

Report of Audit

Shelley Joint School District #60
Shelley, Idaho

June 30, 2009

Shelley Joint School District #60

Contents
June 30, 2009

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets.....	11
Statement of Activities	12
Fund Financial Statements	
Combined Balance Sheet Governmental Funds.....	13-14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	15
Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16-19
Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	20
Fiduciary Fund Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22-37
OTHER FINANCIAL INFORMATION	
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	38-39
Child Nutrition Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	40
Debt Service Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	41
Capital Projects Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual.....	42

Shelley Joint School District #60

Contents June 30, 2009

Construction Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual	43
All Nonmajor Funds Combining Balance Sheet	44
All Nonmajor Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances	45
All Agency Funds Combining Statement of Changes in Assets and Liabilities	46
Taxes Receivable	47-48

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
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	51-52
Schedule of Findings and Questioned Costs	53
Schedule of Expenditures of Federal Awards	54-55
Notes to Schedule of Expenditures of Federal Awards	56
Summary Schedule of Prior Audit Findings	57

INDEPENDENT AUDITOR'S 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, 2009, 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 opinion.

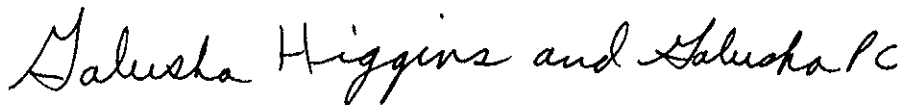
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelley Joint School District #60, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note P to the financial statements, on October 29, 2009 Shelley Joint School District #60 received a complete actuarial valuation regarding retirees medical with vision, dental, and life benefits, as required by GASB 45.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009, 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 10 on pages 38 through 43 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
November 12, 2009

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2009*

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, 2009. 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 2009 are as follows:

In total, net assets increased \$698,451, which represents a 7.7 percent increase from 2008.

General revenues accounted for \$11,027,323 in revenue, or 73 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 \$4,085,668 or 27 percent of total revenues of \$15,112,991.

Total assets of governmental activities decreased by \$11,206 as cash and cash equivalents decreased by \$1,737,995, receivables increased by \$127,237, and capital assets increased by \$1,360,718.

The District had \$14,414,540 in expenses; only \$4,085,668 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and state aid) of \$11,027,323 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,112,192 in revenues and \$10,871,903 in expenditures and transfers out. The General Fund's balance increased \$240,289 over 2008.

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, 2009*

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 2009?" 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 13. 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, Child Nutrition, 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, 2009

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 2009 compared to 2008:

	<u>2009</u>	<u>2008</u>
Assets		
Current and other assets	14,797,395	16,169,319
Capital assets	12,371,690	11,010,972
Total assets	27,169,085	27,180,291
Liabilities		
Long-term liabilities	15,290,138	15,956,345
Other liabilities	2,124,815	2,168,265
Total liabilities	17,414,953	18,124,610
Net assets		
Invested in capital assets, net of debt	7,016,849	(4,904,028)
Restricted	1,656,600	13,193,747
Unrestricted	1,080,683	765,962
Total net assets	9,754,132	9,055,681

Total assets of governmental activities decreased by \$11,206 as cash and cash equivalents decreased by \$1,737,995, receivables increased by \$127,237, and capital assets increased by \$1,360,718. 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 \$314,721.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

The following table shows the changes in net assets for fiscal year 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services	447,499	601,560
Operating grants and contributions	3,442,119	2,445,457
Capital grants and contributions	196,050	209,487
General revenues		
Property taxes	1,161,075	866,592
State aid	9,809,950	9,442,223
Other	56,298	162,329
Total revenues	<u>15,112,991</u>	<u>13,727,648</u>
Program Expenses		
Instruction	8,929,026	8,573,142
Support services	688,105	646,143
Administrative	1,360,988	1,292,095
Operations	948,169	930,706
Transportation	617,144	617,483
Noninstructional	681,323	649,807
Interest and fiscal charges	675,643	579,066
Capital improvements	514,142	211,574
Total expenses	<u>14,414,540</u>	<u>13,500,016</u>
Increase (decrease) in net assets	<u>698,451</u>	<u>227,632</u>

GOVERNMENTAL ACTIVITIES

State aid of \$12,112,850 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 80.1 percent of revenues from governmental activities. Federal grants and assistance of \$1,284,909 makes up 8.5 percent of total revenues from governmental activities. Property taxes of \$1,161,075 make up 7.7 percent of total revenues from governmental activities.

Instruction expenditures including the support activities of support services, administrative, and transportation comprise 87.0 percent of district expenses.

Shelley Joint School District #60

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

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 2009	Net cost of services 2009
Instruction	8,929,026	7,308,634
Support services	688,105	613,242
Administrative	1,360,988	1,360,988
Operations	948,169	948,169
Transportation	617,144	167,973
Noninstructional	681,323	(16,699)
Interest and fiscal charges	675,643	(187,552)
Capital improvements	514,142	134,117
Total expenses	14,414,540	10,328,872

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, 2009

THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,099,850 and expenditures of \$16,451,436. The net change in fund balance for the year in the General Fund and the Capital Projects Fund was an increase of \$240,289 and an increase of \$94,466, respectively.

The General Fund's healthy year-end balance increases flexibility for the 2008 - 2009 school year. The State Department of Education's support of remedial, textbook and supply needs has had a positive effect on the District's efforts to increase and improve educational opportunities. With the uncertainty in the national and world economy, Shelley School District will continue to be prudent in its decisions and will keep district financial security a top priority.

The Stuart Elementary project to upgrade one of our oldest facilities saw great results in the learning environment for students. The District looks forward to the completion of the Stuart project and construction of a new elementary to service the students of the district. The generosity of patrons in supporting a bond to complete these projects ensures that the community at large as well as the Shelley Joint School District #60 education community continues to make our children's education a top priority.

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 \$10,713,147 and \$10,913,335, respectively.

CAPITAL ASSETS

At the end of the fiscal year 2009, the District had \$12,371,690 invested in land, buildings, furniture and equipment, and vehicles (net of accumulated depreciation).

	2009	2008
Land	52,635	
Construction in Progress	2,812,084	923,964
Buildings and improvements	9,135,178	9,670,245
Equipment	75,372	86,472
Vehicles	296,421	330,291
Total capital assets, net	12,371,690	11,010,972

Overall capital assets increased \$1,360,718 from fiscal year 2008 to fiscal year 2009. Increases in capital assets (primarily buildings, 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, 2009*

DEBT ADMINISTRATION

At June 30, 2009, the District only had two general obligation bond issues but has authorized an additional bond that was not issued at June 30, 2009. The outstanding bonds are as follows:

	Total	Due within one year
2002 Series Bond	3,100,000	465,000
2007 Series Bond	12,020,000	75,000
Total	15,120,000	540,000

At June 30, 2009, the District's overall legal debt margin was \$13,186,558.

CURRENT FINANCIAL ISSUES AND CONCERNS

At fiscal year end, Stuart Elementary School was in the midst of Phase I of a two phase upgrade, funded by the proceeds of the 2007 bond. This project is on track to be completed in the summer of 2009. The District had planned to begin construction of a new elementary school in the spring of 2008. Water and annexation issues have delayed the project. The school is now scheduled to come on line for fall 2010.

The District is committed to helping all students. To that end, a major investment in technology was begun in FY08 to supply every classroom with a projector and SmartBoard. As the District invests in curricular, safety, communications and other technologies, funding for purchase, yearly licensing, maintenance, and training will require a General Fund commitment to supplement State technology funds. This is a new direction that will tax the General Fund.

The loss of General Fund maintenance and operations property tax revenue continues to affect Shelley Joint School District #60 during the 2007 - 2008 school year. The State 'front-loaded' payments to districts with the intent of increasing funding through interest paid as the district invested these funds. But because of a downturn in the US economy, interest rates fell by more than 50%, resulting in interest income significantly lower than anticipated. Depending on interest income to support school budgets is not a sound financial strategy, which is exactly what the State did. The District continued its conservative budget / expense strategy to mitigate this fluctuation in revenue. The results were a sound financial status for the district but less flexibility to meet student needs.

The Federal No Child Left Behind Act (NCLB) and Special Education continue to have a significant impact on the finances of the district. An influx of severe needs students has strained the Exceptional Child budget. Medicaid has softened the impact somewhat but the Federal funds associated with the Exceptional Child program are based on 1997 student figures, failing to address current needs. The goals of NCLB have required the district to increase staff and supplies to accommodate remediation and testing.

The continuing demands for more technology in all areas of education from testing to communication to curriculum adoption to remediation have required the district to seek innovative ways of satisfying an area of expense that will only increase in the future. A solution must be found to provide adequate funding for this area.

The Shelley Joint School District #60 is financially stable. The District is proud of its community support of the public schools.

Shelley Joint School District #60

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2009*

In conclusion, Shelley Joint School District #60 has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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, 2009

	Governmental Activities
ASSETS	
Cash and investments	13,538,676
Property taxes receivable, net	484,187
Other receivables	774,532
Capital assets, net of depreciation	12,371,690
Total assets	27,169,085
LIABILITIES	
Accounts payable	441,641
Accrued wages	1,110,167
Accrued employee benefits	366,833
Interest payable	206,073
Deferred revenue	101
Long-term liabilities	
Premium on bonds payable	38,500
Portion due or payable within one year	
General obligation bonds	540,000
Portion due or payable after one year	
General obligation bonds	14,580,000
Other liabilities	131,638
Total liabilities	17,414,953
NET ASSETS	
Invested in capital assets, net of related debt	7,016,849
Restricted for	
Capital improvements	223,688
Debt service	1,170,737
Child nutrition	187,897
Other	74,278
Unrestricted	1,080,683
Total net assets	9,754,132

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Statement of Activities Fiscal Year Ended June 30, 2009

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	8,929,026	14,030	1,606,362		(7,308,634)
Support services	688,105		74,863		(613,242)
Administrative	1,360,988				(1,360,988)
Operations	948,169				(948,169)
Transportation	617,144		449,171		(167,973)
Noninstructional	681,323	249,494	448,528		16,699
Interest on long-term debt	675,643		863,195		187,552
Capital improvements	514,142	183,975		196,050	(134,117)
 Total governmental activities	 <u>14,414,540</u>	 <u>447,499</u>	 <u>3,442,119</u>	 <u>196,050</u>	 <u>(10,328,872)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					125,771
Property taxes, levied for debt service					784,827
Property taxes, levied for capital improvements					250,477
State revenue in lieu of taxes					34,234
State aid - formula grants					9,775,716
Unrestricted federal funds					1,393
Unrestricted investments earnings					54,905
 Total general revenues					 <u>11,027,323</u>
Change in net assets					698,451
Net assets - beginning					<u>9,055,681</u>
Net assets - ending					<u>9,754,132</u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet Governmental Funds June 30, 2009

	<u>General Fund</u>	<u>Child Nutrition</u>
ASSETS		
Cash and investments	2,002,339	208,964
Receivables		
Taxes - current	47,221	
Taxes - delinquent	4,203	
State apportionment	162,041	
Federal grants		17,197
State agencies	53,336	
Other		167
	<u> </u>	<u> </u>
Total assets	<u>2,269,140</u>	<u>226,328</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	14,596	24
Accrued wages	1,001,402	26,139
Accrued employee benefits	328,779	12,268
Deferred revenue	4,203	
	<u> </u>	<u> </u>
Total liabilities	<u>1,348,980</u>	<u>38,431</u>
 FUND BALANCES		
Reserved		
Capital projects		
Retirement of long-term debt		
Child nutrition		187,897
Unreserved		
Designated		
Undesignated	920,160	
	<u> </u>	<u> </u>
Total fund balances	<u>920,160</u>	<u>187,897</u>
 Total liabilities and fund balances	<u>2,269,140</u>	<u>226,328</u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Combined Balance Sheet Governmental Funds June 30, 2009

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor</u>	<u>Total</u>
843,254	122,379	10,180,531	181,209	13,538,676
298,417	95,148			440,786
29,066	10,132			43,401
				162,041
			519,000	536,197
			22,791	76,127
				167
<u>1,170,737</u>	<u>227,659</u>	<u>10,180,531</u>	<u>723,000</u>	<u>14,797,395</u>
	3,971	415,372	7,678	441,641
			82,626	1,110,167
			25,786	366,833
29,066	10,132		101	43,502
<u>29,066</u>	<u>14,103</u>	<u>415,372</u>	<u>116,191</u>	<u>1,962,143</u>
	213,556	9,765,159		9,978,715
1,141,671				1,141,671
				187,897
			606,809	606,809
				920,160
<u>1,141,671</u>	<u>213,556</u>	<u>9,765,159</u>	<u>606,809</u>	<u>12,835,252</u>
<u>1,170,737</u>	<u>227,659</u>	<u>10,180,531</u>	<u>723,000</u>	<u>14,797,395</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, 2009

Total fund balances - governmental funds	12,835,252
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.	(38,500)
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 \$24,417,858, and the accumulated depreciation is \$12,046,168.	12,371,690
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.	43,401
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	(15,120,000)
Accrued interest on the bonds	(206,073)
GASB 45	<u>(131,638)</u>
	<u>(15,457,711)</u>
Total net assets - governmental activities	<u><u>9,754,132</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, 2009

	<u>General Fund</u>	<u>Child Nutrition</u>
REVENUES		
Property taxes	123,642	
Penalties and interest on delinquent taxes	2,098	
Earnings on investments	54,905	340
Food service		249,154
Other local	51,067	133
State apportionment		
Base	8,606,686	
Transportation	449,171	
Benefits	1,078,429	
Revenue in lieu of taxes	34,234	
Other state revenue	711,960	
Federal grants and assistance		448,528
	<hr/>	<hr/>
Total revenues	11,112,192	698,155
	<hr/>	<hr/>
EXPENDITURES		
Current		
Instruction	7,310,820	
Support services	613,242	
Administration	1,360,988	
Operations	943,664	
Transportation	567,374	
Noninstructional	104	681,219
Debt service		
Facility acquisition		
	<hr/>	<hr/>
Total expenditures	10,796,192	681,219
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Governmental Fund Types Combined Statement of Revenues, Expenditures, and Changes in Fund Balances *Fiscal Year Ended June 30, 2009*

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
769,738	246,425			1,139,805
4,284	1,747			8,129
		183,975		239,220
				249,154
	553		14,030	65,783
				8,606,686
				449,171
				1,078,429
				34,234
863,195			369,175	1,944,330
			836,381	1,284,909
<u>1,637,217</u>	<u>248,725</u>	<u>183,975</u>	<u>1,219,586</u>	<u>15,099,850</u>
			906,902	8,217,722
			74,863	688,105
				1,360,988
				943,664
				567,374
				681,323
1,483,459				1,483,459
	210,326	2,292,446	6,029	2,508,801
<u>1,483,459</u>	<u>210,326</u>	<u>2,292,446</u>	<u>987,794</u>	<u>16,451,436</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, 2009

	<u>General Fund</u>	<u>Child Nutrition</u>
Revenues over (under) expenditures	<u>316,000</u>	<u>16,936</u>
OTHER FINANCING		
SOURCES (USES)		
Operating transfers, net	<u>(75,711)</u>	<u>19,365</u>
Total other financing sources (uses)	<u>(75,711)</u>	<u>19,365</u>
Revenues and other financing sources over (under) expenditures	240,289	36,301
Fund balance - July 1, 2008	<u>679,871</u>	<u>151,596</u>
Fund balance - June 30, 2009	<u>920,160</u>	<u>187,897</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, 2009*

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Construction</u>	<u>All Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>153,758</u>	<u>38,399</u>	<u>(2,108,471)</u>	<u>231,792</u>	<u>(1,351,586)</u>
	<u>56,067</u>		<u>279</u>	
<u>0</u>	<u>56,067</u>	<u>0</u>	<u>279</u>	<u>0</u>
153,758	94,466	(2,108,471)	232,071	(1,351,586)
<u>987,913</u>	<u>119,090</u>	<u>11,873,630</u>	<u>374,738</u>	<u>14,186,838</u>
<u>1,141,671</u>	<u>213,556</u>	<u>9,765,159</u>	<u>606,809</u>	<u>12,835,252</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, 2009*

Total net change in fund balances - governmental funds:	(1,351,586)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, \$1,994,659, exceeds depreciation expense, \$633,941, in the period.	1,360,718
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.	795,000
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.	13,141
Amortization of bond premium.	2,845
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 \$9,971.	9,971
In the statement of activities, certain operating expenses - compensated absences (Early Retirement Incentive Program) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, GASB 45 amounts earned exceeded amounts paid by \$131,638.	<u>(131,638)</u>
Change in net assets of governmental activities	<u><u>698,451</u></u>

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Fiduciary Fund Statement of Fiduciary Net Assets *June 30, 2009*

	Agency Funds
ASSETS	
Cash	<u>167,315</u>
Total assets	<u>167,315</u>
LIABILITIES	
Due to student groups	<u>167,315</u>
Total liabilities	<u>167,315</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, 2009

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.'

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 2009 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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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. Inventories are stated at cost on a first-in, first-out basis, which approximates market. 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.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

12. Long-term Obligations. Long-term debt is recognized as a liability of a governmental fund when due.

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

13. Fund Balances. 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 applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

Shelley Joint School District #60

Notes to Financial Statements June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

16. Change in Accounting Principle. For the year ended June 30, 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

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

17. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B CASH AND INVESTMENTS

At June 30, 2009, the carrying amount of the District's deposits was \$524,738 and the bank balance was as follows:

Insured by Federal Depository Insurance	500,000
Uninsured and uncollateralized	<u>356,737</u>
Total	<u><u>856,737</u></u>

At June 30, 2009, the cost and fair market value of the District's investments were as follows:

	Cost	Fair Market Value	Average Maturity
Local Government Investment Pool	10,096,132	10,102,190	58 Days
First American Prime Obligations Fund	<u>3,086,746</u>	<u>3,086,746</u>	N/A
Total investments	<u><u>13,182,878</u></u>	<u><u>13,188,936</u></u>	

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

Shelley Joint School District #60

Notes to Financial Statements June 30, 2009

NOTE B CASH AND INVESTMENTS, continued

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 AAAs by Standard & Poor's, and the First American Prime Obligation Fund has been assigned a fund credit rating of AAAs by Standard & Poor's.

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, 2009, \$356,737 of the District's deposits and certificates of deposit were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the deposits, \$13,182,878 was held in the State Treasurer's Investment Pool which is not insured or guaranteed by the FDIC.

The District has elected to invest in the LGIP through the Idaho State Treasurer. The Idaho State Treasurer provides oversight for investments by or through any department or institute of the State of Idaho. Amounts held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and interest rate fluctuations. The 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. As of June 30, 2009, all interfund balances had been paid.

The District transferred \$19,365 to the Child nutrition fund as required by state law. The District also transferred \$56,067 from the General fund to the Capital projects fund as required by state law, as well as \$279 to non-major funds as required by state law.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE D PROPERTY TAXES

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

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

NOTE E CAPITAL ASSETS

Following is a summary of the capital assets at June 30, 2009:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Land		52,635		52,635
Construction in progress	923,964	1,888,120		2,812,084
Buildings				
Elementary	9,580,616			9,580,616
Secondary	9,187,408	24,927		9,212,335
Administration	454,840			454,840
Total buildings	19,222,864	24,927	0	19,247,791
Accumulated depreciation	(9,552,619)	(559,994)		(10,112,613)
Net buildings	9,670,245	(535,067)	0	9,135,178
Equipment				
Elementary	394,786			394,786
Secondary	211,837			211,837
Admin.	126,043	13,077	(14,800)	124,320
Total equipment	732,666	13,077	(14,800)	730,943
Accumulated depreciation	(646,194)	(24,177)	14,800	(655,571)
Net equipment	86,472	(11,100)	0	75,372
Vehicles	1,558,505	15,900		1,574,405
Accumulated depreciation	(1,228,214)	(49,770)		(1,277,984)
Net vehicles	330,291	(33,870)	0	296,421
Total, net of depreciation	11,010,972	1,360,718	0	12,371,690

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE E CAPITAL ASSETS, continued

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

Governmental activities	
Instruction	579,666
Operations	4,505
Transportation	49,770
	<hr/>
Total depreciation expense – governmental activities	633,941
	<hr/>

NOTE F NONMONETARY TRANSACTIONS

The District received \$54,393 in USDA Commodities during the 2008-2009 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, 2008, through May 31, 2009, to be paid over the twelve months of September 1, 2008, through August 31, 2009. 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
2010	1,203,281	663,281	540,000
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
2015-2019	5,930,131	2,405,131	3,525,000
2020-2024	5,789,631	1,504,631	4,285,000
2025-2028	4,621,256	396,256	4,225,000
	<hr/>	<hr/>	<hr/>
Total	22,515,694	7,395,694	15,120,000
	<hr/>	<hr/>	<hr/>

Shelley Joint School District #60

Notes to Financial Statements June 30, 2009

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, 2008	3,545,000	12,370,000	15,915,000
Bonds retired during fiscal year	445,000	350,000	795,000
Balances at June 30, 2009	3,100,000	12,020,000	15,120,000
Interest to be provided			
Balances at July 1, 2008	498,441	7,585,213	8,083,654
Interest paid during fiscal year	124,847	563,113	687,960
Balances at June 30, 2009	373,594	7,022,100	7,395,694

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, 2009, the limit for the District was \$27,463,301. The general obligation debt, was \$15,120,000 leaving a legal debt margin of \$13,186,558.

NOTE J LONG-TERM LIABILITIES

Following is a summary of the changes in the general long-term debt for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Payments	Balance June 30, 2009
Bonds payable	15,915,000		795,000	15,120,000
Employee benefits		131,638		131,638
Total	15,915,000	131,638	795,000	15,251,638

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

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

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 Hartford Life Insurance Company. Blue Cross provides medical, prescription drug, and vision insurance benefits to eligible retirees and their eligible dependents. Delta Dental and Willamette Dental provide dental insurance benefits to eligible retirees and their eligible dependents. Hartford Life provides life insurance to eligible retirees and their eligible dependents. A retiree who retires with the Public Employee Retirement System of Idaho (PERSI) is eligible to keep the District's medical and vision insurance as a retiree until age 65, or until the retiree is eligible for coverage under Medicare. Dental and life insurance 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 2009 the District contributed approximately \$879,998 to the plan for current premiums or approximately 73.5% of total premiums. Plan members receiving benefits contributed approximately \$317,787 or approximately 26.5% 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 2009 were as follows:

Medical with Vision Coverage	\$750 Deductible	\$3,000 Deductible
Single	\$ 370.53	\$ 248.78
No Spouse W/Child	\$ 568.23	\$ 380.73
No Spouse W/Children	\$ 666.73	\$ 448.83
W/Spouse	\$ 805.98	\$ 538.13
W/Spouse + Children	\$ 940.48	\$ 630.03
Dental Coverage	Blue Cross Dental	Willamette Dental
Single	\$ 30.50	\$ 27.97
No Spouse W/Child	\$ 66.00	\$ 60.49
No Spouse W/Children	\$ 98.05	\$ 89.87
W/Spouse	\$ 65.95	\$ 60.45
W/Spouse + Children	\$ 128.10	\$ 117.40
Life Coverage	Retiree Life	Dependent Life
Single	\$1.75	\$4.80

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE K RETIREMENT HEALTHCARE PLAN, continued

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the District's net OPEB obligation to Shelley Joint School District #60's Post Retirement Healthcare Plan:

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

* First year of implementation ARC and OPEB Cost are equal.

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

Fiscal Year Ending	Annual OPEB Expense (AOE)	Estimated Contribution as a Percentage of AOE*	Net OPEB Obligation at End of Year **
June 30, 2007	N/A	N/A	N/A
June 30, 2008	N/A	N/A	N/A
June 30, 2009	\$131,638	N/A	\$131,638

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

** Equals prior year Net OPEB obligation plus current year AOE less estimated current year contributions.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

NOTE K RETIREMENT HEALTHCARE PLAN, continued

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.

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 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 2008-2009 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.

Shelley Joint School District #60

Notes to Financial Statements
June 30, 2009

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, 2009, the required contribution rate as a percentage of covered payroll for members was 6.23%. The employer rate as a percentage of covered payroll was 10.39%. The District's contributions required and paid were \$818,444, \$795,161, and \$758,623 for the three years ended June 30, 2009, 2008, and 2007, respectively.

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

Actual expenditures exceeded budget for the Child Nutrition, and Construction funds. Excesses in Child Nutrition relate to the program income and expenditures exceeding expectations. Excesses in the Construction funds are due to the construction not being budgeted for this fiscal year. The Construction fund had expenditures that were in excess of budget due to the building of a new school that was not recorded for budget purposes because the bond proceeds were received in 2007.

NOTE O 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 \$2,395,827. At June 30, 2009, there was \$1,922,762 in expenditures recorded on the project, leaving a remaining construction obligation of \$473,065. The District has also contracted with a construction management company to manage the building of a new elementary school. The original bid plus changes was in the amount of \$8,789,612. At June 30, 2009, there was \$896,391 in expenditures recorded on the project, leaving a remaining construction obligation of \$7,893,221.

Shelley Joint School District #60

Notes to Financial Statements

June 30, 2009

NOTE P SUBSEQUENT EVENTS

On October 29, 2009, the District received an independent actuarial valuation regarding retiree's medical with vision, dental, and life benefits as required by GASB 45. The valuation determined the District had an additional \$131,638 in long-term liabilities with regards to employee benefits.

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, 2009

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Property taxes	38,854	136,709	123,642	(13,067)
Penalties and interest on delinquent taxes	500	1,375	2,098	723
Earnings on investments	120,000	85,000	54,905	(30,095)
Other local	20,000	20,000	51,067	31,067
State apportionment				
Base	8,527,760	8,588,699	8,606,686	17,987
Transportation	445,000	456,671	449,171	(7,500)
Benefits	1,067,899	1,078,429	1,078,429	
Revenue in lieu of taxes	34,234	34,234	34,234	
Other state revenue	458,900	512,218	711,960	199,742
 Total revenues	 10,713,147	 10,913,335	 11,112,192	 198,857
 EXPENDITURES				
Instruction				
Elementary	2,621,224	2,741,151	2,720,297	20,854
Secondary	3,265,011	3,380,552	3,359,170	21,382
Exceptional child	1,033,896	987,519	980,464	7,055
Gifted and talented	82,274	78,337	73,581	4,756
Interscholastic program	182,802	182,333	177,308	5,025
 Total instruction	 7,185,207	 7,369,892	 7,310,820	 59,072
 Support services				
Attendance, guidance, and health	331,085	328,173	327,325	848
Special services	160,775	152,129	152,132	(3)
Educational media	128,066	132,588	133,785	(1,197)
 Total support services	 619,926	 612,890	 613,242	 (352)

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, 2009

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
EXPENDITURES, continued				
Administration				
Board of Education	44,733	39,135	41,960	(2,825)
District administration	574,035	571,447	574,354	(2,907)
School administration	745,319	750,958	744,674	6,284
Total administration	<u>1,364,087</u>	<u>1,361,540</u>	<u>1,360,988</u>	<u>552</u>
Operations				
Building care (custodial)	695,289	687,955	666,277	21,678
Maintenance	268,148	270,368	273,216	(2,848)
Security	3,815	3,824	4,171	(347)
Total operations	<u>967,252</u>	<u>962,147</u>	<u>943,664</u>	<u>18,483</u>
Transportation	<u>529,862</u>	<u>558,894</u>	<u>567,374</u>	<u>(8,480)</u>
Noninstructional	<u>0</u>	<u>0</u>	<u>104</u>	<u>(104)</u>
Total expenditures	<u>10,666,334</u>	<u>10,865,363</u>	<u>10,796,192</u>	<u>69,171</u>
Revenues over (under) expenditures	46,813	47,972	316,000	268,028
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	<u>(18,000)</u>	<u>(19,159)</u>	<u>(75,711)</u>	<u>(56,552)</u>
Revenues and other financing sources over (under) expenditures	<u>28,813</u>	<u>28,813</u>	240,289	<u>211,476</u>
Fund balance - July 1, 2008			<u>679,871</u>	
Fund balance - June 30, 2009			<u>920,160</u>	

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

Child Nutrition Fund
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget to Actual-
Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Earnings on investments	700	700	340	(360)
Food service	279,800	279,800	249,154	(30,646)
Other local			133	133
Federal grants and assistance	300,000	300,000	448,528	148,528
Total revenues	580,500	580,500	698,155	117,655
EXPENDITURES				
Noninstructional services	598,500	599,659	681,219	(81,560)
Total expenditures	598,500	599,659	681,219	(81,560)
Revenues over (under) expenditures	(18,000)	(19,159)	16,936	36,095
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	18,000	19,159	19,365	206
Revenues and other financing sources (uses) over (under) expenditures	0	0	36,301	36,301
Fund balance - July 1, 2008			151,596	
Fund balance - June 30, 2009			187,897	

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, 2009

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Property taxes	1,400,000	1,400,000	769,738	(630,262)
Penalties and interest on delinquent taxes			4,284	4,284
Other state revenue	165,000	165,000	863,195	698,195
Total revenues	1,565,000	1,565,000	1,637,217	72,217
EXPENDITURES				
Debt service	1,563,000	1,563,000	1,483,459	79,541
Total expenditures	1,563,000	1,563,000	1,483,459	79,541
Revenues over (under) expenditures	2,000	2,000	153,758	151,758
Fund balance - July 1, 2008			987,913	
Fund balance - June 30, 2009			1,141,671	

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, 2009

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Property taxes	250,000	250,000	246,425	(3,575)
Penalties and interest on delinquent taxes	500	500	1,747	1,247
Other local revenue			553	553
Total revenues	250,500	250,500	248,725	(1,775)
EXPENDITURES				
Facility acquisition	250,500	250,500	210,326	40,174
Total expenditures	250,500	250,500	210,326	40,174
Revenues over (under) expenditures	0	0	38,399	38,399
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	0	0	56,067	56,067
Revenues and other financing sources over (under) expenditures	0	0	94,466	94,466
Fund balance - July 1, 2008			119,090	
Fund balance - June 30, 2009			213,556	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES				
Earnings on investment	<u>200,000</u>	<u>200,000</u>	<u>183,975</u>	<u>(16,025)</u>
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>183,975</u>	<u>(16,025)</u>
EXPENDITURES				
Facility acquisition	<u>200,000</u>	<u>200,000</u>	<u>2,292,446</u>	<u>(2,092,446)</u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>2,292,446</u>	<u>(2,092,446)</u>
Revenues over (under) expenditures	0	0	(2,108,471)	(2,108,471)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revenues and other financing sources over (under) expenditures	<u>0</u>	<u>0</u>	(2,108,471)	<u>(2,108,471)</u>
Fund balance - July 1, 2008			<u>11,873,630</u>	
Fund balance - June 30, 2009			<u>9,765,159</u>	

The accompanying notes are an integral part of these statements.

Shelley Joint School District #60

All Nonmajor Funds
Combining Balance Sheet
June 30, 2009

	Federal Forest	Driver's Education	Qwest	Professional Technical	State Technology	Idaho Substance Abuse	Title I	Migrant Education	Title VI - B Special Education	Title VI - B Preschool	Title V - A Innovative	Carl Perkins	Title III Language Acquisition	Title II - A Teacher Quality	Drug Free Schools Grant	Building Maintenance	All Nonmajor Funds
ASSETS																	
Cash	2,234	16,490		(2,945)	58,354	8,039	(106,399)	(23,583)	(212,124)	(10,967)	(552)	(19,645)	(2,910)	(35,017)	(6,093)	516,327	181,209
Receivables																	
Federal grants							136,342	28,372	261,650	15,039	552	20,260	4,987	45,608	6,190		519,000
State agencies		3,875		9,341	9,575												22,791
Total assets	2,234	20,365	0	6,396	67,929	8,039	29,943	4,789	49,526	4,072	0	615	2,077	10,591	97	516,327	723,000
LIABILITIES AND FUND EQUITY																	
LIABILITIES																	
Accounts payable		65		6,396	47		456	40	162			512					7,678
Accrued wages		5,419				1,191	20,910	3,371	37,146	3,289		(1)	1,833	9,371	97		82,626
Accrued employee benefits		1,019				452	8,569	1,378	12,118	783		3	244	1,220			25,786
Deferred revenue												101					101
Total liabilities	0	6,503	0	6,396	47	1,643	29,935	4,789	49,426	4,072	0	615	2,077	10,591	97	0	116,191
FUND EQUITY																	
Unreserved																	
Designated for subsequent year's expenditures	2,234	13,862			67,882	6,396	8		100							516,327	606,809
Total fund equity	2,234	13,862	0	0	67,882	6,396	8	0	100	0	0	0	0	0	0	516,327	606,809
Total liabilities and fund equity	2,234	20,365	0	6,396	67,929	8,039	29,943	4,789	49,526	4,072	0	615	2,077	10,591	97	516,327	723,000

Shelley Joint School District #60

All Nonmajor Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2009

	Federal Forest	Driver's Education	Qwest	Professional Technical	State Technology	Idaho Substance Abuse	Title I	Migrant Education	Title VI - B Special Education	Title VI - B Preschool	Title V - A Innovative	Carl Perkins	Title III Language Acquisition	Title II - A Teacher Quality	Drug Free Schools Grant	Building Maintenance	All Nonmajor Funds
REVENUES																	
Other local		14,030															14,030
Other state revenue		14,614		41,261	70,586	46,664										196,050	369,175
Federal grants and assistance	1,393						240,802	40,449	394,196	23,325	1,782	20,262	14,175	92,820	7,177		836,381
Total revenues	1,393	28,644	0	41,261	70,586	46,664	240,802	40,449	394,196	23,325	1,782	20,262	14,175	92,820	7,177	196,050	1,219,586
EXPENDITURES																	
Instruction																	
Elementary						8,379	201,207	40,449			1,782		4,133	89,571	7,177		352,698
Secondary			2,039	41,261	33,586	36,437	39,595					20,262	10,042	3,249			186,471
Exceptional child									319,354								319,354
Preschool									7,727	15,577							23,304
Driver's education		25,075															25,075
Support services																	
Special services									54,407	7,748							62,155
Instructional improvement									12,708								12,708
Facility Acquisition																6,029	6,029
Total expenditures	0	25,075	2,039	41,261	33,586	44,816	240,802	40,449	394,196	23,325	1,782	20,262	14,175	92,820	7,177	6,029	987,794
Revenues over (under) expenditures	1,393	3,569	(2,039)		37,000	1,848										190,021	231,792
OTHER FINANCING SOURCES (USES)																	
Net transfers			279														279
Total other financing sources (uses)	0	0	279	0	0	0	0	0	0	0	0	0	0	0	0	0	279
Revenues and other financing sources over (under) expenditures	1,393	3,569	(1,760)		37,000	1,848										190,021	232,071
Fund balance - July 1, 2008	841	10,293	1,760	0	30,882	4,548	8	0	100	0	0	0	0	0	0	326,306	374,738
Fund balance - June 30, 2009	2,234	13,862	0	0	67,882	6,396	8	0	100	0	0	0	0	0	0	516,327	606,809

Shelley Joint School District #60

All Agency Funds
Combining Statement of Changes in Assets and Liabilities
Fiscal Year Ended June 30, 2009

	Balance July 1, 2008	Receipts	Disbursements	Balance June 30, 2009
ASSETS				
Cash				
Shelley High School	109,962	510,244	512,451	107,755
Donald J. Hobbs Middle School	14,849	130,132	100,594	44,387
Sunrise Elementary School	8,941	27,576	30,548	5,969
Stuart Elementary School	11,963	32,072	34,831	9,204
Total assets	145,715	700,024	678,424	167,315
LIABILITIES				
Due to student groups				
Shelley High School	109,962	510,244	512,451	107,755
Donald J. Hobbs Middle School	14,849	130,132	100,594	44,387
Sunrise Elementary School	8,941	27,576	30,548	5,969
Stuart Elementary School	11,963	32,072	34,831	9,204
Total liabilities	145,715	700,024	678,424	167,315

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2009

	General Fund		
	Total	2008	2007 and Prior
Delinquent balance at July 1, 2008	4,172		4,172
ADDITIONS			
Roll charges applicable to 2008	125,506	125,506	
Subsequent additions and cancellations	(1,833)	(1,911)	78
Total additions	123,673	123,595	78
DEDUCTIONS			
Collections received	76,421	72,801	3,620
Current amount due on taxes collected by the counties	47,221	47,183	38
Total deductions	123,642	119,984	3,658
Delinquent balance at June 30, 2009	4,203	3,611	592

Shelley Joint School District #60

Taxes Receivable
Fiscal Year Ended June 30, 2009

Debt Service Fund			Capital Projects Fund		
Total	2008	2007 and Prior	Total	2008	2007 and Prior
18,261		18,261	7,827		7,827
791,103 (10,560)	791,103 (12,048)	1,488	251,943 (3,214)	251,943 (3,837)	623
780,543	779,055	1,488	248,729	248,106	623
471,320	458,884	12,436	151,276	146,141	5,135
298,417	297,407	1,010	95,148	94,716	432
769,737	756,291	13,446	246,424	240,857	5,567
29,066	22,764	6,303	10,132	7,249	2,883

Single Audit Section

Shelley Joint School District #60

June 30, 2009

**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, 2009, and have issued our report thereon dated November 12, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 a material misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

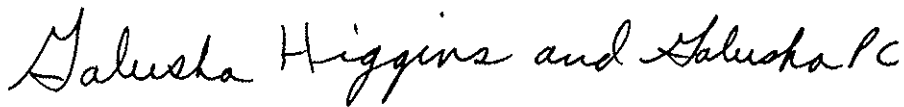
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material 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 November 12, 2009.

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

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

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

Idaho Falls, Idaho
November 12, 2009

**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, 2009. 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, 2009.

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.

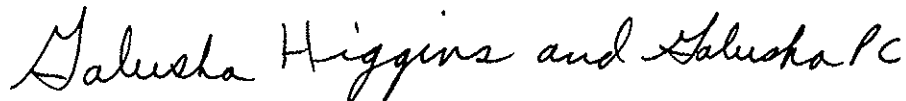
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

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.

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

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

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

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

Idaho Falls, Idaho
November 12, 2009

Shelley Joint School District #60

Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2009

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? _____ Yes _____ X 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?

_____ Yes _____ X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027, 84.173

Special Education Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee?

_____ X Yes _____ No

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

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

None

Shelley Joint School District #60

Schedule of Expenditures of Federal Awards Fiscal Year Ended June 30, 2009

Federal Grantor / Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
United States Department of Agriculture		
Passed through State Department of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	75,611
National School Lunch Program	10.555	356,407
Special Milk Program for Children	10.556	4,060
Summer Food Service Program for Children	10.559	17,197
Total Child Nutrition Cluster		453,275
Total United States Department of Agriculture		453,275
United States Department of Justice		
Passed through State Commission on the Arts:		
National Endowment for the Arts	16.727	3,000
National Endowment for the Humanities		
Passed through State Department of Education:		
Alcohol Traffic Safety & Drunk Driving Prevention	45.025	84
United States Department of Education		
Direct programs:		
Impact Aid	84.041	0
Passed through State Department of Education:		
Title I – Grants to Local Educational Agencies	84.010	240,802
Migrant Education – Basic State Grant Program	84.011	40,449
Safe and Drug-free Schools	84.186	7,177
Innovative Education Program Strategies	84.298	1,782
English Language Acquisition	84.365A	14,175
Improving Teacher Quality	84.367	92,820
Subtotal		397,205
Special Education Cluster		
Special Education – Grants to States	84.027	394,196
Special Education – Preschool Grants	84.173	23,325
Total Special Education Cluster		417,521
Total Passed through State Department of Education		814,726

Shelley Joint School District #60

Schedule of Expenditures of Federal Awards *Fiscal Year Ended June 30, 2009*

<u>Federal Grantor / Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
Passed through Eastern Idaho Tech Prep Consortium: Vocational Education – Basic Grants to States	84.048	19,750
Total United States Department of Education		834,476
Total Expenditures of Federal Awards		1,290,835

Shelley Joint School District #60

Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented using the modified basis of accounting as described in Note A to the District's financial statements.

NOTE B 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, 2009.

Shelley Joint School District #60

Summary Schedule of Prior Audit Findings *Fiscal Year Ended June 30, 2009*

Audit Finding Reference: 2008-1

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

Audit Finding Reference: 2008-2

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

Audit Finding Reference: 2008-3

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