# Financial Statements
June 30, 2014

# Joint School District No. 2

Joint School District No. 2
District Officials

July 01, 2013 - June 30, 2014

Superintendent

Dr. Linda Clark



| | |
|---|---|
| Dr. Bruce Gestrin | Assistant Superintendent |
| Barbara Leeds | Director of Human Resources |
| Don Nesbitt | Regional Director |
| Joe Yochum | Regional Director |
| Dr. Mandy Saras | Regional Director |
| Cathy Thornton | Director of Special Education |
| Cindy Sisson | Director of Curriculum |
| Alex Simpson | Director of Finance |
| Tammie Shappee | Controller |
| Trish Duncan | Clerk of the Board |

# 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, 2014, 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 14, 2014 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 14, 2014

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**

- **District's Market Value Starts to Recover –** As a result of the "Great Recession" the District's market value declined over 35% from its peak market value in the 2008-2009 fiscal year. This decline has resulted in reduced tax levy dollars collected for the Plant Facilities Fund which has caused a postponement of a number of major maintenance and construction projects. The taxable market value increased by 13% in the 2013-2014 fiscal year which has allowed the District to address the immediate maintenance issues that could not be addressed in previous years.

- **State Funding Increased by $6.0M – S**tudent growth from 2012-2013 increased by 466 which increased funding in the state support funding calculation. The majority of this increase in state funding has been allocated to two items, the "unfreezing" of previous steps that were not granted to the certified staff during the recession and an increase in the required employer contribution for PERSI retirement benefits from 10.39% to 11.32%

- **District Maintains General Fund's Fund Balance –** For the first time since the 2007-2008 school year the District did not spend into the fund balance to balance the budget. This excludes the 2010-2011 year in which the state paid districts one time money as part of an agreement to accepting ARRA money from the federal government. The main reason for the flat balance was a result of cost savings throughout the year by closer management of expenses that were initially budgeted but not spent.

**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 $233,340,708 at the close of the most recent fiscal year.

| | June 30, 2014 | June 30, 2013 |
|---|---|---|
| Assets | | |
| Current assets | $ 66,639,239 | $ 62,333,812 |
| Non-current assets | 1,810,487 | 2,240,371 |
| Capital assets (net of depreciation) | 361,778,560 | 361,373,190 |
| Total assets | 430,228,286 | 425,947,373 |
| Deferred Outflows of Resources | 7,230,294 | 7,953,324 |
| Liabilities | | |
| Current liabilities | 32,053,022 | 30,372,626 |
| Long-term liabilities | 172,064,850 | 185,237,302 |
| Total liabilities | 204,117,872 | 215,609,928 |
| Net Position | | |
| Net investment in capital assets | 213,138,560 | 199,197,562 |
| Restricted | 17,441,686 | 14,366,257 |
| Unrestricted | 2,760,462 | 4,726,950 |
| Total net position | $ 233,340,708 | $ 218,290,769 |

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 7.5% of the District’s net position. These resources are subject to external restrictions on how they may be used. The remaining 1.2% represents unrestricted net position.

At the end of the current fiscal year, the District’s total net position increased by 6.9% to $233,340,708. This represents an overall increase of $15,049,939.

**Changes in Net Position** – The table below shows the changes in net position for the fiscal year ended June 30, 2014. The District relies on state support for 62.2% of its governmental activities. The District had total revenues of $244,650,185 and total expenses of $229,600,246 generating a decrease in net position of $15,049,939.

| Revenues | June 30, 2014 | June 30, 2013 |
|---|---|---|
| Program revenues | | |
| Charges for services | $ 7,543,386 | $ 8,268,879 |
| Operating grants and contributions | 28,076,400 | 27,634,999 |
| Capital grants and contributions | 447,899 | 646,419 |
| General revenues | | |
| Property taxes | 56,504,031 | 49,609,060 |
| State support | 152,141,155 | 145,314,242 |
| Grant and contributions not restricted | - | 60,708 |
| Other | (62,686) | 29,239 |
| Total revenues | 244,650,185 | 231,563,546 |
| Expenses | | |
| Instruction | 134,731,710 | 132,632,460 |
| Support services | 79,136,923 | 79,155,833 |
| Non-instructional services | 9,302,886 | 9,320,723 |
| Community support | 197,096 | 189,335 |
| Interest and fees on long-term debt | 6,231,631 | 7,307,983 |
| Total expenses | 229,600,246 | 228,606,334 |
| Change in Net Position | $ 15,049,939 | $ 2,957,212 |

## 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 $8,909,323 which is up .35% from the ending balance in fiscal year 2013 of $8,877,932.

Expenditures for general District purposes totaled $171,853,958, an increase of 1.36% 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 $115,976,746 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life added $45,650,804 to arrive at 94% of the District's general fund expenditures.

### *General Fund Budgetary Highlights*

In 2013 the District used 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. In 2014 the General Fund continued to be utilized in order to manage the gap between expenses and limited funding from the state as well as the increased insurance and PERSI costs. It is anticipated that even though there is an increase in state funding for 2014-2015 school year, the District will continue to spend down the General Fund balance in order to cover general 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 2014, there were no bonds issued and only the required scheduled principal and interest payments were made.

***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 $4,396,411, an increase of $850,511 from the ending balance in fiscal year 2013 of $3,545,900. This increase in fund balance can be attributed to a timing difference of construction projects budgeted to begin in FY 2014 that have rolled to FY 2015 as well as unspent dollars budgeted for a computer upgrade that was scheduled for labs and classroom replacements

### 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 $507,649,004 in a wide range of capital assets. The total accumulated depreciation on these assets amounts to $145,870,444.

- Capital asset acquisitions for governmental activities totaled $12,189,148 for the fiscal year.
- The District has $7,323,231 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 $148,640,000 in general obligation bonds and other long-term debt outstanding. The general obligation bonds of the District are secured by an annual tax levy. The bonds were authorized by the patrons of the District by a two-thirds majority vote. The certificates of participation are paid through guaranteed utility savings. The amounts outstanding on the remaining bonds and certificates are:

| | |
|---|---|
| Series 1998 - Refunding | $ 6,945,000 |
| Series 2004 - Refunding | $ 4,670,000 |
| Certificates of Participation | $ 1,315,000 |
| Series 2005 - Refunding | $ 19,030,000 |
| Series 2005 | $ 12,720,000 |
| Series 2010 - Refunding | $ 25,410,000 |
| Series 2012 - Refunding | $ 78,550,000 |

During this prior fiscal year, 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**

The Treasure Valley has continued to rebound from the deep recession that started in 2007. Market values of new and existing homes and structures have continued to increase and are expected to rise even more in 2014-2015. The latest market value increase is approximately $2 billion or 16.5%. This allows the District to collect the maximum amount allowed for the Plant Facility levy to continue working on the Meridian High School upgrade and to finish up Willow Creek Elementary as well as the continuation of the maintenance of all the District's schools and buildings.

For fiscal year 2014-2015 the legislature increased public school funding by 5.1%. Compensation for certified employees increased 3.8% which included $15.8 million to fund the Leadership Awards portion of the Career Ladder Compensation Model. A Governor assigned task force was assembled to compensate teachers in a different way rather than by experience and education. This task force came up with a five year plan with an approximate cost of $350 million to compensate teachers on performance. Discretionary funding was also increased significantly statewide by $35 million. Districts use this funding to pay for utilities, health care and other costs at the district level. These increases in funding plus an estimated student growth of 650 students translates to an approximate increase of $7 million to Joint School District No. 2.

A local supplemental tax levy was passed again in March 2014 for $14 million for each of the next two fiscal years. The local levy dollars are to support ongoing expenses and will expire after the 2015-2016 school year.

The District expects growth to accelerate over the next few years as the Treasure Valley rebounds from the "Great Recession". A great deal of the high growth in the valley is within the boundaries of Joint School District No. 2. Because of this expected growth the District plans on asking the voters to approve a bond levy in the 2014-2015 fiscal 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 West Ada School District Services Center, 1303 E Central Drive, Meridian, ID 83642, by phone at (208) 350-5007, or by e-mail at simpson.alex@westada.org.

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and investments | $ 17,951,114 |
| Restricted cash and investments | 14,794,837 |
| Property taxes receivable | 24,166,089 |
| State and federal receivables | 9,524,735 |
| Receivables | 202,464 |
| Prepaid interest on refunded bonds (net of amortization) | 1,810,487 |
| Land and construction in progress | 42,068,333 |
| Depreciable capital assets (net of depreciation) | 319,710,227 |
| Total assets | 430,228,286 |
| **Deferred Outflows of Resources** | |
| Deferred amount on refunding | 7,230,294 |
| **Liabilities** | |
| Accounts, salaries, and other payables | 29,444,296 |
| Accrued interest payable bonds | 2,608,726 |
| Long-term liabilities | |
| Bond premium (net of amortization) | 13,299,298 |
| Due within one year - bonds | 14,215,000 |
| Due in more than one year - bonds | 134,425,000 |
| Due in more than one year - other liabilities | 10,125,552 |
| Total liabilities | 204,117,872 |
| **Net Position** | |
| Net investment in capital assets | 213,138,560 |
| Restricted for | |
| Capital improvements | 4,955,879 |
| Self-insured workers compensation | 392,885 |
| Grant programs | 1,806,620 |
| Debt service | 10,286,302 |
| Unrestricted | 2,760,462 |
| | $ 233,340,708 |

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
| Functions/Programs | | | | | |
| *Governmental activities* | | | | | |
| Instruction | | | | | |
| Elementary programs | $ 60,954,092 | $ 1,161,942 | $ 5,772,422 | $ - | $ (54,019,728) |
| Secondary/alternative programs | 49,123,827 | 83,965 | 1,291,968 | - | (47,747,894) |
| Exceptional/preschool program | 20,256,387 | 455,923 | 5,772,377 | - | (14,028,087) |
| Other instructional programs | 4,397,404 | 723,299 | - | - | (3,674,105) |
| Support services | | | | | |
| Attendance and guidance | 6,078,989 | - | 47,359 | - | (6,031,630) |
| Ancillary | 7,477,682 | - | 2,482,906 | - | (4,994,776) |
| Instructional improvement | 10,530,135 | - | 2,084,522 | - | (8,445,613) |
| Educational media | 2,161,902 | - | 12,238 | - | (2,149,664) |
| School administration | 11,805,217 | - | 2,636,685 | - | (9,168,532) |
| Administration | 9,931,362 | 437,023 | 1,274,278 | - | (8,220,061) |
| Maintenance and custodial | 18,890,543 | - | - | - | (18,890,543) |
| Grounds | 407,915 | - | - | - | (407,915) |
| Security | 868,535 | - | - | - | (868,535) |
| Pupil transportation services | 10,984,643 | 222,183 | - | - | (10,762,460) |
| Non-instructional | 9,302,886 | 3,838,851 | 5,878,226 | - | 414,191 |
| Community service programs | 197,096 | 620,200 | 107,575 | - | 530,679 |
| Capital improvements | - | - | 715,844 | 447,899 | 1,163,743 |
| Interest on long-term debt | 6,231,631 | - | - | | (6,231,631) |
| Total Governmental Activities | $ 229,600,246 | $ 7,543,386 | $ 28,076,400 | $ 447,899 | (193,532,561) |

| | |
|---|---|
| General revenues | |
| Taxes | |
| Property taxes, levied for general purposes | 17,190,332 |
| Property taxes, levied for debt services | 19,875,395 |
| Property taxes, levied for plant facility | 19,438,304 |
| State revenue in lieu of taxes | 367,745 |
| Grants and contributions not restricted to specific programs | |
| State foundation program | 151,773,410 |
| Interest and investment earnings | |
| General fund | 49,905 |
| Other funds | 6,908 |
| Unrealized loss on investments | (30,674) |
| Loss on disposal of assets | (88,825) |
| Total general revenues | 208,582,500 |
| Change in net position | 15,049,939 |
| Net position, beginning of year | 218,290,769 |
| Net position, end of year | $ 233,340,708 |

| | General | Debt Service | Capital Projects |
|---|---|---|---|
| Assets | | | |
| Cash and investments | $ 17,951,114 | $ - | $ - |
| Restricted cash and investments | 392,885 | 8,610,729 | - |
| Receivables | | | |
| Current property taxes receivable | 6,858,597 | 7,850,979 | 7,698,862 |
| Delinquent property taxes receivable | 507,232 | 690,951 | 559,468 |
| State receivable | 4,477,407 | - | - |
| Federal receivable | 15,000 | - | - |
| Interfund receivable | 2,972,279 | - | - |
| Other receivables | 97,361 | 886 | - |
| | $ 33,271,875 | $ 17,153,545 | $ 8,258,330 |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Accounts payable | $ 890,284 | $ - | $ 2,772,262 |
| Salaries and benefits payable | 22,965,036 | - | - |
| Interund payable | - | - | 530,189 |
| Total liabilities | 23,855,320 | - | 3,302,451 |
| Deferred Inflows of Resources | | | |
| Property taxes | 507,232 | 690,951 | 559,468 |
| Fund Balance | | | |
| Restricted for | | | |
| Debt service | - | 16,462,594 | - |
| Self-insured workers compensation | 392,885 | - | - |
| Capital projects | - | - | 4,396,411 |
| Grant programs- School Lunch | - | - | - |
| Assigned for | | | |
| Grant programs | - | - | - |
| Subsequent year expenditures | 6,653,642 | - | - |
| Special activities | - | - | - |
| Unassigned | | | |
| Unassigned | 1,862,796 | - | - |
| Total fund balance | 8,909,323 | 16,462,594 | 4,396,411 |
| Total Liabilities, Deferred Inflow and Fund Balances | $ 33,271,875 | $ 17,153,545 | $ 8,258,330 |

See Notes to Financial Statements

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| $ - | $ 17,951,114 |
| 5,791,223 | 14,794,837 |
| | |
| - | 22,408,438 |
| - | 1,757,651 |
| 765,275 | 5,242,682 |
| 4,267,053 | 4,282,053 |
| - | 2,972,279 |
| 104,217 | 202,464 |
| $ 10,927,768 | $ 69,611,518 |
| | |
| $ 368,280 | $ 4,030,826 |
| 2,448,432 | 25,413,468 |
| 2,442,090 | 2,972,279 |
| 5,258,802 | 32,416,573 |
| | |
| - | 1,757,651 |
| | |
| - | 16,462,594 |
| - | 392,885 |
| - | 4,396,411 |
| 1,806,620 | 1,806,620 |
| | |
| 186,429 | 186,429 |
| - | 6,653,642 |
| 3,675,917 | 3,675,917 |
| | |
| - | 1,862,796 |
| 5,668,966 | 35,437,294 |
| $ 10,927,768 | $ 69,611,518 |

| | | |
|---|---|---|
| Total fund balances - governmental funds | $ | 35,437,294 |
| 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. | | 361,778,560 |
| 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. | | 1,757,651 |
| 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. | | (11,488,813) |
| 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. | | 7,230,294 |
| 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. | | (161,374,278) |
| Net Position | $ | 233,340,708 |

| | General | Debt Service | Capital Projects |
|---|---|---|---|
| Revenue | | | |
| Local revenues | | | |
| Property taxes | $ 17,349,817 | $ 19,886,861 | $ 19,358,720 |
| Earnings on investments | 49,905 | 4,862 | - |
| State revenue | 152,356,985 | 570,344 | 836,020 |
| Federal revenue | 15,000 | - | - |
| Other revenue | 1,148,965 | - | 27,109 |
| Total revenue | 170,920,672 | 20,462,067 | 20,221,849 |
| Expenditures | | | |
| Instructional | | | |
| Elementary school programs | 50,650,835 | - | 397,878 |
| Secondary school programs | 37,815,026 | - | 242,475 |
| Alternative school programs | 3,461,748 | - | 13,677 |
| Exceptional school programs | 13,735,718 | - | - |
| Preschool school programs | 915,443 | - | - |
| Gifted and talented school programs | 1,149,167 | - | 912 |
| Interscholastic school programs | 1,270,553 | - | - |
| School activity programs | 212,508 | - | - |
| Summer school programs | 389,504 | - | - |
| Driver education program | - | - | - |
| Total instructional | 109,600,502 | - | 654,942 |
| Support Services | | | |
| Attendance and guidance program | 5,989,168 | - | - |
| Ancillary program | 6,029,164 | - | 7,615 |
| Instructional improvement program | 2,960,169 | - | - |
| Instructional technology program | 1,120,798 | - | 2,272,982 |
| Media program | 2,085,700 | - | - |
| School administration program | 11,707,619 | - | - |
| Administration program | 3,637,555 | - | 15,135 |
| Administration technology program | 2,039,220 | - | 97,117 |
| Custodial program | 9,209,482 | - | 5,540 |
| Maintenance and warehouse programs | 5,355,330 | - | 4,179,487 |
| Grounds program | 350,900 | - | 53,493 |
| Security program | 857,695 | - | 10,841 |
| Transportation program | 9,851,474 | - | - |
| Total support services | 61,194,274 | - | 6,642,210 |

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| $ - | $ 56,595,398 |
| 2,046 | 56,813 |
| 9,208,049 | 162,971,398 |
| 16,774,548 | 16,789,548 |
| 7,186,485 | 8,362,559 |
| 33,171,128 | 244,775,716 |
| | |
| 6,204,730 | 57,253,443 |
| 2,566,070 | 40,623,571 |
| 2,517 | 3,477,942 |
| 5,167,805 | 18,903,523 |
| 164,204 | 1,079,647 |
| 22 | 1,150,101 |
| 900,334 | 2,170,887 |
| 95,258 | 307,766 |
| 65,489 | 454,993 |
| 300,886 | 300,886 |
| 15,467,315 | 125,722,759 |
| | |
| 51,420 | 6,040,588 |
| 1,378,310 | 7,415,089 |
| 3,167,727 | 6,127,896 |
| 978,625 | 4,372,405 |
| 42,376 | 2,128,076 |
| - | 11,707,619 |
| 938,861 | 4,591,551 |
| 253,835 | 2,390,172 |
| - | 9,215,022 |
| - | 9,534,817 |
| - | 404,393 |
| - | 868,536 |
| 9,623 | 9,861,097 |
| 6,820,777 | 74,657,261 |

| | General | Debt Service | Capital Projects |
|---|---|---|---|
| Expenditures (Continued) | | | |
| Non-instructional | 193,552 | - | - |
| Community program | 196,082 | - | - |
| Capital outlay program | - | - | 12,159,186 |
| Debt service | | | |
| Principal | 590,000 | 12,945,628 | - |
| Interest and agent fees | 79,548 | 6,717,276 | - |
| Total debt service | 669,548 | 19,662,904 | - |
| Total expenditures | 171,853,958 | 19,662,904 | 19,456,338 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (933,286) | 799,163 | 765,511 |
| Other Financing Sources (Uses) | | | |
| Net interfund transfers | 1,007,083 | - | - |
| Bond issuance | - | - | - |
| Donations | - | - | 85,000 |
| Bond issue costs | - | - | - |
| Premium on bonds issued | - | - | - |
| Payment to refunded bond escrow agent | - | - | - |
| Gain (loss) on investments | (42,406) | 11,611 | - |
| | 964,677 | 11,611 | 85,000 |
| Excess (Deficiency) of Revenues and Other financing sources (uses) over (under) expenditures and other financing sources (uses) | 31,391 | 810,774 | 850,511 |
| Fund Balance, Beginning of Year | 8,877,932 | 15,651,820 | 3,545,900 |
| Fund Balance, End of Year | $ 8,909,323 | $ 16,462,594 | $ 4,396,411 |

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| 9,014,981 | 9,208,533 |
| 1,017 | 197,099 |
| 29,962 | 12,189,148 |
| - | 13,535,628 |
| - | 6,796,824 |
| - | 20,332,452 |
| 31,334,052 | 242,307,252 |
| 1,837,076 | 2,468,464 |
| (1,007,083) | - |
| - | - |
| 325 | 85,325 |
| - | - |
| - | - |
| - | - |
| 120 | (30,675) |
| (1,006,638) | 54,650 |
| 830,438 | 2,523,114 |
| 4,838,528 | 32,914,180 |
| $ 5,668,966 | $ 35,437,294 |

| | |
|---|---|
| Total net change in fund balances - governmental funds | $ 2,523,114 |
| 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. | 405,370 |
| Retirement of bonds in the current year. | 13,535,628 |
| 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. | (91,366) |
| 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. | 371,907 |
| Change in OPEB Liability. | (1,888,001) |
| 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. | 193,287 |
| Change in net position | $ 15,049,939 |

| | Agency Funds |
|---|---|
| Assets | |
| Cash | $ 1,717,562 |
| Investments | 1,592,399 |
| | $ 3,309,961 |
| Liabilities | |
| Accounts payable | $ 82,551 |
| Due to student groups | 3,227,410 |
| | $ 3,309,961 |

## 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, and sewer). Amounts expended for such items prior to June 30, 2001 were considered part of the cost of the buildings or other immovable property. In the future, if such items are built or constructed, and appear to be material in cost compared to all capital assets, they will be capitalized and depreciated over their estimated useful lives.

**Capital Leases**

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statements at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statements at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. As of June 30, 2014, the District does not have any outstanding capital leases.

**Long-Term Liabilities**

For government-wide reporting, the costs associated with the bonds are recognized over the lives of the bonds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

**Restricted Net Position**

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

**Fund Balances of Fund Financial Statements**

Fund balances of the governmental funds are classified as follows:

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

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

**Interfund Transactions**

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

**Deferred Outflows and Inflows of Resources**

The District reports deferred refunding cost and the related accumulated amortization on its statement of net position.

The District reports deferred inflows of resources on its fund balance sheet. Deferred inflows of resources 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 deferred inflow is removed from the combined balance sheet and the revenue is recognized. On the government fund financial statements property taxes that are delinquent are recorded as deferred inflows of resources 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.

## 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 | $ 507,649,004 |
| Depreciation expense to date | (145,870,444) |
| Net adjustment | $ 361,778,560 |

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, 2014 are:

| | |
|---|---|
| Capitalized deferred debt issuance costs | $ 8,676,354 |
| Amortization of debt issuance costs to date | (1,446,060) |
| Prepaid interest | 5,001,811 |
| Amortization of prepaid interest to date | (3,191,328) |
| Premium on bonds issued | (18,052,573) |
| Amortization of bond premium to date | 4,753,278 |
| Net adjustment | $ (4,258,518) |

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, 2014 are:

| | |
|---|---|
| Bonds payable | $(148,640,000) |
| Interest payable | (2,608,726) |
| OPEB liability | (10,125,552) |
| Net adjustment | $(161,374,278) |

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 | $ (11,694,953) |
| Loss on disposal of capital assets | (88,825) |
| Capital outlays | 12,189,148 |
| Net adjustment | $ 405,370 |

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.

| | |
|---|---|
| Amortization of debt issuance costs | $ (723,030) |
| Amortization of prepaid interest | (429,888) |
| Amortization of bond premium | 1,524,825 |
| Net adjustment | $ 371,907 |

## Note 3 - Cash and Investments

At June 30, 2014, 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 | $ 12,679,600 | $ 15,032,572 | $ 15,032,572 | $ - |
| **Investments** | **Fair Value** | **Rating** | **Maturity** | **Concentration** |
| State of Idaho Local Government Investment Pool (LGIP) | $ 20,066,351 | Unrated | Not applicable | 100% |
| Total investments | 20,066,351 | | | 100% |
| Total cash and investments | $ 32,745,951 | | | |

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, 2014, the Other Governmental Funds have an interfund payable to the General Fund for $2,442,090 from allocations of the Districts pooled cash accounts. As of June 30, 2014, the Capital Project Funds have an interfund payable to the General Fund for $530,189 from allocations of the Districts pooled cash accounts. The following transfers occurred in the fiscal year for the purpose of funding operations:

| | Interfund Transfers In |
|---|---|
| | General Funds |
| Interfund transfers out | |
| Nonmajor governmental funds | $ 1,007,083 |
| Total interfund transfers | $ 1,007,083 |

## 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, 2014:

| | |
|---|---|
| State Agencies | $ 5,242,682 |
| Federal Agencies | 4,282,053 |
| | 9,524,735 |
| County Agencies | 24,166,089 |
| Total | $ 33,690,824 |

## Note 6 - Deferred Inflows of Resources

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements and are reported as deferred inflows of resources. The following revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2014:

| | General Fund | Debt Service Fund | Capital Projects Fund |
|---|---|---|---|
| Delinquent taxes | $ 507,232 | $ 690,951 | $ 559,468 |
| | $ 507,232 | $ 690,951 | $ 559,468 |

## Note 7 - Capital Assets

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

| | June 30, 2013 | Additions | Deletions | Transfers | June 30, 2014 |
|---|---|---|---|---|---|
| Non depreciable capital assets | | | | | |
| Land | $ 34,037,425 | $ - | $ - | $ 707,677 | $ 34,745,102 |
| Construction in progress | 7,561,778 | 12,189,148 | (88,825) | (12,338,870) | 7,323,231 |
| Total | $ 41,599,203 | $ 12,189,148 | $ (88,825) | $(11,631,193) | $ 42,068,333 |
| Depreciable capital assets | | | | | |
| Buildings, and improvements | $ 399,035,849 | $ - | $ - | $ 11,058,527 | $ 410,094,376 |
| Furniture and equipment | 54,913,629 | - | - | 572,666 | 55,486,295 |
| Total | 453,949,478 | - | - | 11,631,193 | 465,580,671 |
| Less accumulated depreciation for | | | | | |
| Buildings, and improvements | (94,304,547) | (8,442,563) | - | - | (102,747,110) |
| Furniture and equipment | (39,870,944) | (3,252,390) | - | - | (43,123,334) |
| Total accumulated depreciation | (134,175,491) | (11,694,953) | - | - | (145,870,444) |
| Total depreciable capital assets, net | $ 319,773,987 | $(11,694,953) | $ - | $ 11,631,193 | $ 319,710,227 |

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

| | |
|---|---|
| Governmental activities | |
| Elementary programs | $ 3,169,009 |
| Secondary/alternative programs | 4,316,759 |
| Other instructional programs | 282,549 |
| Instructional improvement | 896 |
| Administration | 2,769,737 |
| Administration technology | 162,398 |
| Maintenance and custodial | 28,468 |
| Grounds | 3,523 |
| Pupil transportation services | 957,121 |
| Non-instructional | 4,493 |
| Total depreciation expense –governmental activities | $ 11,694,953 |

## Note 8 - Long-Term Debt

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

| | Balance at June 30, 2013 | Additions | Deletions | Balance at June 30, 2014 | Due within one year |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Bonds payable | | | | | |
| General obligation | $ 162,175,628 | $ - | $ (13,535,628) | $ 148,640,000 | $ 14,215,000 |
| Compensated absences | 391,595 | 301,221 | (257,623) | 435,193 | 257,623 |
| | $ 162,567,223 | $ 301,221 | $ (13,793,251) | $ 149,075,193 | $ 14,472,623 |

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

| | |
|---|---|
| Other post employment benefits | $ 10,125,552 |

## Note 9 - General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2014 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. | $ 6,945,000 |
| 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. | 4,670,000 |
| 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. | 1,315,000 |
| 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. | 19,030,000 |
| 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. | 12,720,000 |
| 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. | 25,410,000 |
| Series 2012 General Obligation Refunding Bonds in the original principal amount of $78,550,000 maturing through August 15, 2024. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15 and August 15 of each year. Interest rates range from 2.0% to 5.0% on the outstanding bonds. | 78,550,000 |
| | $ 148,640,000 |

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows as of June 30, 2014:

| Fiscal Year Ending June 30 | General Obligation Bond Principal | Interest | Total |
|---|---|---|---|
| 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 | 16,205,000 | 3,526,519 | 19,731,519 |
| 2020-2025 | 62,670,000 | 8,453,463 | 71,123,463 |
| 2025 | 10,215,000 | 229,300 | 10,444,300 |
| | $ 148,640,000 | $ 32,813,786 | $ 181,453,786 |

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 | $ 12,038,244,561 |
| Multiplied by 5% | 5% |
| Debt limit | 601,912,228 |
| Less outstanding indebtedness | 148,640,000 |
| Additional debt-incurring capacity | $ 453,272,228 |

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 was recognized in the period in which the refunding occurs.

## Note 10 - Retirement Healthcare Plan

Plan Description. The District's Post-Retirement Healthcare Plan (the plan) is a single-employer defined benefit healthcare plan administered by the Blue Cross of Idaho, Ameritas Dental, Willamette Dental, and Ameritas Vision. Blue Cross provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. Ameritas Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. Ameritas Vision provides vision insurance benefits to eligible retirees and their eligible dependents. 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 2014 the District contributed approximately $876 thousand to the plan for current premiums or approximately 34% of total premiums. Plan members receiving benefits contributed approximately $1,691 thousand or approximately 66% 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 2014 were as follows:

| | | |
|---|---|---|
| Medical (under 65) | | |
| Retiree Only | $ | 548 |
| Retiree + Spouse | $ | 1,208 |
| Retiree + Child | $ | 660 |
| Retiree + Children | $ | 777 |
| Family | $ | 1,437 |
| | | |
| Vision | | |
| Retiree Only | $ | 9 |
| Retiree +1 | $ | 13 |
| Family | $ | 21 |
| | | |
| Ameritas Dental | | |
| Retiree Only | $ | 43 |
| Retiree +1 | $ | 83 |
| Family | $ | 149 |
| | | |
| Willamette Dental | | |
| Retiree Only | $ | 50 |
| Retiree +1 | $ | 97 |
| Family | $ | 174 |

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 | $ 2,752,855 |
| Interest on net OPEB obligation | 284,196 |
| Adjustment to annual required contribution | (272,665) |
| Annual OPEB cost (expense) | 2,764,386 |
| Estimated contributions made | (876,385) |
| Increase in net OPEB obligation | 1,888,001 |
| Net OPEB obligation—beginning of year | 8,237,551 |
| Net OPEB obligation—end of year | $ 10,125,552 |

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 | 2012 | $ 2,816,037 | $ 1,024,987 | 36% | $ 6,387,059 |
| | 2013 | $ 2,987,497 | $ 1,137,005 | 38% | $ 8,237,551 |
| | 2014 | $ 2,764,386 | $ 884,604 | 32% | $ 10,125,552 |

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $23.1 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 $119.1 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 |
|---|---|---|---|---|---|---|
| 2009 | $ - | $ 12,437,959 | $ 12,437,959 | 0% | $125,872,618 | 10% |
| 2011 | - | $ 22,331,758 | $ 22,331,758 | 0% | $120,423,206 | 19% |
| 2013 | - | $ 23,129,730 | $ 23,129,730 | 0% | $119,124,308 | 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, 2013 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.45% 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 3.5% in the first year, 4.3% in the second year, between 5.8-6.1% through 2039, and decreasing gradually until an ultimate rate of 5.0%, starting in 2082 are used.

The annual healthcare dental trend rates of 6.8% in the first year, 2.8% in the second year and 5.0% thereafter. The annual healthcare vision trend rates of -1.7% in the first year, 2.9% in the second year and 5.0% thereafter. 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 $620,000,000 with a $2,500 deductible per incident. The District maintains a $2,000,000 commercial general liability policy per occurrence and a $5,000,000 maximum aggregate.

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

The District has restricted cash and investments of $392,885 segregated in the general fund to satisfy workers' compensation claim liabilities.

| | |
|---|---|
| Unpaid claims at July 1, 2013 | $ 1,920,846 |
| Total incurred claims (including IBNRs) and and prior period changes in claim estimates | 698,979 |
| Total payments and recoveries | (698,979) |
| Unpaid claims as of June 30, 2014 | $ 1,920,846 |

## Note 12 - Commitments and Contingencies

The District had $1,099,765 in open purchase orders at June 30, 2014 that were budgeted expenditures in the 2013/2014 school year.

There were two uncompleted projects currently under contract. The projects, bids, and amounts paid as of June 30, 2014, were as follows:

| Project | Contract Amount | Amount Paid as of June 30, 2014 | (Memo Only) Balance |
|---|---|---|---|
| Meridian High School Remodel | $ 9,228,591 | $ 4,207,887 | $ 5,020,704 |
| Willow Creek Elementary | 7,615,956 | 5,057,082 | 2,558,874 |
| | $ 16,844,547 | $ 9,264,969 | $ 7,579,578 |

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, 2014 the required contribution rate as a percentage of covered payroll was 6.79% for general members. The employer rate as a percentage of covered payroll was 11.32% for general members. The District's contributions required and paid were $14,252,061, $13,010,986, and $11,723,585, for the three fiscal years ended June 30, 2014, 2013, and 2012, respectively.

## Note 14 - Professional Technical Center Agreement

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

Required Supplementary Information
June 30, 2014

# Joint School District No. 2

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Final Budget- Positive (Negative) |
| Revenue | | | | |
| Local revenues | | | | |
| Property taxes | $ 16,457,206 | $ 17,282,174 | $ 17,349,817 | $ 67,643 |
| Earnings on investments | 100,000 | 100,000 | 49,905 | (50,095) |
| State revenue | 151,880,839 | 151,880,839 | 152,356,985 | 476,146 |
| Federal revenue | - | - | 15,000 | 15,000 |
| Other revenue | 768,886 | 750,000 | 1,148,965 | 398,965 |
| Total revenue | 169,206,931 | 170,013,013 | 170,920,672 | 907,659 |
| Expenditures | | | | |
| Instructional | | | | |
| Elementary school programs | 53,043,469 | 52,237,262 | 50,650,835 | 1,586,427 |
| Secondary school programs | 38,574,301 | 38,652,975 | 37,815,026 | 837,949 |
| Alternative school programs | 3,514,735 | 3,569,505 | 3,461,748 | 107,757 |
| Exceptional school programs | 13,324,363 | 13,731,368 | 13,735,718 | (4,350) |
| Preschool school programs | 941,118 | 937,159 | 915,443 | 21,716 |
| Gifted and talented school programs | 1,404,921 | 1,224,470 | 1,149,167 | 75,303 |
| Interscholastic school programs | 1,813,790 | 1,800,390 | 1,270,553 | 529,837 |
| School activity programs | 229,233 | 229,233 | 212,508 | 16,725 |
| Summer school programs | 454,046 | 454,746 | 389,504 | 65,242 |
| Total instructional | 113,299,976 | 112,837,108 | 109,600,502 | 3,236,606 |
| Support services | | | | |
| Attendance, guidance, health program | 6,341,896 | 6,189,006 | 5,989,168 | 199,838 |
| Ancillary program | 6,235,757 | 6,187,525 | 6,029,164 | 158,361 |
| Instructional improvement program | 332,640 | 3,414,703 | 2,960,169 | 454,534 |
| Instructional technology program | 1,115,207 | 1,153,476 | 1,120,798 | 32,678 |
| Media program | 2,062,144 | 2,145,990 | 2,085,700 | 60,290 |
| School administration program | 11,995,901 | 12,279,187 | 11,707,619 | 571,568 |
| Administration program | 3,684,713 | 3,781,141 | 3,637,555 | 143,586 |
| Administration technology program | 2,200,479 | 2,198,289 | 2,039,220 | 159,069 |
| Custodial program | 11,959,087 | 11,946,030 | 9,209,482 | 2,736,548 |
| Maintenance and warehouse programs | 2,583,082 | 2,579,844 | 5,355,330 | (2,775,486) |
| Grounds program | 369,687 | 371,057 | 350,900 | 20,157 |
| Security program | 865,751 | 866,627 | 857,695 | 8,932 |
| Transportation program | 10,162,429 | 10,550,486 | 9,851,474 | 699,012 |
| Total support services | 59,908,773 | 63,663,361 | 61,194,274 | 2,469,087 |

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Expenditures (Continued) | | | | |
| Non-instructional | 184,282 | 184,282 | 193,552 | (9,270) |
| Community program | 214,072 | 224,072 | 196,082 | 27,990 |
| Debt service program | | | | |
| Principal | 590,000 | 590,000 | 590,000 | - |
| Interest and agent fees | 79,543 | 79,543 | 79,548 | (5) |
| Total expenditures | 174,276,646 | 177,578,366 | 171,853,958 | 5,724,408 |
| Excess (deficiency) of revenue over expenditures | (5,069,715) | (7,565,353) | (933,286) | 6,632,067 |
| Other financing sources (uses) | | | | |
| Net interfund transfer | 1,420,731 | 1,438,731 | 1,007,083 | (431,648) |
| Unrealized loss on investments | - | - | (42,406) | (42,406) |
| | 1,420,731 | 1,438,731 | 964,677 | (474,054) |
| Excess (deficiency) of revenues and financing sources (uses) over expenditures and other financing sources (uses) | $ (3,648,984) | $ (6,126,622) | $ 31,391 | $ 6,158,013 |

## 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, 2014.

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, 2014

# Joint School District No. 2

| | Beginning Balance June 30, 2013 | Receipts | Expenditures | Ending Balance June 30, 2014 |
|---|---|---|---|---|
| Assets | | | | |
| Cash | | | | |
| Meridian High School | $ 144,189 | $ 982,753 | $ 985,293 | $ 141,649 |
| Centennial High School | 62,800 | 1,011,989 | 1,029,894 | 44,895 |
| Eagle High School | 95,734 | 1,184,057 | 1,216,576 | 63,215 |
| Mountain View High School | 57,355 | 1,256,965 | 1,230,708 | 83,612 |
| Rocky Mountain High School | 180,807 | 1,477,203 | 1,418,374 | 239,636 |
| Renaissance High School | 114,168 | 281,037 | 278,335 | 116,870 |
| Meridian Middle School | 13,906 | 165,168 | 174,344 | 4,730 |
| Lowell Scott Middle School | 33,624 | 224,410 | 246,201 | 11,833 |
| Lake Hazel Middle School | 18,756 | 210,656 | 215,713 | 13,699 |
| Eagle Middle School | 26,141 | 236,559 | 233,028 | 29,672 |
| Lewis and Clark Middle School | 29,589 | 149,821 | 154,700 | 24,710 |
| Sawtooth Middle School | 9,464 | 158,868 | 157,698 | 10,634 |
| Heritage Middle School | 10,158 | 195,858 | 191,839 | 14,177 |
| Academies | 82,033 | 92,751 | 101,729 | 73,055 |
| Elementary Schools | 676,609 | 2,445,001 | 2,276,436 | 845,174 |
| Total cash | 1,555,333 | 10,073,096 | 9,910,868 | 1,717,561 |
| Investments | | | | |
| Meridian High School | 89,593 | 100 | - | 89,693 |
| Centennial High School | 252,295 | 295 | - | 252,590 |
| Eagle High School | 318,764 | 372 | - | 319,136 |
| Mountain View High School | 347,273 | 495 | - | 347,768 |
| Rocky Mountain High School | 96,604 | 110 | - | 96,714 |
| Meridian Middle School | 69,928 | 76 | 7,000 | 63,004 |
| Lowell Scott Middle School | 94,251 | 110 | - | 94,361 |
| Lake Hazel Middle School | 95,657 | 92 | 20,000 | 75,749 |
| Eagle Middle School | 87,206 | 103 | - | 87,309 |
| Lewis and Clark Middle School | 62,704 | 73 | - | 62,777 |
| Sawtooth Middle School | 67,880 | 79 | - | 67,959 |
| Heritage Middle School | 35,287 | 52 | - | 35,339 |
| Total investments | 1,617,442 | 1,957 | 27,000 | 1,592,399 |
| Total assets | $ 3,172,775 | $ 10,075,053 | $ 9,937,868 | $ 3,309,960 |

| | Beginning Balance June 30, 2013 | Receipts | Expenditures | Ending Balance June 30, 2014 |
|---|---|---|---|---|
| Liabilities | | | | |
| Accounts payable | | | | |
| Meridian High School | $ 616 | $ 23,054 | $ 21,700 | $ 1,970 |
| Centennial High School | 4,578 | 19,865 | 18,083 | 6,360 |
| Eagle High School | 6,570 | 30,613 | 29,216 | 7,967 |
| Mountain View High School | 18,388 | 36,888 | 32,116 | 23,160 |
| Rocky Mountain High School | 4,718 | 31,461 | 31,881 | 4,298 |
| Renaissance High School | 1,531 | 6,614 | - | 8,145 |
| Meridian Middle School | 4,702 | 5,000 | 6,011 | 3,691 |
| Lowell Scott Middle School | 12,862 | 11,928 | 17,924 | 6,866 |
| Lake Hazel Middle School | 5,931 | 11,730 | 11,645 | 6,016 |
| Eagle Middle School | 5,091 | 9,396 | 12,329 | 2,158 |
| Lewis and Clark Middle School | 1,651 | 50,828 | 51,055 | 1,424 |
| Sawtooth Middle School | 5,881 | 55,537 | 54,764 | 6,654 |
| Heritage Middle School | 3,045 | 26,954 | 26,158 | 3,841 |
| Total accounts payable | 75,564 | 319,868 | 312,881 | 82,551 |
| Due to student groups | | | | |
| Meridian High School | 233,166 | 962,411 | 966,209 | 229,368 |
| Centennial High School | 310,517 | 993,259 | 1,012,651 | 291,125 |
| Eagle High School | 407,928 | 1,153,667 | 1,187,211 | 374,384 |
| Mountain View High School | 386,240 | 1,222,893 | 1,200,913 | 408,220 |
| Rocky Mountain High School | 272,693 | 1,446,459 | 1,387,100 | 332,052 |
| Renaissance High School | 112,637 | 275,685 | 279,597 | 108,725 |
| Meridian Middle School | 79,132 | 157,424 | 172,513 | 64,043 |
| Lowell Scott Middle School | 115,013 | 219,100 | 234,784 | 99,329 |
| Lake Hazel Middle School | 108,481 | 183,899 | 208,949 | 83,431 |
| Eagle Middle School | 108,256 | 230,301 | 223,734 | 114,823 |
| Lewis and Clark Middle School | 90,642 | 103,656 | 108,234 | 86,064 |
| Sawtooth Middle School | 71,463 | 103,412 | 102,934 | 71,941 |
| Heritage Middle School | 42,401 | 170,440 | 167,166 | 45,675 |
| Academy Schools | 82,033 | 92,751 | 101,729 | 73,055 |
| Elementary Schools | 676,609 | 2,445,001 | 2,276,436 | 845,174 |
| Total due to student groups | 3,097,211 | 9,760,358 | 9,630,160 | 3,227,409 |
| Total liabilities | $ 3,172,775 | $ 10,080,226 | $ 9,943,041 | $ 3,309,960 |

Single Audit and Government Auditing Standards Information
June 30, 2014

# 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, 2014, 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 14, 2014.

**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.



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**Compliance and Other Matters**

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

**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 14, 2014

**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, 2014. 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, 2014.

**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 14, 2014

| Program Title | Pass through Number | Federal CFDA Number | Expenditures |
|---|---|---|---|
| U.S. Department of Agriculture | | | |
| Passed Through State Department of Education | | | |
| National School Lunch Program | 2013IN109947 | 10.555 | $ 3,970,479 |
| Commodities | | 10.555 | 931,549 |
| School Breakfast Program | 2014IN109947 | 10.553 | 807,558 |
| Summer Food Service Program | 2013IN109947 | 10.559 | 118,616 |
| Special Milk Program | 2013IN109947 | 10.556 | 49,815 |
| Child Nutrition Cluster | | | 5,878,017 |
| Fresh Fruits and Vegetables | 2013IL160347 | 10.582 | 210 |
| | | | 210 |
| Total U.S. Department of Education | | | 5,878,227 |
| U.S. Department of Education | | | |
| Passed Through State Department of Education | | | |
| Title I Local Program | S010A110012 | 84.010 | 3,769,962 |
| Title VI-B * | H027A120088 | 84.027 | 5,561,154 |
| Title VI-B Preschool * | H173A130030 | 84.173 | 211,223 |
| Education of Homeless | S196A120013 | 84.196 | 41,684 |
| Emergency Immigrant Education | S365A120012 | 84.365 | 241,421 |
| Title II Teacher Quality | S367A120011 | 84.367 | 622,074 |
| Titile IV 21st Century CLC | S287C120012 | 84.287 | 108,110 |
| Passed Through Idaho Division of Vocational | | | |
| Technical Education Carl Perkins | | 84.048 | 303,214 |
| Total U.S. Department of Education | | | 10,858,842 |
| U.S. Department of Health and Human Services | | | |
| Passed Through State Department of Health and Welfare | | | |
| Refugee Grant | | 93.576 | 25,241 |
| Healthy Schools Grant | | 93.767 | 15,000 |
| Total U.S. Department of Health and Human Services | | | 40,241 |
| Other Federal Financial Assistance | | | |
| Passed Through Idaho Commission for Libraries | | | |
| State Library Program | LS-00-13-0013-13 | 45.310 | 12,238 |
| Total Other Federal Financial Assistance | | | 12,238 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | $ 16,789,548 |

* Title VI-B - Cluster

## Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The District received federal awards both directly from federal agencies and indirectly through pass-through entities.

## Note 2 - Significant Accounting Policies

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

**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 |
|---|---|
| 84.027, 84.173 | Title VI-B Cluster |
| 84.367 | Title II EESA |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $503,665 |
| Auditee qualified as low-risk auditee? | Yes |

**Section II - Financial Statement Findings**

None reported

**Section III - Federal Award Findings and Questioned Costs**

None reported

No prior year findings.