

Report of Audit

Shelley Joint School District #60
Shelley, Idaho

June 30, 2011

Shelley Joint School District #60

Contents
June 30, 2011

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities	11
Fund Financial Statements	
Combined Balance Sheet Governmental Funds.....	12-13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	14
Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15-18
Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	19
Fiduciary Fund Statement of Fiduciary Net Assets	20
Notes to Financial Statements	21-35
OTHER FINANCIAL INFORMATION	
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	36-37
Debt Service Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	38
Capital Projects Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	39

Shelley Joint School District #60

Contents June 30, 2011

Construction Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual	40
All Nonmajor Funds Combining Balance Sheet	41
All Nonmajor Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42
All Agency Funds Combining Statement of Changes in Assets and Liabilities	43
Taxes Receivable	44-45

SINGLE AUDIT SECTION

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 <i>Government Auditing Standards</i>	46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	48-49
Schedule of Findings and Questioned Costs	50-51
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards.....	53
Summary Schedule of Prior Audit Findings	54

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, 2011, 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.

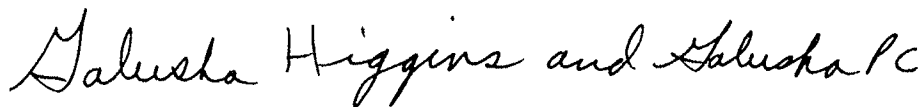
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 19, 2011, 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.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 9 and on pages 36 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 19, 2011

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2011*

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, 2011. 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 2011 are as follows:

In total, net assets increased \$131,713, which represents a 1.25 percent increase from 2010.

General revenues accounted for \$10,691,998 in revenue, or 77.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,093,906 or 22.4 percent of total revenues of \$13,785,904.

Total assets of governmental activities decreased by \$1,824,468 as cash and cash equivalents decreased by \$2,922,789, receivables increased by \$498,514, and capital assets increased by \$559,245.

The District had \$13,654,191 in expenses; only \$3,093,906 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes, stabilization, and state aid) of \$10,691,998 were adequate to provide for these programs.

Among major funds, the General Fund had \$10,041,009 in revenues and \$9,863,272 in expenditures. The General Fund's balance increased \$357,605 over 2010.

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, 2011*

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 2011?" 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, 2011

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 2011 compared to 2010:

	2011	As restated 2010
Assets		
Current and other assets	6,260,760	8,644,473
Capital assets	19,925,631	19,366,386
Total assets	26,186,391	28,010,859
Liabilities		
Long-term liabilities	13,180,889	14,747,293
Other liabilities	2,356,543	2,746,320
Total liabilities	15,537,432	17,493,613
Net assets		
Invested in capital assets, net of debt	6,385,631	7,631,896
Restricted	2,614,490	1,552,168
Unrestricted	1,648,838	1,333,182
Total net assets	10,648,959	10,517,246

Total assets of governmental activities increased by \$1,824,468 as cash and cash equivalents decreased by \$2,922,789, receivables increased by \$498,514, and capital assets increased by \$559,245. 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 increased by \$315,656.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

The following table shows the changes in net assets for fiscal year 2011 and 2010.

	<u>2011</u>	<u>As restated 2010</u>
Revenues		
Program revenues		
Charges for services	201,603	245,388
Operating grants and contributions	2,892,303	3,193,959
Capital grants and contributions		
General revenues		
Property taxes	1,388,273	1,167,902
Stabilization		1,316,377
State aid	9,010,984	8,259,481
Other	292,741	89,533
Total revenues	<u>13,785,904</u>	<u>14,272,640</u>
Program Expenses		
Instruction	8,581,295	8,811,533
Support services	748,991	649,291
Administrative	1,338,584	1,396,179
Operations	992,841	951,367
Transportation	544,786	609,390
Noninstructional	752,650	711,306
Interest and fiscal charges	641,183	653,904
Capital improvements	53,861	453,082
Total expenses	<u>13,654,191</u>	<u>14,236,052</u>
Increase (decrease) in net assets	<u>131,713</u>	<u>36,588</u>

GOVERNMENTAL ACTIVITIES

State aid of \$9,931,218 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 72.04 percent of revenues from governmental activities. Federal grants and assistance of \$1,603,341 makes up 11.63 percent of total revenues from governmental activities. Property taxes of \$1,388,273 make up 10.07 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, operations, and transportation comprise 89.40 percent of district expenses.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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 2011	Net cost of services 2011
Instruction	8,581,295	7,165,293
Support services	748,991	566,498
Administrative	1,338,584	1,314,730
Operations	992,841	992,841
Transportation	544,786	150,149
Noninstructional	752,650	47,386
Interest and fiscal charges	641,183	275,055
Capital improvements	53,861	48,333
Total expenses	13,654,191	10,560,285

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, 2011

THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,780,194 and expenditures of \$14,701,668. The net change in fund balance for the year in the General Fund, Debt Service and the Construction Fund was an increase of \$357,605, a decrease of \$502,385 and a decrease of \$1,205,839, respectively.

Refinancing of the District's 2002 general obligation bonds coupled with the completion of the Stuart Elementary School remodel and Riverview Elementary School construction brought a decrease in our bond redemption fund balance and the capital construction fund was closed subsequent to year end.

The State Department of Education continued its policy of decreasing education funding in the 2010-2011 school year. Shelley School District made significant spending cuts to balance the budget, and anticipated using \$250,000 of the general fund balance to fund operations. The District also needed \$250,000 in supplemental levy and \$187,233 in Education Jobs funds to meet obligations. At year's end, excess revenue at the state level brought \$432,963 to the district, creating an increase in fund balance. This resulted in an increase in the general fund balance at year's end. Shelley School District #60 remains in good financial shape.

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 original and final budget basis revenue estimates were \$9,842,204 and \$9,488,031, respectively.

CAPITAL ASSETS

At the end of the fiscal year 2011, the District had \$19,925,631 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	2011	As restated 2010
Land	52,635	52,635
Construction in Progress		10,150,492
Buildings and improvements	19,154,790	8,645,115
Equipment	271,384	104,118
Vehicles	446,822	414,026
Total capital assets, net	19,925,631	19,366,386

Overall capital assets increased \$559,245 from fiscal year 2010 to fiscal year 2011. Increases in capital assets (primarily construction in progress, equipment, and vehicles) were offset by depreciation expense for the year.

During the 2010-11 year, the District completed the construction of a new elementary school. While recording the transfer of the construction in progress to the completed buildings, it was determined that \$726,526 of construction payables recorded at June 30, 2010, was not also recorded as fixed assets. The beginning capital assets have been restated to reflect this change.

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2011*

DEBT ADMINISTRATION

At June 30, 2011, the District had three general obligation bond issues. The outstanding bonds are as follows:

	Total	Due within one year
2002 Series Bond	505,000	505,000
2007 Series Bond	11,855,000	110,000
2011 Series Bond	1,180,000	
Total	13,540,000	615,000

At June 30, 2011, the District's overall legal debt margin was \$14,965,816.

CURRENT FINANCIAL ISSUES AND CONCERNS

National and state lawmakers continue to grapple with education issues as well as how to fund education with the continuing global recession. Education funding is no longer stable, making decisions to improve student achievement difficult at best. State legislation enacted in the spring of 2011 left districts reeling; these laws are already on the November 2012 ballot for repeal. There is no longer any stability in state funding, even to the point of how many teachers we can employ and how many students we can count for funding. Yet students still come to the district to be educated and parents still trust that we will do our jobs. The Shelley School District 60 will do just that, to the best of our ability. We will always be prudent in our expenditures with patrons and students in mind.

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.

Shelley Joint School District #60

Statement of Net Assets

June 30, 2011

	Governmental Activities
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ASSETS	
Cash and investments	4,813,946
Property taxes receivable, net	548,869
Other receivables	857,383
Unamortized bond issue costs	40,562
Capital assets, net of depreciation	19,925,631
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Total assets	26,186,391
	<hr/>
LIABILITIES	
Accounts payable	62,298
Accrued wages	1,071,818
Accrued employee benefits	366,828
Interest payable	167,127
Deferred revenue	2,705
Long-term liabilities	
Premium on bonds payable	70,767
Portion due or payable within one year	
General obligation bonds	615,000
Portion due or payable after one year	
General obligation bonds	12,925,000
Other liabilities	255,889
	<hr/>
Total liabilities	15,537,432
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	6,385,631
Restricted for	
Capital improvements	1,863,446
Debt service	571,260
Child nutrition	179,784
Other	
Unrestricted	1,648,838
	<hr/>
Total net assets	10,648,959
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The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Statement of Activities Fiscal Year Ended June 30, 2011

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	8,581,295		1,416,002		(7,165,293)
Support services	748,991		182,493		(566,498)
Administrative	1,338,584		23,854		(1,314,730)
Operations	992,841				(992,841)
Transportation	544,786		394,637		(150,149)
Noninstructional	752,650	196,075	509,189		(47,386)
Interest on long-term debt	641,183		366,128		(275,055)
Capital improvements	53,861	5,528			(48,333)
 Total governmental activities	 <u>13,654,191</u>	 <u>201,603</u>	 <u>2,892,303</u>	 <u>0</u>	 <u>(10,560,285)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					280,700
Property taxes, levied for debt service					852,997
Property taxes, levied for capital improvements					254,576
State revenue in lieu of taxes					23,875
State aid - formula grants					8,987,109
Unrestricted investments earnings					3,707
Other local					289,034
 Total general revenues					 <u>10,691,998</u>
Change in net assets					131,713
Net assets - beginning- as restated					<u>10,517,246</u>
Net assets - ending					<u>10,648,959</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>
ASSETS		
Cash and investments	1,926,997	233,981
Receivables		
Taxes - current	97,822	297,450
Taxes - delinquent	12,490	39,829
State apportionment	599,601	
Federal grants		
State agencies	5,308	
Other		
Interfund receivable		
Total assets	<u>2,642,218</u>	<u>571,260</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	38,933	
Accrued wages	933,815	
Accrued employee benefits	316,829	
Interfund payable		
Deferred revenue	12,490	39,829
Total liabilities	<u>1,302,067</u>	<u>39,829</u>
 FUND BALANCES		
Nonspendable		
Restricted for		
Debt service		531,431
Child nutrition		
Other fund activities		
Assigned	300,000	
Unassigned	1,040,151	
Total fund balances	<u>1,340,151</u>	<u>531,431</u>
Total liabilities and fund balances	<u>2,642,218</u>	<u>571,260</u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet

Governmental Funds

June 30, 2011

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental</u>
125,456	1,639,671	887,841	4,813,946
88,830			484,102
12,448			64,767
			599,601
		239,721	239,721
		12,586	17,894
		167	167
<u>226,734</u>	<u>1,639,671</u>	<u>1,140,315</u>	<u>6,220,198</u>
2,959		20,406	62,298
		138,003	1,071,818
		49,999	366,828
<u>12,448</u>		<u>2,705</u>	<u>67,472</u>
<u>15,407</u>		<u>211,113</u>	<u>1,568,416</u>
211,327	1,639,671	179,784	531,431
		749,418	179,784
			2,600,416
			300,000
			1,040,151
<u>211,327</u>	<u>1,639,671</u>	<u>929,202</u>	<u>4,651,782</u>
<u>226,734</u>	<u>1,639,671</u>	<u>1,140,315</u>	<u>6,220,198</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, 2011*

Total fund balances - governmental funds	4,651,782
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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.	(70,767)
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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 \$0.	40,562
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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 \$33,182,546, and the accumulated depreciation is \$13,256,915.	19,925,631
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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.	64,767
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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	(13,540,000)
Accrued interest on the bonds	(167,127)
GASB 45	<u>(255,889)</u>

	<u>(13,963,016)</u>
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Total net assets - governmental activities	<u><u>10,648,959</u></u>
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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, 2011

	<u>General Fund</u>	<u>Debt Service</u>
REVENUES		
Property taxes	276,774	844,665
Penalties and interest on delinquent taxes	1,219	5,366
Earnings on investments	3,707	
Food service		
Other local	50,049	
State apportionment		
Base	8,022,368	
Transportation	394,637	
Benefits	964,741	
Revenue in lieu of taxes	23,875	
Other state revenue	108,906	366,128
Federal grants and assistance	194,733	
	<hr/>	<hr/>
Total revenues	10,041,009	1,216,159
	<hr/>	<hr/>
EXPENDITURES		
Current		
Instruction	6,410,724	
Support services	682,904	
Administration	1,314,730	
Operations	980,816	
Transportation	469,310	
Noninstructional	4,788	
Debt service		1,253,667
Facility acquisition		
	<hr/>	<hr/>
Total expenditures	9,863,272	1,253,667
	<hr/>	<hr/>

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, 2011*

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
252,598			1,374,037
1,941			8,526
	5,528	156	9,391
		195,919	195,919
9,348		12,758	72,155
			8,022,368
			394,637
			964,741
			23,875
		636,170	1,111,204
		1,408,608	1,603,341
<u>263,887</u>	<u>5,528</u>	<u>2,253,611</u>	<u>13,780,194</u>
		1,304,779	7,715,503
		66,087	748,991
		23,854	1,338,584
			980,816
			469,310
		747,862	752,650
			1,253,667
<u>230,780</u>	<u>1,211,367</u>	<u></u>	<u>1,442,147</u>
<u>230,780</u>	<u>1,211,367</u>	<u>2,142,582</u>	<u>14,701,668</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, 2011

	<u>General Fund</u>	<u>Debt Service</u>
Revenues over (under) expenditures	<u>177,737</u>	<u>(37,508)</u>
OTHER FINANCING		
SOURCES (USES)		
Refunding bonds		1,174,135
Payment to refunded bond escrow agent		(1,676,969)
Premium from refunding bonds		37,957
Operating transfers, net	<u>179,868</u>	<u></u>
Total other financing sources (uses)	<u>179,868</u>	<u>(464,877)</u>
Revenues and other financing sources over (under) expenditures	357,605	(502,385)
Fund balance - July 1, 2010	<u>982,546</u>	<u>1,033,816</u>
Fund balance - June 30, 2011	<u><u>1,340,151</u></u>	<u><u>531,431</u></u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances *Fiscal Year Ended June 30, 2011*

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>33,107</u>	<u>(1,205,839)</u>	<u>111,029</u>	<u>(921,474)</u>
			1,174,135
			(1,676,969)
			37,957
		<u>(179,868)</u>	<u>0</u>
	<u>0</u>	<u>(179,868)</u>	<u>(464,877)</u>
33,107	(1,205,839)	(68,839)	(1,386,351)
<u>178,220</u>	<u>2,845,510</u>	<u>998,041</u>	<u>6,038,133</u>
<u>211,327</u>	<u>1,639,671</u>	<u>929,202</u>	<u>4,651,782</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, 2011*

Total net change in fund balances - governmental funds:	(1,386,351)
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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 capital outlays, \$1,388,286, exceeds depreciation expense, \$829,042, in the period.	559,244
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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.	1,040,000
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Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.	5,710
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Amortization of bond premium.	2,845
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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 amount by which the premium exceeded the costs of issuance.	2,602
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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 funds: GASB 45 amounts earned exceeded the amount used by this amount.	(124,251)
--	-----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. The interest expense is decreased in the statement of activities as the result of the decrease in accrued interest on bonds of \$31,914.	31,914
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Change in net assets of governmental activities	131,713
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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, 2011*

	Agency Funds
ASSETS	
Cash	<u>209,688</u>
Total assets	<u>209,688</u>
LIABILITIES	
Due to student groups	<u>209,688</u>
Total liabilities	<u>209,688</u>
NET ASSETS	<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, 2011

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, 2011

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, 2011

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, 2011

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 amended its budgets in April 2011 to adjust for updated information. The amended budgets were approved by the Board of Trustees.

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 Joint Powers Investment Pool. The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. 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, 2011

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 or 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 5). 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, 2011

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.

Total fund balance	\$1,340,151
Less: Assigned for budget	300,000
Available for Appropriation	\$1,040,151

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Assets. *continued*, 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 \$2,614,490.

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. Change in Accounting Principle. For the year ended June 30, 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

This statement provides new guidance on accounting and financial reporting for "other post-employment benefits" (OPEB) accounted for in financial statements of plan sponsors and employers. OPEB refer to non-pension benefits provided after the termination of employment. One example of this type of benefit is retirees that are allowed to remain on the District's health plan until age 65. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees.

17. 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, 2011, the carrying amount of the District's deposits was \$3,824,296 and the bank balance was as follows:

Insured by Federal Depository Insurance	2,654,997
Uninsured and uncollateralized	308,203
Total	<u>3,963,200</u>

At June 30, 2011, the cost and fair market value of the District's investments were as follows:

	Cost	Fair Market Value	Average Maturity
Local Government Investment Pool	<u>1,196,685</u>	<u>1,196,685</u>	122 Days
Total investments	<u>1,196,685</u>	<u>1,196,685</u>	

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

NOTE B CASH AND INVESTMENTS, continued

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 State Investment Pool, 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.

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, 2011, \$308,203 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$1,196,685 was held in the State Treasurer's Investment Pool which is not insured or guaranteed by the FDIC.

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

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

NOTE C INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the District had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. The District transferred \$20,132 to the Child nutrition fund as required by state law. The District also transferred \$200,000 from the Building Maintenance fund to the General fund as allowed by state law.

NOTE D RESTATEMENT OF NET ASSETS

During the 2010-11 year, the District completed the construction of a new elementary school. While recording the transfer of the construction in progress to the completed buildings, it was determined that \$726,526 of construction payables recorded at June 30, 2010, was not also recorded as fixed assets. The beginning capital assets have been restated to reflect this change.

Shelley Joint School District #60

Notes to Financial Statements June 30, 2011

NOTE E CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2011:

	As restated Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Land	52,635				52,635
Construction in progress	10,150,492	1,076,559		(11,227,051)	0
	10,203,127	1,076,559		(11,227,051)	52,635
Buildings					
Elementary	9,580,616			11,227,051	20,807,667
Secondary	9,207,402				9,207,402
Administration	454,840				454,840
Total buildings	19,242,858	0			30,469,909
Accumulated depreciation	(10,597,743)	(717,377)			(11,315,120)
Net buildings	8,645,115	(717,377)	0	11,227,051	19,154,789
Equipment					
Elementary	414,569	203,455			618,024
Secondary	242,885				242,885
Admin.	124,320				124,320
Total equipment	781,774	203,455			985,229
Accumulated depreciation	(677,656)	(36,189)			(713,845)
Net equipment	104,118	167,266	0	0	271,384
Vehicles					
	1,724,483	108,272	(157,982)		1,674,773
Accumulated depreciation	(1,310,457)	(75,476)	157,982		(1,227,951)
Net vehicles	414,026	32,796	0	0	446,822
Total, net of depreciation	19,366,386	559,244	0	0	19,925,630

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

Governmental activities	
Instruction	741,541
Operations	12,025
Transportation	75,476
Total depreciation expense – governmental activities	829,042

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

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 \$48,696 in USDA Commodities during the 2010-2011 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, 2010, through May 31, 2011, to be paid over the twelve months of September 1, 2010, through August 31, 2011. 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 three general obligation bond issues (2002, 2007 and 2011 Series) outstanding with interest rates ranging from 2.5 to 5.0 percent. The scheduled maturity dates for the 2002, 2007 and 2011 Series bonds are August 2011, September 2027 and August 2014 respectively.

Future debt service requirements are as follows:

Fiscal Year Ended June 30,	Total	Interest	Principal
2012	1,187,919	572,919	615,000
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
2017-2021	5,802,756	2,077,756	3,725,000
2022-2026	5,781,869	1,076,869	4,705,000
2027-2028	2,310,575	100,575	2,210,000
Total	19,521,838	5,981,838	13,540,000

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

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, 2010	2,635,000	11,945,000		14,580,000
Bonds retired during fiscal year	485,000	90,000		575,000
Bonds refunded During fiscal Year	(1,645,000)		1,180,000	(465,000)
 Balances at June 30, 2011	 505,000	 11,855,000	 1,180,000	 13,540,000
 Interest to be provided				
Balances at July 1, 2010	264,394	6,468,019		6,732,413
Interest paid during fiscal year	91,969	550,575		642,544
Interest refunded during fiscal year	(162,956)		54,925	(108,031)
 Balances at June 30, 2011	 9,469	 5,917,444	 54,925	 5,981,838

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, 2011, the limit for the District was \$28,271,836. The general obligation debt was \$13,540,000 leaving a legal debt margin of \$14,965,816.

NOTE K ADVANCE REFUNDING OF DEBT

The District purchased U.S. Securities in the amount of \$1,180,000 and deposited this with \$500,000 in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$1,645,000 of the 2002 Series bonds. As a result, \$1,645,000 of the 2002 Series bonds are defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The estimated net present value benefit (economic gain) is \$65,945.

NOTE L LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Payments/ Refunding	Balance June 30, 2011
Bonds payable	14,580,000	1,180,000	2,220,000	13,540,000
Employee benefits	131,638	124,251		255,889
Total	14,711,638	1,304,251	2,220,000	13,795,889

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, 2011

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 Regence Life and Health 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 2011 the District contributed approximately \$863,429 to the health plan for current premiums or approximately 74.9% of total premiums. Plan members receiving benefits contributed approximately \$288,891 or approximately 25.1% of total premiums. 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 2011 were as follows:

Medical with Vision Coverage	\$750 Deductible	\$3,000 Deductible (Catastrophe)
Single	\$ 400.90	\$ 325.75
No Spouse W/Child	\$ 616.25	\$ 500.45
No Spouse W/Children	\$ 722.90	\$ 588.40
W/Spouse	\$ 875.55	\$ 710.20
W/Spouse + Children	\$ 1021.50	\$ 829.85
Dental Coverage	Delta Dental	Willamette Dental
Single	\$ 34.24	\$ 30.48
No Spouse W/Child	\$ 74.05	\$ 65.91
No Spouse W/Children	\$ 110.05	\$ 97.92
W/Spouse	\$ 74.10	\$ 65.87
W/Spouse + Children	\$ 143.85	\$ 127.92
Life Coverage	Retiree Life	Dependent Life
Single	\$1.60	\$4.80

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

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	152,393
Interest on net OPEB obligation	6,588
Adjustment to annual required contribution	(5,882)
Annual OPEB cost (expense)	153,099
Contributions made	(61,904)
	<u>91,195</u>
Net OPEB obligation – beginning of year	164,694
Net OPEB obligation - end of year	<u>255,889</u>

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

Fiscal Year Ending	Annual OPEB Expense (AOE)	Estimated Contribution as a Percentage of AOE *	Net OPEB Obligation at End of Year **
June 30, 2009	\$131,638	36%	\$ 84,311
June 30, 2010	\$139,662	42%	\$164,694
June 30, 2011	\$153,099	40%	\$255,889

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%.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

NOTE M RETIREMENT HEALTHCARE PLAN, continued

The schedule of funding progress will be presented in the future when 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 is available.

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. 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% year 1, 6.3% year 2, 6.4% year 3, gradually decreasing to 4.9% on a projected long term trend. The annual dental healthcare cost is 3.1% year 1, 4.7% year 2, 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 fund, Debt Service 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 is due to the debt refunding. Excesses in the Construction funds 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.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2011

NOTE O RETIREMENT SYSTEM, continued

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, 2011, 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 \$810,175, \$832,671 and \$818,444 for the three years ended June 30, 2011, 2010, and 2009, respectively.

NOTE P POST RETIREMENT BENEFITS

The District funds post-retirement benefits on a current basis through PERSI. The District paid 1.16% of the wages covered by PERSI to the state for the 2010-2011 school year. At the time of retirement, a sum equal to one-half of the monetary value of unused sick leave, calculated at the rate of pay at that time, is transferred from the sick leave account to the employee's retirement account. This money shall then be used to pay premiums for health, accident, dental, and life insurance.

NOTE Q SUBSEQUENT EVENTS

Management of the District evaluated subsequent events through October 19, 2011, 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.

OTHER 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, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Property taxes	290,397	290,397	276,774	(13,623)
Penalties and interest on delinquent taxes	800	800	1,219	419
Earnings on investments			3,707	3,707
Other local	20,000	3,594	50,049	46,455
State apportionment				
Base	7,520,574	7,520,574	8,022,368	501,794
Transportation	404,000	404,000	394,637	(9,363)
Benefits	958,025	958,025	964,741	6,716
Revenue in lieu of taxes	23,875	23,875	23,875	
Other state revenue	624,533	99,533	108,906	9,373
Federal grants and assistance		187,233	194,733	7,500
 Total revenues	 9,842,204	 9,488,031	 10,041,009	 552,978
 EXPENDITURES				
Instruction				
Elementary	2,854,308	2,614,412	2,685,651	(71,239)
Secondary	2,798,816	2,648,878	2,650,119	(1,241)
Exceptional child	803,979	803,979	850,055	(46,076)
Gifted and talented	72,023	73,156	76,651	(3,495)
Interscholastic program	161,618	161,618	148,248	13,370
 Total instruction	 6,690,744	 6,302,043	 6,410,724	 (108,681)
 Support services				
Attendance, guidance, and health	302,713	307,646	327,236	(19,590)
Special services	207,715	211,241	207,666	3,575
Educational media	136,455	138,211	148,002	(9,791)
 Total support services	 646,883	 657,098	 682,904	 (25,806)

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, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
EXPENDITURES, continued				
Administration				
Board of Education	52,675	52,675	48,773	3,902
District administration	498,738	498,738	499,794	(1,056)
School administration	761,298	770,958	766,163	4,795
Total administration	<u>1,312,711</u>	<u>1,322,371</u>	<u>1,314,730</u>	<u>7,641</u>
Operations				
Building care (custodial)	680,042	684,482	669,973	14,509
Maintenance	284,770	287,725	305,681	(17,956)
Security	3,868	3,868	5,162	(1,294)
Total operations	<u>968,680</u>	<u>976,075</u>	<u>980,816</u>	<u>(4,741)</u>
Transportation	<u>452,382</u>	<u>455,581</u>	<u>469,310</u>	<u>(13,729)</u>
Noninstructional	<u>0</u>	<u>4,059</u>	<u>4,788</u>	<u>(729)</u>
Total expenditures	<u>10,071,400</u>	<u>9,717,227</u>	<u>9,863,272</u>	<u>(146,045)</u>
Revenues over (under) expenditures	(229,196)	(229,196)	177,737	406,933
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	<u>(20,600)</u>	<u>(20,600)</u>	<u>179,868</u>	<u>200,468</u>
Revenues and other financing sources over (under) expenditures	<u>(249,796)</u>	<u>(249,796)</u>	<u>357,605</u>	<u>607,401</u>
Fund balance - July 1, 2010			<u>982,546</u>	
Fund balance - June 30, 2011			<u><u>1,340,151</u></u>	

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget to Actual-
Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Property taxes	1,200,000	837,872	844,665	6,793
Penalties and interest on delinquent taxes	4,000	4,000	5,366	1,366
Other state revenue	415,000	366,128	366,128	
Total revenues	1,619,000	1,208,000	1,216,159	8,159
EXPENDITURES				
Debt service	1,618,000	1,207,000	1,253,667	(46,667)
Total expenditures	1,618,000	1,207,000	1,253,667	(46,667)
Revenues over (under) expenditures	1,000	1,000	(37,508)	(36,508)
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bonds			1,174,135	
Payment to refunded bond escrow agent			(1,676,969)	
Costs of issuance of refunding debt			37,957	
Operating transfers, net			0	
Total other financing sources (uses)			(464,877)	
Revenues and other financing sources over (under) expenditures			(502,385)	
Fund balance - July 1, 2010			1,033,816	
Fund balance - June 30, 2011			531,431	

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, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Property taxes	250,000	250,000	252,598	2,598
Penalties and interest on delinquent taxes	2,000	2,000	1,941	(59)
Other local revenue			9,348	9,348
Total revenues	252,000	252,000	263,887	11,887
EXPENDITURES				
Facility acquisition	252,000	252,000	230,780	21,220
Total expenditures	252,000	252,000	230,780	21,220
Revenues over (under) expenditures	0	0	33,107	33,107
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	0	0	0	0
Revenues and other financing sources over (under) expenditures	0	0	33,107	33,107
Fund balance - July 1, 2010			178,220	
Fund balance - June 30, 2011			211,327	

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, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Earnings on investment	35,000	5,000	5,528	528
Total revenues	35,000	5,000	5,528	528
EXPENDITURES				
Facility acquisition	35,000	5,000	1,211,367	(1,206,367)
Total expenditures	35,000	5,000	1,211,367	(1,206,367)
Revenues over (under) expenditures	0	0	(1,205,839)	(1,205,839)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	0	0	0	0
Revenues and other financing sources over (under) expenditures	0	0	(1,205,839)	(1,205,839)
Fund balance - July 1, 2010			2,845,510	
Fund balance - June 30, 2011			1,639,671	

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

All Nonmajor Funds
Combining Balance Sheet
June 30, 2011

	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	4,664	3,503	(7,949)	34,959	(59,680)	(10,278)	13,884	(10,016)	(17,557)	(2,197)	(27,761)	2,704	209,729	437,509	316,327	887,841
Receivables																
Federal grants					104,762	14,343	33,371	13,704	17,557	4,445	32,866		18,673			239,721
State agencies		1,625	10,961													12,586
Other													167			167
Interfund receivable																
Total assets	4,664	5,128	3,012	34,959	45,082	4,065	47,255	3,688	0	2,248	5,105	2,704	228,569	437,509	316,327	1,140,315
LIABILITIES AND FUND EQUITY																
LIABILITIES																
Accounts payable		33	3,011		13,338	117					3,885			22		20,406
Accrued wages		2,829			25,309	2,506	35,137	2,951		2,088			33,415	33,768		138,003
Accrued employee benefits		528			6,435	1,442	12,118	737		160	1,220		15,370	11,989		49,999
Interfund payable																0
Deferred revenue			1									2,704				2,705
Total liabilities	0	3,390	3,012	0	45,082	4,065	47,255	3,688	0	2,248	5,105	2,704	48,785	45,779	0	211,113
FUND EQUITY																
Restricted	4,664	1,738		34,959									179,784	391,730	316,327	929,202
Assigned																0
Unassigned																
Total fund equity	4,664	1,738	0	34,959	0	0	0	0	0	0	0	0	179,784	391,730	316,327	929,202
Total liabilities and fund equity	4,664	5,128	3,012	34,959	45,082	4,065	47,255	3,688	0	2,248	5,105	2,704	228,569	437,509	316,327	1,140,315

Shelley Joint School District #60

All Nonmajor Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2011

	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
REVENUES																
Other local		12,540		218												12,758
Other state revenue		7,750	42,813											585,607		636,170
Earnings on investments													156			156
Food service													195,919			195,919
Federal grants and assistance	1,100				298,459	34,348	420,125	22,454	17,556	17,558	85,558	2,261	509,189			1,408,608
Total revenues	1,100	20,290	42,813	218	298,459	34,348	420,125	22,454	17,556	17,558	85,558	2,261	705,264	585,607	0	2,253,611
EXPENDITURES																
Instruction																
Elementary					237,263	34,348				10,398	42,492	2,196		203,147		529,844
Secondary			43,909	54,068	37,353				17,556	7,160	43,066	65		163,588		366,765
Exceptional child							318,054									318,054
Preschool							53,232	7,299								60,531
Driver's education		29,585														29,585
Support services																
Special services							48,544	15,155						1,993		65,692
Instructional improvement							395									395
School administration					23,854											23,854
Noninstructional													747,862			747,862
Total expenditures	0	29,585	43,909	54,068	298,470	34,348	420,225	22,454	17,556	17,558	85,558	2,261	747,862	368,728	0	2,142,582
Revenues over (under) expenditures	1,100	(9,295)	(1,096)	(53,850)	(11)		(100)						(42,598)	216,879		111,029
OTHER FINANCING SOURCES (USES)																
Net transfers													20,132		(200,000)	(179,868)
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0	0	0	20,132	0	(200,000)	(179,868)
Revenues and other financing sources over (under) expenditures	1,100	(9,295)	(1,096)	(53,850)	(11)		(100)						(22,466)	216,879	(200,000)	(68,839)
Fund balance - July 1, 2010	3,564	11,033	1,096	88,809	11		100						202,250	174,851	516,327	998,041
Fund balance - June 30, 2011	4,664	1,738	0	34,959	0	0	0	0	0	0	0	0	179,784	391,730	316,327	929,202

Shelley Joint School District #60

All Agency Funds
Combining Statement of Changes in Assets and Liabilities
Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Receipts	Disbursements	Balance June 30, 2011
ASSETS				
Cash				
Shelley High School	127,441	535,656	515,970	147,127
Donald J. Hobbs Middle School	43,550	89,831	90,668	42,713
Riverview Elementary School		44,087	39,182	4,905
Sunrise Elementary School	6,259	28,765	28,475	6,549
Stuart Elementary School	8,799	33,975	34,380	8,394
Total assets	<u>186,049</u>	<u>732,314</u>	<u>708,675</u>	<u>209,688</u>
LIABILITIES				
Due to student groups				
Shelley High School	127,441	535,656	515,970	147,127
Donald J. Hobbs Middle School	43,550	89,831	90,668	42,713
Riverview Elementary School		44,087	39,182	4,905
Sunrise Elementary School	6,259	28,765	28,475	6,549
Stuart Elementary School	8,799	33,975	34,380	8,394
Total liabilities	<u>186,049</u>	<u>732,314</u>	<u>708,675</u>	<u>209,688</u>

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2011

	General Fund		
	Total	2010	2009 and Prior
Delinquent balance at July 1, 2010	9,940		9,940
ADDITIONS			
Roll charges applicable to 2010	280,182	280,182	
Subsequent additions and cancellations	(849)	(1,068)	219
Total additions	279,333	279,114	219
DEDUCTIONS			
Collections received	178,961	172,168	6,793
Current amount due on taxes collected by the counties	97,822	97,409	413
Total deductions	276,783	269,577	7,206
Delinquent balance at June 30, 2011	12,490	9,537	2,953

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2011

Debt Service Fund			Capital Projects Fund		
Total	2010	2009 and Prior	Total	2010	2009 and Prior
36,174		36,174	12,979		12,979
851,084 (2,244)	851,084 (3,243)	999	253,942 (607)	253,942 (968)	361
848,840	847,841	999	253,335	252,974	361
547,733	522,980	24,753	165,036	156,044	8,992
297,450	295,891	1,559	88,830	88,286	544
845,183	818,871	26,312	253,866	244,330	9,536
39,830	28,970	10,861	12,448	8,644	3,804

Single Audit Section

Shelley Joint School District #60

June 30, 2011

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

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

We have audited the basic financial statements of Shelley Joint School District #60 as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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.

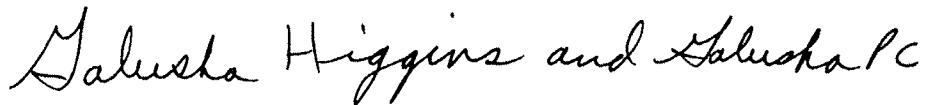
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not 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 19, 2011.

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 those 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 19, 2011

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

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

Compliance

We have audited the compliance of Shelley Joint School District #60 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. 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 on 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 are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

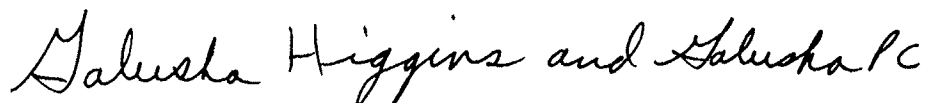
The management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelley Joint School District #60's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing 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 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 significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 those specified parties.

A handwritten signature in black ink that reads "Galusha Higgins and Galusha PC". The signature is written in a cursive, flowing style.

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

Idaho Falls, Idaho
October 19, 2011

Shelley Joint School District #60

Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2011

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)

10.553/10.555/10.556/10.559
84.027 / 84.173 / 84.391 / 84.392A

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Shelley Joint School District #60

Schedule of Findings and Questioned Costs *Fiscal Year Ended June 30, 2011*

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

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

None

Shelley Joint School District #60

Notes to Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2011

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
United States Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	2011IN109947	98,819
National School Lunch Program	10.555	2011IN109947	388,121
Special Milk Program for Children	10.556	2011IN109947	3,576
Summer Food Service Program for Children	10.559	2011IN109947	18,863
Total Child Nutrition Cluster			<u>509,379</u>
Total United States Department of Agriculture			<u>509,379</u>
United States Department of Education			
Passed through State Department of Education:			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	S010A100012	253,222
Title I Grants to Local Educational Agencies - ARRA	84.389	S389A090012	45,248
Total Title I Cluster			<u>298,470</u>
Drug-Free Schools	84.186	Q186A090013	2,261
Migrant Education - Basic State Grant Program	84.011	S011A100012	34,348
English Language Acquisition	84.365A	T365A090012	17,558
Improving Teacher Quality	84.367	S367A090011	85,558
Statewide Data Systems	84.372	R372A090025	7,500
Education Jobs Fund	84.410	S410A100013	187,233
Subtotal			<u>334,458</u>
Special Education Cluster			
Special Education - School-age	84.027	H027A100088	229,126
Special Education - Preschool	84.173	H173A100030	19,919
Special Education - School-age - ARRA	84.391	H391A090088	191,097
Special Education - Preschool - ARRA	84.392A	H392A090030	2,534
Total Special Education Cluster			<u>442,676</u>
Total Passed through State Department of Education			<u>1,075,604</u>
Passed through Eastern Idaho Tech Prep Consortium:			
Vocational Education – Basic Grants to States	84.048A		<u>17,556</u>
Total United States Department of Education			<u>1,093,160</u>
Total Expenditures of Federal Awards			<u><u>1,602,539</u></u>

Shelley Joint School District #60

Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2011*

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, 2011. 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 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, 2011.

Shelley Joint School District #60

Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2011

Audit Finding Reference: 2010-1 Time and effort reporting.

Status of Prior Audit Finding: Planned corrective action completed this fiscal year.