

**FINANCIAL STATEMENTS  
JUNE 30, 2010**



**INDEPENDENT SCHOOL  
DISTRICT OF BOISE CITY**

# INDEPENDENT SCHOOL DISTRICT OF BOISE CITY

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**Independent School District of Boise City**

**Address:**

8169 West Victory Road  
Boise, Idaho 83709

**Board of Trustees:**

A.J. Balukoff, President  
Derick O'Neill, Vice President  
Beatrice Black, Trustee  
Nancy Gregory, Trustee  
Rory Jones, Trustee  
Dr. Phil Kelly, Trustee  
Janet Orndorff, Trustee

**Administrators:**

Dr. Don Coberly – Superintendent of Schools  
Dr. Pete Bailey – Deputy Superintendent  
Nancy Landon, CPA – District Accountant  
Karen Fox – Clerk of the Board



## INDEPENDENT AUDITORS' REPORT

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To the Board of Trustees  
**Independent School District of Boise City**  
Boise, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District of Boise City (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
September 23, 2010

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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The discussion and analysis of the Boise School District's (the District) financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on the District's financial activities for the fiscal year.

FINANCIAL HIGHLIGHTS

- The District expended \$16 million dollars on capital projects during the year. The monies were spent on the remodel of Lowell Elementary, seismic work at Boise High School and various other projects throughout the District. The District purchased Hidden Springs Elementary School for \$3.5 million dollars. The District did expend approximately \$450,000 on improvements at the Hidden Springs school site. In addition to the activity identified above, design was completed on the remodeling project at Roosevelt Elementary School.
- The District sold Mountain Cove High School to the Veterans Administration for \$2.5 million dollars. The transaction was closed on October 02, 2009.
- The District saw a dramatic decrease in interest earnings because of decreased earnings rates as well as the fact that capital projects funds were depleted during the year. As plant facility funds are expended these earnings will continue to decline.
- During the 2009-10 school year, the Board of Trustees approved the transfer of \$1 million dollars to the debt service fund from the general fund. This transfer was done to alleviate the need to increase the debt service levy rate above .00065 for the 2010-11 school year.
- The District has continued to maintain a strong fund balance which has allowed the Board of Trustees to manage the reductions in the budget due to decreased state funding. The Board of Trustees approved the use of \$2.8 million of fund balance to balance the 2010-11 budget. This fund balance is expected to be above the 6.5% as required by Board policy.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements (GWFS)

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

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

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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

The statements present an aggregate view of the District's finances. GWFS 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 GWFS, the District's activities are all classified as government activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation, and food services. Most of these activities are supported by property taxes and formula aid from the State of Idaho.

The GWFS can be found on pages 11-12 of this report.

#### Fund 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 financial statements focus on individual parts of the District. Fund 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 13-19 of this report.

**Fiduciary funds** – The District serves as a trustee, or fiduciary, for student organizations and the self insurance dental trust. The assets of the organizations and trust belong to the organizations and trust, 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 statements can be found on page 20, 21 and 22 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

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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

	Governmental Activities	
	2010	2009
Current and other assets	\$ 83,985,562	\$ 93,504,742
Capital assets	248,990,517	243,133,096
Total assets	<u>332,976,079</u>	<u>336,637,838</u>
Long-term liabilities outstanding	116,012,334	121,868,868
Other Liabilities	35,694,052	37,418,251
Total liabilities	<u>151,706,386</u>	<u>159,287,119</u>
 Net Assets		
Invested in capital assets, net of related debt	138,796,215	126,706,163
Restricted	19,170,492	27,878,091
Unrestricted	23,302,986	22,766,465
Total net assets	<u>\$ 181,269,693</u>	<u>\$ 177,350,719</u>

As stated earlier, net assets may serve as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$181,269,693 at the close of the most recent fiscal year.

The restricted portion of the District's net assets (10.6%) reflect facility maintenance proceeds and other resources that are subject to external restrictions. The majority of these assets will be used to construct capital assets (buildings) over the next year. This portion also has monies set aside for debt service payments.

The investments in capital assets (i.e. land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) represents 76.6% of total net assets. This percentage will change as resources are expended to complete capital construction projects. These capital assets provide services to students; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets (12.8%) may be used to meet the District's ongoing obligations to students, employees, and creditors. The unrestricted net assets amount has been earmarked for the following purposes:

- The Board of Trustees has directed that the District set aside at least 6.5% of budgeted revenues for a fund balance reserve. For school year 2010-11 fund balance reserves are set at 6.5% or \$11,999,360. This undistributed reserve has been set-aside for unexpected contingencies or possible reductions in funding. In addition, parts of these funds have been set aside for cash flow purposes within the District. The funds are not to be used for negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating of Aa2 rating by Moody's Investors Service and an AA rating by Standard and Poor's Rating Service.
- The School Lunch Program has earmarked \$2,913,224 of unrestricted net assets for on-going operations, and equipment purchases for the remodeled schools that are expected to re-open in 2010-11 and 2011-12.

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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- The Just for Kids Before and After school program has earmarked \$583,756 of unrestricted net assets for program improvements and to limit fee increases during this economic downturn.
- The Strategic Plan fund has earmarked \$506,118 of unrestricted net assets for implementation of the 2015 Strategic Plan.
- The District has established a Medicaid fund to record revenues and expenditures as it pertains to billing for allowable Medicaid services related to special education. The fund balance of \$1,617,694 will be used to pay for salaries and benefits associated with managing the Medicaid program and special education costs.
- The District Drivers Education fund has a fund balance that is used to purchase new drivers education vehicles. The balance available as fund balance is \$26,634.
- The District has a Federal Forest fund that is mandated by Idaho Code. All federal forest payments are deposited in this fund. Current fund balance is \$184,482.

At the end of the current fiscal year, the District's combined net assets increased by 2% to \$181,269,693. This represents an overall increase of \$3,918,974. The District's calculation of net assets uses a historical cost of school buildings that may not accurately reflect the true value.

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2009-2010. The Boise School District relies on state funding and federal funding for 62% and local property taxes for 35% of its governmental activities. The District had total revenues of \$237,756,279. The total revenues exceeded expenses by \$3,918,974.

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY  
Changes in Net Assets from Operating Results  
Government Activities 2010 (Full Accrual)**

	<b>FY 09-10</b>	<b>FY 08-09</b>	<b>Change 2010-2009</b>
<b>REVENUES</b>			
Program Revenues			
Charges for services	\$ 6,712,421	\$ 8,691,932	\$ (1,979,511)
Operating grants and contributions	33,457,008	29,423,353	4,033,655
Capital grants and contributions	282,027	2,163,356	(1,881,329)
General Revenues			-
Property taxes, levied for general purposes	73,049,054	73,474,241	(425,187)
Property taxes, levied for debt services	10,537,713	11,554,340	(1,016,627)
State foundation revenues	113,361,443	115,482,855	(2,121,412)
Grants and contributions not restricted to specific purposes			-
Replacement tax	5,761	6,503	(742)
Federal forest	6,014	31,050	(25,036)
Interest and investment earnings	172,686	1,195,565	(1,022,879)
Miscellaneous	172,152	126,194	45,958
Total revenues	<u>237,756,279</u>	<u>242,149,389</u>	<u>(4,393,110)</u>
<b>EXPENSES</b>			
Instructional Services			
Elementary programs	56,843,031	54,054,043	2,788,988
Secondary / alternative programs	52,652,292	53,592,558	(940,266)
Exceptional child programs	22,004,985	22,339,160	(334,175)
Other programs	5,255,971	5,442,414	(186,443)
Support Services			
Attendance-guidance-health	9,793,299	9,741,571	51,728
Special services program	7,364,518	7,008,365	356,153
Instructional improvement	5,063,579	4,988,300	75,279
Educational media	3,174,184	3,299,435	(125,251)
Educational technology	2,534,960	2,609,963	(75,003)
Administration	5,291,179	5,418,133	(126,954)
School administration	12,034,622	11,733,797	300,825
Plant services	19,546,557	19,480,704	65,853
Transportation	7,708,528	7,983,679	(275,151)
Security	575,483	589,094	(13,611)
Non-Instructional Services			
Community service programs	1,349,539	1,723,734	(374,195)
School lunch	9,525,308	9,285,242	240,066
Capital outlays	550,419	1,432,963	(882,544)
Interest and other costs on long-term debt	5,120,888	5,274,783	(153,895)
Depreciation	7,797,071	6,181,438	1,615,633
Total expenses	<u>234,186,413</u>	<u>232,179,376</u>	<u>2,007,037</u>
Special Items - net gain on sale of equipment and property	349,108	-	349,108
<b>CHANGE IN NET ASSETS</b>	<u>\$ 3,918,974</u>	<u>\$ 9,970,013</u>	<u>\$ (6,051,039)</u>

**DISTRICT'S FUNDS FINANCIAL ANALYSIS**

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

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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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 2009-10 fiscal year, the governmental fund balance was \$20,748,517, which is up from the ending balance in fiscal year 2009 that was \$19,621,037. The primary reason for this increase in state revenue was due to the transportation reimbursement was 1.8 million higher than budgeted. The District budgeted the transportation reimbursement assuming that all state recommendations would not be implemented. The legislation states if all recommendations are not implemented, then the State has the right to reduced the transportation reimbursement. The District did implement all recommendations so no funding was withheld.

Expenditures for general District purposes totaled \$193,691,737, a decrease of \$942,025 from the 2008-09 fiscal year. In 2009-10, certified personnel received a 2% base increase while classified personnel received a one time salary payment of 1%. The District eliminated 53 positions in the 2009-10 school year. The majority of these positions were eliminated thru attrition. Instructional services accounts for 64% of the general fund expenditures.

General Fund salaries totaled \$124,894,710 while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, vision and life insurance added \$40,664,551 to arrive at 85% of the District's general fund expenditures, excluding transfers.

*Capital Projects Fund* – The capital projects fund pays for capital construction, building repair and remodeling throughout the district. This fund is also where all bond proceeds are deposited and then expended on capital construction. At the end of the current fiscal year, the capital projects fund balance was \$7,277,937 which is down from the ending balance in fiscal year 2009 that was \$17,834,483. The reason for the large decrease is because the District expended plant facility dollars on a number of construction projects and the purchase of Hidden Springs Elementary School. The District expects to expend \$5 million on capital construction projects in 2010-11.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District adopts an original budget in June for the subsequent year. The difference between the original budget and the final amended budget was a net increase to the current year for additional funding from the State of Idaho because of an increase in state funding for transportation reimbursement, staff allocations and enrollment remaining flat, rather than decreasing as was budgeted. The revenue projections budgeted for student decline in 2009-10, excluding the additional students that were increased due to taking over the operation of a District sponsored charter school. The District actually experienced flat enrollment growth which resulted in increased state revenues from amounts budgeted.

The Budget to Actual shows the following programs to be over spent during the fiscal year: elementary, secondary, gifted and talented and capital assets program. The overages in the elementary program are due to fewer retirements, hiring staff with more education and experience than was budgeted and teachers obtaining more education than was budgeted. The gifted and talented program shows as over budget because reductions that were budgeted in the spring were not implemented due to program demands. The capital assets increase is due to the timing of the completion of the remodel at Hillside Junior High. The project was budgeted for the 2008-09 school year, however it was not completed until 2009-10.

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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CAPITAL ASSETS

The capital projects fund is used primarily to account for the costs incurred while acquiring and improving sites, constructing and remodeling facilities, and producing equipment necessary for providing educational programs for all students within the District. The Boise School District has invested \$331,029,152 in a broad range of capital assets. The total accumulated depreciation on these assets amounts to \$82,038,635.

- Asset acquisitions, net of disposals and transfers, for governmental activities totaled \$11,338,000 for the fiscal year. This figure represents \$62,479,406 increase in land, land improvements and buildings, and an increase in new equipment of \$29,000 and a decrease in construction work in progress of \$51,170,406.
- The District sold Mountain Cove High School to the Veterans Administration in October 2009. The sale price for Mountain Cove High School was \$ 2,635,000. The District also demolished Cole and Franklin Elementary schools in FY 2009-10. The District also demolished the old Whitney Elementary School in July 2009. A new school was built during FY 2008-09 on the same site.
- The District completed a major remodel of Lowell Elementary School during FY 2009-10. Students will return for attendance at that school in August 2010.

LONG-TERM DEBT

At year end the District had \$108,855,000 in general obligation bonds and other long-term debt outstanding, exclusive of deferred interest. The debt of the District is secured by an annual tax levy authorized by the patrons of the District by a two-thirds majority vote. The amount outstanding on the 2002, 2003, 2006 and 2007 bonds is \$12,420,000, \$11,750,000, \$64,985,000 and \$19,700,000, respectively.

Additional information regarding the District's long-term debt can be found in Note 7 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The State of Idaho has depleted the majority of the public school stabilization fund, therefore Districts will not be held harmless if a holdback must occur during the 2010-11 fiscal budget year. During school year 2009-10, the State of Idaho removed almost 85 million from the public school Stabilization Fund. The State anticipates that 17.4 million will remain in the fund going into FY 2010-11.

Idaho has experienced one of the worst economic downturns in Idaho history. For example, non-farm employment declined by 6.1% in 2009. The declines spread throughout all employment sectors from construction (down 25%) to manufacturing (down 13.2%) and services (down 4%). Housing starts dropped by over 26% and real personal income declined by 2.7%.

State revenues have also seen a dramatic decrease in the last three years. In FY 2007-08 state general fund revenues were \$2.9 billion, in FY 2009-10 general fund revenues are estimated to be \$2.26 billion, a decrease of over \$647 million dollars or 22% in a three-year period. This large reduction in state revenues has resulted in large budget reductions for all government entities, including public schools, which received \$128 million fewer dollars for FY 2010-11 than FY 2009-10. The majority of state revenues are generated from individual income tax (47%) and sales tax (41%). Corporate income tax and miscellaneous revenue each generate around 6% of the state general fund revenues.

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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The 2010 Legislature appropriated \$1,582,328,500 to Public Schools, including the School for Deaf and Blind for Fiscal Year 2010. Of this amount, \$269,587,100 was derived from federal funds not available for general school operations, \$91,054,700 was derived from dedicated funds, \$7,406,300 was ARRA stimulus funds, and \$1,214,280,400 was derived from general funds.

The District approved General Fund Budget for school year 2010-11 is \$187.4 million dollars. This amount is approximately \$11.5 million dollars less than the 2009-10 school year budget.

The District utilized excess fund balance to balance the 2010-11 budget. In June 2009, the Board of Trustees reduced the fund balance reserve requirement from 7% of revenues to 6.5% of revenues. This policy change was necessary in order to provide flexibility during this economic downturn. The District anticipates having more than 6.5% fund balance at the end of 2010-11; however, the District plans on utilizing an additional \$3 to \$4 million in fund balance in 2011-12 if the state economy does not show signs of improvement.

The District has been fortunate to have the support of the community. With that in mind, a major goal of the Board of Trustees was to not increase the amount of taxes certified for the 2010-11 budget year. This commitment meant that budget reductions had to occur in order to maintain the taxes certified. A number of positions were eliminated for the 2010-11 budget year, however the majority of these reductions were accomplished through attrition. As mentioned above, the District had to make a number of budget reductions to balance the District FY 10-11 budget.

The District declared a financial emergency as a result of Senate Bill 1418 for Fiscal Year 2011 for the purpose of renegotiating teacher salaries and benefits. Without a declaration, teacher contracts would have been required, by statute, to be increased. The District and the Boise Education Association negotiated a reduction of three contract days for FY 2010-11. In addition to the furlough days, no staff received salary increases for experience or additional education.

The District continues to develop the Advancement Via Individual Determination AVID program at the secondary level. This program targets students in the academic middle who have a desire to go to college.

The District will continue to work towards completion of the Facility Master Plan that was presented to the public in March 2006. Roosevelt Elementary will be remodeled while remodel design will begin for Capital and Borah High Schools. The District will continue to monitor the feasibility of selling school properties during the economic downturn.

The federal government passed a "Jobs Bill" on August 10, 2010. The measure included about \$10 billion to save more than 138,000 education jobs nationwide, including an estimated 856 in Idaho. The State Department of Education has reported that the Boise District should receive approximately 4.6 million dollars to be spent over the next 27 months on salaries and benefits for school level personnel.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a 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 Nancy Landon at the District Services Center, 8169 W. Victory Rd., Boise, ID 83709, and (208) 854-4029, [nancy.landon@boiseschools.org](mailto:nancy.landon@boiseschools.org).

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 32,027,203
Restricted cash and investments	7,314,276
Property taxes receivables	36,164,766
State and federal receivables	6,444,770
Receivables	109,167
Inventories	434,273
Other assets, issuance and deferred costs (net)	1,491,107
Capital assets (not subject to depreciation)	9,240,022
Capital assets (net of depreciation)	<u>239,750,495</u>
	<u>332,976,079</u>
<b>LIABILITIES</b>	
Accounts, salaries, and other payables	32,967,949
Due to student groups	76,441
Deferred revenue	545,049
Accrued interest payable bonds	2,104,613
Long-term liabilities:	
Due within one year - bonds	6,149,244
Due in more than one year - bonds	105,427,798
Due within one year - other liabilities	1,771,418
Due in more than one year - other liabilities	<u>2,663,874</u>
	<u>151,706,386</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	138,796,215
Restricted for	
Capital improvements	7,277,937
Debt service	11,892,555
Unrestricted	<u>23,302,986</u>
	<u>\$ 181,269,693</u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental activities</i>					
Instruction					
Elementary programs	\$ 56,843,031	\$ 278,617	\$ 4,796,383	\$ -	\$ (51,768,031)
Secondary/alternative programs	52,652,292	352,860	4,761,854		(47,537,578)
Exceptional/preschool programs	22,004,985		7,522,990		(14,481,995)
Other instructional programs	5,255,971	190,449	100,458		(4,965,064)
Support services					
Attendance-guidance health	9,793,299		964,109		(8,829,190)
Special services program	7,364,518	1,041,547			(6,322,971)
Instructional improvement	5,063,579		2,814,194		(2,249,385)
Educational media	3,174,184				(3,174,184)
Educational technology	2,534,960		450,440		(2,084,520)
Administration	5,291,179				(5,291,179)
School administration	12,034,622				(12,034,622)
Plant services	19,546,557	322,680	8,927		(19,214,950)
Capital improvements	550,419				(550,419)
Pupil transportation services	7,708,528		6,149,117		(1,559,411)
Security	575,483				(575,483)
Food services	9,525,308	2,995,160	5,852,817		(677,331)
Community service programs	1,349,539	1,531,108	25,634		207,203
Interest and other costs	5,120,888		10,085	282,027	(4,828,776)
Depreciation unallocated	7,797,071				(7,797,071)
<b>Total Governmental Activities</b>	<b>\$ 234,186,413</b>	<b>\$ 6,712,421</b>	<b>\$ 33,457,008</b>	<b>\$ 282,027</b>	<b>(193,734,957)</b>
<b>General revenues</b>					
Taxes					
Property taxes, levied for general purposes					73,049,054
Property taxes, levied for debt services					10,537,713
State revenue in lieu of taxes					5,761
Grants and contributions not restricted to specific programs					
Foundation program					113,361,443
Federal forest lands					6,014
Interest and investment earnings general fund					172,686
Miscellaneous					172,152
<b>TOTAL GENERAL REVENUES</b>					<b>197,304,823</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>					
<b>BEFORE SPECIAL ITEMS</b>					
					3,569,866
Special items - net gain on sale of equipment and property					
					349,108
<b>CHANGES IN NET ASSETS</b>					
					3,918,974
<b>NET ASSETS , BEGINNING</b>					
					177,350,719
<b>NET ASSETS, ENDING</b>					
					<b>\$ 181,269,693</b>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	General	Capital Projects	Non Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 24,888,009	\$ 199,356	\$ 14,254,114	\$ 39,341,479
Restricted cash and investments				-
Receivables				
Current property taxes	28,521,722		4,116,583	32,638,305
Delinquent property taxes	3,065,987		460,474	3,526,461
State and federal receivable	3,079,784		3,364,986	6,444,770
Interfund balances	1,403,653	7,852,495	467,863	9,724,011
Other receivables	18,612	88,726	1,829	109,167
Inventories	434,273			434,273
Total assets	<u>\$ 61,412,040</u>	<u>\$ 8,140,577</u>	<u>\$ 22,665,849</u>	<u>\$ 92,218,466</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,254,463	\$ 774,527	\$ 125,441	\$ 2,154,431
Accrued payroll and related liabilities	27,914,905		2,898,613	30,813,518
Deposits from school affiliated groups	76,441			76,441
Interfund balances	8,320,358		1,403,653	9,724,011
Deferred revenue	3,097,356	88,113	974,152	4,159,621
Total liabilities	<u>40,663,523</u>	<u>862,640</u>	<u>5,401,859</u>	<u>46,928,022</u>
<b>Fund equity</b>				
<b>Fund balances</b>				
<b>Reserved for</b>				
Debt service			11,432,082	11,432,082
Maintenance and additions to facilities		7,277,937		7,277,937
Inventories	434,273			434,273
<b>Unreserved</b>				
<b>Designated for</b>				
General reserve	11,999,360			11,999,360
Special projects	2,842,027		5,831,908	8,673,935
Undesignated	5,472,857			5,472,857
Total fund balance	<u>20,748,517</u>	<u>7,277,937</u>	<u>17,263,990</u>	<u>45,290,444</u>
Total liabilities and fund balance	<u>\$ 61,412,040</u>	<u>\$ 8,140,577</u>	<u>\$ 22,665,849</u>	<u>\$ 92,218,466</u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS – BALANCE SHEET TO THE STATEMENT**  
**OF NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

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Total fund balances - governmental funds \$ 45,290,444

The District refunded the 1993 bonds and paid bond issuance costs of \$195,021 which will be amortized over the life of the new 2003 refunded bonds at an expense of \$1,445 per month. This unamortized amount is considered to be an asset on the full accrual statements. 71,508

The District issued general obligation bonds in July 2006 and June 2007 and paid bond issuance costs of \$505,694 and \$166,137, respectively. These costs will be amortized over the life of the new bonds at an expense of \$2,467 and \$806 per month. This unamortized amount is considered to be an asset on the full accrual statements. 523,585

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

Costs of capital assets	331,029,152	
Depreciation expense to date	<u>(82,038,635)</u>	
		248,990,517

Elimination of interfund assets and liabilities		
Interfund assets	(9,724,011)	
Interfund liabilities	<u>9,724,011</u>	
		-

Property taxes receivable, as recorded in the Statement of Net Assets, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements. 3,526,461

Notes receivable, as recorded in the Statement of Net Assets, will be collected in the future, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements. 88,111

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS – BALANCE SHEET TO THE STATEMENT**  
**OF NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

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Certain costs related to bonds (prepaid interest) 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 Assets.

896,014

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets.

Balances at June 30, 2010 are:

Long-term liabilities

Compensated absences payable/ GASB 45 (3,095,990)

Bonds payable (108,855,000)

Premium on bonds (2,722,042)

Capital lease (1,339,302)

Interest payable (2,104,613)

(118,116,947)

NET ASSETS

\$ 181,269,693

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Governmental Fund Types			Total Gov't Funds
	General	Capital Projects	Non Major Funds	
<b>REVENUES</b>				
Local revenues				
Property taxes	\$ 72,717,833	\$ -	\$ 10,509,342	\$ 83,227,175
Earnings on investments	172,686	8,927	18,983	200,596
Other	1,360,560	125,280	5,270,258	6,756,098
State revenue				
Foundation	99,533,405	-	-	99,533,405
Program specific	8,786,565	-	2,065,699	10,852,264
Federal revenue	15,541,221	-	21,093,498	36,634,719
Other revenue	192,432	-	-	192,432
Total revenues	<u>198,304,702</u>	<u>134,207</u>	<u>38,957,780</u>	<u>237,396,689</u>
<b>EXPENDITURES</b>				
Instructional				
Elementary school program	52,671,336	-	4,022,483	56,693,819
Secondary school program	45,386,155	-	1,838,936	47,225,091
Alternative school program	3,040,456	-	219,349	3,259,805
Vocational technical program	2,029,418	-	-	2,029,418
Exceptional school program	14,716,761	-	6,020,650	20,737,411
Preschool school program	869,587	-	272,475	1,142,062
Gifted and talented school program	2,351,111	-	35,710	2,386,821
Interscholastic school program	1,696,957	-	-	1,696,957
School activity program	696,653	-	-	696,653
Summer school program	271,718	-	-	271,718
Detention center program	203,803	-	19	203,822
Total instructional	<u>123,933,955</u>	<u>-</u>	<u>12,409,622</u>	<u>136,343,577</u>
Support Services				
Attendance-guidance-health	9,126,576	-	634,829	9,761,405
Special services program	6,366,644	-	977,734	7,344,378
Instructional improvement program	1,804,824	-	3,258,755	5,063,579
Educational media program	3,174,184	-	-	3,174,184
Educational technology program	2,534,960	-	-	2,534,960
School administration program	11,994,810	-	-	11,994,810
Administration	5,308,041	-	-	5,308,041
Maintenance and improvements				
buildings, grounds, and equipment	18,509,078	946,236	28,812	19,484,126
Security program	575,483	-	-	575,483
Pupil transportation	7,708,528	-	-	7,708,528
Total support services	<u>67,103,128</u>	<u>946,236</u>	<u>4,900,130</u>	<u>72,949,494</u>

	Governmental Fund Types			Total Gov't Funds
	General	Capital Projects	Non Major Funds	
Community services program	238,850	-	1,110,687	1,349,537
Food services program	251,553	-	9,241,260	9,492,813
Capital assets program	1,062,688	15,307,226	-	16,369,914
Debt services program				
Principal	1,027,631	-	5,205,000	6,232,631
Interest	73,932	-	5,207,981	5,281,913
Total debt service program	<u>1,101,563</u>	<u>-</u>	<u>10,412,981</u>	<u>11,514,544</u>
Total expenditures	<u>193,691,737</u>	<u>16,253,462</u>	<u>38,074,680</u>	<u>248,019,879</u>
EXCESS (DEFICIENCY) OF REVENUES	4,612,965	(16,119,255)	883,100	(10,623,190)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	2,562,709	-	2,562,709
Interfund transfers	(3,529,213)	3,000,000	529,213	-
	<u>(3,529,213)</u>	<u>5,562,709</u>	<u>529,213</u>	<u>2,562,709</u>
NET CHANGE IN FUND BALANCE	1,083,752	(10,556,546)	1,412,313	(8,060,481)
FUND BALANCE, BEGINNING OF YEAR	19,621,037	17,834,483	15,851,677	53,307,197
Change in inventory reserves	<u>43,728</u>	<u>-</u>	<u>-</u>	<u>43,728</u>
FUND BALANCE, END OF YEAR	<u>\$ 20,748,517</u>	<u>\$ 7,277,937</u>	<u>\$ 17,263,990</u>	<u>\$ 45,290,444</u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS – STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

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Total net change in fund balances - governmental funds. \$ (8,060,481)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures.

Depreciation expense	(7,797,071)	
Capital outlays	<u>15,848,493</u>	8,051,422

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond and long-term note repayment	6,232,631	
Amortization issuance costs	(56,615)	
Amortization of prepaid interest	(145,298)	
Amortization of premium	<u>279,244</u>	6,309,962

Because some property taxes 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 tax revenues. They are, however, recorded as revenues in the Statement of Activities. 359,592

Sale of assets are recorded as revenue on the modified statements, but only the gain/loss should be reported on the full accrual statements. (2,194,001)

Notes receivable are recognized as revenue on the Statement of Activities, however in the Governmental Fund Statements this note is not recognized as revenue as the proceeds are not available for current use. (19,600)

The change in inventory is recorded as an expense on the Governmental Fund Statements, however these costs are considered an asset on the Statement of Net Assets. 43,728

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS – STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

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In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and GASB 45 amounts earned more than amounts used by \$655,341.

(655,341)

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 governmental 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.

83,693

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 3,918,974

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**FIDUCIARY FUNDS – AGENCY FUND STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

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	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 676,314
Investments	<u>573,727</u>
 <b>TOTAL ASSETS</b>	 <b><u><u>\$ 1,250,041</u></u></b>
 <b>LIABILITIES</b>	
Due to student groups	<u>\$ 1,250,041</u>
 <b>TOTAL LIABILITIES</b>	 <b><u><u>\$ 1,250,041</u></u></b>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**FIDUCIARY FUNDS – TRUST STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

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	<u>DENTAL INSURANCE SELF FUNDING TRUST FUND</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 722,716
<b>LIABILITIES</b>	
Accounts payable	21,903
Incurred but not yet reported	<u>147,405</u>
	<u>169,308</u>
<b>NET ASSETS</b>	
Held in trust for	
Employees dental benefits	<u>553,408</u>
Total net assets	<u><u>\$ 553,408</u></u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**FIDUCIARY FUNDS – TRUST STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

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	DENTAL INSURANCE SELF FUNDING TRUST FUND
ADDITIONS	
Contributions	
Plan members	\$ 809,664
Retired members	590,709
Employer	1,455,048
Total contributions	<u>2,855,421</u>
Investment earnings	
Interest	314
Total investment earnings	<u>314</u>
Total additions	2,855,735
DEDUCTIONS	
Insurance claim benefits	2,348,597
Professional services	17,187
Administrative expenses	186,986
Total deductions	<u>2,552,770</u>
CHANGE IN NET ASSETS	302,965
NET ASSETS, BEGINNING OF YEAR	<u>250,443</u>
NET ASSETS, END OF YEAR	<u><u>\$ 553,408</u></u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Independent School District of Boise City (the District) is a specially chartered school district in the State of Idaho. The District is governed by a separately elected seven-member Board of Trustees. The District is a special-purpose 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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

*Financial Reporting Entity*

The District follows GASB Statement No.'s 14 and 39 in determining the reporting entity and component units. 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 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.

## NOTES TO FINANCIAL STATEMENTS

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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. The District has the following agency fund:

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

Dental Insurance Self Insurance Trust Fund - accounts for assets held by the District as an agent for district employees to cover employee dental costs.

### *Measurement Focus and Basis of Accounting*

#### **Government-Wide Financial Statements (GWFS)**

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

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

#### Program revenues

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

#### Allocation of indirect expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is

## NOTES TO FINANCIAL STATEMENTS

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not specifically identified by function and is considered an unallocated indirect expense. 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 (i.e. when they are “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 60 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.

#### 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, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

## NOTES TO FINANCIAL STATEMENTS

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### *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*

The restricted cash and investments are comprised of unexpended bond proceeds and debt services funds that are restricted for use on specifically identified capital projects and debt service payments.

### *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.

The 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.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at fair market value. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

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 ("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.

## NOTES TO FINANCIAL STATEMENTS

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### *Short-term Interfund Receivables and Payables*

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

### *Elimination and Reclassifications*

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

### *Encumbrances*

Purchase orders, contracts, and other commitments for the expenditure of funds are considered to be encumbrances for budgeting control purposes during the year. Outstanding encumbrances at year-end do not constitute expenditures and are either charged to an appropriation the following year or the contractual commitment is canceled.

### *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the actuarial assumptions made in the other post employment liability and incurred but not reported liability in the dental trust plan. It is at least reasonably possible that the significant estimates used will change within the next year.

### *Property Taxes*

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year-end, are accrued on the fund financial statements. Property tax revenues are recognized when levied with appropriate accrual made at year-end on the government-wide 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. Occupancy 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 County bills and collects property taxes for the District.

## NOTES TO FINANCIAL STATEMENTS

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

### *Inventories*

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Such inventory items are charged to expenditures at the time of purchase (purchase method).

Inventories on hand at year end are reflected as assets and are fully reserved in the Fund Financial Statements indicating the inventories are unavailable for appropriation even though they are a component of reported assets.

### *Other Assets*

Other assets consist of bond issuance costs and other bond related deferred costs, which are amortized over the life of their respective bonds.

### *Capital Assets*

The District's policy is to capitalize capital assets in excess of \$20,000. 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. Large equipment purchases associated with the construction of new schools are capitalized if the proceeds to construct the schools came from the issuance of long-term debt.

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

Buildings	40 years
Modular buildings	30 years
Furniture and equipment	3-10 years

Depreciation expense for buildings, furniture and equipment relate to multiple programs, for which allocating among programs is not easily identifiable. As such, depreciation expense is not allocated.

The costs of land and buildings acquired before 1988 are recorded at estimated historical cost. Land and buildings acquired after 1988 are recorded at historical cost. The cost of equipment acquired prior to 1978 is based primarily on an independent appraisal taken in 1977 of estimated original cost. Equipment acquired from 1977 through 1987 is valued at estimated historical cost; equipment acquired after 1988 is valued at historical cost.

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. Subsequent to June 30, 2001, there have been no such items built or constructed that appear to be material in cost compared to all capital assets. To the extent future infrastructure capital assets are material, they will be capitalized and depreciated over their estimated useful lives as with all other depreciable capital assets.

## NOTES TO FINANCIAL STATEMENTS

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### *Long-Term Liabilities*

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

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 other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

### *Restricted Net Assets*

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

### *Fund Balances of Fund Financial Statements*

Reserved fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Designated fund balance indicates that portion of fund equity for which District management has made tentative plans or intentions for the use of the funds which may be subject to change.

Undesignated fund balance indicates that portion of fund equity which is available for budgeting in future periods.

### *Interfund Transfers*

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 transactions, except quasi-external transactions and reimbursement, are reported as transfers.

## NOTES TO FINANCIAL STATEMENTS

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### *Deferred Revenue*

The District reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. On the government fund financial statements property taxes that are delinquent are recorded as deferred revenue since they are not available within 60 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 15 days of vacation leave. Upon retirement, unused vacation leave up to 15 days is paid to employees. No reimbursement or accrual is made for unused sick leave. The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- a) The employees' right to receive compensation is attributable to services already rendered.
- b) 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 non-current portion of the liability is not reported.

### *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. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

### *Significant Contracts*

The District has a contract with Boise Education Association (BEA). The contract was ratified in May 2010 and expires in August 2011. Approximately 92% of the District's certified teachers are members of the BEA.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 – CASH AND INVESTMENTS

At June 30, 2010 the Districts' cash and investments, excluding trust and agency funds, consisted of the following:

	<u>Bank Deposit Balance</u>	<u>Carrying Amount</u>
Cash and Equivalents:		
Insured or collateralized	\$ 2,179,593	\$ 1,570,679
Uninsured or uncollateralized	-	-
Total deposits	<u>\$ 2,179,593</u>	<u>\$ 1,570,679</u>

  

	<u>Rating</u>	<u>Duration</u>	<u>Fair Value</u>
Investments:			
State Treasurer's local government pool	Unrated		<u>\$ 37,770,800</u>
Total investments			<u>\$ 37,770,800</u>
Total Cash and Investments			<u>\$ 39,341,479</u>

#### *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.

#### *Credit Risk*

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation 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's policy is to only invest in instruments with at least an A quality credit rating.

#### *Concentration of Credit Risk*

The School District places no investment policy limit on the amount it may invest in any one issuer.

#### *Interest Rate Risk*

The District's investment policy is not limited to specific duration, but is structured to meet the District's anticipated cash flows and spending rate.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2010 the General Fund has the following outstanding interfund receivables and payables:

Due to General Fund from various Special Revenue Funds	
Non Major Funds	\$ 1,403,653
Total due to General Fund	<u>\$ 1,403,653</u>
Due from General Fund	
Strategic Plan Fund	\$ 467,863
Capital Projects Fund	7,852,495
Total due from General Fund	<u>\$ 8,320,358</u>

The net transfers presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance relate to funds committed to capital projects in the amount of \$3,000,000, \$1,000,000 for debt service and indirect cost charges of \$470,787.

### NOTE 4 – DUE FROM OTHER AGENCIES AND UNITS OF GOVERNMENT

Amounts due from other agencies and units of government were as follows as of June 30, 2010:

State agencies	\$ 3,076,462
Federal agencies	3,368,308
	<u>6,444,770</u>
County agencies	<u>36,164,766</u>
Total	<u>\$ 42,609,536</u>

### NOTE 5 – DEFERRED REVENUES

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the Fund Financial Statements for the fiscal year ended June 30, 2010:

	<u>General Fund</u>	<u>Non Major Fund</u>	<u>Capital Projects Fund</u>
Delinquent taxes	\$ 3,065,987	\$ 460,474	\$ -
Prepaid tuition	31,369	-	-
Notes receivable	-	-	88,113
Grants	-	513,678	-
	<u>\$ 3,097,356</u>	<u>\$ 974,152</u>	<u>\$ 88,113</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 – CAPITAL ASSETS

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

	June 30, 2009	Additions	Deductions	Transfers	June 30, 2010
<b>Governmental Activities</b>					
Land	\$ 9,064,710	\$ 175,312	\$ -	\$ -	\$ 9,240,022
Land improvements	7,118,246	1,320,829	(227,948)	-	8,211,127
Buildings	229,065,404	65,493,758	(4,099,456)	-	290,459,706
Furniture and equipment	14,733,538	29,000	(183,089)	-	14,579,449
Construction in progress	59,709,254	-	-	(51,170,406)	8,538,848
Total at historical cost	319,691,152	67,018,899	(4,510,493)	(51,170,406)	331,029,152
<b>Less accumulated depreciation</b>					
Land improvements	(2,844,663)	(188,530)	140,510	-	(2,892,683)
Buildings	(67,182,359)	(6,081,642)	2,061,633	-	(71,202,368)
Furniture and equipment	(6,531,034)	(1,526,899)	114,349	-	(7,943,584)
Total depreciation	(76,558,056)	(7,797,071)	2,316,492	-	(82,038,635)
<b>Governmental Activities</b>					
Capital Assets, net	<u>\$ 243,133,096</u>	<u>\$ 59,221,828</u>	<u>\$ (2,194,001)</u>	<u>\$ (51,170,406)</u>	<u>\$ 248,990,517</u>

Total fund balance in the Capital Projects Fund is \$7,277,937 which is reserved for maintenance and additions to facilities. The projects to be funded from the Capital Projects Fund include: remodel of Roosevelt Elementary, remodel work at Borah and Capital High Schools and various other maintenance projects throughout the District.

- The District sold Mountain Cove High School, and demolished Cole and Franklin Elementary Schools.

### NOTE 7 –LONG-TERM DEBT

A summary of activity in the Long-Term Debt is as follows:

## NOTES TO FINANCIAL STATEMENTS

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010	Amount Due in One Year
General obligation bonds payable	\$ 114,060,000	\$ -	\$ 5,205,000	\$ 108,855,000	\$ 5,870,000
Premium on 2003 refunded bonds	538,502	-	105,073	433,429	105,073
Premium on 2006 bonds	2,313,728	-	164,289	2,149,439	164,289
Premium on 2007 bonds	149,056	-	9,882	139,174	9,882
Capital lease	2,366,933	-	1,027,631	1,339,302	1,027,631
Due to employee - benefits	2,440,649	672,203	16,862	3,095,990	743,787
Totals	<u>\$ 121,868,868</u>	<u>\$ 672,203</u>	<u>\$ 6,528,737</u>	<u>\$ 116,012,334</u>	<u>\$ 7,920,662</u>

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2010:

Fiscal year ending June 30,	
2011	\$ 1,101,563
2012	275,391
Total minimum lease payments	<u>1,376,954</u>
Less: amount representing interest	<u>37,652</u>
Present value of net minimum lease payments	<u>\$ 1,339,302</u>

Total assets purchased under capital lease agreements were \$5,000,000, and accumulated depreciation on those assets as of June 30, 2010 was \$3,500,000.

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

Vested compensated absences	\$ 743,787
Other post employment benefits	<u>2,352,203</u>
	<u>\$ 3,095,990</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The lease payments are paid from the general fund. Vacation and early retirement benefits will be paid by the fund in which the employee works.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 – GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable as of June 30, 2010 consist of the following:

Series 2007 General Obligation Bonds in the original principal amount of \$21,720,000 maturing through August 1, 2024. 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 on the bonds range from 4% to 5% on the outstanding bonds.	\$ 19,700,000
Series 2006 General Obligation Bonds in the original principal amount of \$70,000,000 maturing through August 1, 2023. 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 on the bonds range from 3.6% to 5% on the outstanding bonds.	64,985,000
Series 2003 Refunding Bonds in the original principal amount of \$20,970,000 maturing through August 15, 2014. 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 to 5% on the outstanding bonds.	11,750,000
Series 2002 Refunding Bonds in the original principal amount of \$29,465,000 maturing through July 30, 2016. Principal payments are due annually on July 30, and interest is payable semi-annually on January 30 and July 30 of each year. Interest rates range from 3.25 to 5.0% on the outstanding bonds.	<u>12,420,000</u> 108,855,000
Premium paid on 2007 Refunded Bonds	139,174
Premium paid on 2006 Refunded Bonds	2,149,439
Premium paid on 2003 Refunded Bonds	<u>433,429</u>
	<u><u>\$ 111,577,042</u></u>

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows:

**NOTES TO FINANCIAL STATEMENTS**

Fiscal Year Ending June 30	Refunded 2007 Bonds	Refunded 2006 Bonds	Refunded 2003 Bonds	Refunded 2002 Bonds	Interest	Total
2011	\$ 1,120,000	\$ 545,000	\$ 2,120,000	\$ 2,085,000	\$ 4,988,544	\$ 10,858,544
2012	1,200,000	765,000	2,210,000	2,210,000	4,740,023	11,125,023
2013	850,000	900,000	2,325,000	2,345,000	4,459,877	10,879,877
2014	885,000	3,435,000	2,470,000	-	4,161,416	10,951,416
2015	920,000	4,090,000	2,625,000	-	3,830,209	11,465,209
2016-2020	5,250,000	26,780,000	-	5,780,000	13,717,775	51,527,775
2021-2024	9,475,000	28,470,000	-	-	4,357,840	42,302,840
	<u>\$ 19,700,000</u>	<u>\$ 64,985,000</u>	<u>\$ 11,750,000</u>	<u>\$ 12,420,000</u>	<u>\$ 40,255,684</u>	<u>\$ 149,110,684</u>

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 as of September 2009 is  $\$20,936,342,465 \times 5\% = \$1,046,817,123$  less outstanding debt of  $\$108,855,000$  which is  $\$937,962,123$ .

Defeasance of Debt - On April 27, 2005 the District defeased 2002 general obligation bonds by placing the proceeds of new bonds, plus an additional District cash payment, in an irrevocable trust to provide for future debt payments on the bonds retired. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2010,  $\$5,130,000$  bonds outstanding are considered defeased.

**NOTE 9- RETIREMENT HEALTHCARE PLAN**

*Plan Description.* Independent School District of Boise City's Post-Retirement Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Blue Shield of Idaho. Blue Shield provides medical and prescription drug 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 health insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. 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 plan 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 our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010 the District contributed approximately  $\$16.6$  million to the plan for current premiums or approximately 80 percent of total premiums. Plan members receiving benefits contributed approximately  $\$4$  million or approximately 20 percent of the total premiums. Retirees are required to pay 100% of the premiums for both the retiree and the dependent coverage. Monthly contribution rates in effect for retirees under age 65 during fiscal year 2010 were as follows:

## NOTES TO FINANCIAL STATEMENTS

### Under 65

Single	\$	498
No Spouse W/Child	\$	638
No Spouse W/Children	\$	778
W/ Spouse	\$	996
W/Spouse + Child	\$	1,136
W/Spouse + Children	\$	1,276

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to Boise Schools Post Retirement Healthcare Plan:

Annual required contribution	\$	1,835,880
Interest on net OPEB obligation		75,600
Adjustment to annual required contribution		(62,044)
Annual OPEB cost (expense)		1,849,436
Contributions made		(1,177,233)
Increase in net OPEB obligation		672,203
Net OPEB obligation—beginning of year		1,680,000
Net OPEB obligation—end of year	\$	2,352,203

The three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is shown below:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Expense (AOE)</b>	<b>Estimated Contribution as a Percentage of AOE *</b>	<b>Net OPEB Obligation at End of Year **</b>
June 30, 2008	\$ 2,390,000	65%	\$ 840,000
June 30, 2009	\$ 2,590,000	68%	\$ 1,680,000
June 30, 2010	\$ 1,849,436	64%	\$ 2,352,203

\* Equals estimated incurred claims plus administration less retiree contributions as a percentage of AOE.

\*\* Equals prior year Net OPEB Obligation plus current year AOE less current year estimated contributions.

## NOTES TO FINANCIAL STATEMENTS

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$18.08 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 \$134 million and the ratio of the UAAL to the covered payroll was 13.4 percent.

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 the 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.

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	(UAAL)		Covered Payroll	UAAL as a % of Covered Payroll
			Unfunded Actuarial Accrued Liabilities	Funded Ratio		
July 1, 2007	\$ -	\$ 25,160,000	\$ 25,160,000	0%	\$ 128,200,000	19.6%
July 1, 2008	\$ -	\$ 18,075,194	\$ 18,075,194	0%	\$ 132,389,203	13.7%

*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, 2009 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.5 percent discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 78% of eligible retirees will actually participate in the retiree medical benefit and 15% of their dependents will participate. The annual healthcare cost trend rate of 9.7% initially, decreasing gradually over 75 years until reaching an ultimate rate of 4.9 percent. It was assumed salary increases will be 3.75 percent per annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - COMMITMENTS

The District has outstanding 2009-10 purchase orders totaling \$1,231,562 representing goods or services not received as of June 30, 2010. These amounts are encumbrances of 2009-10 budgeted funds and are not reflected in the accompanying financial statements. The above amount includes contracts with construction managers for Phase II of the facility master plan. The second phase includes the remodel of two older elementary schools and a maintenance/remodel at Borah and Capital High Schools. The total amount committed for construction for these projects is \$540,232.

### NOTE 11 – PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), 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. Financial reports for the plan are available from PERSI upon request.

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% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The 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, 2010 the required contribution rate as a percentage of covered payroll was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighters.

The District's contributions required and paid were \$13,927,131, \$13,915,238 and \$13,325,911, and for the three fiscal years ended June 30, 2010, 2009, and 2008, respectively.

### NOTE 12 – SELF INSURANCE TRUST FUND

In August 2006, the District created a trust fund for its dental insurance costs. Plan assets are dedicated to provide benefits to our employees and participating retirees, and are legally protected from creditors. Employer contributions to the plan are irrevocable. The trust has entered into an agreement with Delta Dental of Idaho to process and pay all claims.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 13 – PROFESSIONAL TECHNICAL CENTER AGREEMENT**

The District has an agreement with the Meridian School District (Meridian) to provide education to Meridian students attending the Professional Technical Center owned and operated by the District. The agreement provided for Meridian to contribute \$1,600,000 to the District to assist in the construction costs. Meridian 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, the District will reimburse Meridian on a declining basis \$106,666 per year over the remaining contract period. The District entered into the partnership with Meridian starting with the 2000-01 school year. The District has eight years remaining in the fifteen-year contract. The District has full operating and management responsibility.

### **NOTE 14 – OPERATING LEASES**

The District contracts out for copier services and pays a monthly rental fee per machine and a per copy charge for all copies run. The estimated annual charge for the 36 month contract is \$763,866. The lease covers 119 machines. The lease period started June 15, 2008 and will run for 36 months.

### **NOTE 15 – SUBSEQUENT EVENTS**

The federal government passed a “Jobs Bill” on August 10, 2010. The measure included about \$10 billion to save more than 138,000 education jobs nationwide, including an estimated 856 in Idaho. The State Department of Education has reported that the Boise District should receive approximately 4.6 million dollars to be spent over the next 27 months on salaries and benefits for school level personnel.

**INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**

***REQUIRED SUPPLEMENTARY INFORMATION***

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO**  
**ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (negative)
	Original	Final		
<b>REVENUES</b>				
Local revenues				
Property taxes	\$ 72,858,929	\$ 72,858,929	\$ 72,717,833	\$ (141,096)
Earnings on investments	700,000	700,000	172,686	(527,314)
Other	1,260,095	1,260,095	1,360,560	100,465
State revenue	119,653,463	119,625,579	108,319,970	(11,305,609)
Federal revenue	60,000	60,000	15,541,221	15,481,221
Other revenue	200,000	200,000	192,432	(7,568)
Total revenue	<u>194,732,487</u>	<u>194,704,603</u>	<u>198,304,702</u>	<u>3,600,099</u>
<b>EXPENDITURES</b>				
Elementary school program	52,036,096	52,317,079	52,671,336	(354,257)
Secondary school program	45,378,460	45,372,517	45,386,155	(13,638)
Alternative school program	3,636,525	3,584,622	3,040,456	544,166
Vocational Professional school program	2,081,268	2,059,534	2,029,418	30,116
Exceptional school program	15,329,893	14,876,184	14,716,761	159,423
Preschool school program	915,086	929,086	869,587	59,499
Gifted and talented school program	2,162,535	2,169,458	2,351,111	(181,653)
Interscholastic school program	1,844,780	1,849,345	1,696,957	152,388
School activity program	737,699	747,799	696,653	51,146
Summer school program	578,060	577,961	271,718	306,243
Detention center program	221,891	221,891	203,803	18,088
Total instructional	<u>124,922,293</u>	<u>124,705,476</u>	<u>123,933,955</u>	<u>771,521</u>
<b>SUPPORT SERVICES</b>				
Attendance-Guidance-Health	9,086,327	9,139,847	9,126,576	13,271
Special services program	6,310,642	6,432,428	6,366,644	65,784
Instructional improvement program	1,782,237	1,825,763	1,804,824	20,939
Educational media program	3,258,548	3,256,251	3,174,184	82,067
Instructional technology program	2,588,562	2,570,062	2,534,960	35,102
School administration program	12,162,709	12,168,789	11,994,810	173,979
Administration	5,724,968	5,662,292	5,308,041	354,251
Maintenance and improvements				
buildings, grounds, and equipment	18,922,101	18,935,904	18,509,078	426,826
Security program	617,150	657,699	575,483	82,216
Pupil transportation	8,572,828	8,577,469	7,708,528	868,941
Total support services	<u>69,026,072</u>	<u>69,226,504</u>	<u>67,103,128</u>	<u>2,123,376</u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO**  
**ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (negative)
	Original	Final		
Community services program	242,775	242,775	238,850	3,925
Food services program	252,000	252,000	251,553	447
Capital assets program	450,000	956,208	1,062,688	(106,480)
Debt services program				
Principal and interest	1,101,563	1,101,563	1,101,563	-
Total expenditures	<u>195,994,703</u>	<u>196,484,526</u>	<u>193,691,737</u>	<u>2,792,789</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,262,216)	(1,779,923)	4,612,965	6,392,888
OTHER FINANCING SOURCES (USES)				
Interfund	<u>(2,553,000)</u>	<u>(2,553,000)</u>	<u>(3,529,213)</u>	<u>(976,213)</u>
Lease Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (3,815,216)</u>	<u>\$ (4,332,923)</u>	1,083,752	<u>\$ 5,416,675</u>
FUND BALANCE, BEGINNING OF YEAR			19,621,037	
Change in reserves for inventories			<u>43,728</u>	
FUND BALANCE, END OF YEAR			<u>\$ 20,748,517</u>	

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES**  
**JUNE 30, 2010**

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**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

*Basis of Budgeting*

During May, the Superintendent submits to the Board a proposed budget for the General and Debt Service Funds. The budget includes proposed expenditures and the sources of financing them. A special public hearing is held to obtain public comments, after which the budget is revised if appropriate and formally adopted by the Board. The Deputy Superintendent is authorized to approve transfers among expenditure categories up to \$50,000. The Board must approve transfers greater than \$50,000 and any modifications to expenditures for any program of at least 5% and \$100,000. For purposes of administrative control, budgets are also prepared for the Special Revenue Fund and the Capital Projects Fund.

**NOTE 2 – AMENDED BUDGET**

The fiscal 2010 budget was amended during the year to reflect increased spending for safety maintenance items, and increased funding for vocational education funding.

**INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**

*SINGLE AUDIT*

**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***

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To the Board of Trustees  
**Independent School District of Boise City**  
Boise, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District of Boise City (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Independent School District of Boise City, in a separate letter dated September 23, 2010.

This report is intended solely for the information and use of management, the Board of Trustees, the State of Idaho, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Sully LLP*

Boise, Idaho  
September 23, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Board of Trustees  
**Independent School District of Boise City**  
Boise, Idaho

Compliance

We have audited the compliance of the Independent School District of Boise (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
September 23, 2010

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2010**

	Federal CFDA Number	Program or Grant Amount	Revenue Recognized	Expenditures
<u>U.S. Department of Education</u>				
Teaching American History	84.215	\$ 677,359	\$ 329,228	\$ 329,228
Passed Through State Superintendent of Public Instruction:				
American Recovery Act	84.394A	15,479,034	15,479,034	15,479,034
Title I Local Program - 2010	84.010	5,162,494	3,935,082	3,935,082
Title I Program Recovery Act	84.389A	3,465,001	1,978,061	1,978,061
Title I Delinquent	84.013	52,199	39,963	39,963
Title I Delinquent Recovery Act	84.389A	32,929	24,785	24,785
Carl Perkins	84.048	388,659	388,659	388,659
Title VI-B - 2010	84.027	5,129,127	4,320,509	4,320,509
Title VI-B Recovery Act	84.391	5,165,678	2,104,676	2,104,676
Title VI-B Preschool - 2010	84.173	218,020	154,064	154,064
Title VI-B Preschool Recovery Act	84.392	226,255	124,134	124,134
Title II EESA - 2010	84.367	1,671,587	1,153,599	1,153,599
Title III- English Language- 2010	84.365	374,484	189,355	189,355
Drug Free Schools Act Grant - 2010	84.186	130,721	130,721	130,721
Education of Homeless	84.196	11,610	11,610	11,610
Education of Homeless Recovery Act	84.387A	102,196	83,955	83,955
		<u>38,287,353</u>	<u>30,447,435</u>	<u>30,447,435</u>
Total U.S. Department of Education				
<u>U.S. Department of Health and Welfare</u>				
Passed Through State Health & Welfare				
Social Services Block Grant	93.558	113,195	113,195	113,195
Passed Through State Superintendent of Public Instruction:				
Refugee Grant	93.576	139,255	134,944	134,944
		<u>252,450</u>	<u>248,139</u>	<u>248,139</u>
Total U.S. Department of Health and Welfare				

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

	Federal CFDA Number	Program or Grant Amount	Revenue Recognized	Expenditures
<u>U. S. Department of Agriculture</u>				
Commodities	10.550	106,420	106,420	106,420
Direct Program - Cash in lieu of commodities	10.550	440,612	440,612	440,612
Passed Through State Superintendent of Public Instruction:				
School Lunch Program	10.555	3,570,113	3,570,113	3,570,113
School Snack Program	10.555	21,267	21,267	21,267
School Breakfast Program	10.553	1,515,536	1,515,536	1,515,536
Special Milk Program	10.556	23,356	23,356	23,356
Child and Adult Care Food Program	10.558	24,694	24,694	24,694
Summer Food Service Program	10.559	143,193	143,193	143,193
Fresh Fruits and Vegetables	10.582	24,363	24,363	24,363
Passed Through County				
Federal Forest Program	10.665	6,014	6,014	6,014
Total U. S. Department of Agriculture		<u>5,875,568</u>	<u>5,875,568</u>	<u>5,875,568</u>
<u>Other Federal Financial Assistance</u>				
Passed through State Commission on Arts				
National Arts Endowment	45.025	1,390	1,390	1,390
U.S. Department of the Army ROTC Program		60,000	62,187	62,187
Total Other Financial Assistance		<u>61,390</u>	<u>63,577</u>	<u>63,577</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 44,476,761</u>	<u>\$ 36,634,719</u>	<u>\$ 36,634,719</u>

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2010**

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1. The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Independent School District of Boise City. The reporting entity is defined in Note 1 to the District's financial statements.
2. The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting as described in Note 1 to the District's basic financial statements.
3. The following programs have been identified as major programs for the year ended June 30, 2010:

<u>Program</u>	<u>CFDA Number</u>
Title I	84.010
Title VI-B	84.027
American Recovery Act Stabilization	84.394A

4. The following programs have been clustered for the determination of Type A or Type B programs for the year ended June 30, 2010:
  - Title VI-B programs, Title VI-B Preschool programs
  - Title I Local programs, Title I Delinquent
  - School Lunch Program, School Snack, School Breakfast, Special Milk and Summer Food Service programs

**THE INDEPENDENT SCHOOL DISTRICT OF BOISE CITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2010**

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**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	None Reported
Type of auditors’ report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	Name of Federal Program or Cluster

**CFDA Number(s)**

84.010	Title I
84.027	Title VI-B
84.394A	American Recovery Act Stabilization

Dollar threshold used to distinguish between Type A and Type B programs?	\$1,099,042
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None

**Section III – Schedule of Findings and Questioned Costs**

None