

Report of Audit

Shelley Joint School District #60

Shelley, Idaho

June 30, 2013

Shelley Joint School District #60

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June 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 State 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.

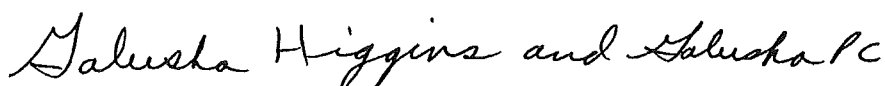
Other Information

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 16, 2013, 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 16, 2013

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2013*

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, 2013. 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 2013 are as follows:

In total, net position decreased \$673,886 which represents a 7.03 percent decrease from 2012.

General revenues accounted for \$10,179,601 in revenue, or 75.6 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 \$3,288,472 or 24.4 percent of total revenues of \$13,468,073.

Total assets of governmental activities decreased by \$1,283,099 as cash and cash equivalents decreased by \$527,622, receivables increased by \$185,931, and capital assets decreased by \$910,987.

The District had \$14,141,959 in expenses; only \$3,288,472 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and state aid) of \$10,179,601 in addition to the use of net position, were adequate to provide for these programs.

Among major funds, the General Fund had \$10,176,421 in revenues and \$10,019,125 in expenditures. The General Fund's balance increased \$36,053 over 2012.

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, 2013*

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 2013?" 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, 2013*

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 2013 compared to 2012:

	<u>2013</u>	<u>2012</u> As restated
Assets		
Current and other assets	4,515,447	4,887,559
Capital assets	18,501,356	19,412,343
Total assets	23,016,803	24,299,902
Liabilities		
Long-term liabilities	12,471,385	13,338,133
Other liabilities	1,627,987	1,370,452
Total liabilities	14,099,372	14,708,585
Net position		
Invested in capital assets, net of debt	6,086,356	6,487,343
Restricted	2,162,571	2,499,626
Unrestricted	668,504	609,348
Total net position	8,917,431	9,591,317

Total assets of governmental activities decreased by \$1,283,099 as cash and cash equivalents decreased by \$527,622, receivables increased by \$185,931, and capital assets decreased by \$910,987. 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 increased by \$59,156.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2013

The following table shows the changes in net position for fiscal year 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	312,663	251,290
Operating grants and contributions	2,975,809	2,686,439
General revenues		
Property taxes	1,432,601	1,402,951
State aid	8,711,005	8,107,529
Other	35,995	54,935
Total revenues	<u>13,468,073</u>	<u>12,503,144</u>
Program Expenses		
Instruction	8,781,381	8,606,685
Support services	739,006	728,580
Administrative	1,303,176	1,364,977
Operations	961,145	998,598
Transportation	583,480	515,721
Noninstructional	724,147	741,354
Interest and fiscal charges	542,254	567,679
Capital improvements	507,370	340,517
Total expenses	<u>14,141,959</u>	<u>13,864,111</u>
Increase (decrease) in net position	<u>(673,886)</u>	<u>(1,360,967)</u>

GOVERNMENTAL ACTIVITIES

State aid of \$10,322,352 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 76.6 percent of revenues from governmental activities. Federal grants and assistance of \$1,364,398 makes up 10.1 percent of total revenues from governmental activities. Property taxes of \$1,432,601 make up 10.6 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 87.5 percent of district expenses.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2013

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 2013	Net cost of services 2013
Instruction	8,781,381	7,171,223
Support services	739,006	623,828
Administrative	1,303,176	1,260,253
Operations	961,145	961,145
Transportation	583,480	91,197
Noninstructional	724,147	23,841
Interest and fiscal charges	542,254	214,630
Capital improvements	507,370	507,370
Total expenses	14,141,959	10,853,487

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, 2013

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 \$13,471,136 and expenditures of \$13,762,443. The net change in fund balance for the year in the General Fund, Debt Service and the Capital Projects Fund was an increase of \$36,053, a decrease of \$281,906 and a decrease of \$55,107, respectively.

The District began FY13 with healthy balances in all major funds. Unexpected additional revenue plus an emergency levy for increased enrollment offset increased expenses over budget, resulted in a small increase in the General Fund balance at year end. All other funds ended the year in sound financial shape. Our District is in good financial shape as it adjusts personnel and practices to both educate our children and stay within financial constraints.

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 \$9,321,989.

CAPITAL ASSETS

At the end of the fiscal year 2013, the District had \$18,501,356 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	2013	2012
Land	402,635	402,635
Construction in progress		7,601
Buildings and improvements	17,401,917	18,256,862
Equipment	225,780	277,524
Vehicles	471,024	467,721
Total capital assets, net	18,501,356	19,412,343

Overall capital assets decreased \$910,987 from fiscal year 2012 to fiscal year 2013. Increases in capital assets (primarily land, equipment, and vehicles) were offset by depreciation expense for the year.

DEBT ADMINISTRATION

At June 30, 2013, the District had two general obligation bond issues. The outstanding bonds are as follows:

	Total	Due within one year
2007 Series Bond	11,615,000	150,000
2011 Series Bond	800,000	395,000
Total	12,415,000	545,000

At June 30, 2013, the District's overall legal debt margin was \$18,984,168.

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2013*

CURRENT FINANCIAL ISSUES AND CONCERNS

It appears as though the State of Idaho is beginning to recognize that instability in education funding is hurting the state in numerous ways. This could result in a movement toward gradually increasing funding, certainly good news for school districts. This good news could be tempered by the trend to attach strings and very tight controls on most funds. The District still believes that local control is important in serving the Shelley community and its students.

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.

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Shelley Joint School District #60

Statement of Net Position

June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments	3,363,254
Property taxes receivable, net	504,949
Other receivables	647,244
Capital assets, net of depreciation	18,501,356
Total assets	23,016,803
LIABILITIES	
Accounts payable	70,386
Accrued wages	1,051,727
Accrued employee benefits	338,012
Interest payable	165,159
Unavailable revenue	2,703
Premium on bonds payable	35,383
Portion due or payable within one year	
General obligation bonds	545,000
Portion due or payable after one year	
General obligation bonds	11,870,000
Other liabilities	21,002
Total liabilities	14,099,372
NET POSITION	
Invested in capital assets, net of related debt	6,086,356
Restricted for	
Capital improvements	149,818
Debt service	1,483,548
Child nutrition	190,495
Other	338,710
Unrestricted	668,504
Total net position	8,917,431

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Statement of Activities Fiscal Year Ended June 30, 2013

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	8,781,381	12,252	1,597,906		(7,171,223)
Support services	739,006		115,178		(623,828)
Administrative	1,303,176		42,923		(1,260,253)
Operations	961,145				(961,145)
Transportation	583,480	116,061	376,222		(91,197)
Noninstructional	724,147	184,350	515,956		(23,841)
Interest on long-term debt	542,254		327,624		(214,630)
Capital improvements	507,370				(507,370)
Total governmental activities	<u>14,141,959</u>	<u>312,663</u>	<u>2,975,809</u>	<u>0</u>	<u>(10,853,487)</u>
General revenues					
Taxes					
Property taxes					1,432,601
State revenue in lieu of taxes					18,695
State aid - formula grants					8,563,600
Other state revenue					128,710
Unrestricted investments earnings					10,328
Other local					25,667
Total general revenues					<u>10,179,601</u>
Change in net position					(673,886)
Net position - beginning (as restated)					<u>9,591,317</u>
Net position - ending					<u><u>8,917,431</u></u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet Governmental Funds

	General Fund	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	1,405,592	1,317,871	71,394	568,397	3,363,254
Receivables					
Taxes - current	184,524	143,557	122,943		451,024
Taxes - delinquent	17,868	22,120	13,937		53,925
State apportionment	101,422				101,422
Federal grants				442,283	442,283
State agencies	10,917			92,454	103,371
Other				167	167
Interfund receivable	371,957				371,957
Total assets	<u>2,092,280</u>	<u>1,483,548</u>	<u>208,274</u>	<u>1,103,301</u>	<u>4,887,403</u>
LIABILITIES					
Accounts payable	8,264		58,456	3,666	70,386
Accrued wages	909,380			142,347	1,051,727
Accrued employee benefits	284,588			53,424	338,012
Interfund payable				371,957	371,957
Total liabilities	<u>1,202,232</u>		<u>58,456</u>	<u>571,394</u>	<u>1,832,082</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>17,868</u>	<u>22,120</u>	<u>13,937</u>	<u>2,702</u>	<u>56,627</u>
FUND BALANCES					
Restricted for					
Debt service		1,461,428			1,461,428
Child nutrition				190,495	190,495
Other fund activities			135,881	338,710	474,591
Committed	304,617				304,617
Unassigned	<u>567,563</u>				<u>567,563</u>
Total fund balances	<u>872,180</u>	<u>1,461,428</u>	<u>135,881</u>	<u>529,205</u>	<u>2,998,694</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>2,092,280</u>	<u>1,483,548</u>	<u>208,274</u>	<u>1,103,301</u>	<u>4,887,403</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, 2013

Total fund balances - governmental funds	2,998,694
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.	
	(35,383)
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 \$33,473,449, and the accumulated depreciation is \$14,972,093.	
	18,501,356
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.	
	53,925
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	(12,415,000)
Accrued interest on the bonds	(165,159)
GASB 45/Compensated absences	(21,002)
	<u>(12,601,161)</u>
Total net position - governmental activities	<u><u>8,917,431</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, 2013

	General Fund	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	579,481	458,275	388,185		1,425,941
Penalties and interest on delinquent taxes	1,896	5,920	1,907		9,723
Earnings on investments	10,328			64	10,392
Food service				184,350	184,350
Other local	116,061		12,007	25,912	153,980
State apportionment					
Base	7,599,909				7,599,909
Transportation	376,222				376,222
Benefits	963,691				963,691
Revenue in lieu of taxes	18,695				18,695
Other state revenue	510,138	327,624		526,073	1,363,835
Federal grants and assistance				1,364,398	1,364,398
Total revenues	<u>10,176,421</u>	<u>791,819</u>	<u>402,099</u>	<u>2,100,797</u>	<u>13,471,136</u>
EXPENDITURES					
Current					
Instruction	6,595,187			1,268,736	7,863,923
Support services	659,335			79,671	739,006
Administration	1,303,176				1,303,176
Operations	961,044				961,044
Transportation	500,383				500,383
Noninstructional				724,147	724,147
Debt service		1,073,725			1,073,725
Facility acquisition			530,013	67,026	597,039
Total expenditures	<u>10,019,125</u>	<u>1,073,725</u>	<u>530,013</u>	<u>2,139,580</u>	<u>13,762,443</u>
Revenues over (under) expenditures	<u>157,296</u>	<u>(281,906)</u>	<u>(127,914)</u>	<u>(38,783)</u>	<u>(291,307)</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, 2013*

	General Fund	Debt Service	Capital Projects	All Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Operating transfers, net	(121,243)		72,807	48,436	0
Total other financing sources (uses)	(121,243)	0	72,807	48,436	0
Revenues and other financing sources over (under) expenditures	36,053	(281,906)	(55,107)	9,653	(291,307)
Fund balance - July 1, 2012	836,127	1,743,334	190,988	519,552	3,290,001
Fund balance - June 30, 2013	872,180	1,461,428	135,881	529,205	2,998,694

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, 2013*

Total net change in fund balances - governmental funds:	(291,307)
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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, \$1,000,656, exceeds capital outlays, \$89,669, in the period.	(910,987)
--	-----------

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	510,000
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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.	(3,063)
--	---------

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
---	--------

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 increase in accrued interest on bonds of \$3,779.	<u>3,779</u>
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Change in net position of governmental activities	<u><u>(673,886)</u></u>
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The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Fiduciary Fund Statement of Fiduciary Net Position *June 30, 2013*

	Agency Funds
ASSETS	
Cash	<u>221,605</u>
Total assets	<u>221,605</u>
LIABILITIES	
Due to student groups	<u>221,605</u>
Total liabilities	<u>221,605</u>
NET POSITION	<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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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 two sources: property taxes and special assessments. 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, 2013

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, 2013, the carrying amount of the District's deposits was \$2,804,330 and the bank balance was as follows:

Insured by Federal Depository Insurance	480,715
Uninsured and uncollateralized	3,337,393
Total	<u>3,818,108</u>

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

NOTE B CASH AND INVESTMENTS, continued

At June 30, 2013, the cost and fair market value of the District's investments were as follows:

	Cost	Fair Market Value
Zion's Bank Liquid Asset Management	560,863	559,125
Total investments	560,863	559,125

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, 2013, \$0 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$559,125 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, 2013. 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.

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 \$21,163 to the Child Nutrition Fund as required by state law. The District also transferred \$72,807 from the General Fund to the Capital Projects Fund as required for depreciation.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

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, 2013, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2013, were as follows:

	Receivable	Payable
General Fund	371,957	
Nonmajor Funds		371,957
Total	371,957	371,957

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 \$57,928 in USDA Commodities during the 2012-2013 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, 2013

NOTE F CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2013:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets, not being depreciated				
Land				
Elementary	52,635			52,635
Secondary	350,000			350,000
Construction in progress	7,601		(7,601)	0
Total capital assets, not being depreciated	<u>410,236</u>		<u>(7,601)</u>	<u>402,635</u>
Capital assets, being depreciated				
Buildings				
Elementary	20,807,667			20,807,667
Secondary	9,218,012	10,870		9,228,882
Administration	454,840			454,840
Total buildings	<u>30,480,519</u>	<u>10,870</u>		<u>30,491,389</u>
Equipment				
Elementary	618,024			618,024
Secondary	249,880			249,880
Administration	124,320			124,320
Total equipment	<u>992,224</u>			<u>992,224</u>
Vehicles	<u>1,561,539</u>	<u>86,400</u>	<u>(60,738)</u>	<u>1,587,201</u>
Total capital assets, being depreciated	<u>33,034,282</u>	<u>97,270</u>		<u>33,070,814</u>
Less accumulated depreciation for:				
Buildings	(12,223,657)	(865,815)		(13,089,472)
Equipment	(714,700)	(51,744)		(766,444)
Vehicles	(1,093,818)	(83,097)	60,738	(1,116,177)
Total accumulated depreciation	<u>(14,032,175)</u>	<u>(1,000,656)</u>	<u>60,738</u>	<u>(14,972,093)</u>
Total capital assets being depreciated, net	<u>19,002,107</u>	<u>(910,987)</u>	<u>0</u>	<u>18,098,721</u>
Governmental activities capital assets, net	<u>19,412,343</u>	<u>(910,987)</u>	<u>(7,601)</u>	<u>18,501,356</u>

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

Governmental activities	
Instruction	917,458
Operations	101
Transportation	<u>83,097</u>
Total depreciation expense – governmental activities	<u>1,000,656</u>

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

NOTE G 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 H NONMONETARY TRANSACTIONS

The District received \$57,928 in USDA Commodities during the 2012-2013 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.

NOTE I PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period of September 1, 2012, through May 31, 2013, to be paid over the twelve months of September 1, 2012, through August 31, 2013. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

NOTE J 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:

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2014	1,092,325	547,325	545,000
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
2019-2023	5,791,294	1,706,294	4,085,000
2024-2028	5,778,744	613,744	5,165,000
Total	<u>17,260,995</u>	<u>4,845,995</u>	<u>12,415,000</u>

Shelley Joint School District #60

Notes to Financial Statements June 30, 2013

NOTE J GENERAL OBLIGATION BOND ISSUES, continued

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	11,745,000	1,180,000	12,925,000
Bonds retired	130,000	380,000	510,000
Balances at June 30, 2013	11,615,000	800,000	12,415,000
Interest to be provided			
Balances at July 1, 2012	5,371,119	37,800	5,408,919
Interest paid	541,224	21,700	562,924
Balances at June 30, 2013	4,829,895	16,100	4,845,995

NOTE K 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, 2013, the limit for the District was \$29,937,739. The Debt Service Fund had \$1,461,429 available and general obligation debt of \$12,415,000 leaving a legal debt margin of \$18,984,168.

NOTE L LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013
Bonds payable	12,925,000		510,000	12,415,000
Employee benefits	21,002			21,002
Total	12,946,002	0	510,000	12,436,002

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

NOTE M 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.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

NOTE M RETIREMENT HEALTHCARE PLAN, continued

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 2013 the District contributed approximately \$63,860 of the annual required contribution of \$75,383. 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 2013 were as follows:

<u>Medical with Vision Coverage</u>	<u>\$1,250 Deductible</u>	<u>\$3,000 Deductible (Catastrophe)</u>
Single	\$ 431.70	\$ 334.95
No Spouse W/Child	\$ 663.70	\$ 514.65
No Spouse W/Children	\$ 778.00	\$ 604.90
W/Spouse	\$ 943.30	\$ 730.45
W/Spouse + Children	\$ 1,100.05	\$ 853.35
<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	\$ 1.60	\$ 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.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

NOTE M RETIREMENT HEALTHCARE PLAN, continued

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	75,383
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	75,383
Contributions made	(63,860)
Increase in net OPEB obligation	11,523
Net OPEB obligation – beginning of year	0
Net OPEB obligation - end of year	11,523

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.

Fiscal Year Ending	Annual OPEB Expenses (AOE)	Estimated Contribution as a Percentage of AOE*	Net OPEB Obligation at End of Year**
June 30, 2011	153,099	40%	255,889
June 30, 2012	161,318	43%	348,103
June 30, 2013	75,383	85%	11,523

*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.

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 \$7,899,175 and the ratio of the UAAL to the covered payroll was 8.5%.

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.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

NOTE M RETIREMENT HEALTHCARE PLAN, continued

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 N EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN THE INDIVIDUAL FUNDS

Actual expenditures exceeded budget for the General and Capital Projects. Excesses in the General Fund are due to increased expenditures as a result of increased revenue for performance pay. Excesses in the Capital Projects Fund are due to increased maintenance not being budgeted for this fiscal year.

NOTE O 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.

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.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2013

NOTE O RETIREMENT SYSTEM, continued

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, 2013, the required contribution rate as a percentage of covered payroll for members was 6.23%. The employer rate as a percentage of covered payroll was 10.39%. The District's contributions required and paid were \$821,319, \$794,106, and \$810,175 for the three years ended June 30, 2013, 2012, and 2011, respectively.

NOTE P 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 2012-2013 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 Q RESTATEMENT OF NET POSITION AND FUND BALANCE

In accordance with early adoption of GASB 65 the District has made an adjustment to the beginning net position within the government wide financial statements to reflect the outstanding value of unamortized bond issue costs associated with the debt issuance of the 2007 and 2011 series bonds. The adjustment to the beginning balance is a decrease in net position of \$30,421.

The District has made an adjustment to the beginning net position within the government wide financial statements to reflect the outstanding amount of compensated absences due to employees. The adjustment to the beginning balance is an increase in net position of \$339,056.

The District made an adjustment to the beginning general fund balance within the fund financial statements to reduce a federal receivable for funds that have been deemed uncollectable. The adjustment to the beginning balance is also a decrease in net position of \$5,300.

In addition GASB 63 requires the classification of unavailable revenues or expenses as deferred inflows or deferred outflows respectively. Accordingly, the District has classified unavailable property taxes as a deferred inflow for financial statement purposes.

NOTE R SUBSEQUENT EVENTS

Management of the District evaluated subsequent events through October 16, 2013, 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, 2013

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	432,000	579,481	147,481
Penalties and interest on delinquent taxes	1,500	1,896	396
Earnings on investments	10,000	10,328	328
Other local	53,500	116,061	62,561
State apportionment			
Base	7,302,282	7,599,909	297,627
Transportation	357,000	376,222	19,222
Benefits	953,801	963,691	9,890
Revenue in lieu of taxes	18,695	18,695	0
Other state revenue	193,211	510,138	316,927
	<u>9,321,989</u>	<u>10,176,421</u>	<u>854,432</u>
Total revenues			
	<u>9,321,989</u>	<u>10,176,421</u>	<u>854,432</u>
EXPENDITURES			
Instruction			
Elementary	2,639,202	2,842,923	(203,721)
Secondary	2,547,514	2,666,682	(119,168)
Exceptional child	824,529	839,706	(15,177)
Gifted and talented	73,359	74,942	(1,583)
Interscholastic program	171,886	170,934	952
	<u>6,256,490</u>	<u>6,595,187</u>	<u>(338,697)</u>
Total instruction			
	<u>6,256,490</u>	<u>6,595,187</u>	<u>(338,697)</u>
Support services			
Attendance, guidance, and health	275,629	289,108	(13,479)
Special services	226,115	226,405	(290)
Educational media	140,387	143,822	(3,435)
	<u>642,131</u>	<u>659,335</u>	<u>(17,204)</u>
Total support services			
	<u>642,131</u>	<u>659,335</u>	<u>(17,204)</u>

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, 2013

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
EXPENDITURES , continued			
Administration			
Board of Education	44,325	51,730	(7,405)
District administration	452,266	460,711	(8,445)
School administration	785,319	790,735	(5,416)
Total administration	1,281,910	1,303,176	(21,266)
Operations			
Building care (custodial)	716,785	662,665	54,120
Maintenance	247,508	292,793	(45,285)
Security	6,622	5,586	1,036
Total operations	970,915	961,044	9,871
Transportation	489,665	500,383	(10,718)
Total expenditures	9,641,111	10,019,125	(378,014)
Revenues over (under) expenditures	(319,122)	157,296	476,418
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	(92,452)	(121,243)	(28,791)
Revenues and other financing sources over (under) expenditures	(411,574)	36,053	447,627
Fund balance - July 1, 2012		836,127	
Fund balance - June 30, 2013		872,180	

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, 2013

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	753,000	458,275	(294,725)
Penalties and interest on delinquent taxes	6,000	5,920	(80)
Other state revenue	320,000	327,624	7,624
Total revenues	1,079,000	791,819	(287,181)
EXPENDITURES			
Debt service	1,078,500	1,073,725	4,775
Total expenditures	1,078,500	1,073,725	4,775
Revenues and other financing sources over (under) expenditures	500	(281,906)	(282,406)
Fund balance - July 1, 2012		1,743,334	
Fund balance - June 30, 2013		1,461,428	

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, 2013

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	390,000	388,185	(1,815)
Penalties and interest on delinquent taxes	1,000	1,907	907
Other local revenue		12,007	12,007
Total revenues	391,000	402,099	11,099
EXPENDITURES			
Facility acquisition	462,852	530,013	(67,161)
Total expenditures	462,852	530,013	(67,161)
Revenues over (under) expenditures	(71,852)	(127,914)	(56,062)
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	71,852	72,807	955
Revenues and other financing sources over (under) expenditures	0	(55,107)	(55,107)
Fund balance - July 1, 2012		190,988	
Fund balance - June 30, 2013		135,881	

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Required Supplementary Information
Fiscal Year Ended June 30, 2012

General Employees' Other Postemployment Benefits Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c]
6/30/2011	-	1,724,177	1,724,177	-	7,926,183	21.75%
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%

Shelley Joint School District #60

Notes to Required Supplementary Information *For the Year Ended June 30, 2012*

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.

OTHER FINANCIAL INFORMATION

Shelley Joint School District #60

All Nonmajor Funds
Combining Balance Sheet
June 30, 2013

	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	Drug Free Schools Grant	Child Nutrition	Medicaid	Building Maintenance	All Nonmajor Funds
ASSETS																	
Cash	6,755	9,301	15,000		58,287		(50)				50		2,702	227,051		249,301	568,397
Receivables																	
Federal grants						186,950	34,771	81,975	14,465	15,244	14,901	77,824		16,153			442,283
State agencies		2,000		11,453											79,001		92,454
Other														167			167
Total assets	<u>6,755</u>	<u>11,301</u>	<u>15,000</u>	<u>11,453</u>	<u>58,287</u>	<u>186,950</u>	<u>34,721</u>	<u>81,975</u>	<u>14,465</u>	<u>15,244</u>	<u>14,951</u>	<u>77,824</u>	<u>2,702</u>	<u>243,371</u>	<u>79,001</u>	<u>249,301</u>	<u>1,103,301</u>
LIABILITIES																	
Accounts payable		430		46	1,015		588	233						1,032	322		3,666
Accrued wages		2,941				22,114	3,673	37,930	4,975		1,683			36,455	32,576		142,347
Accrued employee benefits		557				8,494	1,459	12,211	870		199			15,389	14,245		53,424
Interfund payable				8,398		156,342	29,001	31,601	8,620	15,244	13,069	77,824			31,858		371,957
Total liabilities	<u>0</u>	<u>3,928</u>	<u>0</u>	<u>8,444</u>	<u>1,015</u>	<u>186,950</u>	<u>34,721</u>	<u>81,975</u>	<u>14,465</u>	<u>15,244</u>	<u>14,951</u>	<u>77,824</u>	<u>0</u>	<u>52,876</u>	<u>79,001</u>	<u>0</u>	<u>571,394</u>
DEFERRED INFLOWS OF RESOURCES																	
Unavailable revenue	<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,702</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,702</u>
FUND EQUITY																	
Restricted	<u>6,755</u>	<u>7,373</u>	<u>15,000</u>	<u>3,009</u>	<u>57,272</u>									<u>190,495</u>		<u>249,301</u>	<u>529,205</u>
Total fund equity	<u>6,755</u>	<u>7,373</u>	<u>15,000</u>	<u>3,009</u>	<u>57,272</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>190,495</u>	<u>0</u>	<u>249,301</u>	<u>529,205</u>
Total liabilities and fund equity	<u>6,755</u>	<u>11,301</u>	<u>15,000</u>	<u>11,453</u>	<u>58,287</u>	<u>186,950</u>	<u>34,721</u>	<u>81,975</u>	<u>14,465</u>	<u>15,244</u>	<u>14,951</u>	<u>77,824</u>	<u>2,702</u>	<u>243,371</u>	<u>79,001</u>	<u>249,301</u>	<u>1,103,301</u>

Shelley Joint School District #60

All Nonmajor Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2013

	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
EVENUES																
Other local		19,690			6,222											25,912
Other state revenue		18,054	15,000	42,911	75,057									375,051		526,073
Earnings on investments													64			64
Food service													184,350			184,350
Federal grants and assistance	969					220,338	45,427	387,057	27,404	15,699	16,330	135,282	515,892			1,364,398
Total revenues	969	37,744	15,000	42,911	81,279	220,338	45,427	387,057	27,404	15,699	16,330	135,282	700,306	375,051	0	2,100,797
XPENDITURES																
Instruction																
Elementary					10,335	181,164	45,427				587	103,482		80,617		421,612
Secondary				42,911	24,982	39,174				18,365	15,743	31,800		302,594		475,569
Exceptional child								328,533								328,533
Preschool									12,716							12,716
Driver's education		30,306														30,306
Support services																
Special services								58,053	14,688					6,459		79,200
Instructional improvement								471								471
Noninstructional													724,147			724,147
Facility acquisition															67,026	67,026
Total expenditures	0	30,306	0	42,911	35,317	220,338	45,427	387,057	27,404	18,365	16,330	135,282	724,147	389,670	67,026	2,139,580
evenues over (under) expenditures	969	7,438	15,000		45,962					(2,666)			(23,841)	(14,619)	(67,026)	(38,783)
OTHER FINANCING SOURCES (USES)																
Net transfers													21,163	27,273		48,436
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0	0	0	21,163	27,273	0	48,436
evenues and other financing sources																
over (under) expenditures	969	7,438	15,000		45,962					(2,666)			(2,678)	12,654	(67,026)	9,653
und balance - July 1, 2012	5,786	(65)	0	3,009	11,310	0	0	0	0	2,666	0	0	193,173	(12,654)	316,327	519,552
und balance - June 30, 2013	6,755	7,373	15,000	3,009	57,272	0	0	0	0	0	0	0	190,495	0	249,301	529,205

Shelley Joint School District #60

All Agency Funds Combining Statement of Changes in Assets and Liabilities Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Receipts	Disbursements	Balance June 30, 2013
ASSETS				
Cash				
Shelley High School	134,066	552,230	542,161	144,135
Donald J. Hobbs Middle School	47,873	78,871	76,091	50,653
Riverview Elementary School	4,020	29,201	28,818	4,403
Sunrise Elementary School	7,147	25,559	29,068	3,638
Stuart Elementary School	7,653	36,661	25,538	18,776
Total assets	200,759	722,522	701,676	221,605
LIABILITIES				
Due to student groups				
Shelley High School	134,066	552,230	542,161	144,135
Donald J. Hobbs Middle School	47,873	78,871	76,091	50,653
Riverview Elementary School	4,020	29,201	28,818	4,403
Sunrise Elementary School	7,147	25,559	29,068	3,638
Stuart Elementary School	7,653	36,661	25,538	18,776
Total liabilities	200,759	722,522	701,676	221,605

Shelley Joint School District #60

Taxes Receivable Fiscal Year Ended June 30, 2013

	General Fund		
	Total	2012	2011 and Prior
Delinquent balance at July 1, 2012	11,241		11,241
ADDITIONS			
Roll charges applicable to 2012	587,902	587,902	
Subsequent additions and cancellations	(1,571)	(1,385)	(186)
Total additions	586,331	586,517	(186)
DEDUCTIONS			
Collections received	395,181	389,387	5,794
Current amount due on taxes collected by the counties	184,523	183,366	1,157
Total deductions	579,704	572,753	6,951
Delinquent balance at June 30, 2013	17,868	13,764	4,104

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2013

Debt Service Fund			Capital Projects Fund		
Total	2012	2011 and Prior	Total	2012	2011 and Prior
32,276		32,276	13,471		13,471
449,731	449,731		389,767	389,767	
(1,613)	(1,060)	(553)	(1,116)	(918)	(198)
448,118	448,671	(553)	388,651	388,849	(198)
314,718	297,872	16,846	265,242	258,156	7,086
143,556	140,271	3,285	122,943	121,568	1,375
458,274	438,143	20,131	388,185	379,724	8,461
22,120	10,528	11,592	13,937	9,125	4,812

Single Audit Section

Shelley Joint School District #60

June 30, 2013



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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, 2013, 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 16, 2013.

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 16, 2013



GALUSHA
HIGGINS
& GALUSHA^{PC}
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND 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, 2013. 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.

Opinion on Each Major Federal Program

In our opinion, 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 for the year ended June 30, 2013.

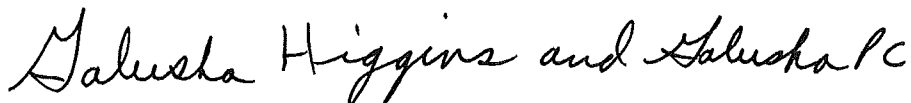
Report on Internal Control over Compliance

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 16, 2013

Shelley Joint School District #60

Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2013

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: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

10.553/10.555/10.556/10.559

Name of Federal Program or Cluster

Child Nutrition 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, 2013

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

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

None

Shelley Joint School District #60

Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2013

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
United States Department of Agriculture			
Passed through State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	2013IN109947	94,544
National School Lunch Program	10.555	2013IN109947	401,489
Special Milk Program for Children	10.556	2013IN109947	3,581
Summer Food Service Program for Children	10.559	2013IN109947	16,153
Total Child Nutrition Cluster			<u>515,767</u>
Total United States Department of Agriculture			<u>515,767</u>
United States Department of Education			
Passed through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A110012	220,338
Migrant Education - Basic State Grant Program	84.011	S011A100012	45,377
English Language Acquisition	84.365	S365A110012	16,380
Improving Teacher Quality	84.367	S367A100011	135,282
Subtotal			<u>417,377</u>
Special Education Cluster			
Special Education - School-age	84.027	H027A110088	387,057
Special Education - Preschool	84.173	H173A110030	27,404
Total Special Education Cluster			<u>414,461</u>
Total Passed through State Department of Education			<u>831,838</u>
Passed through Eastern Idaho Tech Prep Consortium			
Vocational Education – Basic Grants to States	84.048A		<u>18,365</u>
Total United States Department of Education			<u>850,203</u>
Total Expenditures of Federal Awards			<u><u>1,365,970</u></u>

Shelley Joint School District #60

Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2013*

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, 2013. 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, 2013.

Shelley Joint School District #60

Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2013

Audit Finding Reference: None

Status of Prior Audit Finding: None