ -	$ -	$ -	$ 34,037,425
Construction in progress	3,981,532	8,255,203	(57,895)	(4,617,062)	7,561,778
Total	$ 38,018,957	$ 8,255,203	$ (57,895)	$ (4,617,062)	$ 41,599,203
Depreciable capital assets					
Buildings, and improvements	$ 395,654,207	$ -	$ -	$ 3,381,642	$ 399,035,849
Furniture and equipment	53,678,209	-	-	1,235,420	54,913,629
Total	449,332,416	-	-	4,617,062	453,949,478
Less accumulated depreciation for					
Buildings, and improvements	(85,984,261)	(8,320,286)	-	-	(94,304,547)
Furniture and equipment	(36,362,709)	(3,508,235)	-	-	(39,870,944)
Total accumulated depreciation	(122,346,970)	(11,828,521)	-	-	(134,175,491)
Total depreciable capital assets, net	$ 326,985,446	$(11,828,521)	$ -	$ 4,617,062	$ 319,773,987

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

Governmental activities	
Elementary programs	$ 3,345,082
Secondary/alternative programs	4,279,971
Other instructional programs	290,296
Instructional improvement	1,986
Administration	2,720,524
Administration technology	163,026
Maintenance and custodial	20,009
Grounds	3,523
Pupil transportation services	978,785
Non-instructional	25,319
Total depreciation expense –Governmental activities	$ 11,828,521

Note 8 - Long-Term Debt

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

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013	Due within one year
Governmental activities					
Bonds payable					
General obligation	$ 176,575,628	$ 78,550,000	$ (92,950,000)	$ 162,175,628	$ 13,535,628

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

Other post employment benefits	$ 8,237,551

Note 9 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2013 consist of the following:

Series 1998 General Obligation Refunding Bonds in the original principal amount of $34,375,000 maturing through July 30, 2016. Principal payments are due annually on July 30, and interest is payable semi-annually on January 31 and July 30 of each year. Interest rates range from 5.0% to 5.5% on the outstanding bonds.	$ 10,660,000
Series 2004 General Obligation Refunding Bonds in the original principal amount of $13,195,000 maturing through July 30, 2018. Principal payments are due annually on July 30, and interest is payable semi-annually on January 31 and July 30 of each year. Interest rates range from 3.0% to 5.0% on the outstanding bonds.	5,505,000

2003 Certificates of Participation in the original principal amount of $6,145,000 maturing through February 1, 2016. Principal payments are due annually on August 1, and interest is payable semi-annually on February 1 and August 1 of each year. Interest rates range from 2.75% to 4.15% on the outstanding certificates.	1,905,000
Series 2005 General Obligation Refunding Bonds in the original principal amount of $31,385,000 maturing through February 15, 2020. Principal payments are due annually on February 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 3.5% to 4.75% on the outstanding bonds.	21,715,000
Series 2005 General Obligation School Bonds in the original principal amount of $134,580,000 maturing through August 15, 2024. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 4.0% to 5.0% on the outstanding bonds.	17,565,000
Series 2010 General Obligation School Bonds in the original principal amount of $25,880,000 maturing through January 30, 2022. Principal payments are due annually on January 30, and interest is payable semi-annually on January 30 and July 30 of each year. Interest rates range from 2.5% to 5.0% on the outstanding bonds.	25,880,000
Series 2010 Supplemental General Obligation School Bonds in the original principal amount of $395,627 maturing through July 30, 2013. The principal payment is due on July 30, 2013, and interest is payable on July 30, 2013. The interest rate on the bond is 1.75%	395,628
Series 2012 General Obligation Refunding Bonds in the original principal amount of $78,550,000 maturing through August 15, 2024. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 2.0% to 5.0% on the outstanding bonds.	78,550,000
	$ 162,175,628

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2013:

Fiscal Year Ending June 30	General Obligation Bond Principal	Interest	Total
2014	$ 13,535,627	$ 6,801,968	$ 20,337,595
2015	14,215,000	6,133,290	20,348,290
2016	14,895,000	5,469,029	20,364,029
2017	14,915,000	4,821,790	19,736,790
2018	15,525,000	4,180,395	19,705,395
2019-2023	69,105,000	11,300,981	80,405,981
2024-2025	19,985,001	908,300	20,893,301
	$ 162,175,628	$ 39,615,753	$ 201,791,381

The general obligation bonded debt of the District is limited by State law to 5% of the market value for assessment purposes, less the aggregate outstanding indebtedness. Thus the debt limit and additional debt-incurring capacity of the District is calculated as follows:

Market value for assessment purposes	$ 10,617,433,411
Multiplied by 5%	5%
Debt limit	530,871,671
Less outstanding indebtedness	162,175,628
Additional debt-incurring capacity	$ 368,696,043

Refunded Bonds – In 1996, 1998, 2005, 2006, 2008, 2010, and 2013 the District entered into refunding transactions whereby refunding bonds were issued to facilitate the retirement of the District's general obligation bonds already outstanding. The proceeds of the refunding issues were placed in the irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the issues being refunded. The refunded bonds are not included in the District's outstanding long-term debt since the District legally satisfied its obligation with respect thereto through consummation of the refunding transaction. Any gain or loss on a refunding is recognized in the period in which the refunding occurs. As a result of the refunding that took place during the year ended June 30, 2013, there was an economic gain of $6,741,214 (difference between the present value of the debt service payments on the old and new debt). At June 30, 2013, the bonds payable amount still owing but considered extinguished was $165,745,000.

Note 10 - Retirement Healthcare Plan

Plan Description. Joint School District No. 2's Post-Retirement Healthcare Plan (the plan) is a single-employer defined benefit healthcare plan administered by the Blue Cross of Idaho, Regence/ LifeMap Assurance Dental, Willamette Dental, and Ameritas Vision. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Regence/ LifeMap Assurance Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependants. Ameritas Vision provides vision insurance benefits to eligible retirees and their eligible dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and/ or vision insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Dental benefits continue for life. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership service with a PERSI employer. The retiree is on the same medical, dental, and vision plans as the District's active employees.

Funding Policy. The contribution requirement of plan members is established by the District's insurance committee in conjunction with the District's insurance providers. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013 the District contributed approximately $1,137 thousand to the plan for current premiums or approximately 39% of total premiums. Plan members receiving benefits contributed approximately $1,787 thousand or approximately 61% of the total premiums. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool for both the retiree and the dependent coverage.

Monthly contribution rates in effect for retirees under age 65 as of the end of the fiscal year 2013 were as follows:

Medical (under 65)		
Retiree Only	$	541
Retiree + Spouse	$	1,191
Retiree + Child	$	651
Retiree + Children	$	767
Family	$	1,418
Vision		
Retiree Only	$	9
Retiree +1	$	14
Family	$	22
LifeMap Dental		
Retiree Only	$	30
Retiree +1	$	59
Family	$	107
Willamette Dental		
Retiree Only	$	46
Retiree +1	$	89
Family	$	160

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	$ 2,960,128
Interest on net OPEB obligation	255,482
Adjustment to annual required contribution	(228,113)
Annual OPEB cost (expense)	2,987,497
Estimated contributions made	(1,137,005)
Increase in net OPEB obligation	1,850,492
Net OPEB obligation—beginning of year	6,387,059
Net OPEB obligation—end of year	$ 8,237,551

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	2011	$ 1,722,308	$ 668,300	39%	$ 4,596,009
	2012	2,816,037	1,013,773	36%	6,387,059
	2013	2,987,497	1,137,005	38%	8,237,551

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $22.3 million. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was $120.4 million and the ratio of the UAAL to the covered payroll was 19%.

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

The schedule of funding progress is as follows:

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

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

In the July 1, 2011 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. This is calculated based on the expected long-term rate of return on the District's general funds at the valuation date. A 3.0% implied inflation rate (CPI) assumption is used. The valuation assumes that 85% of eligible retirees will actually participate in the retiree medical and vision benefits and that 75% of eligible retirees will actually participate in the retiree dental benefits. The valuation also assumes 10% of retirees enrolled in the medical and vision plans will enroll dependents in the medical and vision plans and 30% of retirees enrolled in the dental plan will enroll dependents in the dental plan. The annual healthcare medical with vision trend rates of 8.2% in the first year, 6.7% in the second year and decreasing gradually until an ultimate rate of 4.9%, starting in 2086 are used.

The annual healthcare dental trend rates of 0.9% in the first year, and 5.0% until 2086, at which time the rate reduces to 4.9% are used. It was assumed salary increases will be 3.50% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

Note 11 - Insurance and Self-Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The District purchases insurance for property losses from independent carriers. The District has in effect property insurance coverage up to $627,404,859 with a $2,500 deductible per incident. The District maintains a $2,000,000 commercial general liability policy per occurrence and a $5,000,000 maximum aggregate.

Historically, workers' compensation insurance was purchased from the State of Idaho. Effective August 1, 2009, the District became self-insured for workers' compensation as authorized by the Idaho Industrial Commission. The program is administered by a third party, and the District purchases excess workers' compensation insurance (with per occurrence and aggregate indemnity limits of $1,000,000) to provide coverage for individual claims above the District's self-insured retention (SIR). The Districts SIR is the first $350,000 per occurrence.

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

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

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

Unpaid claims at July 1, 2012	$ 1,052,612
Total incurred claims (including IBNRs) and and prior period changes in claim estimates	1,519,036
Total payments and recoveries	(650,802)
Unpaid claims as of June 30, 2013	$ 1,920,846

The District has restricted cash and investments of $145,286 segregated in the general fund to satisfy workers' compensation claim liabilities.

Note 12 - Commitments and Contingencies

The District had $718,903 in open purchase orders at June 30, 2013 that were budgeted expenditures in the 2012/2013 school year.

There were two uncompleted projects currently under contract. The projects, bids, and amounts paid as of June 30, 2013, were as follows:

Project	Contract Amount	Amount Paid as of June 30, 2013	(Memo Only) Balance
Meridian High School Remodel	$ 7,436,314	$ 2,612,744	$ 4,823,570
Willow Creek Elementary	8,402,270	4,059,313	4,342,957
	$ 15,838,584	$ 6,672,057	$ 9,166,527

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

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

Note 13 - Pension Plan

The Public Employee Retirement System of Idaho (PERSI), The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring both the member and the employer to contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code.

Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date.

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

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

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended June 30, 2013 the required contribution rate as a percentage of covered payroll was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The District's contributions required and paid were $13,010,986, $11,723,585, and $13,020,498, for the three fiscal years ended June 30, 2013, 2012, and 2011, respectively.

Note 14 - Early Retirement Incentive Program

The District has an Early Retirement Incentive Program (the Program) available to all staff in the District who have at least fifteen years of service, attain age 55, and are not eligible for disability benefits or full PERSI benefits. The Program, implemented by the Board and subject to annual renewal, provides for payments to early retirees over a two-year period following retirement. The amount of benefits paid is based on age and salary at the date of retirement. Participation in the Program is subject to the approval of the District. The District funds the Program from current operating funds. During the year ended June 30, 2013, the District paid Program benefits totaling $257,371.

Note 15 - Professional Technical Center Agreement

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

Note 16 - Restatement

During the year ended June 30, 2013, the District implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this statement resulted in the District changing the name of the Statement of Net Assets to the Statement of Net Position. The District also reclassified the Deferred Outflows of Resources to its own section on the Statement of Net Position, reclassified Deferred Gain (Loss) on Bond Refunding's as Deferred Inflows, and changed the definition of Net Investment in Capital Assets.

During the year ended June 30, 2013, the District early-implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" to properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. Adopting this statement effectively decreases net position as of July 1, 2012 by $690,766. The decrease results from no longer deferring and amortizing bond issuance costs.

Required Supplementary Information
June 30, 2013

Joint School District No. 2

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual Amounts	(Negative)
Revenue				
Local revenues				
Property taxes	$ 15,774,324	$ 16,330,130	$ 16,238,170	$ (91,960)
Earnings on investments	130,000	130,000	115,728	(14,272)
State revenue	145,381,506	145,381,506	145,774,192	392,686
Federal revenue	-	-	2,000	2,000
Other revenue	1,061,000	1,091,150	1,299,703	208,553
Total revenue	162,346,830	162,932,786	163,429,793	497,007
Expenditures				
Instructional				
Elementary school programs	50,751,906	50,220,400	49,339,104	881,296
Secondary school programs	34,748,457	33,568,308	33,276,326	291,982
Alternative school programs	6,591,096	7,238,106	7,175,767	62,339
Exceptional school programs	12,346,130	13,090,447	13,136,525	(46,078)
Preschool school programs	911,630	920,240	901,327	18,913
Gifted and talented school programs	1,294,282	1,370,083	1,264,107	105,976
Interscholastic school programs	1,996,157	1,802,545	1,654,827	147,718
School activity programs	-	221,840	225,428	(3,588)
Summer school programs	399,991	399,991	354,581	45,410
Total instructional	109,039,649	108,831,960	107,327,992	1,503,968
Support services				
Attendance, guidance, health program	5,931,694	6,240,291	5,843,766	396,525
Ancillary program	6,592,374	6,087,998	5,925,216	162,782
Instructional improvement program	3,313,616	3,735,027	3,143,743	591,284
Instructional technology program	1,144,603	1,124,303	1,075,599	48,704
Media program	2,203,724	2,149,621	2,080,219	69,402
School administration program	11,820,882	11,895,261	11,462,728	432,533
Administration program	3,741,612	3,769,331	3,639,935	129,396
Administration technology program	2,322,872	2,229,065	1,916,348	312,717
Custodial program	11,688,549	11,704,021	9,057,793	2,646,228
Maintenance and warehouse programs	2,569,502	2,570,993	5,265,696	(2,694,703)
Grounds program	363,443	365,886	361,785	4,101
Security program	918,446	863,414	843,770	19,644
Transportation program	9,488,203	9,895,422	10,571,921	(676,499)
Total support services	62,099,520	62,630,633	61,188,519	1,442,114

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Expenditures (Continued)				
Non-instructional	184,282	184,282	190,861	(6,579)
Community program	168,873	211,824	187,279	24,545
Debt service program				
Principal	550,000	550,000	550,000	-
Interest and agent fees	99,988	99,988	100,193	(205)
Total expenditures	172,142,312	172,508,687	169,544,844	2,963,843
Excess (deficiency) of revenue over expenditures	(9,795,482)	(9,575,901)	(6,115,051)	3,460,850
Other financing sources (uses)				
Net interfund transfer	1,200,541	1,290,167	(1,263,888)	(2,554,055)
Unrealized loss on investments	-	-	(30,916)	(30,916)
	1,200,541	1,290,167	(1,294,804)	(2,584,971)
Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses)	$ (8,594,941)	$ (8,285,734)	$ (7,409,855)	$ 875,879

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, 2013.

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, 2013

Joint School District No. 2

	Beginning Balance June 30, 2012	Receipts	Expenditures	Ending Balance June 30, 2013
Assets				
Cash				
Meridian High School	$ 91,482	$ 783,778	$ 731,071	$ 144,189
Centennial High School	25,891	850,136	813,227	62,800
Eagle High School	32,372	1,243,957	1,180,595	95,734
Mountain View High School	60,203	1,361,546	1,364,394	57,355
Rocky Mountain High School	184,422	1,366,417	1,370,032	180,807
Renaissance High School	75,061	293,492	254,385	114,168
Meridian Middle School	9,197	184,876	180,167	13,906
Lowell Scott Middle School	59,859	184,055	210,290	33,624
Lake Hazel Middle School	2,619	213,731	197,594	18,756
Eagle Middle School	17,778	225,149	216,786	26,141
Lewis and Clark Middle School	19,604	167,762	157,777	29,589
Sawtooth Middle School	1,474	173,945	165,955	9,464
Heritage Middle School	35,072	207,412	232,326	10,158
Academies	85,428	111,770	115,165	82,033
Elementary Schools	594,747	2,246,614	2,164,752	676,609
Total cash	1,295,209	9,614,640	9,354,516	1,555,333
Investments				
Meridian High School	89,431	162	-	89,593
Centennial High School	251,830	465	-	252,295
Eagle High School	318,172	592	-	318,764
Mountain View High School	346,532	100,462	99,721	347,273
Rocky Mountain High School	96,412	209	17	96,604
Meridian Middle School	74,785	143	5,000	69,928
Lowell Scott Middle School	64,067	30,184	-	94,251
Lake Hazel Middle School	78,656	17,001	-	95,657
Eagle Middle School	68,514	18,692	-	87,206
Lewis and Clark Middle School	62,608	96	-	62,704
Sawtooth Middle School	68,728	152	1,000	67,880
Heritage Middle School	35,192	95	-	35,287
Total investments	1,554,927	168,253	105,738	1,617,442
Total assets	$ 2,850,136	$ 9,782,893	$ 9,460,254	$ 3,172,775

	Beginning Balance June 30, 2012	Receipts	Expenditures	Ending Balance June 30, 2013
Liabilities				
Accounts payable				
Meridian High School	$ 10,464	$ 20,602	$ 30,450	$ 616
Centennial High School	27,111	22,893	45,426	4,578
Eagle High School	38,756	37,486	69,672	6,570
Mountain View High School	19,030	39,150	39,792	18,388
Rocky Mountain High School	11,336	32,683	39,301	4,718
Renaissance High School	-	6,534	5,003	1,531
Meridian Middle School	6,413	6,011	7,722	4,702
Lowell Scott Middle School	11,087	10,043	8,268	12,862
Lake Hazel Middle School	6,456	6,866	7,391	5,931
Eagle Middle School	2,899	10,580	8,388	5,091
Lewis and Clark Middle School	2,573	49,261	50,183	1,651
Sawtooth Middle School	5,950	7,587	7,656	5,881
Heritage Middle School	4,259	10,901	12,115	3,045
Total accounts payable	146,334	260,597	331,367	75,564
Due to student groups				
Meridian High School	170,449	774,076	711,359	233,166
Centennial High School	250,610	853,101	793,194	310,517
Eagle High School	311,788	1,239,924	1,143,784	407,928
Mountain View High School	387,705	1,212,911	1,214,376	386,240
Rocky Mountain High School	269,498	1,343,592	1,340,397	272,693
Renaissance High School	75,061	286,958	249,382	112,637
Meridian Middle School	77,569	174,008	172,445	79,132
Lowell Scott Middle School	112,839	175,852	173,678	115,013
Lake Hazel Middle School	74,819	208,773	175,111	108,481
Eagle Middle School	83,393	216,778	191,915	108,256
Lewis and Clark Middle School	79,639	121,276	110,273	90,642
Sawtooth Middle School	64,252	167,258	160,047	71,463
Heritage Middle School	66,005	198,103	221,707	42,401
Academy Schools	85,428	111,770	115,165	82,033
Elementary Schools	594,747	2,246,614	2,164,752	676,609
Total due to student groups	2,703,802	9,330,994	8,937,585	3,097,211
Total liabilities	$ 2,850,136	$ 9,591,591	$ 9,268,952	$ 3,172,775

Single Audit and Government Auditing Standards Information
June 30, 2013

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 the Joint School District No. 2 (the District) as of and for the year ended June 30, 2013, 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 24, 2013. An explanatory paragraph was included in the auditor's report to emphasize the early implementation of GASB 65.

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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

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*.

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 24, 2013

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Joint School District No. 2's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
October 24, 2013

Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through State Department of Education		
National School Lunch Program	10.555	$ 3,970,737
Commodities	10.555	867,975
School Breakfast Program	10.553	756,855
Summer Food Service Program	10.559	120,801
Special Milk Program	10.556	57,149
Child Nutrition Cluster		5,773,517
Fresh Fruits and Vegetables	10.582	42,448
Team Nutrition Grang	10.574	2,000
		44,448
Total U.S. Department of Education		5,817,965
U.S. Department of Education		
Passed Through State Department of Education		
Title I Local Program	84.010	3,635,977
Title VI-B *	84.027	5,772,049
Title VI-B Preschool *	84.173	236,992
Education of Homeless	84.196	45,157
Emergency Immigrant Education **	84.365	29,705
Title III - English Language **	84.365	150,937
Title II EESA	84.367	617,838
Passed Through Idaho Division of Vocational Technical Education		
Carl Perkins	84.048	319,607
Total U.S. Department of Education		10,808,262
U.S. Department of Health and Human Services		
Passed Through State Department of Health and Welfare		
Refugee Grant	93.576	22,047
Total U.S. Department of Health and Human Services		22,047
Other Federal Financial Assistance		
Passed Through Idaho Commission on Arts		
National Endowment for the Arts Grant	45.025	1,900
Passed Through Idaho Commission for Libraries		
State Library Program	45.310	2,836
Total Other Financial Assistance		4,736
TOTAL FEDERAL FINANCIAL ASSISTANCE		$ 16,653,010

* Title VI-B - Cluster
** Title III - Cluster

Note 1 - Basis of Presentation

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

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

Section I - Summary of Auditor's Results

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

Identification of major programs:

CFDA number	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
84.010	Title I Local Program

Dollar threshold used to distinguish between Type A and Type B programs	$499,590
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Finding 2012-1 CFDA 84.410, 84.040

Condition - During our testing for the year ended June 30, 2012, we observed the District did not maintain the correct semi-annual certifications to two grant employees.

Current status – The District has corrected this finding and is maintaining semi-annual certifications for all grant employees when required.