

Report of Audit

Shelley Joint School District #60
Shelley, Idaho

June 30, 2010

Shelley Joint School District #60

Contents June 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60 (the District), as of and for the year ended June 30, 2010, 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.

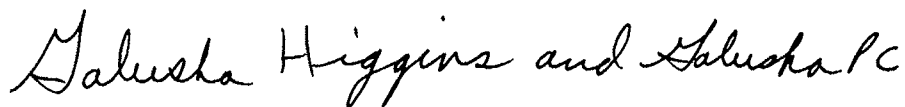
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, 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 25, 2010, 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 25, 2010

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2010*

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, 2010. 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 2010 are as follows:

In total, net assets increased \$36,588, which represents a 0.4 percent increase from 2009.

General revenues accounted for \$10,833,293 in revenue, or 76 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 \$3,439,347 or 24 percent of total revenues of \$14,272,640.

Total assets of governmental activities increased by \$115,248 as cash and cash equivalents decreased by \$5,801,941, receivables decreased by \$350,981, and capital assets increased by \$6,268,170.

The District had \$14,236,052 in expenses; only \$3,439,347 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes, stabilization, and state aid) of \$10,833,293 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,014,405 in revenues and \$10,686,102 in expenditures. The General Fund's balance increased \$62,394 over 2009.

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, 2010*

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 2010?" 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, 2010

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 2010 compared to 2009:

	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	8,644,473	14,797,395
Capital assets	18,639,860	12,371,690
Total assets	27,284,333	27,169,085
Liabilities		
Long-term liabilities	14,747,293	15,290,138
Other liabilities	2,746,320	2,124,815
Total liabilities	17,493,613	17,414,953
Net assets		
Invested in capital assets, net of debt	6,905,370	7,016,849
Restricted	1,552,168	1,656,600
Unrestricted	1,333,182	1,080,683
Total net assets	9,790,720	9,754,132

Total assets of governmental activities increased by \$115,248 as cash and cash equivalents decreased by \$5,801,941, receivables decreased by \$350,981, and capital assets increased by \$6,268,170. 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 \$252,499.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2010

The following table shows the changes in net assets for fiscal year 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues		
Charges for services	245,388	447,499
Operating grants and contributions	3,193,959	3,442,119
Capital grants and contributions		196,050
General revenues		
Property taxes	1,167,902	1,161,075
Stabilization	1,316,377	
State aid	8,259,481	9,809,950
Other	89,533	56,298
Total revenues	<u>14,272,640</u>	<u>15,112,991</u>
Program Expenses		
Instruction	8,811,533	8,929,026
Support services	649,291	688,105
Administrative	1,396,179	1,360,988
Operations	951,367	948,169
Transportation	609,390	617,144
Noninstructional	711,306	681,323
Interest and fiscal charges	653,904	675,643
Capital improvements	453,082	514,142
Total expenses	<u>14,236,052</u>	<u>14,414,540</u>
Increase (decrease) in net assets	<u>36,588</u>	<u>698,451</u>

GOVERNMENTAL ACTIVITIES

State aid of \$9,947,451 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 69.7 percent of revenues from governmental activities. Federal grants and assistance of \$2,822,366 makes up 19.8 percent of total revenues from governmental activities. Property taxes of \$1,152,246 make up 8.2 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, and transportation comprise 87.2 percent of district expenses.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2010

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 2010	Net cost of services 2010
Instruction	8,811,533	7,010,400
Support services	649,291	621,305
Administrative	1,396,179	1,372,451
Operations	951,367	951,367
Transportation	609,390	165,071
Noninstructional	711,306	4,863
Interest and fiscal charges	653,904	235,624
Capital improvements	453,082	435,624
Total expenses	<u>14,236,052</u>	<u>10,796,705</u>

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, 2010

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 \$14,256,984 and expenditures of \$21,054,099. The net change in fund balance for the year in the General Fund and the Capital Projects Fund was an increase of \$62,394 and a decrease of \$35,337, respectively.

The volatile atmosphere of education funding significantly affected spending in the 2009-2010 school year. The result was an increase in the general fund balance at year-end instead of the expected decrease. The District continues to depend on Federal stimulus dollars to function at an acceptable level. There is great concern about what will happen when these funds go away in the 2011-2012 school year. The patrons of Shelley Joint School District #60 have generously approved a supplemental levy for FY11 and FY12. These funds will hopefully soften the impact of the possible loss of State funding and the end of Federal stimulus funds. The District will remain prudent in its decisions and will keep District financial security a top priority.

The Stuart Elementary School upgrade project is completed, greatly improving the learning environment of its students, and the new Riverview Elementary has opened for the 2010-2011 school year. Since 1992, four of the five District schools have been built or had complete upgrades. Our facilities are in excellent condition and will be assets to the District for many years to come. Shelley Joint School District #60 is privileged to serve patrons and students who are so willing and generous in their support of education.

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 \$10,723,506 and \$10,723,506, respectively.

CAPITAL ASSETS

At the end of the fiscal year 2010, the District had \$18,639,860 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	2010	2009
Land	52,635	52,635
Construction in Progress	9,423,966	2,812,084
Buildings and improvements	8,645,115	9,135,178
Equipment	104,118	75,372
Vehicles	414,026	296,421
Total capital assets, net	18,639,860	12,371,690

Overall capital assets increased \$6,268,170 from fiscal year 2009 to fiscal year 2010. Increases in capital assets (primarily construction in progress, equipment, and vehicles) were offset by depreciation expense for the year.

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2010*

DEBT ADMINISTRATION

At June 30, 2010, the District had two general obligation bond issues. The outstanding bonds are as follows:

	Total	Due within one year
2002 Series Bond	2,635,000	485,000
2007 Series Bond	11,945,000	90,000
Total	14,580,000	575,000

At June 30, 2010, the District's overall legal debt margin was \$13,987,534.

CURRENT FINANCIAL ISSUES AND CONCERNS

Shelley Joint School District #60 shares with districts nationwide concerns about where funding for education will come from. The national and global recession has left states strapped for revenue sources, cutting education funding to near bare-bones levels. Yet the push to meet requirements for No Child Left Behind has strained budgets as schools have looked for resources to increase student achievement.

Many of these remedies focus on technology, an area that was cut from the 2010-2011 state school budget. With no room in the general fund for technology support, the district will again have to look to the local patrons for help. The district's plant facility levy is up for renewal in the spring of 2011. It is hoped that patrons will support an increase in this levy to cover technology as well as the increased square footage the district must maintain.

Medicaid has been a much-needed support of our special needs students. Although our special needs student population has not increased in numbers, the severity of needs has changed dramatically. The State is reviewing Medicaid services with an eye toward reducing costs. Should new regulations be put in place, a complete review of services will need to be made to accommodate reduced funding.

Despite the focus on these concerns, the District is in healthy financial shape. With parent and community support, we will weather the changes to come and educate our students to the best of our ability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Dixon, Business Manager at Shelley Joint School District #60, 545 Seminary Avenue, Shelley, Idaho 83274 or email at tdixon@sd60.k12.id.us.

Shelley Joint School District #60

Statement of Net Assets

June 30, 2010

	Governmental Activities
ASSETS	
Cash and investments	7,736,735
Property taxes receivable, net	490,675
Other receivables	417,063
Capital assets, net of depreciation	18,639,860
Total assets	27,284,333
LIABILITIES	
Accounts payable	1,048,473
Accrued wages	1,147,282
Accrued employee benefits	349,738
Interest payable	199,041
Deferred revenue	1,786
Long-term liabilities	
Premium on bonds payable	35,655
Portion due or payable within one year	
General obligation bonds	575,000
Portion due or payable after one year	
General obligation bonds	14,005,000
Other liabilities	131,638
Total liabilities	17,493,613
NET ASSETS	
Invested in capital assets, net of related debt	6,905,370
Restricted for	
Capital improvements	191,354
Debt service	1,069,756
Child nutrition	202,249
Other	88,809
Unrestricted	1,333,182
Total net assets	9,790,720

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Statement of Activities Fiscal Year Ended June 30, 2010

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	8,811,533	13,640	1,787,493		(7,010,400)
Support services	649,291		27,986		(621,305)
Administrative	1,396,179		23,728		(1,372,451)
Operations	951,367				(951,367)
Transportation	609,390		444,319		(165,071)
Noninstructional	711,306	214,290	492,153		(4,863)
Interest on long-term debt	653,904		418,280		(235,624)
Capital improvements	453,082	17,458			(435,624)
Total governmental activities	<u>14,236,052</u>	<u>245,388</u>	<u>3,193,959</u>	<u>0</u>	<u>(10,796,705)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					
					231,280
Property taxes, levied for debt service					
					684,520
Property taxes, levied for capital improvements					
					252,102
State revenue in lieu of taxes					
					29,054
Stabilization					
					1,316,377
State aid - formula grants					
					8,208,474
Other state revenue					
					21,953
Unrestricted investments earnings					
					(931)
Other local					
					90,464
Total general revenues					
					<u>10,833,293</u>
Change in net assets					
					36,588
Net assets - beginning					
					<u>9,754,132</u>
Net assets - ending					
					<u>9,790,720</u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet Governmental Funds

	General Fund	Debt Service
ASSETS		
Cash and investments	2,083,840	781,281
Receivables		
Taxes - current	86,003	252,538
Taxes - delinquent	9,985	35,937
State apportionment	190,455	
Federal grants		
State agencies	5,308	
Other		
Interfund receivable		
Total assets	<u>2,375,591</u>	<u>1,069,756</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	23,228	
Accrued wages	1,025,210	
Accrued employee benefits	307,556	
Interfund payable	27,058	
Deferred revenue	9,985	35,937
Total liabilities	<u>1,393,037</u>	<u>35,937</u>
FUND BALANCES		
Reserved		
Capital projects		
Retirement of long-term debt		1,033,819
Child nutrition		
Unreserved		
Designated		
Undesignated	982,554	
Total fund balances	<u>982,554</u>	<u>1,033,819</u>
Total liabilities and fund balances	<u>2,375,591</u>	<u>1,069,756</u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet Governmental Funds June 30, 2010

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental</u>
92,578	3,861,865	917,171	7,736,735
93,077			431,618
13,135			59,057
			190,455
		211,507	211,507
		9,626	14,934
		167	167
		28,366	28,366
<u>198,790</u>	<u>3,861,865</u>	<u>1,166,837</u>	<u>8,672,839</u>
7,436	1,016,355	1,454	1,048,473
		122,072	1,147,282
		42,182	349,738
		1,308	28,366
13,135		1,786	60,843
<u>20,571</u>	<u>1,016,355</u>	<u>168,802</u>	<u>2,634,702</u>
178,219	2,845,510		3,023,729
			1,033,819
		202,249	202,249
		795,786	795,786
			982,554
<u>178,219</u>	<u>2,845,510</u>	<u>998,035</u>	<u>6,038,137</u>
<u>198,790</u>	<u>3,861,865</u>	<u>1,166,837</u>	<u>8,672,839</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, 2010

Total fund balances - governmental funds	6,038,137
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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.	(35,655)
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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 \$31,225,716, and the accumulated depreciation is \$12,585,856.	18,639,860
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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.	59,057
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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	(14,580,000)
Accrued interest on the bonds	(199,041)
GASB 45	<u>(131,638)</u>

	<u>(14,910,679)</u>
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Total net assets - governmental activities	<u><u>9,790,720</u></u>
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The accompanying notes are an integral part of these statements.

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Shelley Joint School District #60

Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Debt Service</u>
REVENUES		
Property taxes	224,725	669,057
Penalties and interest on delinquent taxes	773	8,592
Earnings on investments	(931)	
Food service		
Other local	89,170	
State apportionment		
Base	7,154,718	
Transportation	444,319	
Benefits	1,053,756	
Revenue in lieu of taxes	29,054	
Other state revenue	703,773	418,280
Federal grants and assistance	1,315,048	
Total revenues	<u>11,014,405</u>	<u>1,095,929</u>
EXPENDITURES		
Current		
Instruction	7,194,564	
Support services	621,305	
Administration	1,372,451	
Operations	949,603	
Transportation	548,179	
Noninstructional		
Debt service		1,203,781
Facility acquisition		
Total expenditures	<u>10,686,102</u>	<u>1,203,781</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, 2010

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
246,166			1,139,948
2,933			12,298
	17,458	175	16,702
		214,115	214,115
1,225		13,709	104,104
			7,154,718
			444,319
			1,053,756
			29,054
		143,551	1,265,604
		1,507,318	2,822,366
<u>250,324</u>	<u>17,458</u>	<u>1,878,868</u>	<u>14,256,984</u>
		1,106,585	8,301,149
		27,986	649,291
		23,728	1,396,179
			949,603
			548,179
		711,306	711,306
			1,203,781
<u>357,504</u>	<u>6,937,107</u>		<u>7,294,611</u>
<u>357,504</u>	<u>6,937,107</u>	<u>1,869,605</u>	<u>21,054,099</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, 2010

	<u>General Fund</u>	<u>Debt Service</u>
Revenues over (under) expenditures	<u>328,303</u>	<u>(107,852)</u>
OTHER FINANCING		
SOURCES (USES)		
Operating transfers, net	<u>(265,909)</u>	<u></u>
Total other financing sources (uses)	<u>(265,909)</u>	<u>0</u>
Revenues and other financing sources over (under) expenditures	62,394	(107,852)
Fund balance - July 1, 2009	<u>920,160</u>	<u>1,141,671</u>
Fund balance - June 30, 2010	<u><u>982,554</u></u>	<u><u>1,033,819</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, 2010

<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>(107,180)</u>	<u>(6,919,649)</u>	<u>9,263</u>	<u>(6,797,115)</u>
<u>71,843</u>	<u></u>	<u>194,066</u>	<u></u>
<u>71,843</u>	<u>0</u>	<u>194,066</u>	<u>0</u>
<u>(35,337)</u>	<u>(6,919,649)</u>	<u>203,329</u>	<u>(6,797,115)</u>
<u>213,556</u>	<u>9,765,159</u>	<u>794,706</u>	<u>12,835,252</u>
<u>178,219</u>	<u>2,845,510</u>	<u>998,035</u>	<u>6,038,137</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, 2010*

Total net change in fund balances - governmental funds:	(6,797,115)
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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, \$6,841,529, exceeds depreciation expense, \$573,359, in the period.	6,268,170
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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.	540,000
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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.	15,656
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Amortization of bond premium.	2,845
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. The interest expense is decreased in the statement of activities as the result of the decrease in accrued interest on bonds of \$7,032.	<u>7,032</u>
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Change in net assets of governmental activities	<u><u>36,588</u></u>
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The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Fiduciary Fund Statement of Fiduciary Net Assets *June 30, 2010*

	Agency Funds
ASSETS	
Cash	<u>186,049</u>
Total assets	<u>186,049</u>
LIABILITIES	
Due to student groups	<u>186,049</u>
Total liabilities	<u>186,049</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, 2010

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 nonfiduciary 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, 2010

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 local 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, 2010

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 a 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, 2010

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 2010 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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Fund Balances. Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designations of fund balances may be established to indicate tentative plans for use of fund balances in future periods. Following are explanations of reserves and designations shown in the accompanying financial statements.

Reserve for encumbrances. This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the District but not completed as of the close of the fiscal year.

Reserve for debt service. This reserve was created to segregate a portion of the fund balance account for debt service, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Designated for subsequent year's expenditures. This designation indicates the District's intent to use a portion of the fund balance for expenditures in the subsequent fiscal year.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Total restricted resources at year-end were \$1,552,168.

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, 2010, 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."

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2010, the carrying amount of the District’s deposits was \$439,071 and the bank balance was as follows:

Insured by Federal Depository Insurance	391,551
Uninsured and uncollateralized	<u>410,853</u>
Total	<u>802,404</u>

At June 30, 2010, 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>3,846,643</u>	<u>3,847,797</u>	69 Days
First American Prime Obligations Fund	<u>3,523,039</u>	<u>3,523,039</u>	N/A
Total investments	<u>7,369,682</u>	<u>7,370,836</u>	

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

Credit risk - The District’s deposits and investments at year end are limited to the State Investment Pool, First American Prime Obligations Fund, 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. The State Treasurer’s Investment pool (LGIP) has been assigned a fund credit rating of AA Af by Standard & Poor’s, and the First American Prime Obligation Fund has been assigned a fund credit rating of AA Am by Standard & Poor’s.

Shelley Joint School District #60

Notes to Financial Statements June 30, 2010

NOTE B CASH AND INVESTMENTS, continued

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, 2010, \$410,853 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the investments, \$7,369,682 was held in the State Treasurer's Investment Pool and First American Prime Obligation Fund which are 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 investments held by the State Investment Pool are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). Information necessary to determine the level of collateralization for the State Investment Pool was unavailable.

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. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded. The interfund balances at June 30, 2010, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund		27,058
Nonmajor Funds	<u>28,366</u>	<u>1,308</u>
Total	<u>28,366</u>	<u>28,366</u>

The District transferred \$19,215 to the Child nutrition fund as required by state law. The District also transferred \$71,843 from the General fund to the Capital projects fund as required by state law, as well as \$174,851 to non-major funds as required by state law.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE D CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Land	52,635			52,635
Construction in progress	2,812,084	6,611,882		9,423,966
	2,864,719	6,611,882		9,476,601
Buildings				
Elementary	9,580,616			9,580,616
Secondary	9,212,335		(4,933)	9,207,402
Administration	454,840			454,840
Total buildings	19,247,791		(4,933)	19,242,858
Accumulated depreciation	(10,112,613)	(490,063)	4,933	(10,597,743)
Net buildings	9,135,178	(490,063)	0	8,645,115
Equipment				
Elementary	394,786	19,783		414,569
Secondary	211,837	31,048		242,885
Admin.	124,320			124,320
Total equipment	730,943	50,831	0	781,774
Accumulated depreciation	(655,571)	(22,085)		(677,656)
Net equipment	75,372	28,746	0	104,118
Vehicles	1,574,405	178,816	(28,738)	1,724,483
Accumulated depreciation	(1,277,984)	(61,211)	28,738	(1,310,457)
Net vehicles	296,421	117,605	0	414,026
Total, net of depreciation	12,371,690	6,268,170	0	18,639,860

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

Governmental activities	
Instruction	510,384
Operations	1,764
Transportation	61,211
Total depreciation expense – governmental activities	573,359

Shelley Joint School District #60

Notes to Financial Statements June 30, 2010

NOTE E 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 F NONMONETARY TRANSACTIONS

The District received \$53,152 in USDA Commodities during the 2009-2010 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 G PAYROLL EXPENDITURES AND RELATED LIABILITIES

Teacher contracts were signed for the nine-month period of September 1, 2009, through May 31, 2010, to be paid over the twelve months of September 1, 2009, through August 31, 2010. The financial statements reflect the salary expense for this period. The accrued payroll reflects the final two months of these contracts.

NOTE H GENERAL OBLIGATION BOND ISSUES

The District has two general obligation bond issues (2002 Series and 2007 Series) outstanding with interest rates ranging from 2.5 to 5.0 percent. The 2002 Series, and 2007 Series bonds are scheduled to mature August 2014, and September 2027, respectively.

Future debt service requirements are as follows:

Fiscal Year Ended June 30,	Total	Interest	Principal
2011	1,217,544	642,544	575,000
2012	1,234,731	619,731	615,000
2013	1,250,319	595,319	655,000
2014	1,268,800	568,800	700,000
2015	1,279,875	539,875	740,000
2016-2020	5,811,406	2,246,406	3,565,000
2021-2025	5,785,250	1,295,250	4,490,000
2026-2028	3,464,488	224,488	3,240,000
Total	21,312,413	6,732,413	14,580,000

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE H GENERAL OBLIGATION BOND ISSUES, continued

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

Principal	2002 Series	2007 Series	Combined Total
Balances at July 1, 2009	3,100,000	12,020,000	15,120,000
Bonds retired during fiscal year	465,000	75,000	540,000
Balances at June 30, 2010	2,635,000	11,945,000	14,580,000
Interest to be provided			
Balances at July 1, 2009	373,594	7,022,100	7,395,694
Interest paid during fiscal year	109,200	554,081	663,281
Balances at June 30, 2010	264,394	6,468,019	6,732,413

NOTE I LEGAL DEBT MARGIN

The District is subject to a statutory limitation by the Idaho Code for bonded indebtedness payable principally from property taxes. The limit of bonded indebtedness is 5% of property market value for assessment purposes less the aggregate outstanding debt. At June 30, 2010, the limit for the District was \$28,567,534. The general obligation debt was \$14,580,000 leaving a legal debt margin of \$13,987,534.

NOTE J LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Payments	Balance June 30, 2010
Bonds payable	15,120,000		540,000	14,580,000
Employee benefits	131,638			131,638
Total	15,251,638		540,000	14,711,638

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

NOTE K RETIREMENT HEALTHCARE PLAN

Plan Description. Shelley Joint School District #60's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross of Idaho, Delta Dental, Willamette Dental, and 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.

Shelley Joint School District #60

Notes to Financial Statements June 30, 2010

NOTE K RETIREMENT HEALTHCARE PLAN, continued

A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and vision insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Dental and life benefits continue for life. Retirement eligibility is determined based on a minimum of reaching age 55 with at least 5 years of membership with a PERSI employer. The retiree is on the same medical with vision and dental plan as the District's active employees.

Funding Policy. The contribution requirement of plan members is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010 the District contributed approximately \$894,476 to the plan for current premiums or approximately 72.4% of total premiums. Plan members receiving benefits contributed approximately \$335,505 or approximately 27.6% 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 2010 were as follows:

Medical with Vision Coverage	\$750 Deductible	\$3,000 Deductible
Single	\$ 371.35	\$ 271.85
No Spouse W/Child	\$ 570.70	\$ 417.50
No Spouse W/Children	\$ 669.95	\$ 491.95
W/Spouse	\$ 810.55	\$ 591.65
W/Spouse + Children	\$ 946.05	\$ 692.45
Dental Coverage	Delta Dental	Willamette Dental
Single	\$ 33.25	\$ 27.97
No Spouse W/Child	\$ 71.95	\$ 60.49
No Spouse W/Children	\$ 106.85	\$ 89.87
W/Spouse	\$ 71.90	\$ 60.45
W/Spouse + Children	\$ 139.65	\$ 117.40
Life Coverage	Retiree Life	Dependent Life
Single	\$1.60	\$4.80

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

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE K RETIREMENT HEALTHCARE PLAN, continued

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

Annual required contribution	131,638
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost (expense)	131,638
Contributions made	
	<hr/>
Increase in net OPEB obligation	131,638
	<hr/>
Net OPEB obligation – beginning of year	
Net OPEB obligation - end of year	<u>131,638</u>

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 not necessary as fiscal year 2009 is the year of implementation for GASB Statement 45.

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,456,961. 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 \$7,709,012 million and the ratio of the UAAL to the covered payroll was 19.0%.

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

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2010

NOTE K RETIREMENT HEALTHCARE PLAN, continued

In the July 1, 2008, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.5% 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 1.0% year 1, 6.3% year 2, 7.0% year 3, gradually decreasing to 5.0% on a projected long term trend. The annual dental healthcare cost is 8.6% year 1, 5.6% year 2, and 5.0% for the remaining years. It was assumed salary increases will be 3.75% per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling thirty year time period.

NOTE L EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN THE INDIVIDUAL FUNDS

Actual expenditures exceeded budget for the General fund, Capital Projects fund, and Construction funds. Excesses in the General fund are due to increased expenditures as a result of excess revenues over budget. Excesses in the Capital Projects funds are due to unanticipated capital improvement expenditures. 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 M 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. 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.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

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, 2010, 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%.

Shelley Joint School District #60

Notes to Financial Statements *June 30, 2010*

NOTE M RETIREMENT SYSTEM, continued

The District's contributions required and paid were \$832,671, \$818,444, and \$795,161 for the three years ended June 30, 2010, 2009, and 2008, respectively.

NOTE N 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 2009-2010 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 O COMMITMENTS

During the year ended June 30, 2009, the District contracted with a construction management company to manage the renovation to Stuart Elementary school. The original bid plus changes was in the amount of \$2,353,705. At June 30, 2010, there was \$2,170,299 in expenditures recorded on the project, leaving a remaining construction obligation of \$183,406. The District has also contracted with a construction management company to manage the building of a new elementary school during the year ended June 30, 2009. The original bid plus changes was in the amount of \$6,556,504. At June 30, 2010, there was \$5,560,483 in expenditures recorded on the project, leaving a remaining construction obligation of \$996,021.

NOTE P SUBSEQUENT EVENTS

Management of the District evaluated subsequent events through October 25, 2010, 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.

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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, 2010

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	97,000	224,725	127,725
Penalties and interest on delinquent taxes	500	773	273
Earnings on investments	40,000	(931)	(40,931)
Other local	15,000	89,170	74,170
State apportionment			
Base	8,423,712	7,154,718	(1,268,994)
Transportation	459,000	444,319	(14,681)
Benefits	1,045,660	1,053,756	8,096
Revenue in lieu of taxes	18,695	29,054	10,359
Other state revenue	623,939	703,773	79,834
Federal grants and assistance		1,315,048	1,315,048
	<u>10,723,506</u>	<u>11,014,405</u>	<u>290,899</u>
Total revenues			
	<u>10,723,506</u>	<u>11,014,405</u>	<u>290,899</u>
EXPENDITURES			
Instruction			
Elementary	2,754,382	2,626,405	127,977
Secondary	3,351,453	3,375,191	(23,738)
Exceptional child	916,316	931,884	(15,568)
Gifted and talented	78,037	78,064	(27)
Interscholastic program	177,523	183,020	(5,497)
	<u>7,277,711</u>	<u>7,194,564</u>	<u>83,147</u>
Total instruction			
	<u>7,277,711</u>	<u>7,194,564</u>	<u>83,147</u>
Support services			
Attendance, guidance, and health	342,415	338,955	3,460
Special services	152,241	152,096	145
Educational media	133,140	130,254	2,886
	<u>627,796</u>	<u>621,305</u>	<u>6,491</u>
Total support services			
	<u>627,796</u>	<u>621,305</u>	<u>6,491</u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget to Actual- *Fiscal Year Ended June 30, 2010*

	Original Budget	Actual	Favorable (Unfavorable) Variance
EXPENDITURES, continued			
Administration			
Board of Education	43,226	52,006	(8,780)
District administration	557,524	564,700	(7,176)
School administration	748,123	755,745	(7,622)
Total administration	1,348,873	1,372,451	(23,578)
Operations			
Building care (custodial)	704,654	667,312	37,342
Maintenance	278,221	278,086	135
Security	6,260	4,205	2,055
Total operations	989,135	949,603	39,532
Transportation	539,897	548,179	(8,282)
Noninstructional	596	0	596
Total expenditures	10,784,008	10,686,102	97,906
Revenues over (under) expenditures	(60,502)	328,303	388,805
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	(76,600)	(265,909)	(189,309)
Revenues and other financing sources over (under) expenditures	(137,102)	62,394	199,496
Fund balance - July 1, 2009		920,160	
Fund balance - June 30, 2010		982,554	

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, 2010

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	1,200,000	669,057	(530,943)
Penalties and interest on delinquent taxes	3,000	8,592	5,592
Other state revenue	414,574	418,280	3,706
Total revenues	1,617,574	1,095,929	(521,645)
EXPENDITURES			
Debt service	1,616,574	1,203,781	412,793
Total expenditures	1,616,574	1,203,781	412,793
Revenues over (under) expenditures	1,000	(107,852)	(108,852)
Fund balance - July 1, 2009		1,141,671	
Fund balance - June 30, 2010		1,033,819	

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, 2010

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	250,000	246,166	(3,834)
Penalties and interest on delinquent taxes	500	2,933	2,433
Other local revenue		1,225	1,225
Total revenues	250,500	250,324	(176)
EXPENDITURES			
Facility acquisition	306,500	357,504	(51,004)
Total expenditures	306,500	357,504	(51,004)
Revenues over (under) expenditures	(56,000)	(107,180)	(51,180)
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	56,000	71,843	15,843
Revenues and other financing sources over (under) expenditures	0	(35,337)	(35,337)
Fund balance - July 1, 2009		213,556	
Fund balance - June 30, 2010		178,219	

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, 2010

	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Earnings on investment	75,000	17,458	(57,542)
Total revenues	75,000	17,458	(57,542)
EXPENDITURES			
Facility acquisition	75,000	6,937,107	(6,862,107)
Total expenditures	75,000	6,937,107	(6,862,107)
Revenues over (under) expenditures	0	(6,919,649)	(6,919,649)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	0	0	0
Revenues and other financing sources over (under) expenditures	0	(6,919,649)	(6,919,649)
Fund balance - July 1, 2009		9,765,159	
Fund balance - June 30, 2010		2,845,510	

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

All Nonmajor Funds
Combining Balance Sheet
June 30, 2010

	Federal Forest	Driver's Education	Professional Technical	State Technology	Idaho Substance Abuse	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	3,563	14,032	(5,202)	89,149	(1,342)	(21,797)	(8,055)	(15,733)	(14,662)	(21,581)	(2,170)	(18,765)	2,702	225,854	174,851	516,327	917,171
Receivables																	
Federal grants						57,140	12,021	55,864	21,736	21,684	4,730	22,094		16,238			211,507
State agencies		2,563	7,063														9,626
Other														167			167
Interfund receivable					2,255	165	101	18,701	1,965			4,311		868			28,366
Total assets	<u>3,563</u>	<u>16,595</u>	<u>1,861</u>	<u>89,149</u>	<u>913</u>	<u>35,508</u>	<u>4,067</u>	<u>58,832</u>	<u>9,039</u>	<u>103</u>	<u>2,560</u>	<u>7,640</u>	<u>2,702</u>	<u>243,127</u>	<u>174,851</u>	<u>516,327</u>	<u>1,166,837</u>
LIABILITIES AND FUND EQUITY																	
LIABILITIES																	
Accounts payable			766	340		139	31							178			1,454
Accrued wages		4,078			834	26,330	2,684	43,980	7,639		2,265	5,774	478	28,010			122,072
Accrued employee benefits		764			79	9,031	1,352	14,752	1,400		173	1,866	75	12,690			42,182
Interfund payable		720									122		466				1,308
Deferred revenue										103			1,683				1,786
Total liabilities	<u>0</u>	<u>5,562</u>	<u>766</u>	<u>340</u>	<u>913</u>	<u>35,500</u>	<u>4,067</u>	<u>58,732</u>	<u>9,039</u>	<u>103</u>	<u>2,560</u>	<u>7,640</u>	<u>2,702</u>	<u>40,878</u>	<u>0</u>	<u>0</u>	<u>168,802</u>
FUND EQUITY																	
Unreserved																	
Designated for subsequent year's expenditures	<u>3,563</u>	<u>11,033</u>	<u>1,095</u>	<u>88,809</u>		<u>8</u>		<u>100</u>						<u>202,249</u>	<u>174,851</u>	<u>516,327</u>	<u>998,035</u>
Total fund equity	<u>3,563</u>	<u>11,033</u>	<u>1,095</u>	<u>88,809</u>	<u>0</u>	<u>8</u>	<u>0</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>202,249</u>	<u>174,851</u>	<u>516,327</u>	<u>998,035</u>
Total liabilities and fund equity	<u>3,563</u>	<u>16,595</u>	<u>1,861</u>	<u>89,149</u>	<u>913</u>	<u>35,508</u>	<u>4,067</u>	<u>58,832</u>	<u>9,039</u>	<u>103</u>	<u>2,560</u>	<u>7,640</u>	<u>2,702</u>	<u>243,127</u>	<u>174,851</u>	<u>516,327</u>	<u>1,166,837</u>

Shelley Joint School District #60

All Nonmajor Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2010

	Federal Forest	Driver's Education	Professional Technical	State Technology	Idaho Substance Abuse	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		13,640		69													13,709
Other state revenue		14,375	40,239	61,161	27,776												143,551
Earnings on investments														175			175
Food service														214,115			214,115
Federal grants and assistance	1,329					311,195	34,305	512,753	41,953	21,386	15,062	69,256	7,926	492,153			1,507,318
Total revenues	1,329	28,015	40,239	61,230	27,776	311,195	34,305	512,753	41,953	21,386	15,062	69,256	7,926	706,443	0	0	1,878,868
EXPENDITURES																	
Instruction																	
Elementary					8,366	228,455	34,305				7,249	58,793	1,256				338,424
Secondary			39,144	40,303	25,806	59,012				21,386	7,813	10,463	6,670				210,597
Exceptional child								493,745	17,389								511,134
Preschool									15,586								15,586
Driver's education		30,844															30,844
Support services																	
Special services								16,803	8,815								25,618
Instructional improvement								2,205	163								2,368
School administration						23,728											23,728
Noninstructional														711,306			711,306
Total expenditures		30,844	39,144	40,303	34,172	311,195	34,305	512,753	41,953	21,386	15,062	69,256	7,926	711,306	0	0	1,869,605
Revenues over (under) expenditures	1,329	(2,829)	1,095	20,927	(6,396)									(4,863)			9,263
OTHER FINANCING SOURCES (USES)																	
Net transfers														19,215	174,851		194,066
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0	0	0	0	19,215	174,851	0	194,066
Revenues and other financing sources over (under) expenditures	1,329	(2,829)	1,095	20,927	(6,396)									14,352	174,851		203,329
Fund balance - July 1, 2009	2,234	13,862	0	67,882	6,396	8	0	100	0	0	0	0	0	187,897	0	516,327	794,706
Fund balance - June 30, 2010	3,563	11,033	1,095	88,809	0	8	0	100	0	0	0	0	0	202,249	174,851	516,327	998,035

Shelley Joint School District #60

All Agency Funds
Combining Statement of Changes in Assets and Liabilities
Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2010
ASSETS				
Cash				
Shelley High School	107,755	535,656	515,970	127,441
Donald J. Hobbs Middle School	44,387	89,831	90,668	43,550
Sunrise Elementary School	5,969	28,765	28,475	6,259
Stuart Elementary School	9,204	33,975	34,380	8,799
Total assets	<u>167,315</u>	<u>688,227</u>	<u>669,493</u>	<u>186,049</u>
LIABILITIES				
Due to student groups				
Shelley High School	107,755	535,656	515,970	127,441
Donald J. Hobbs Middle School	44,387	89,831	90,668	43,550
Sunrise Elementary School	5,969	28,765	28,475	6,259
Stuart Elementary School	9,204	33,975	34,380	8,799
Total liabilities	<u>167,315</u>	<u>688,227</u>	<u>669,493</u>	<u>186,049</u>

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2010

	General Fund		
	Total	2009	2008 and Prior
Delinquent balance at July 1, 2009	4,203		4,203
ADDITIONS			
Roll charges applicable to 2009	231,692	231,692	
Subsequent additions and cancellations	(1,181)	(949)	(232)
Total additions	230,511	230,743	(232)
DEDUCTIONS			
Collections received	138,726	136,575	2,151
Current amount due on taxes collected by the counties	86,003	85,821	182
Total deductions	224,729	222,396	2,333
Delinquent balance at June 30, 2010	9,985	8,347	1,638

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2010

Debt Service Fund			Capital Projects Fund		
Total	2009	2008 and Prior	Total	2009	2008 and Prior
29,066		29,066	10,132		10,132
679,333	679,333		250,418	250,418	
(3,406)	(2,783)	(623)	(1,249)	(1,026)	(223)
675,927	676,550	(623)	249,169	249,392	(223)
416,517	400,441	16,076	153,089	147,613	5,476
252,538	251,631	907	93,077	92,757	320
669,055	652,072	16,983	246,166	240,370	5,796
35,937	24,478	11,460	13,135	9,022	4,113

Single Audit Section

Shelley Joint School District #60

June 30, 2010

**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, 2010, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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.

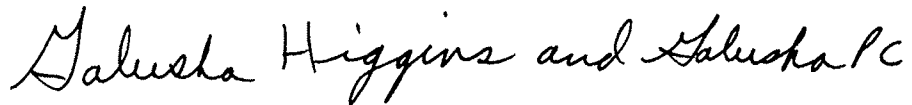
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not 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 25, 2010.

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 script is cursive and fluid.

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

Idaho Falls, Idaho
October 25, 2010

**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, 2010. 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control over Compliance

The management of Shelley Joint School District #60 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelley Joint School District #60's internal control over compliance with requirements that could have a direct and material effect on a major federal

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

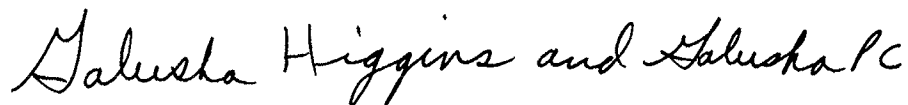
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an entity's 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 is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Shelley Joint School District #60's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Shelley Joint School District #60's response, and accordingly, we express no opinion on it.

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 P.C.".

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

Idaho Falls, Idaho
October 25, 2010

Shelley Joint School District #60

Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2010

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 No

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? _____ X Yes _____ No

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?

_____ X Yes _____ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010 / 84.389
84.027 / 84.173 / 84.391 / 84.392
84.394

Title I Grants to Local Educational Agencies
Special Education Cluster
State Fiscal Stabilization Fund

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, 2010

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

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

Finding 2010-1 Time and effort reporting

Criteria or Specific Requirement: An employee who works solely on a single cost objective must complete a semi-annual certification that they have been engaged solely in activities within that cost objective. An employee who works on multiple activities or cost objectives must complete a certification on a monthly basis.

Condition: During performance of the Single Audit, it was noted that the required record keeping requirements for time and effort reporting were not being performed in the Title I program or the Title VI-B program.

Cause: The respective program director did not require the semi-annual or monthly certifications.

Effect: The District is not in compliance with the requirements set in OMB Circular A-133.

Recommendation: Employees should be required to complete the applicable time and effort certification on either a semi-annual or monthly basis, depending on the activities or cost objectives they work on.

Management Response: Procedures will be put in place to ensure proper time and effort certifications are completed and appropriate recordkeeping is maintained.

Shelley Joint School District #60

Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2010

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	2010IN109947	83,394
National School Lunch Program	10.555	2010IN109947	367,639
Special Milk Program for Children	10.556	2010IN109947	3,652
Summer Food Service Program for Children	10.559	2010IN109947	16,238
Fresh Fruit and Vegetables	10.582	2010CL160347	21,165
Total Child Nutrition Cluster			492,088
Total United States Department of Agriculture			492,088
United States Environmental Protection Agency			
Passed through State Department of Environmental Quality:			
State Clean Diesel Grant Program	66.040	2P-96089101-1	19,000
Total United States Environmental Protection Agency			19,000
United States Department of Education			
Passed through State Department of Education:			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	S010A080012	218,145
Title I Grants to Local Educational Agencies - ARRA	84.389	S389A090012	93,050
Total Title I Cluster			311,195
Migrant Education - Basic State Grant Program	84.011	S011A090012	34,305
Safe and Drug-free Schools	84.186	Q186A080013	7,926
English Language Acquisition	84.365A	T365A080012	15,062
Improving Teacher Quality	84.367	S367A080011	69,256
State Fiscal Stabilization Fund	84.394	S394A090013	1,296,048
Subtotal			1,422,597
Special Education Cluster			
Special Education - School-age	84.027	H027A080088	314,555
Special Education - Preschool	84.173	H173A080030	27,083
Special Education - School-age - ARRA	84.391	H391A090088	198,198
Special Education - Preschool - ARRA	84.392	H392A090030	14,870
Total Special Education Cluster			554,706
Total Passed through State Department of Education			2,288,498

Shelley Joint School District #60

Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2010*

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
Passed through Eastern Idaho Tech Prep Consortium: Vocational Education – Basic Grants to States	84.048		21,386
Total United States Department of Education			2,309,884
National Endowment for the Humanities			
Passed through the State Commission on the Arts: Promotion of the Arts	45.025	08-6100-2036	61
Total United States Environmental Protection Agency			61
Total Expenditures of Federal Awards			2,821,033

Shelley Joint School District #60

Notes to Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2010*

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, 2010. 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, 2010.

Shelley Joint School District #60

Summary Schedule of Prior Audit Findings *Fiscal Year Ended June 30, 2010*

There were no prior year audit findings require to be reported in this section.