

Report of Audit

**Shelley Joint School District #60**

Shelley, Idaho

*June 30, 2012*

# Shelley Joint School District #60

Contents  
June 30, 2012

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# Shelley Joint School District #60

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## **INDEPENDENT AUDITORS' REPORT**

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shelley Joint School District #60's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

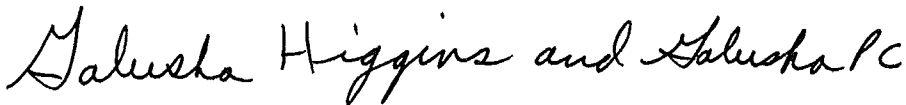
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2012, on our consideration of Shelley Joint School District #60's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and required supplementary information on pages 3 through 9 and pages 36 through 42 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 basis 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.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

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 17, 2012

# **Shelley Joint School District #60**

## **Management's Discussion and Analysis** *Fiscal Year Ended June 30, 2012*

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The discussion and analysis of Shelley Joint School District #60's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

In total, net assets decreased \$1,360,967, which represents a 12.78 percent increase from 2011.

General revenues accounted for \$9,565,415 in revenue, or 76.5 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 \$2,937,729 or 23.5 percent of total revenues of \$12,503,144.

Total assets of governmental activities decreased by \$1,916,879 as cash and cash equivalents decreased by \$1,403,591, receivables decreased by \$439,990, and capital assets decreased by \$513,288.

The District had \$13,864,111 in expenses; only \$2,937,729 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and state aid) of \$9,565,415 in addition to the use of net assets, were adequate to provide for these programs.

Among major funds, the General Fund had \$9,188,745 in revenues and \$9,593,876 in expenditures. The General Fund's balance decreased \$498,712 over 2011.

### **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 Assets 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, 2012*

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

#### **Statement of Net Assets 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 2012?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets 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, Capital Projects, and Construction 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 Assets 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, 2012*

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#### THE DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The following table provides a summary of the District's net assets for 2012 compared to 2011:

	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	<u>4,887,559</u>	6,260,760
Capital assets	<u>19,412,343</u>	19,925,631
Total assets	<u>24,299,902</u>	26,186,391
Liabilities		
Long-term liabilities	<u>13,338,133</u>	13,866,656
Other liabilities	<u>1,673,777</u>	1,670,776
Total liabilities	<u>15,011,910</u>	15,537,432
Net assets		
Invested in capital assets, net of debt	<u>6,487,343</u>	6,385,631
Restricted	<u>2,499,626</u>	2,614,490
Unrestricted	<u>301,023</u>	1,648,838
Total net assets	<u>9,287,992</u>	10,648,959

Total assets of governmental activities decreased by \$1,916,879 as cash and cash equivalents decreased by \$1,403,591, receivables decreased by \$439,990, and capital assets decreased by \$513,288. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the District decreased by \$1,347,815.



## Shelley Joint School District #60

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2012

The following table shows the changes in net assets for fiscal year 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	<b>251,290</b>	201,603
Operating grants and contributions	<b>2,686,439</b>	2,892,303
General revenues		
Property taxes	<b>1,402,951</b>	1,388,273
State aid	<b>8,107,529</b>	9,010,984
Other	<b>54,935</b>	292,741
Total revenues	<u><b>12,503,144</b></u>	<u>14,272,640</u>
Program Expenses		
Instruction	<b>8,606,685</b>	8,581,295
Support services	<b>728,580</b>	748,991
Administrative	<b>1,364,977</b>	1,338,584
Operations	<b>998,598</b>	992,841
Transportation	<b>515,721</b>	544,786
Noninstructional	<b>741,354</b>	752,650
Interest and fiscal charges	<b>567,679</b>	641,183
Capital improvements	<b>340,517</b>	53,861
Total expenses	<u><b>13,864,111</b></u>	<u>13,654,191</u>
Increase (decrease) in net assets	<u><b>(1,360,967)</b></u>	<u>131,713</u>

### GOVERNMENTAL ACTIVITIES

State aid of \$9,295,656 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 74.3 percent of revenues from governmental activities. Federal grants and assistance of \$1,495,575 makes up 11.95 percent of total revenues from governmental activities. Property taxes of \$1,402,951 make up 11.22 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 88.10 percent of district expenses.

## Shelley Joint School District #60

### Management's Discussion and Analysis *Fiscal Year Ended June 30, 2012*

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 2012	Net cost of services 2012
Instruction	8,606,685	7,206,767
Support services	728,580	655,999
Administrative	1,364,977	1,361,413
Operations	998,598	998,598
Transportation	515,721	120,695
Noninstructional	741,354	8,420
Interest and fiscal charges	567,679	233,973
Capital improvements	340,517	340,517
Total expenses	13,864,111	10,926,382

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

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.

Administrative expenses include expenses to provide general administration and executive leadership for the implementation of school policy and the supervision and management of the school organization. It also includes expenses for 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 expenses are concerned with the fiscal operations of the District. This program includes: budgeting, purchasing, financial and property accounting, payroll, internal auditing, and the prudent management of District resources.

Operations and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Noninstructional 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 involves the transactions associated with the payment of interest and other related charges to debt of the District.

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, 2012

### 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 \$12,510,940 and expenditures of \$13,867,395. The net change in fund balance for the year in the General Fund, Debt Service and the Construction Fund was a decrease of \$498,712, an increase of \$1,211,911 and a decrease of \$1,639,669, respectively.

The District began FY12 with healthy balances in all major funds. After purchasing land for future use, the construction fund balance was transferred to the debt reduction fund (as required by law) to make future bond payments. The Plant Facilities fund balance reduced by a modest amount and Food Services fund balance increased. The General Fund balance reduced by almost 38% as education funding continued its fall while the District attempted to keep salaries at a high enough level to retain experienced personnel. At year end, the 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 \$9,288,110.

### CAPITAL ASSETS

At the end of the fiscal year 2012, the District had \$19,412,343 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	2012	2011
Land	402,635	52,635
Construction in progress	7,601	
Buildings and improvements	18,256,862	19,154,790
Equipment	277,524	271,384
Vehicles	467,721	446,822
Total capital assets, net	19,412,343	19,925,631

Overall capital assets decreased \$513,288 from fiscal year 2011 to fiscal year 2012. Increases in capital assets (primarily land, equipment, and vehicles) were offset by depreciation expense for the year.

### DEBT ADMINISTRATION

At June 30, 2012, the District had two general obligation bond issues. The outstanding bonds are as follows:

	Total	Due within one year
2007 Series Bond	11,745,000	130,000
2011 Series Bond	1,180,000	380,000
Total	12,925,000	510,000

At June 30, 2012, the District's overall legal debt margin was \$18,472,516.

# **Shelley Joint School District #60**

## **Management's Discussion and Analysis**

*Fiscal Year Ended June 30, 2012*

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

Instability in state funding for schools continues as the November 2012 election holds the possibility of reversing education funding laws. Constant change makes education decisions and budgeting daunting tasks. ISEE, the new state data system, continues to have problems in processing data correctly. Relying on accurate personnel and attendance data to verify correct state funding is still an issue. Due to the inability of the State to remedy data entry problems in a timely manner, the District has not yet received \$208,619 in salary based apportionment, adversely affecting the general fund balance at year end. The FY13 budget expects to use over \$400,000 in fund balance to cover expenses. This is the last year the District can do this. Until lawmakers and all stakeholders can agree on an equitable state funding mechanism for all Idaho school districts, school funding will be a major concern.

### **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@sd60.k12.id.us](mailto:tdixon@sd60.k12.id.us).

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# Shelley Joint School District #60

## Statement of Net Assets

June 30, 2012

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	3,890,876
Property taxes receivable, net	564,799
Other receivables	401,463
Unamortized bond issue costs	30,421
Capital assets, net of depreciation	19,412,343
Total assets	24,299,902
<b>LIABILITIES</b>	
Accounts payable	101,356
Accrued wages	1,071,413
Accrued employee benefits	329,367
Interest payable	168,938
Deferred revenue	2,703
Long-term liabilities	
Premium on bonds payable	53,075
Portion due or payable within one year	
General obligation bonds	510,000
Portion due or payable after one year	
General obligation bonds	12,415,000
Other liabilities	360,058
Total liabilities	15,011,910
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,487,343
Restricted for	
Capital improvements	204,460
Debt service	1,775,614
Child nutrition	193,173
Other	326,379
Unrestricted	301,023
Total net assets	9,287,992

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Statement of Activities Fiscal Year Ended June 30, 2012

Functions / Programs	Expenses	Charges for services	Program Revenues		Net (expense) revenue and changes in net assets
			Operating grants and contributions	Capital grants and contributions	Total governmental activities
Governmental activities					
Instruction	8,606,685	16,770	1,383,148		(7,206,767)
Support services	728,580		72,581		(655,999)
Administrative	1,364,977		3,564		(1,361,413)
Operations	998,598				(998,598)
Transportation	515,721	36,640	358,386		(120,695)
Noninstructional	741,354	197,880	535,054		(8,420)
Interest on long-term debt	567,679		333,706		(233,973)
Capital improvements	340,517				(340,517)
Total governmental activities	<u>13,864,111</u>	<u>251,290</u>	<u>2,686,439</u>	<u>0</u>	<u>(10,926,382)</u>
General revenues					
Taxes					
Property taxes					1,402,951
State revenue in lieu of taxes					18,695
State aid - formula grants					8,054,074
Other state revenue					34,760
Unrestricted investments earnings					18,475
Other local					<u>36,460</u>
Total general revenues					<u>9,565,415</u>
Change in net assets					(1,360,967)
Net assets - beginning					<u>10,648,959</u>
Net assets - ending					<u><u>9,287,992</u></u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Combined Balance Sheet Governmental Funds

	<u>General Fund</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and investments	1,962,675	1,476,662
Receivables		
Taxes - current	99,840	266,676
Taxes - delinquent	11,241	32,276
State apportionment	97,957	
Federal grants		
State agencies	35,698	
Other		
Interfund receivable		
Total assets	<u>2,207,411</u>	<u>1,775,614</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	46,963	
Accrued wages	928,172	
Accrued employee benefits	277,083	
Interfund payable	102,520	
Deferred revenue	11,241	32,276
Total liabilities	<u>1,365,979</u>	<u>32,276</u>
 <b>FUND BALANCES</b>		
Nonspendable		
Restricted for		
Debt service		1,743,338
Child nutrition		
Other fund activities		
Committed	411,574	
Unassigned	429,858	
Total fund balances	<u>841,432</u>	<u>1,743,338</u>
Total liabilities and fund balances	<u>2,207,411</u>	<u>1,775,614</u>

The accompanying notes are an integral part of these statements.



# Shelley Joint School District #60

## Combined Balance Sheet Governmental Funds June 30, 2012

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental</u>
102,017		349,522	3,890,876
141,295			507,811
13,471			56,988
			97,957
		175,634	175,634
		92,007	127,705
		167	167
		226,453	226,453
<u>256,783</u>	<u>0</u>	<u>843,783</u>	<u>5,083,591</u>
52,323		2,070	101,356
		143,241	1,071,413
		52,284	329,367
		123,933	226,453
13,471		2,703	59,691
<u>65,794</u>	<u>0</u>	<u>324,231</u>	<u>1,788,280</u>
190,989		193,173	1,743,338
		326,379	193,173
			517,368
			411,574
			429,858
<u>190,989</u>	<u>0</u>	<u>519,552</u>	<u>3,295,311</u>
<u>256,783</u>	<u>0</u>	<u>843,783</u>	<u>5,083,591</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 Assets June 30, 2012

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Total fund balances - governmental funds	3,295,311
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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.	(53,075)
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Bond issue costs are reported as an expenditure in the governmental fund financial statements, but are reported as a deferred charge account in the government-wide financial statements and are reported net of accumulated amortization. The total bond issue costs were \$40,562 and accumulated amortization to date is \$10,141.	30,421
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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 \$33,444,518, and the accumulated depreciation is \$14,032,175.	19,412,343
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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 deferred in the funds.	56,988
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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	(12,925,000)
Accrued interest on the bonds	(168,938)
GASB 45/Compensated absences	<u>(360,058)</u>

	<u>(13,453,996)</u>
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Total net assets - governmental activities	<u><u>9,287,992</u></u>
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The accompanying notes are an integral part of these statements.

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# Shelley Joint School District #60

## Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances *Fiscal Year Ended June 30, 2012*

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	<u>General Fund</u>	<u>Debt Service</u>
<b>REVENUES</b>		
Property taxes	277,134	738,934
Penalties and interest on delinquent taxes	1,317	4,495
Earnings on investments	17,638	
Food service		
Other local	74,530	
State apportionment		
Base	7,130,905	
Transportation	358,386	
Benefits	923,169	
Revenue in lieu of taxes	18,695	
Other state revenue	192,588	333,706
Federal grants and assistance	194,383	
	<u>9,188,745</u>	<u>1,077,135</u>
Total revenues		
	<u>9,188,745</u>	<u>1,077,135</u>
 <b>EXPENDITURES</b>		
Current		
Instruction	6,134,446	
Support services	655,999	
Administration	1,349,458	
Operations	998,497	
Transportation	455,476	
Noninstructional		
Debt service		1,188,419
Facility acquisition		
	<u>9,593,876</u>	<u>1,188,419</u>
Total expenditures		
	<u>9,593,876</u>	<u>1,188,419</u>
 Revenues over (under) expenditures	<u>(405,131)</u>	<u>(111,284)</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, 2012*

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
387,313			1,403,381
1,538			7,350
	758	79	18,475
		197,880	197,880
1,323		16,770	92,623
			7,130,905
			358,386
			923,169
			18,695
		338,207	864,501
		1,301,192	1,495,575
<u>390,174</u>	<u>758</u>	<u>1,854,128</u>	<u>12,510,940</u>
		1,468,005	7,602,451
		72,581	728,580
		3,564	1,353,022
			998,497
			455,476
		741,354	741,354
			1,188,419
<u>482,364</u>	<u>317,232</u>	<u></u>	<u>799,596</u>
<u>482,364</u>	<u>317,232</u>	<u>2,285,504</u>	<u>13,867,395</u>
<u>(92,190)</u>	<u>(316,474)</u>	<u>(431,376)</u>	<u>(1,356,455)</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, 2012*

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	<u>General Fund</u>	<u>Debt Service</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers, net	<u>(93,581)</u>	<u>1,323,195</u>
Total other financing sources (uses)	<u>(93,581)</u>	<u>1,323,195</u>
Revenues and other financing sources over (under) expenditures	(498,712)	1,211,911
Fund balance - July 1, 2011	<u>1,340,144</u>	<u>531,427</u>
Fund balance - June 30, 2012	<u><u>841,432</u></u>	<u><u>1,743,338</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, 2012*

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<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>71,852</u>	<u>(1,323,195)</u>	<u>21,729</u>	<u>0</u>
<u>71,852</u>	<u>(1,323,195)</u>	<u>21,729</u>	<u>0</u>
(20,338)	(1,639,669)	(409,647)	(1,356,455)
<u>211,327</u>	<u>1,639,669</u>	<u>929,199</u>	<u>4,651,766</u>
<u>190,989</u>	<u>0</u>	<u>519,552</u>	<u>3,295,311</u>

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, 2012*

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Total net change in fund balances - governmental funds:	(1,356,455)
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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, \$972,366, exceeds capital outlays, \$462,198, in the period.	(510,168)
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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 assets.	615,000
---	---------

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.	(7,780)
---	---------

Amortization of bond premium.	17,692
-------------------------------	--------

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. Governmental funds report repayment of bond issuance costs as an expenditure. In contrast, the Statement of Activities treats such costs as an asset to be amortized over the life of the bond repayments as a reduction in long-term liabilities. This is the current amount of amortization of the costs of issuance.	(10,141)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental fund. GASB 45/compensated absences amounts earned exceeded the amount used by this amount.	(104,169)
---	-----------

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	(3,135)
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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 increased in the statement of activities as the result of the increase in accrued interest on bonds of \$1,811.	(1,811)
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Change in net assets of governmental activities	<u>(1,360,967)</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 Assets *June 30, 2012*

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	Agency Funds
<b>ASSETS</b>	
Cash	<u>200,758</u>
Total assets	<u>200,758</u>
<b>LIABILITIES</b>	
Due to student groups	<u>200,758</u>
Total liabilities	<u>200,758</u>
<b>NET ASSETS</b>	<u><u>0</u></u>

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

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### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Governmental Fund Types

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.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2012

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## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

### 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 Assets 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

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

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, claims, and judgments are recorded only when payment is due.

The Agency Funds are accounted for on the cash basis of accounting. The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). 'Measurable' means the amount of the transaction can be determined and 'available' means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

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

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

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

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

7. Cash and Investments. Cash includes amounts in demand as well as short-term investments with a maturity date within three months of the date acquired by the District. The District pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Idaho Law, and national banks having their principal offices in Idaho.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The District has elected to deposit cash in excess of immediate needs into the Local Government Investment Pool (LGIP). The Local Government Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. An annual audit of the LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. 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, 2012

### 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.
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.
13. Fund Balances. The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2012

## NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Fund Balances. *continued.* In the governmental fund financial statements fund balances is reported in five classifications.

Nonspendable fund balance	Inventories represent fund balance amounts that are not in spendable form.
Restricted	Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
Committed	Committed is that portion of fund balance that has been approved by the highest level of formal action of the School District and does not lapse at year-end.
Assigned	Assigned fund balance is fund balance reporting occurring by School Board authority under the direction of the Business Manager.
Unassigned	Fund balance that has not been reported in any other classification.

Shelley Joint School District #60 has a revenue spending policy that provides policy for programs with multiple revenue sources. The Business Manager will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Business Manager has the authority to deviate from this policy if it is in the best interest of the District.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

<i>Total fund balance</i>	<b>\$841,432</b>
Less: Appropriated Fund Balance in 2013 budget	411,574
Available for Appropriation	<b>\$429,858</b>

14. Net Assets. Net assets represent the difference between assets and liabilities on the government-wide financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Total restricted resources at year-end were \$2,499,626.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

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

15. 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.
16. 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. Actual results could differ from those estimates.

### NOTE B CASH AND INVESTMENTS

At June 30, 2012, the carrying amount of the District's deposits was \$3,602,113 and the bank balance was as follows:

Insured by Federal Depository Insurance	3,602,113
Uninsured and uncollateralized	0
Total	<u>3,602,113</u>

At June 30, 2012, the cost and fair market value of the District's investments were as follows:

	Cost	Fair Market Value
Zion's Bank Liquid Asset Management	<u>556,515</u>	<u>556,158</u>
Total investments	<u>556,515</u>	<u>556,158</u>

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, 2012, \$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, \$556,158 was held in the Zion's Bank Liquid Asset Management account which is not insured or guaranteed by the FDIC.



# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

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### NOTE B CASH AND INVESTMENTS, continued

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, 2012. The Idaho State Treasurer provides oversight for investments by or through any department or institute of the State of Idaho. Amounts held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and interest rate fluctuations.

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

### NOTE C INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the District had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. The District transferred \$21,729 to the Child Nutrition Fund as required by state law. The District also transferred \$71,852 from the General Fund to the Capital Projects Fund as required for depreciation and \$1,323,195 from the Construction Fund to Debt Service Fund to close out the Construction Fund.

To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2012, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund		102,520
Nonmajor Funds	226,453	123,933
Total	<u>226,453</u>	<u>226,453</u>

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

### NOTE E CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Land	52,635	350,000			402,635
Construction in progress		7,601			7,601
	<u>52,635</u>	<u>357,601</u>	<u>0</u>	<u>0</u>	<u>410,236</u>
Buildings					
Elementary	20,807,667				20,807,667
Secondary	9,207,402	16,458	(5,848)		9,218,012
Administration	454,840				454,840
Total buildings	<u>30,469,909</u>	<u>16,458</u>			<u>30,480,519</u>
Accumulated depreciation	<u>(11,315,120)</u>	<u>(865,648)</u>	<u>2,729</u>	<u>(45,618)</u>	<u>(12,223,657)</u>
Net buildings	<u>19,154,789</u>	<u>(849,190)</u>	<u>(3,119)</u>	<u>(45,618)</u>	<u>18,256,862</u>
Equipment					
Elementary	618,024				618,024
Secondary	242,885	6,995			249,880
Admin.	124,320				124,320
Total equipment	<u>985,229</u>	<u>6,995</u>			<u>992,224</u>
Accumulated depreciation	<u>(713,845)</u>	<u>(46,473)</u>		<u>45,618</u>	<u>(714,700)</u>
Net equipment	<u>271,384</u>	<u>(39,478)</u>	<u>0</u>	<u>0</u>	<u>277,524</u>
Vehicles	1,674,773	81,144	(194,378)		1,561,539
Accumulated depreciation	<u>(1,227,951)</u>	<u>(60,245)</u>	<u>194,378</u>		<u>(1,093,818)</u>
Net vehicles	<u>446,822</u>	<u>20,899</u>	<u>0</u>	<u>0</u>	<u>467,721</u>
Total, net of depreciation	<u>19,925,630</u>	<u>(510,168)</u>	<u>(3,119)</u>	<u>0</u>	<u>19,412,343</u>

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

Governmental activities	
Instruction	912,020
Operations	101
Transportation	<u>60,245</u>
Total depreciation expense – governmental activities	<u>972,366</u>

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

### NOTE F 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 G NONMONETARY TRANSACTIONS

The District received \$51,781 in USDA Commodities during the 2011-2012 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 H PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period of September 1, 2011, through May 31, 2012, to be paid over the twelve months of September 1, 2011, through August 31, 2012. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

### NOTE I GENERAL OBLIGATION BOND ISSUES

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

Future debt service requirements are as follows:

Fiscal Year Ended June 30,	Total	Interest	Principal
2013	1,072,925	562,925	510,000
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
2018-2022	5,797,963	1,897,963	3,900,000
2023-2027	5,779,388	849,388	4,930,000
2028	1,155,425	25,425	1,130,000
Total	18,333,920	5,408,920	12,925,000

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

### NOTE I GENERAL OBLIGATION BOND ISSUES, continued

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

Principal	2002 Series	2007 Series	2011 Series	Combined Total
Balances at July 1, 2011	505,000	11,855,000	1,180,000	13,540,000
Bonds retired	505,000	110,000		615,000
Balances at June 30, 2012	0	11,745,000	1,180,000	12,925,000
Interest to be provided				
Balances at July 1, 2011	9,469	5,917,444	54,925	5,981,838
Interest paid	9,469	546,325	17,125	572,919
Balances at June 30, 2012	0	5,371,119	37,800	5,408,919

### NOTE J 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, 2012, the limit for the District was \$29,920,854. The general obligation debt was \$12,925,000 leaving a legal debt margin of \$18,472,516.

### NOTE L LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012
Bonds payable	13,540,000		615,000	12,925,000
Employee benefits	255,889	104,169		360,058
Total	13,795,889	104,169	615,000	13,285,058

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

# Shelley Joint School District #60

Notes to Financial Statements  
June 30, 2012

## 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.

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 2012 the District contributed approximately \$69,104 or approximately 41.7% of total estimated retiree costs. Retirees receiving benefits contributed approximately \$96,634 or approximately 58.3% of total estimated retiree costs. 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 2012 were as follows:

Medical with Vision Coverage	\$1,250 Deductible	\$3,000 Deductible (Catastrophe)
Single	\$ 419.75	\$ 325.75
No Spouse W/Child	\$ 645.30	\$ 500.45
No Spouse W/Children	\$ 756.65	\$ 588.40
W/Spouse	\$ 917.05	\$ 710.20
W/Spouse + Children	\$ 1069.60	\$ 829.85
Dental Coverage	Delta Dental	Willamette Dental
Single	\$ 35.30	\$ 31.67
No Spouse W/Child	\$ 76.30	\$ 68.48
No Spouse W/Children	\$ 113.35	\$ 101.74
W/Spouse	\$ 76.25	\$ 68.44
W/Spouse + Children	\$ 148.15	\$ 132.91
Life Coverage	Retiree Life	Dependent Life
Single	\$1.60	\$4.80

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

### NOTE M RETIREMENT HEALTHCARE PLAN, continued

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

The following table shows the components of the District's annual OPEB cost for the year, the 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	160,221
Interest on net OPEB obligation	10,236
Adjustment to annual required contribution	(9,139)
Annual OPEB cost (expense)	161,318
Contributions made	(69,104)
	<hr/>
Increase in net OPEB obligation	92,214
	<hr/>
Net OPEB obligation – beginning of year	255,889
Net OPEB obligation - end of year	348,103

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, 2010	139,662	42%	164,694
June 30, 2011	153,099	40%	255,889
June 30, 2012	161,318	43%	348,103

\*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, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,724,177. 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 \$7,926,183 and the ratio of the UAAL to the covered payroll was 21.8%.

# Shelley Joint School District #60

## Notes to Financial Statements

June 30, 2012

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### NOTE M RETIREMENT HEALTHCARE PLAN, continued

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

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

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

In the July 1, 2010, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.0% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis and a 3.0% implied inflation rate (CPI). The valuation assumes that 60.0% of future retirees will elect medical with vision coverage, 35.0% of future retirees will elect dental coverage and 18.0% and 35.0% respectively of their spouses will participate in the plan. The valuation also assumes that 95% of future retirees will elect life coverage.

The annual healthcare cost trend rate for medical with vision is 5.2% for the fiscal year ending 2011, 6.3% for the fiscal year ending 2012, 6.4% for the fiscal year ending 2013, gradually decreasing to 4.9% on a projected long term trend. The annual dental healthcare cost is 3.1% for the fiscal year ending 2011, 4.7% for the fiscal year ending 2012, and 5.0% for the remaining years. It was assumed salary increases will be 3.50% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling thirty year time period.

### NOTE N EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN THE INDIVIDUAL FUNDS

Actual expenditures exceeded budget for the General, Debt Service, Capital Projects, and Construction Funds. Excesses in the General Fund are due to increased expenditures as a result of excess revenues over budget. Excesses in the Debt Service Fund are due to the debt refunding. Excesses in the Construction Fund are due to the construction not being budgeted for this fiscal year. The Construction Fund had expenditures that were in excess of budget due to the building of a new school that was not recorded for budget purposes because the bond proceeds were received in 2007.

# **Shelley Joint School District #60**

Notes to Financial Statements  
*June 30, 2012*

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## **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.

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, 2012, 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 \$794,106, \$810,175, and \$832,671 for the three years ended June 30, 2012, 2011, and 2010, respectively.

## **NOTE P DEFICIT FUND BALANCES**

During the year ended June 30, 2012, the District had a deficit fund balance in the Driver's Education and Medicaid funds, nonmajor governmental funds, in the amount of \$65 and \$12,654. The deficits will be funded by future local and state revenues.

## **NOTE Q 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 2011-2012 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 R SUBSEQUENT EVENTS**

Management of the District evaluated subsequent events through October 17, 2012, 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, 2012*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	275,164	277,134	1,970
Penalties and interest on delinquent taxes	1,200	1,317	117
Earnings on investments		17,638	17,638
Other local	5,700	74,530	68,830
State apportionment			
Base	7,342,570	7,130,905	(211,665)
Transportation	410,000	358,386	(51,614)
Benefits	963,820	923,169	(40,651)
Revenue in lieu of taxes	18,695	18,695	0
Other state revenue	106,461	192,588	86,127
Federal grants and assistance	164,500	194,383	29,883
	<u>9,288,110</u>	<u>9,188,745</u>	<u>(99,365)</u>
Total revenues			
<b>EXPENDITURES</b>			
Instruction			
Elementary	2,461,219	2,484,093	(22,874)
Secondary	2,534,376	2,530,094	4,282
Exceptional child	899,954	900,447	(493)
Gifted and talented	73,194	72,638	556
Interscholastic program	161,668	136,447	25,221
Summer school		10,727	(10,727)
	<u>6,130,411</u>	<u>6,134,446</u>	<u>(4,035)</u>
Total instruction			
Support services			
Attendance, guidance, and health	315,850	315,496	354
Special services	212,216	189,816	22,400
Educational media	149,667	150,687	(1,020)
	<u>677,733</u>	<u>655,999</u>	<u>21,734</u>
Total support services			

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, 2012*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>EXPENDITURES, continued</b>			
Administration			
Board of Education	50,625	52,313	(1,688)
District administration	494,371	511,322	(16,951)
School administration	786,784	785,823	961
	<u>1,331,780</u>	<u>1,349,458</u>	<u>(17,678)</u>
Operations			
Building care (custodial)	678,932	743,699	(64,767)
Maintenance	217,694	249,335	(31,641)
Security	5,567	5,463	104
	<u>902,193</u>	<u>998,497</u>	<u>(96,304)</u>
Transportation	<u>438,150</u>	<u>455,476</u>	<u>(17,326)</u>
Total expenditures	<u>9,480,267</u>	<u>9,593,876</u>	<u>(113,609)</u>
Revenues over (under) expenditures	(192,157)	(405,131)	(212,974)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	<u>(92,843)</u>	<u>(93,581)</u>	<u>(738)</u>
Revenues and other financing sources over (under) expenditures	<u>(285,000)</u>	(498,712)	<u>(213,712)</u>
Fund balance - July 1, 2011		<u>1,340,144</u>	
Fund balance - June 30, 2012		<u>841,432</u>	

The accompanying notes are an integral part of these statements.

# Shelley Joint School District #60

Debt Service Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2012*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	922,731	738,934	(183,797)
Penalties and interest on delinquent taxes	5,000	4,495	(505)
Other state revenue	250,000	333,706	83,706
Total revenues	1,177,731	1,077,135	(100,596)
<b>EXPENDITURES</b>			
Debt service	1,177,231	1,188,419	(11,188)
Total expenditures	1,177,231	1,188,419	(11,188)
Revenues over (under) expenditures	500	(111,284)	(111,784)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	0	1,323,195	1,323,195
Total other financing sources (uses)	0	1,323,195	1,323,195
Revenues and other financing sources over (under) expenditures	500	1,211,911	1,211,411
Fund balance - July 1, 2011		531,427	
Fund balance - June 30, 2012		1,743,338	

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, 2012*

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	390,000	387,313	(2,687)
Penalties and interest on delinquent taxes	2,000	1,538	(462)
Other local revenue		1,323	1,323
Total revenues	392,000	390,174	(1,826)
<b>EXPENDITURES</b>			
Facility acquisition	463,843	482,364	(18,521)
Total expenditures	463,843	482,364	(18,521)
Revenues over (under) expenditures	(71,843)	(92,190)	(20,347)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	71,843	71,852	9
Revenues and other financing sources over (under) expenditures	0	(20,338)	(20,338)
Fund balance - July 1, 2011		211,327	
Fund balance - June 30, 2012		190,989	

The accompanying notes are an integral part of these statements.

## Shelley Joint School District #60

Construction Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget to Actual-  
*Fiscal Year Ended June 30, 2012*

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES</b>			
Earnings on investment	<u>                    </u>	<u>758</u>	<u>758</u>
Total revenues	<u>0</u>	<u>758</u>	<u>758</u>
<b>EXPENDITURES</b>			
Facility acquisition	<u>                    </u>	<u>317,232</u>	<u>(317,232)</u>
Total expenditures	<u>0</u>	<u>317,232</u>	<u>(317,232)</u>
Revenues over (under) expenditures	0	(316,474)	(316,474)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>0</u>	<u>(1,323,195)</u>	<u>(1,323,195)</u>
Revenues and other financing sources over (under) expenditures	<u>0</u>	(1,639,669)	<u>(1,639,669)</u>
Fund balance - July 1, 2011		<u>1,639,669</u>	
Fund balance - June 30, 2012		<u>0</u>	

The accompanying notes are an integral part of these statements.

## Shelley Joint School District #60

Required Supplementary Information  
*Fiscal Year Ended June 30, 2012*

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### 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]
7/1/2008	-	1,456,961	1,456,961	-	7,709,012	18.90%
7/1/2010	-	1,724,177	1,724,177	-	7,926,183	21.75%

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

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

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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. A budget was not adopted for the Construction Fund.



## **OTHER FINANCIAL INFORMATION**

Shelley Joint School District #60

All Nonmajor Funds  
Combining Balance Sheet  
June 30, 2012

	Federal Forest	Driver's Education	Professional Technical	State Technology	Title I	Migrant Education	Title VI - B Special Education	Title VI - B 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	5,786	4,085		11,502			9,119					2,703			316,327	349,522
Receivables																
Federal grants					42,352	8,954	42,803	13,557	19,619	2,327	25,718		20,304			175,634
State agencies			11,438											80,569		92,007
Other													167			167
Interfund receivable													226,453			226,453
Total assets	5,786	4,085	11,438	11,502	42,352	8,954	51,922	13,557	19,619	2,327	25,718	2,703	246,924	80,569	316,327	843,783
LIABILITIES AND FUND EQUITY																
LIABILITIES																
Accounts payable		54	39	192		106	225						974	480		2,070
Accrued wages		3,467			24,178	2,519	37,201	2,912		667	750		37,341	34,206		143,241
Accrued employee benefits		629			7,234	1,312	14,496	677		116	144		15,436	12,240		52,284
Interfund payable			8,390		10,940	5,017		9,968	16,953	1,544	24,824			46,297		123,933
Deferred revenue												2,703				2,703
Total liabilities	0	4,150	8,429	192	42,352	8,954	51,922	13,557	16,953	2,327	25,718	2,703	53,751	93,223	0	324,231
FUND EQUITY																
Restricted	5,786	(65)	3,009	11,310					2,666				193,173	(12,654)	316,327	519,552
Total fund equity	5,786	(65)	3,009	11,310	0	0	0	0	2,666	0	0	0	193,173	(12,654)	316,327	519,552
Total liabilities and fund equity	5,786	4,085	11,438	11,502	42,352	8,954	51,922	13,557	19,619	2,327	25,718	2,703	246,924	80,569	316,327	843,783

# Shelley Joint School District #60

All Nonmajor Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
*Fiscal Year Ended June 30, 2012*

	Federal Forest	Driver's Education	Professional Technical	State Technology	Title I	Migrant Education	Title VI - B Special Education	Title VI - B Preschool	Carl Perkins	Title III Language Acquisition	Title II - A Teacher Quality	Drug Free Schools Grant	Child Nutrition	Medicaid	Building Maintenance	All Nonmajor Funds
<b>REVENUES</b>																
Other local		16,770														16,770
Other state revenue		12,016	41,614	68,719										215,858		338,207
Earnings on investments													79			79
Food service													197,880			197,880
Federal grants and assistance	1,123				247,461	29,597	363,479	22,380	22,284	11,345	67,904	565	535,054			1,301,192
Total revenues	1,123	28,786	41,614	68,719	247,461	29,597	363,479	22,380	22,284	11,345	67,904	565	733,013	215,858	0	1,854,128
<b>EXPENDITURES</b>																
Instruction																
Elementary				18,259	174,332	29,597				6,635	37,180			393,780		659,783
Secondary			38,605	74,108	73,129				19,618	4,710	27,160	565		226,461		464,356
Exceptional child							304,977									304,977
Preschool								8,301								8,301
Driver's education		30,588														30,588
Support services																
Special services							58,421	14,079								72,500
Instructional improvement							81									81
School administration											3,564					3,564
Noninstructional													741,354			741,354
Total expenditures	0	30,588	38,605	92,367	247,461	29,597	363,479	22,380	19,618	11,345	67,904	565	741,354	620,241	0	2,285,504
Revenues over (under) expenditures	1,123	(1,802)	3,009	(23,648)					2,666				(8,341)	(404,383)		(431,376)
<b>OTHER FINANCING SOURCES (USES)</b>																
Net transfers													21,729			21,729
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0	0	0	21,729	0	0	21,729
Revenues and other financing sources over (under) expenditures	1,123	(1,802)	3,009	(23,648)					2,666				13,388	(404,383)		(409,647)
Fund balance - July 1, 2011	4,663	1,737	0	34,958	0	0	0	0	0	0	0	0	179,785	391,729	316,327	929,199
Fund balance - June 30, 2012	5,786	(65)	3,009	11,310	0	0	0	0	2,666	0	0	0	193,173	(12,654)	316,327	519,552

# Shelley Joint School District #60

All Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
*Fiscal Year Ended June 30, 2012*

	Balance July 1, 2011	Receipts	Disbursements	Balance June 30, 2012
<b>ASSETS</b>				
Cash				
Shelley High School	145,533	490,224	501,692	134,065
Donald J. Hobbs Middle School	47,646	81,827	81,600	47,873
Riverview Elementary School	4,905	30,174	31,059	4,020
Sunrise Elementary School	7,068	23,118	23,039	7,147
Stuart Elementary School	3,636	27,735	23,718	7,653
Total assets	<u>208,788</u>	<u>653,078</u>	<u>661,108</u>	<u>200,758</u>
<b>LIABILITIES</b>				
Due to student groups				
Shelley High School	145,533	490,224	501,692	134,065
Donald J. Hobbs Middle School	47,646	81,827	81,600	47,873
Riverview Elementary School	4,905	30,174	31,059	4,020
Sunrise Elementary School	7,068	23,118	23,039	7,147
Stuart Elementary School	3,636	27,735	23,718	7,653
Total liabilities	<u>208,788</u>	<u>653,078</u>	<u>661,108</u>	<u>200,758</u>

## Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2012

	General Fund		
	Total	2011	2010 and Prior
Delinquent balance at July 1, 2011	12,490		12,490
<b>ADDITIONS</b>			
Roll charges applicable to 2011	274,345	274,345	
Subsequent additions and cancellations	(369)	(355)	(14)
Total additions	273,976	273,990	(14)
<b>DEDUCTIONS</b>			
Collections received	175,385	168,607	6,778
Current amount due on taxes collected by the counties	99,840	99,364	476
Total deductions	275,225	267,971	7,254
Delinquent balance at June 30, 2012	11,241	6,019	5,222

# Shelley Joint School District #60

Taxes Receivable  
Fiscal Year Ended June 30, 2012

Debt Service Fund			Capital Projects Fund		
Total	2011	2010 and Prior	Total	2011	2010 and Prior
39,830		39,830	12,448		12,448
732,317 (938)	732,317 (949)	11	388,841 (506)	388,841 (504)	(2)
731,379	731,368	11	388,335	388,337	(2)
472,258	450,066	22,192	246,017	238,973	7,044
266,675	265,234	1,441	141,295	140,832	463
738,933	715,300	23,633	387,312	379,805	7,507
32,276	16,068	16,208	13,471	8,532	4,939

Single Audit Section

**Shelley Joint School District #60**

*June 30, 2012*

**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  
Idaho Falls, Idaho

We have audited the basic financial statements of Shelley Joint School District #60 as of and for the year ended June 30, 2012, and have issued our report thereon dated October 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Shelley Joint School District #60's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelley Joint School District #60's internal control over financial reporting.

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

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

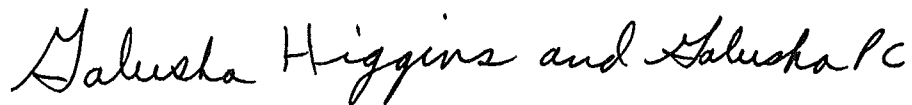
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.



We noted certain matters that we reported to management of Shelley Joint School District #60 in a separate letter dated October 17, 2012.

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

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 17, 2012

**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  
Idaho Falls, Idaho

Compliance

We have audited Shelley Joint School District #60's compliance of 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 each of Shelley Joint School District #60's major federal programs for the year ended June 30, 2012. Shelley Joint School District #60's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Shelley Joint School District #60's management. Our responsibility is to express an opinion on Shelley Joint School District #60's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Shelley Joint School District #60's compliance with those requirements.

In our opinion, Shelley Joint School District #60 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelley Joint School District #60's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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.

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

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

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 17, 2012

# Shelley Joint School District #60

## Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2012

### 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)

84.010 / 84.389

84.410

#### Name of Federal Program or Cluster

Title I Grants to Local Education Agencies  
Education Jobs Fund (Ed Jobs)

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, 2012*

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

None

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

None

## Shelley Joint School District #60

### Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2012

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<b>United States Department of Agriculture</b>			
Passed through State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	2012IN109947	107,244
National School Lunch Program	10.555	2012IN109947	403,517
Special Milk Program for Children	10.556	2012IN109947	3,894
Summer Food Service Program for Children	10.559	2012IN109947	20,429
Total Child Nutrition Cluster			<u>535,084</u>
Total United States Department of Agriculture			<u>535,084</u>
<b>United States Department of Education</b>			
Passed through State Department of Education			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	S010A110012	199,779
Title I Grants to Local Educational Agencies - ARRA	84.389	S389A090012	47,682
Total Title I Cluster			<u>247,461</u>
Drug-Free Schools	84.186	Q186A090013	565
Migrant Education - Basic State Grant Program	84.011	S011A100012	29,597
English Language Acquisition	84.365	S365A110012	11,345
Improving Teacher Quality	84.367	S367A100011	67,904
Education Jobs Fund	84.410	S410A100013	194,383
Subtotal			<u>303,794</u>
Special Education Cluster			
Special Education - School-age	84.027	H027A110088	355,373
Special Education - Preschool	84.173	H173A110030	22,380
Special Education - School-age - ARRA	84.391	H391A090088	8,107
Total Special Education Cluster			<u>385,860</u>
Total Passed through State Department of Education			<u>937,115</u>
Passed through Eastern Idaho Tech Prep Consortium			
Vocational Education – Basic Grants to States	84.048A		<u>19,618</u>
Total United States Department of Education			<u>956,733</u>
Total Expenditures of Federal Awards			<u><u>1,491,817</u></u>

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

### **Notes to Schedule of Expenditures of Federal Awards** *Fiscal Year Ended June 30, 2012*

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

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2012. 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, 2012.

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

Summary Schedule of Prior Audit Findings  
*Fiscal Year Ended June 30, 2012*

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**Audit Finding Reference:** None

**Status of Prior Audit Finding:** None