

Report of Audit

**Shelley Joint School District #60**  
Shelley, Idaho

*June 30, 2014*

# Shelley Joint School District #60

## Contents June 30, 2014

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# Shelley Joint School District #60

## Contents June 30, 2014

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A PROFESSIONAL CORPORATION OF  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

1220 Whitewater Drive, Idaho Falls, ID 83402  
P.O. Box 50699, Idaho Falls, ID 83405

Phone (208) 523-5953  
Fax (208) 523-8995

[www.ghg-cpa.com](http://www.ghg-cpa.com)

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60 (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and other required supplementary information on pages 3 through 9 and pages 33 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

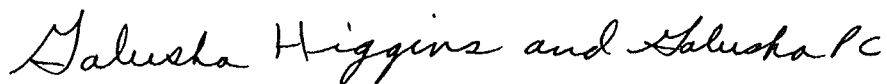
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, on our consideration of Shelley Joint School District #60's internal control over financial reporting and 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* in considering the District's internal control over financial reporting and compliance.



GALUSHA, HIGGINS & GALUSHA, P.C.  
Certified Public Accountants

Idaho Falls, Idaho  
October 15, 2014

# **Shelley Joint School District #60**

## **Management's Discussion and Analysis** *Fiscal Year Ended June 30, 2014*

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The discussion and analysis of Shelley Joint School District #60's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 are as follows:

In total, net position decreased \$499,477 which represents a 5.6 percent decrease from 2013.

General revenues accounted for \$10,174,323 in revenue, or 75.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,230,723 or 24.1 percent of total revenues of \$13,405,046.

Total assets of governmental activities decreased by \$1,078,102 as cash and cash equivalents decreased by \$397,933, receivables increased by \$127,576, and capital assets decreased by \$807,745.

The District had \$13,904,523 in expenses; only \$3,230,723 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and state aid) of \$10,174,323 in addition to the use of net position, were adequate to provide for these programs.

Among major funds, the General Fund had \$9,904,864 in revenues and \$10,082,552 in expenditures. The General Fund's balance decreased \$272,024 from 2013. State support in the General Fund is broken down as follows: Base Support - \$8,905,254 which includes State salary and benefits apportionment of \$6,469,907 and Transportation of \$376,947; and Revenue in Lieu of Taxes of \$18,695 from Agriculture replacement and Personal Property tax replacement of \$5,671. There was also Bond Levy Equalization money received from the state in the Debt Service fund of \$315,357 during the fiscal year.

### **USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shelley Joint School District #60 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Shelley Joint School District #60, the General Fund is by far the most significant fund.

# **Shelley Joint School District #60**

## **Management's Discussion and Analysis** *Fiscal Year Ended June 30, 2014*

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### **REPORTING THE DISTRICT AS A WHOLE**

#### **Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Idaho restricting revenue growth, facility condition, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities. The District does not have any business-like activities.

### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

#### **Fund Financial Statements**

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General, Debt Service, and Capital Projects Funds.

#### **Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## Shelley Joint School District #60

### Management's Discussion and Analysis *Fiscal Year Ended June 30, 2014*

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#### THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for 2014 compared to 2013:

	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	<b>4,245,090</b>	4,515,447
Capital assets	<b>17,693,611</b>	18,501,356
Total assets	<b>21,938,701</b>	23,016,803
Liabilities		
Long-term liabilities	<b>11,929,041</b>	12,471,385
Other liabilities	<b>1,591,706</b>	1,627,987
Total liabilities	<b>13,520,747</b>	14,099,372
Net position		
Invested in capital assets, net of debt	<b>5,823,611</b>	6,086,356
Restricted	<b>2,187,706</b>	2,162,571
Unrestricted	<b>406,637</b>	668,504
Total net position	<b>8,417,954</b>	8,917,431

Total assets of governmental activities decreased by \$1,078,102 as cash and cash equivalents decreased by \$397,933, receivables increased by \$127,576, and capital assets decreased by \$807,745. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the District decreased by \$261,867.



## Shelley Joint School District #60

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

The following table shows the changes in net position for fiscal year 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	320,065	312,663
Operating grants and contributions	2,910,658	2,975,809
General revenues		
Property taxes	1,555,398	1,432,601
State aid	8,590,962	8,711,005
Other	27,963	35,995
Total revenues	<u>13,405,046</u>	<u>13,468,073</u>
Program Expenses		
Instruction	8,482,609	8,781,381
Support services	775,168	739,006
Administrative	1,363,850	1,303,176
Operations	1,043,134	961,145
Transportation	619,705	583,480
Noninstructional	768,237	724,147
Interest and fiscal charges	521,525	542,254
Capital improvements	330,295	507,370
Total expenses	<u>13,904,523</u>	<u>14,141,959</u>
Increase (decrease) in net position	<u>(499,477)</u>	<u>(673,886)</u>

### GOVERNMENTAL ACTIVITIES

State aid of \$10,130,509 included in program and general revenues that consists of the Idaho base support, salary based apportionment, transportation, bond levy equalization, revenue in lieu of taxes, other state revenue, and benefit apportionment, makes up 75.5 percent of revenues from governmental activities. Federal grants and assistance of \$1,372,079 makes up 10.2 percent of total revenues from governmental activities. Property taxes of \$1,555,398 make up 11.6 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 88.3 percent of district expenses.

## Shelley Joint School District #60

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

	Total cost of services 2014	Net cost of services 2014
Instruction	8,482,609	6,886,156
Support services	775,168	677,073
Administrative	1,363,850	1,347,685
Operations	1,043,134	1,033,888
Transportation	619,705	211,403
Noninstructional	768,237	39,648
Interest and fiscal charges	521,525	147,652
Capital improvements	330,295	330,295
Total expenses	13,904,523	10,673,800

Instruction: Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Support Services: Support services provide personnel services, activities, and programs for the administration, management, technical, and logistical support to facilitate and enhance the function of instruction and shall provide for the general operation of the schools.

Administration: The personnel, activities, and services for directing and managing the operation of the schools in the District. (Principals, assistant principals, secretaries, and clerks charged with responsibility for a school's administration.) Board of Education, Administration, Fiscal, and Business includes expenses associated with administrative and financial supervision of the District.

Business Operations: The program concerned with the fiscal operations of the District. This program may include budgeting, receiving and disbursing, purchasing, financial and property accounting, payroll, internal auditing, and the prudent management of District resources.

Operations: Operations and maintenance includes the personnel, activities, and programs concerned with keeping the physical plant operational and keeping the grounds, buildings, and equipment in effective working condition and in an adequate and safe state of repair.

Transportation: Transportation includes the personnel, activities, and services for providing student transportation to school and to activities and to provide for the general administrative and maintenance needs of school district vehicles.

Non-instructional: Non-instructional services include the preparation, delivery and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Interest and Fiscal Charges: Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to the debt of the District.

Capital Improvements: Capital improvements include capital expenditures for the schools that are not capitalized under the District's capitalization policy.

# Shelley Joint School District #60

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

### THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,409,243 and expenditures of \$13,647,526. The net change in fund balance for the year in the General Fund, Debt Service and the Capital Projects Fund was a decrease of \$272,024, a decrease of \$10,043 and an increase of \$36,219, respectively.

The District budgeted for a planned reduction in the General Fund balance of \$342,177. This was to support our staff to cover increases in insurance costs and movement on the district's salary schedules. At year's end the reduction was \$272,024, resulting in a fund balance of \$600,153 at the end of FY14. All other funds ended the year in sound financial shape. Our district is positioned well financially to meet the needs of students for the foreseeable future.

### GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Idaho Law and is based on accounting for certain transactions on the modified basis of accounting. The most significant budgeted fund is the General Fund.

For the General Fund, the budget basis revenue estimate was \$9,711,284.

### CAPITAL ASSETS

At the end of the fiscal year 2014, the District had \$17,693,611 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	2014	2013
Land	402,635	402,635
Construction in progress		
Buildings and improvements	16,548,902	17,401,917
Equipment	254,895	225,780
Vehicles	487,179	471,024
Total capital assets, net	17,693,611	18,501,356

Overall capital assets decreased \$807,745 from fiscal year 2013 to fiscal year 2014. Increases in capital assets (primarily land, equipment, and vehicles) were offset by depreciation expense for the year.

### DEBT ADMINISTRATION

At June 30, 2014, the District had two general obligation bond issues. The outstanding bonds are as follows:

	Total	Due within one year
2007 Series Bond	11,465,000	170,000
2011 Series Bond	405,000	405,000
Total	11,870,000	575,000

At June 30, 2014, the District's overall legal debt margin was \$20,530,538.

# **Shelley Joint School District #60**

## **Management's Discussion and Analysis** *Fiscal Year Ended June 30, 2014*

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### **CURRENT FINANCIAL ISSUES AND CONCERNS**

The State Department of Education continues to address an increase in education funding by earmarking any increases for specific areas, most notably by funneling funds to students to finish high school earlier and/or taking college courses while in high school. Another area of significant funding is in professional development for teachers. While these are worthy areas of focus, there is still a concern about restoration of maintenance and operations funding at least to its previous level, compensation for teachers lagging behind their peers in other states, and the serious underfunding for classified employees. These conditions are hampering the district's ability to hire quality individuals in these positions. Although the Legislature is addressing salaries in their next session, the prevailing opinion is that the increases will be phased in over a five to seven year period. The District is concerned that after this time frame, we will again be lagging behind by five to seven years. Another area of concern is technology. As the State continues to encourage districts to increase technology, we do not see adequate support in this area.

It seems that districts are expected to go to the patrons for supplemental levies while our legislators turn their backs on the reality of finding funding from a state level. This has created a situation of 'the haves and have-nots' as wealthier districts with far greater taxable market value per pupil have an easier time passing additional levies. Despite these circumstances, Shelley School District 60 patrons have been very supportive of our requests for funds. And in return, the District is committed to serving our children to the best of our ability.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Dixon, Business Manager at Shelley Joint School District #60, 545 Seminary Avenue, Shelley, Idaho 83274 or email at [tdixon@shelleyschools.org](mailto:tdixon@shelleyschools.org).

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# Shelley Joint School District #60

## Statement of Net Position

June 30, 2014

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	2,965,321
Property taxes receivable, net	598,331
Other receivables	681,438
Capital assets, non depreciable	402,635
Capital assets, net of depreciation	17,290,976
Total assets	21,938,701
<b>LIABILITIES</b>	
Accounts payable	49,197
Accrued wages	1,039,708
Accrued employee benefits	345,625
Interest payable	157,176
Unavailable revenue	
Premium on bonds payable	17,691
Portion due or payable within one year	
General obligation bonds	575,000
Portion due or payable after one year	
General obligation bonds	11,295,000
Other liabilities	41,350
Total liabilities	13,520,747
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	5,823,611
Restricted for	
Capital improvements	184,482
Debt service	1,473,790
Child nutrition	166,344
Other	363,090
Unrestricted	406,637
Total net position	8,417,954

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Statement of Activities Fiscal Year Ended June 30, 2014

Functions / Programs	Expenses	Charges for services	Program Revenues		Net (expense) revenue and changes in net position
			Operating grants and contributions	Capital grants and contributions	Total governmental activities
Governmental activities					
Instruction	8,482,609	111,207	1,485,246		(6,886,156)
Support services	775,168		98,095		(677,073)
Administrative	1,363,850		16,165		(1,347,685)
Operations	1,043,134		9,246		(1,033,888)
Transportation	619,705	31,355	376,947		(211,403)
Noninstructional	768,237	177,503	551,086		(39,648)
Interest on long-term debt	521,525		373,873		(147,652)
Capital improvements	330,295				(330,295)
Total governmental activities	<u>13,904,523</u>	<u>320,065</u>	<u>2,910,658</u>	<u>0</u>	<u>(10,673,800)</u>
General revenues					
Taxes					
Property taxes					1,555,398
Property tax replacement					39,429
State aid - formula grants					8,528,307
Other state revenue					23,226
Unrestricted investments earnings					8,224
Unrestricted federal funds					1,009
Other local					18,730
Total general revenues					<u>10,174,323</u>
Change in net position					(499,477)
Net position - beginning					<u>8,917,431</u>
Net position - ending					<u><u>8,417,954</u></u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Combined Balance Sheet Governmental Funds June 30, 2014

	General Fund	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	1,198,129	1,183,044	28,845	555,303	2,965,321
Receivables					
Taxes - current	150,195	263,192	135,216		548,603
Taxes - delinquent	14,937	22,408	12,383		49,728
State apportionment	240,537	5,146	12,641		258,324
Federal grants				255,176	255,176
State agencies	53,109			114,829	167,938
Interfund receivable	187,034				187,034
Total assets	<u>1,843,941</u>	<u>1,473,790</u>	<u>189,085</u>	<u>925,308</u>	<u>4,432,124</u>
<b>LIABILITIES</b>					
Accounts payable	40,660		4,603	3,934	49,197
Accrued wages	898,212			141,496	1,039,708
Accrued employee benefits	289,979			55,646	345,625
Interfund payable				187,034	187,034
Total liabilities	<u>1,228,851</u>	<u>0</u>	<u>4,603</u>	<u>388,110</u>	<u>1,621,564</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	<u>14,937</u>	<u>22,408</u>	<u>12,383</u>		<u>49,728</u>
<b>FUND BALANCES</b>					
Restricted for					
Debt service		1,451,382			1,451,382
Child nutrition				166,344	166,344
Other fund activities			172,099	363,090	535,189
Assigned					
Unassigned	<u>600,153</u>			<u>7,764</u>	<u>607,917</u>
Total fund balances	<u>600,153</u>	<u>1,451,382</u>	<u>172,099</u>	<u>537,198</u>	<u>2,760,832</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>1,843,941</u>	<u>1,473,790</u>	<u>189,085</u>	<u>925,308</u>	<u>4,432,124</u>

The accompanying notes are an integral part of these statements.



## Shelley Joint School District #60

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position *June 30, 2014*

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Total fund balances - governmental funds	2,760,832
Amounts reported for governmental activities in the statement of net assets are different because:	
The premium on the bonds issued by the District is reported as an other financing source in the governmental funds, but is reported as a liability in the government-wide financial statements. The premium on the bonds is reported net of amortization.	
	(17,691)
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$33,437,750, and the accumulated depreciation is \$15,744,139.	
	17,693,611
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
	49,728
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds payable	(11,870,000)
Accrued interest on the bonds	(157,176)
GASB 45/Compensated absences	<u>(41,350)</u>
	<u>(12,068,526)</u>
Total net position - governmental activities	<u><u>8,417,954</u></u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances *Fiscal Year Ended June 30, 2014*

	General Fund	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	413,703	752,151	383,469		1,549,323
Penalties and interest on delinquent taxes	3,072	4,695	2,505		10,272
Earnings on investments	8,224			41	8,265
Food service				177,503	177,503
Other local	120,842		17,833	22,617	161,292
State apportionment					
Base	7,496,668				7,496,668
Transportation	376,947				376,947
Benefits	1,031,639				1,031,639
Property tax replacement	24,366	9,954	5,109		39,429
Other state revenue	429,403	315,357		441,066	1,185,826
Federal grants and assistance				1,372,079	1,372,079
Total revenues	<u>9,904,864</u>	<u>1,082,157</u>	<u>408,916</u>	<u>2,013,306</u>	<u>13,409,243</u>
<b>EXPENDITURES</b>					
Current					
Instruction	6,442,110			1,116,177	7,558,287
Support services	683,610			91,558	775,168
Administration	1,353,278			2,941	1,356,219
Operations	1,042,896			137	1,043,033
Transportation	549,560				549,560
Noninstructional	11,098			757,139	768,237
Debt service		1,092,200			1,092,200
Facility acquisition			446,306	58,516	504,822
Total expenditures	<u>10,082,552</u>	<u>1,092,200</u>	<u>446,306</u>	<u>2,026,468</u>	<u>13,647,526</u>
Revenues over (under) expenditures	<u>(177,688)</u>	<u>(10,043)</u>	<u>(37,390)</u>	<u>(13,162)</u>	<u>(238,283)</u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Governmental Fund Types

### Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

*Fiscal Year Ended June 30, 2014*

	General Fund	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	(94,336)		73,609	20,727	0
Total other financing sources (uses)	(94,336)	0	73,609	20,727	0
Revenues and other financing sources over (under) expenditures	(272,024)	(10,043)	36,219	7,565	(238,283)
Fund balance - July 1, 2013	872,177	1,461,425	135,880	529,633	2,999,115
Fund balance - June 30, 2014	600,153	1,451,382	172,099	537,198	2,760,832

The accompanying notes are an integral part of these statements.

## Shelley Joint School District #60

### Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities *Fiscal Year Ended June 30, 2014*

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Total net change in fund balances - governmental funds:	(238,283)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense, \$981,851, exceeds capital outlays, \$186,700, in the period.	(795,151)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	545,000
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.	(4,197)
Governmental funds report bond proceeds and premiums as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. This is the current amount of amortization of the premium.	17,692
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental fund. GASB 45/compensated absences amounts earned exceeded the amount used by this amount.	(20,348)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.	(12,173)
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 fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. The interest expense is decreased in the statement of activities as the result of the decrease in accrued interest on bonds of \$7,983.	<u>7,983</u>
Change in net position of governmental activities	<u><u>(499,477)</u></u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Fiduciary Fund Statement of Fiduciary Net Position *June 30, 2014*

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	Agency Funds
<b>ASSETS</b>	
Cash	<u>218,686</u>
Total assets	<u>218,686</u>
<b>LIABILITIES</b>	
Due to student groups	<u>218,686</u>
Total liabilities	<u>218,686</u>
<b>NET POSITION</b>	<u><u>0</u></u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2014

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### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General. The basic financial statements listed in the table of contents have been prepared in accordance with the American Institute of Certified Public Accountants' Industry Audit Guide for Audits of State and Local Government Units.
2. Reporting Entity. The Shelley Joint School District #60 (the District) is the basic level of government, which has financial accountability and control over all activities related to the public school education in the area served. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 that should be included in the District's reporting entity.
3. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

4. Fund Accounting. The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds, each reported in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2014

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources and for the repayment of general long term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used to acquire school facilities, renovate existing facilities, or as otherwise provided in the Idaho Code.

Additionally, the District reports the following fund types:

Special Revenue Fund - The purpose of the Special Revenue Fund is to account for federal, state, and locally funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the Grant Awards. Special Revenue Fund types include the Child Nutrition Fund. The purpose of the Child Nutrition Fund is to account for all federal support and student charges which are received by the District for the purpose of providing students with a nutritional, inexpensive meal.

### Fiduciary Fund Types

Agency Fund (School Activity Funds) - Activity Funds are monies collected principally through fund raising efforts of the individual schools or school sponsored groups. The school principal is responsible, under the authority of the Board of Trustees, for collecting, controlling, disbursing, and accounting for all school activity funds.

5. Basis of Accounting. The District applies the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the District's financial outlook.

### *Government-wide Financial Statements*

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for its fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2014

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### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation has been allocated specifically to functional areas with the majority of it being allocated to instructional. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

#### *Governmental Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditures-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.



# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2014

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### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year-end. The District did not amend its budgets in the current fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reserved fund balance to indicate an obligation to the District.

The District budgets transfers from the General Fund to other funds to cover the costs incurred by these funds in excess of the revenues generated. Certain indirect costs are charged to several Special Revenue Funds through budgeted transfers from the Special Revenue Funds to the General Fund.

7. Cash and Investments. Cash includes amounts in demand as well as short-term investments with a maturity date within three months of the date acquired by the District. 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. 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.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The District has elected to deposit cash in excess of immediate needs into the Local Government Investment Pool (LGIP). The Local Government 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. An annual audit of the LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP. All other cash is deposited with local banks in checking or savings accounts.

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk outside of the deposit and investment agreements. The District is authorized to invest in the State of Idaho Local Government Investment Pool. This pooling is intended to improve administrative efficiency and increase investment yield.

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

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2014

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### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

8. Short-term Interfund Receivables / Payables. During the course of operations, numerous transactions occur between individual funds and the General Fund for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' or 'due to other funds' on the balance sheet.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

9. Inventories. Supplies inventory consists of paper and other supplies and equipment received at the end of the fiscal year, which had not yet been consumed. The cost is recorded as an expenditure at the time the item is consumed. Other supplies inventory on hand at year end has not been recorded as inventory and was treated as expended when purchased.
10. Capital Assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment assets are depreciated using straight-line and accelerated depreciation methods over the following estimated useful lives:

Assets	Years
Buildings	20-30
Equipment	5-20
Vehicles	3-16

11. Compensated Absences. Employees are entitled to certain compensated absences based on their length of employment. The entire compensated absences are not reported in the governmental-wide financial statement, as they are not significant to the financial position of the District.
12. Long-term Obligations. Long-term debt is recognized as a liability of a governmental fund when due.

For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

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### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Deferred Outflows / Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Net Position Flow Assumption. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.
15. Fund Balance Flow Assumptions. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.
16. Fund Balance Policies. Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2014

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The School Board is the highest level of decision-making authority for the District that can, by board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The School Board has by resolution authorized management to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

17. Risk Management. The District is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies, transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
18. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include those assumed in determining the actuarial assumptions made in the other post-employment liability recorded under GASB 45. Actual results could differ from those estimates.
19. Reclassification. Certain prior period balances have been reclassified to conform with current period presentation.

## NOTE B CASH AND INVESTMENTS

At June 30, 2014, the carrying amount of the District's deposits was \$3,063,690 and the bank balance was as follows:

Insured by Federal Depository Insurance	484,009
Uninsured and uncollateralized	<u>2,926,045</u>
Total	<u><u>3,410,054</u></u>

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

### NOTE B CASH AND INVESTMENTS, continued

At June 30, 2014, the cost and fair market value of the District's investments were as follows:

	Cost	Fair Market Value
Zion's Bank Liquid Asset Management	568,062	563,225
Total investments	568,062	563,225

Interest rate risk - The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk - The District's deposits and investments at year end are limited to the U.S. Treasury, commercial paper, corporate bonds, bank deposits, and certificates of deposits with various banks located in Idaho. The District has reduced its concentration of credit risk by using several financial institutions at times.

Custodial credit risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$2,926,045 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$563,225 was held in the Zion's Bank Liquid Asset Management account which is not insured or guaranteed by the FDIC.

The District has elected to invest in the LGIP through the Idaho State Treasurer at times although there is no money invested there at June 30, 2014. The Idaho State Treasurer provides oversight for investments by or through any department or institute of the State of Idaho. Amounts held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and interest rate fluctuations.

The State Investment Pool is audited annually and the related financial statements and note disclosures are included in the State of Idaho's Comprehensive Annual Financial Report, a copy of which can be downloaded from [www.sco.idaho.gov](http://www.sco.idaho.gov).

### NOTE C INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the District had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. The District transferred \$20,727 to the Child Nutrition Fund as required by state law. The District also transferred \$73,609 from the General Fund to the Capital Projects Fund as required for depreciation.

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

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### NOTE C INTERFUND RECEIVABLES AND PAYABLES, continued

To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2014, were as follows:

	Receivable	Payable
General Fund	187,034	
Nonmajor Funds		187,034
Total	<u>187,034</u>	<u>187,034</u>

### NOTE D PROPERTY TAXES

In accordance with Idaho State Law, ad valorem property tax is levied in dollars in September for each calendar year. Taxes are recorded by the District using the modified accrual basis of accounting. Levies are made on the second Monday of September. All of the personal property tax and one-half of the real property tax are due on or before December 20. The remaining one-half of the real property tax is due on or before June 20 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year.

Bingham and Bonneville counties act as agents for the District in both the assessment and collection areas. The counties remit tax revenues to the District periodically, with the majority of the collections being remitted in January and July.

### NOTE E NONMONETARY TRANSACTIONS

The District received \$58,032 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and expense of the fund receiving the commodities.

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

### NOTE F CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2014:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Capital assets, not being depreciated				
Land				
Elementary	52,635			52,635
Secondary	350,000			350,000
Total capital assets, not being depreciated	<u>402,635</u>	<u>0</u>	<u>0</u>	<u>402,635</u>
Capital assets, being depreciated				
Buildings				
Elementary	20,807,667			20,807,667
Secondary	9,228,882	13,500		9,242,382
Administration	454,840			454,840
Total buildings	<u>30,491,389</u>	<u>13,500</u>	<u>0</u>	<u>30,504,889</u>
Equipment				
Elementary	618,024	41,444	(108,778)	550,690
Secondary	249,880	39,639	(92,725)	196,794
Administration	124,320	5,817	(20,896)	109,241
Total equipment	<u>992,224</u>	<u>86,900</u>	<u>(222,399)</u>	<u>856,725</u>
Vehicles	<u>1,587,201</u>	<u>86,300</u>	<u>0</u>	<u>1,673,501</u>
Total capital assets, being depreciated	<u>33,070,814</u>	<u>186,700</u>	<u>0</u>	<u>33,035,115</u>
Less accumulated depreciation for:				
Buildings	(13,089,472)	(866,515)		(13,955,987)
Equipment	(766,444)	(45,191)	209,805	(601,830)
Vehicles	(1,116,177)	(70,145)		(1,186,322)
Total accumulated depreciation	<u>(14,972,093)</u>	<u>(981,851)</u>	<u>209,805</u>	<u>(15,744,139)</u>
Total capital assets being depreciated, net	<u>18,098,721</u>	<u>(795,151)</u>	<u>(12,594)</u>	<u>17,290,976</u>
Governmental activities capital assets, net	<u>18,501,356</u>	<u>(795,151)</u>	<u>(12,594)</u>	<u>17,693,611</u>

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities	
Instruction	911,605
Operations	101
Transportation	<u>70,145</u>
Total depreciation expense – governmental activities	<u>981,851</u>

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

### NOTE G PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period of September 1, 2013, through May 31, 2014, to be paid over the twelve months of September 1, 2013, through August 31, 2014. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

### NOTE H GENERAL OBLIGATION BOND ISSUES

The District has two general obligation bond issues (2007 and 2011 Series) outstanding with interest rates ranging from 2.5 to 5.0 percent. The scheduled maturity dates for the 2007 and 2011 Series bonds are September 2027 and August 2014, respectively.

Future debt service requirements are as follows:

Fiscal Year Ended June 30,	Total	Interest	Principal
2015	1,107,525	532,525	575,000
2016	1,165,944	510,944	655,000
2017	1,162,425	482,425	680,000
2018	1,162,738	452,738	710,000
2019	1,159,150	419,150	740,000
2020-2024	5,789,631	1,504,631	4,285,000
2025-2028	4,621,257	396,257	4,225,000
Total	16,168,670	4,298,670	11,870,000

Changes to bond principal payable and future interest payable are summarized as follows:

Principal	2007 Series	2011 Series	Combined Total
Balances at July 1, 2012	11,615,000	800,000	12,415,000
Bonds retired	150,000	395,000	545,000
Balances at June 30, 2014	11,465,000	405,000	11,870,000
Interest to be provided			
Balances at July 1, 2013	4,829,895	16,100	4,845,995
Interest paid	535,275	12,050	547,325
Balances at June 30, 2014	4,294,620	4,050	4,298,670

### NOTE I LEGAL DEBT MARGIN

The District is subject to a statutory limitation by the Idaho Code for bonded indebtedness payable principally from property taxes. The limit of bonded indebtedness is 5% of property market value for assessment purposes less the aggregate outstanding debt. At June 30, 2014, the limit for the District was \$31,217,494. The Debt Service Fund had \$1,183,044 available and general obligation debt of \$11,870,000 leaving a legal debt margin of \$20,530,538.



# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

### NOTE J LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014
Bonds payable	12,415,000		545,000	11,870,000
Employee benefits	21,002	20,348		41,350
Total	12,436,002	20,348	545,000	11,911,350

Payment on the general obligation bonds are made by the debt service fund from property taxes and state bond levy equalization funds.

### NOTE K RETIREMENT HEALTHCARE PLAN

*Plan Description.* Shelley Joint School District #60's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross of Idaho, Delta Dental, Willamette Dental, and LifeMap Life Insurance Company. Blue Cross provides medical, prescription drug, and vision insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents.

A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and vision insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Dental and life benefits continue for life. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership with a PERSI employer. The retiree is on the same medical with vision and dental 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 2014 the District contributed approximately \$60,340 of the annual required contribution of \$73,028. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool.

Monthly contribution rates in effect for the retirees as of the end of fiscal year 2014 were as follows:

Medical with Vision Coverage	\$2,000 Deductible	\$3,000 Deductible (Catastrophe)
Single	\$450.10	\$373.60
No Spouse W/Child	\$692.10	\$574.20
No Spouse W/Children	\$810.55	\$673.55
W/Spouse	\$984.30	\$815.90
W/Spouse + Children	\$1,146.95	\$951.85

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

### NOTE K RETIREMENT HEALTHCARE PLAN, continued

<u>Dental Coverage</u>	<u>Delta Dental</u>	<u>Willamette Dental</u>
Single	\$ 36.01	\$ 31.67
No Spouse W/Child	\$ 77.83	\$ 68.48
No Spouse W/Children	\$115.62	\$ 101.74
W/Spouse	\$ 77.78	\$ 68.44
W/Spouse + Children	\$ 151.11	\$ 132.91

<u>Life Coverage</u>	<u>Retiree Life</u>	<u>Dependent Life</u>
Single	\$2.00	\$ 4.80

*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 twenty-five years.

The following table shows the components of the District's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the District's net OPEB obligation to Shelley Joint School District #60's Post-Retirement Healthcare Plan:

Annual required contribution	73,028
Interest on net OPEB obligation	29
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>73,057</u>
Contributions made	<u>(60,340)</u>
Increase in net OPEB obligation	<u>12,717</u>
Net OPEB obligation – beginning of year	11,523
Net OPEB obligation - end of year	24,240

The three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation is shown in the table below.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Expenses (AOE)</u>	<u>Estimated Contribution as a Percentage of AOE*</u>	<u>Net OPEB Obligation at End of Year**</u>
June 30, 2012	161,318	43%	348,103
June 30, 2013	75,383	85%	11,523
June 30, 2014	73,028	83%	24,240

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

\*\*Equals prior year net OPEB obligation this current year AOE less estimated current contributions.

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

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### NOTE K RETIREMENT HEALTHCARE PLAN, continued

*Funded Status and Funding Progress.* As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$667,624. 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 \$7,667,308 and the ratio of the UAAL to the covered payroll was 8.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of the 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.

The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*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, 2012, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.25% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 45.0% of future retirees will elect medical with vision coverage, 38.8% of future retirees will elect dental coverage and 70% of future retirees are married and their spouses will participate in the plan.

The annual healthcare cost trend rate for medical is 4.8% for the fiscal year ending 2013, 8.5% for the fiscal year ending 2014, gradually decreasing to 5% on a projected long term trend. The annual dental healthcare cost is 0% for the fiscal year ending 2013, 7.5% for the fiscal year ending 2014, and will gradually decrease to 5% on a projected long term trend. It was assumed salary increases will be 2.50% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling thirty year time period.

### NOTE L RETIREMENT SYSTEM

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing, multiple-employer, public retirement system was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer 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.

# Shelley Joint School District #60

## Notes to Financial Statements June 30, 2014

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### **NOTE L RETIREMENT SYSTEM, continued**

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 five 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% of the average monthly salary for the highest consecutive 42 months.

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014, the required contribution rate as a percentage of covered payroll for members was increased to 6.79% from 6.23% in July of 2013. The employer rate as a percentage of covered payroll was increased to 11.32% from 10.39% in July of 2013. The District's contributions required and paid were \$879,529, \$821,319, and \$794,106 for the three years ended June 30, 2014, 2013, and 2012, respectively.

### **NOTE M POST RETIREMENT BENEFITS**

The District funds post-retirement benefits on a current basis through PERSI. The District paid 1.16% of the wages covered by PERSI to the state for the 2013-2014 school year. At the time of retirement, a sum equal to one-half of the monetary value of unused sick leave, calculated at the rate of pay at that time, is transferred from the sick leave account to the employee's retirement account. This money shall then be used to pay premiums for health, accident, dental, and life insurance.

### **NOTE N EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED IN THE MAJOR FUNDS**

Actual expenditures for the fiscal year ended June 30, 2014, exceeded the budgeted expenditures in the General Fund.

### **NOTE O SUBSEQUENT EVENTS**

Management of the District evaluated subsequent events through October 15, 2014, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the District, that are required to be disclosed.

## **REQUIRED FINANCIAL INFORMATION**

## Shelley Joint School District #60

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2014*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	432,000	413,703	(18,297)
Penalties and interest on delinquent taxes	1,600	3,072	1,472
Earnings on investments	7,500	8,224	724
Other local	99,500	120,842	21,342
State apportionment			
Base	7,405,968	7,496,668	90,700
Transportation	375,000	376,947	1,947
Benefits	1,018,645	1,031,639	12,994
Property tax replacement	18,695	24,366	5,671
Other state revenue	352,376	429,403	77,027
Total revenues	9,711,284	9,904,864	193,580
<b>EXPENDITURES</b>			
Instruction			
Elementary	2,781,505	2,828,914	(47,409)
Secondary	2,565,513	2,571,444	(5,931)
Exceptional child	782,204	778,540	3,664
Gifted and talented	75,676	74,648	1,028
Interscholastic program	180,075	188,564	(8,489)
Total instruction	6,384,973	6,442,110	(57,137)
Support services			
Attendance, guidance, and health	325,589	309,323	16,266
Special services	222,793	219,813	2,980
Educational media	145,635	154,474	(8,839)
Total support services	694,017	683,610	10,407

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2014*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>EXPENDITURES</b> , continued			
Administration			
Board of Education	48,725	47,194	1,531
District administration	480,272	511,597	(31,325)
School administration	785,891	794,487	(8,596)
	<u>1,314,888</u>	<u>1,353,278</u>	<u>(38,390)</u>
Operations			
Building care (custodial)	723,447	767,034	(43,587)
Maintenance	261,929	270,973	(9,044)
Security	5,641	4,889	752
	<u>991,017</u>	<u>1,042,896</u>	<u>(51,879)</u>
Transportation	484,199	549,560	(65,361)
Noninstructional	0	11,098	(11,098)
	<u>9,869,094</u>	<u>10,082,552</u>	<u>(213,458)</u>
Revenues over (under) expenditures	(157,810)	(177,688)	(19,878)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	(146,807)	(94,336)	52,471
Revenues and other financing sources over (under) expenditures	<u>(304,617)</u>	<u>(272,024)</u>	<u>32,593</u>
Fund balance - July 1, 2013		<u>872,177</u>	
Fund balance - June 30, 2014		<u><u>600,153</u></u>	

The accompanying notes are an integral part of these statements.

## Shelley Joint School District #60

Debt Service Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2014*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	780,000	752,151	(27,849)
Penalties and interest on delinquent taxes	6,000	4,695	(1,305)
Property tax replacement		9,954	9,954
Other state revenue	320,000	315,357	(4,643)
Total revenues	1,106,000	1,082,157	(23,843)
<b>EXPENDITURES</b>			
Debt service	1,106,000	1,092,200	13,800
Total expenditures	1,106,000	1,092,200	13,800
Revenues and other financing sources over (under) expenditures	0	(10,043)	(10,043)
Fund balance - July 1, 2013		1,461,425	
Fund balance - June 30, 2014		1,451,382	

The accompanying notes are an integral part of these statements.



# Shelley Joint School District #60

Capital Projects Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2014*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	390,000	383,469	(6,531)
Penalties and interest on delinquent taxes	900	2,505	1,605
Property tax replacement		5,109	5,109
Other local revenue	8,000	17,833	9,833
Total revenues	398,900	408,916	10,016
<b>EXPENDITURES</b>			
Facility acquisition	471,707	446,306	25,401
Total expenditures	471,707	446,306	25,401
Revenues over (under) expenditures	(72,807)	(37,390)	35,417
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	72,807	73,609	802
Revenues and other financing sources over (under) expenditures	0	36,219	36,219
Fund balance - July 1, 2013		135,880	
Fund balance - June 30, 2014		172,099	

The accompanying notes are an integral part of these statements.

## Shelley Joint School District #60

Required Supplementary Information  
*Fiscal Year Ended June 30, 2014*

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### General Employees' Other Postemployment Benefits Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Projected Unit ( b )	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [(b - a) / c]
6/30/2012	-	1,818,365	1,818,365	-	7,678,676	23.68%
6/30/2013	-	667,624	667,624	-	7,899,175	8.45%
6/30/2014	-	679,778	679,778	-	7,667,308	8.87%

## **Shelley Joint School District #60**

### **Notes to Required Supplementary Information** *For the Year Ended June 30, 2014*

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#### **NOTE A     BUDGET ADOPTION**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year end.

#### **NOTE B     EXCESS OF ACTUAL EXPENDITURES OVER BUDGET**

Actual expenditures exceeded budget for the General Fund. This is primarily due to revenues exceeding the budgeted amounts, which allowed for an increase in expenses including bus repairs and extracurricular stipends.

## **OTHER FINANCIAL INFORMATION**

Shelley Joint School District #60

All Nonmajor Funds  
Combining Balance Sheet  
June 30, 2014

	Federal Forest	Driver's Education	Common Core	Professional Technical	State Technology	Title I	Migrant Education	IDEA School Age	IDEA Preschool	Carl Perkins	Title III Language Acquisition	Title II - A Teacher Quality	Child Nutrition	Medicaid	Building Maintenance	All Nonmajor Funds
<b>ASSETS</b>																
Cash	7,764	14,508	15,000		64,797								202,185		251,049	555,303
Receivables																
Federal grants						65,342	14,229	87,975	10,718	19,763	1,072	36,023	20,054			255,176
State agencies		6,001		13,189										95,639		114,829
Total assets	7,764	20,509	15,000	13,189	64,797	65,342	14,229	87,975	10,718	19,763	1,072	36,023	222,239	95,639	251,049	925,308
<b>LIABILITIES</b>																
Accounts payable		705		49	1,911								1,269			3,934
Accrued wages		5,222				24,694	2,186	41,040	3,193	83		364	37,372	27,342		141,496
Accrued employee benefits		1,006				7,914	1,386	16,494	730	16		69	17,254	10,778		55,646
Interfund payable				10,180		32,734	10,657	30,441	6,795	19,664	1,072	35,199		40,292		187,034
Total liabilities	0	6,933	0	10,229	1,911	65,342	14,229	87,975	10,718	19,763	1,072	35,632	55,895	78,412	0	388,110
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>FUND EQUITY</b>																
Restricted		13,576	15,000	2,960	62,886							391	166,344	17,227	251,049	529,434
Unassigned	7,764															7,764
Total fund equity	7,764	13,576	15,000	2,960	62,886	0	0	0	0	0	0	391	166,344	17,227	251,049	537,198
Total liabilities and fund equity	7,764	20,509	15,000	13,189	64,797	65,342	14,229	87,975	10,718	19,763	1,072	36,023	222,239	95,639	251,049	925,308

# Shelley Joint School District #60

All Nonmajor Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Fiscal Year Ended June 30, 2014

	Federal Forest	Driver's Education	Common Core	Professional Technical	State Technology	Title I	Migrant Education	IDEA School Age	IDEA Preschool	Carl Perkins	Title III Language Acquisition	Title II - A Teacher Quality	Child Nutrition	Medicaid	Building Maintenance	All Nonmajor Funds
<b>REVENUES</b>																
Other local		21,720			506							391				22,617
Other state revenue		16,459		44,071	73,570									247,511	59,455	441,066
Earnings on investments													41			41
Food service													177,503			177,503
Federal grants and assistance	1,009					216,887	53,866	424,507	23,648	22,884	3,376	90,804	535,098			1,372,079
Total revenues	1,009	38,179	0	44,071	74,076	216,887	53,866	424,507	23,648	22,884	3,376	91,195	712,642	247,511	59,455	2,013,306
<b>EXPENDITURES</b>																
Instruction																
Elementary					971	177,489	53,866				3,376	49,676		68,582		353,960
Secondary				44,121	67,256	39,398				22,884		38,187		159,423		371,269
Exceptional child								351,412								351,412
Preschool									7,560							7,560
Driver's education		31,976														31,976
Support services																
Special services					96			59,824	16,088					2,279		78,287
Instructional improvement								13,271								13,271
School administration												2,941				2,941
Maintenance					137											137
Noninstructional													757,139			757,139
Facility acquisition															58,516	58,516
Total expenditures	0	31,976	0	44,121	68,460	216,887	53,866	424,507	23,648	22,884	3,376	90,804	757,139	230,284	58,516	2,026,468
Revenues over (under) expenditures	1,009	6,203		(50)	5,616							391	(44,497)	17,227	939	(13,162)
<b>OTHER FINANCING SOURCES (USES)</b>																
Net transfers													20,727			20,727
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0	0	0	20,727	0	0	20,727
Revenues and other financing sources over (under) expenditures	1,009	6,203		(50)	5,616							391	(23,770)	17,227	939	7,565
Fund balance - July 1, 2013	6,755	7,373	15,000	3,010	57,270	0	0	0	0	0	0	0	190,114	0	250,110	529,633
Fund balance - June 30, 2014	7,764	13,576	15,000	2,960	62,886	0	0	0	0	0	0	391	166,344	17,227	251,049	537,198

# Shelley Joint School District #60

All Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
*Fiscal Year Ended June 30, 2014*

	Balance July 1, 2013	Receipts	Disbursements	Balance June 30, 2014
<b>ASSETS</b>				
Cash				
Shelley High School	144,135	556,511	550,854	149,792
Donald J. Hobbs Middle School	50,653	69,402	81,645	38,410
Riverview Elementary School	4,403	21,476	21,305	4,574
Sunrise Elementary School	3,638	26,405	24,149	5,894
Stuart Elementary School	18,776	24,924	23,684	20,016
Total assets	<u>221,605</u>	<u>698,718</u>	<u>701,637</u>	<u>218,686</u>
<b>LIABILITIES</b>				
Due to student groups				
Shelley High School	144,135	556,511	550,854	149,792
Donald J. Hobbs Middle School	50,653	69,402	81,645	38,410
Riverview Elementary School	4,403	21,476	21,305	4,574
Sunrise Elementary School	3,638	26,405	24,149	5,894
Stuart Elementary School	18,776	24,924	23,684	20,016
Total liabilities	<u>221,605</u>	<u>698,718</u>	<u>701,637</u>	<u>218,686</u>

## Shelley Joint School District #60

Taxes Receivable  
*Fiscal Year Ended June 30, 2014*

	General Fund		
	Total	2013	2012 and Prior
Delinquent balance at July 1, 2013	17,868		17,868
<b>ADDITIONS</b>			
Roll charges applicable to 2014	429,814	429,814	
Subsequent additions and cancellations	(6,106)	(2,688)	(3,418)
Total additions	423,708	427,126	(3,418)
<b>DEDUCTIONS</b>			
Collections received	276,444	267,520	8,924
Current amount due on taxes collected by the counties	150,195	149,494	701
Total deductions	426,639	417,014	9,625
Delinquent balance at June 30, 2014	14,937	10,112	4,825



# Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2014

Debt Service Fund			Capital Projects Fund		
Total	2013	2012 and Prior	Total	2013	2012 and Prior
22,120		22,120	13,937		13,937
754,408	754,408		387,131	387,131	
(8,740)	(4,717)	(4,023)	(5,216)	(2,421)	(2,795)
745,668	749,691	(4,023)	381,915	384,710	(2,795)
482,188	469,550	12,638	248,253	240,953	7,300
263,192	262,392	800	135,217	134,649	568
745,380	731,942	13,438	383,470	375,602	7,868
22,408	17,749	4,659	12,383	9,108	3,274

Single Audit Section

**Shelley Joint School District #60**

*June 30, 2014*



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1220 Whitewater Drive, Idaho Falls, ID 83402  
P.O. Box 50699, Idaho Falls, ID 83405

Phone (208) 523-5953  
Fax (208) 523-8995

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Shelley Joint School District #60's basic financial statements, and have issued our report thereon dated October 15, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shelley Joint School District #60's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelley Joint School District #60's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelley Joint School District #60's internal control.

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

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

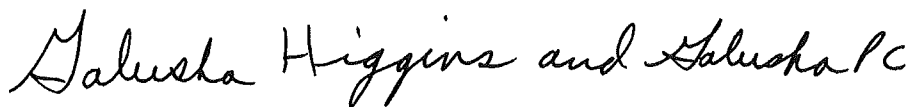
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shelley Joint School District #60'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*.

#### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Galusha Higgins and Galusha PC".

GALUSHA, HIGGINS & GALUSHA, P.C.  
Certified Public Accountants

Idaho Falls, Idaho  
October 15, 2014



GALUSHA  
HIGGINS  
& GALUSHA PC  
EST. 1919

A PROFESSIONAL CORPORATION OF  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

1220 Whitewater Drive, Idaho Falls, ID 83402  
P.O. Box 50699, Idaho Falls, ID 83405

Phone (208) 523-5953  
Fax (208) 523-8995

[www.ghg-cpa.com](http://www.ghg-cpa.com)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Shelley Joint School District #60  
Shelley, Idaho

***Report on Compliance for Each Major Federal Program***

We have audited Shelley Joint School District #60's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on Shelley Joint School District #60's major federal program for the year ended June 30, 2014. Shelley Joint School District #60's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Shelley Joint School District #60's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Shelley Joint School District #60's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shelley Joint School District #60's compliance.

***Basis for Qualified Opinion on Special Education Cluster (Title VI- B)***

As described in the accompanying schedule of findings and questioned costs, Shelley Joint School District #60 did not comply with requirements regarding CFDA 84.027 Special Education Cluster as described in finding 2014-1 for Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for Shelley School District #60 to comply with the requirements applicable to that program.

### ***Qualified Opinion on Each Major Federal Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Shelley Joint School District #60 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program (Special Education Cluster) for the year ended June 30, 2014.

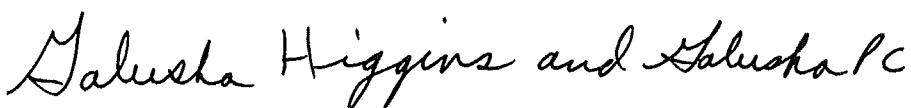
### ***Report on Internal Control over Compliance***

Management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shelley Joint School District #60's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelley Joint School District #60'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 requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.



GALUSHA, HIGGINS & GALUSHA, P.C.  
Certified Public Accountants

Idaho Falls, Idaho  
October 15, 2014

# Shelley Joint School District #60

## Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2014

### SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major programs:

- Material weakness (es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Number(s)

84.027/84.173

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$   300,000  

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# **Shelley Joint School District #60**

## **Schedule of Findings and Questioned Costs** *Fiscal Year Ended June 30, 2014*

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### **SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS**

None

### **SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

Finding 2014-1 CFDA #84.027 Special Education Cluster - Matching, Level of Effort, and Earmarking

The District did not spend enough in the general fund related to exceptional child to achieve maintenance of effort as required by Title VI-B (84.027).

*Criteria:* The District is required to spend as much per child out of the general fund for exceptional child or special services out of the general fund to demonstrate the District is not using federal funds to replace state or local funding. (Maintenance of Effort).

*Condition:* The District did not fill a position in the general fund in the 2013-2014 fiscal, resulting in a decrease in the expenditures for exceptional child or special services in the general fund.

*Effect or Potential Effect:* The District spent \$13,699 less in the current year out of the general fund, after adjustment for transportation and an allowable reduction than what was spent in the prior year on the same number of children. The average spent per pupil decreased as a result.

*Cause:* The District elected to not replace an employee which reduced the expenditures in the general fund more than what was anticipated and has already requested reimbursement from Title VI-B for the other potentially eligible expenditures.

*Recommendation:* Management and the board should consider a review of the current procedures and instituting a procedure that eliminates the ability to issue disbursements without prior approval of an authorized individual.

*Views of Responsible Officials and Planned Corrective Actions:*

The District agrees with the finding and will repay the amount that it is under expended in the general fund to the Idaho State Department of Education out of the general fund in the 2014-2015 fiscal year.



# Shelley Joint School District #60

## Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2014

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<b>United States Department of Agriculture</b>			
Passed through State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	2014IN109947	96,001
National School Lunch Program	10.555	2014IN109947	416,379
Special Milk Program for Children	10.556	2014IN109947	3,598
Summer Food Service Program for Children	10.559	2013IN109947	20,119
Total Child Nutrition Cluster			<u>536,097</u>
Total United States Department of Agriculture			<u>536,097</u>
<b>United States Department of Education</b>			
Passed through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A130012	216,887
Migrant Education - Basic State Grant Program	84.011	S011A130012	53,866
English Language Acquisition	84.365	S365A120012	3,376
Improving Teacher Quality	84.367	S367A130011	90,804
College Access Challenge Grant	84.378	R372A120037	200
Subtotal			<u>365,133</u>
Special Education Cluster			
Special Education - School-age	84.027	H027A130088	424,507
Special Education - Preschool	84.173	H173A130030	23,648
Total Special Education Cluster			<u>448,155</u>
Total Passed through State Department of Education			<u>813,288</u>
Passed through Eastern Idaho Tech Prep Consortium			
Vocational Education – Basic Grants to States	84.048A		<u>22,884</u>
Total United States Department of Education			<u>836,172</u>
Total Expenditures of Federal Awards			<u><u>1,372,269</u></u>

# **Shelley Joint School District #60**

## **Notes to Schedule of Expenditures of Federal Awards** *Fiscal Year Ended June 30, 2014*

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### **NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

### **NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as described in Note A to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### **NOTE C NONMONETARY TRANSACTIONS**

Nonmonetary assistance is reported for the Food Distribution Program at fair market value of commodities received which is established by the State Department of Education. The District held an undetermined amount of those commodities in inventory at June 30, 2014.

## **Shelley Joint School District #60**

Summary Schedule of Prior Audit Findings  
*Fiscal Year Ended June 30, 2014*

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**Audit Finding Reference:** None

**Status of Prior Audit Finding:** None