

**JOINT SCHOOL DISTRICT NO. 171**

**FINANCIAL STATEMENTS**

Year Ended June 30, 2012

**JOINT SCHOOL DISTRICT NO. 171**

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## Independent Auditor's Report

Board of Trustees  
Joint School District No. 171  
Orofino, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint School District No. 171, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2011 and 2010 financial statements and, in our reports dated September 29, 2011, and October 14, 2010, respectively, we expressed unqualified opinions on the respective financial statements of each major fund and the aggregate remaining fund information. We qualified our opinion on the financial statements of the governmental activities in our reports dated September 29, 2011, and October 14, 2010, for the omission of a liability for the implicit rate subsidy of the retiree healthcare.

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


Management has not recorded a liability for the implicit rate subsidy of the retiree healthcare. Accounting principles generally accepted in the United States of America require that the District record a liability for the excess of the age-adjusted health insurance premium over the blended health insurance premium for retirees, which would increase the liabilities, decrease the net assets in the statement of net assets, and increase expenses in the statement of activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not providing a liability for the implicit rate subsidy of the retiree healthcare in the governmental activities, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Joint School District No. 171 as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Joint School District No. 171, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 01, 2012, on our consideration of the Joint School District No. 171's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 37 to 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
October 01, 2012

## JOINT SCHOOL DISTRICT NO. 171

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012.

#### **USING THIS ANNUAL REPORT**

This annual report consists of four distinct series of financial statements: The District-wide financial statements, the fund financial statements, the fiduciary financial statements, and supplementary information.

- The statement of net assets and the statement of activities (on pages 12 and 13) provide information about the activities of the District as a whole and present a longer-term view of the District's finances.
- The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements (on pages 14 through 20) also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.
- The fiduciary funds (pages 21 and 22) provide information about activities for which the District acts solely as a trustee or agent for the benefit of student groups and individual students.
- The remaining statements and schedules provide information about major funds within the District and the results of their operations compared to budget.

#### **THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES**

One of the most important questions asked about the District's finances is: "Is the District as a whole better off or worse off as a result of the year's activities"? The statement of net assets and the statement of activities report information about the District as a whole and about its activities in a way that may help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets—the difference between assets and the liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base and student enrollment to assess the overall health of the District.

#### ***Financial Highlights***

- Total District assets amount to \$4,605,161 (vs. \$5,279,591 in 2011 and \$5,120,922 in 2010). This includes \$1,850,098 in capital assets. The largest change was a decrease in the amounts of unpaid amounts owing to the District.

**JOINT SCHOOL DISTRICT NO. 171**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES (CONTINUED)**

***Financial Highlights (Continued)***

- Total District liabilities were down to \$1,262,435 vs. \$1,672,336 in 2011. Liabilities are primarily salary, benefits, and taxes due in July and August for employees working the prior year. The decrease was due to grant advances in prior years that were spent by 2012 and lack of construction bills outstanding.
- The District's net assets decreased by \$(264,529) to \$3,342,726 at year-end as a result of this year's operations (vs. \$297,171 increase in 2011 and a \$(226,189) decrease in 2010).
- The total cost of District operations amounted to \$10,238,672, a decrease from \$10,361,027 in 2011.
- District revenue amounted to \$9,974,143, a decrease from \$10,658,198.

**TABLE 1 – FUNCTIONAL EXPENDITURES**

The following table compares expenses by function to the 2011 expenses:

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
<b>Program Expenses</b>			
<b><u>Instruction</u></b>			
Regular programs	\$ 4,744,803	\$ 4,994,682	\$ (249,879)
Special programs	736,800	690,014	46,786
Interscholastic and school activity	158,320	166,655	(8,335)
Total instruction	<u>5,639,923</u>	<u>5,851,351</u>	<u>(211,428)</u>
<b><u>Support services</u></b>			
Pupil support	345,692	389,676	(43,984)
Staff support	1,413,776	921,508	492,268
General administration	149,574	165,712	(16,138)
School administration	522,610	497,463	25,147
Business services	152,865	156,895	(4,030)
Maintenance and operations	839,753	1,115,474	(275,721)
Transportation	679,990	811,435	(131,445)
Total support services	<u>4,104,260</u>	<u>4,058,163</u>	<u>46,097</u>
Food services	398,969	395,645	3,324
Capital outlay	95,520	55,868	39,652
Total governmental activities	<u>\$ 10,238,672</u>	<u>\$ 10,361,027</u>	<u>\$ (122,355)</u>

Expenses were down in 2012 primarily due to staff and benefit cuts.

JOINT SCHOOL DISTRICT NO. 171

MANAGEMENT'S DISCUSSION AND ANALYSIS

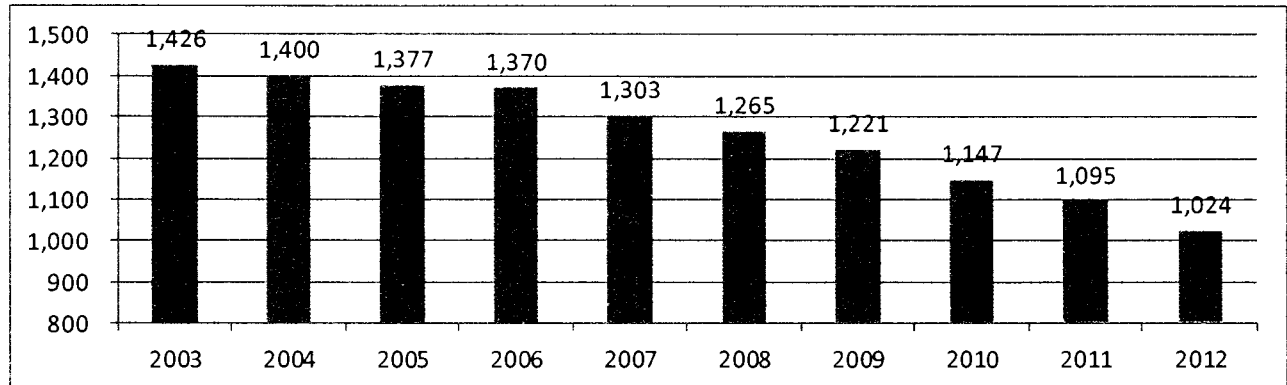
**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES (CONTINUED)**

**TABLE 2 – FOUNDATION PROGRAM REVENUE**

Foundation program revenue from the State of Idaho continues to decrease to \$5,698,479 from \$6,241,494 in the prior year.

	2012	2011	2012 vs. 2011
<b>State Foundation Program</b>			
State salary apportionment	\$ 4,065,622	\$ 4,354,574	\$ (288,952)
State transportation funding	445,484	420,067	25,417
Entitlement	1,187,373	1,445,009	(257,636)
Other	0	21,844	(21,844)
<b>Total State Foundation Program</b>	<b>\$ 5,698,479</b>	<b>\$ 6,241,494</b>	<b>\$ (543,015)</b>

The funding formula for the State Foundation Program revenue is largely dependent on student counts, which have been falling. Fall enrollment has declined from 1,426 students 10 years ago to 1,024 in 2011-12.



**JOINT SCHOOL DISTRICT NO. 171**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES (CONTINUED)**

**TABLE 3 – TOTAL REVENUE**

The following table compares 2012 revenue to the 2011 and 2010 revenue. The State replaced much of the unrestricted State revenue from restricted State revenue sources resulting in a reduction of program revenue and an increase in general revenue for 2011. Federal *ARRA (American Recovery and Reinvestment Act of 2009)* funds replaced State revenue in 2010 and was not renewed in 2011. Total revenue was down by \$684,055 for 2012 after falling \$625,445 in 2011.

	2012	2011	2010	2012 vs. 2011
Total Revenue				
Program Revenue				
Charges for services	\$ 107,369	\$ 120,105	\$ 136,175	\$ (12,736)
Federal and state funds	2,008,338	1,906,167	6,819,671	102,171
Total program revenue	2,115,707	2,026,272	6,955,846	89,435
General Revenue				
Property Taxes	2,026,850	1,829,794	1,576,354	197,056
Federal funds	384,604	375,384	1,337,645	9,220
State funds	5,257,099	6,133,440	975,209	(876,341)
Other revenue	189,883	293,308	438,589	(103,425)
Total general revenue	7,858,436	8,631,926	4,327,797	(773,490)
Total revenue	\$ 9,974,143	\$ 10,658,198	\$ 11,283,643	\$ (684,055)

**FUND FINANCIAL STATEMENTS**

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received through the Idaho State Department of Education).

Governmental funds—All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.



# JOINT SCHOOL DISTRICT NO. 171

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **FUND FINANCIAL STATEMENTS (CONTINUED)**

Proprietary funds—The District started a Medical Benefit Pool in 2009-10, which is accounted for as a proprietary fund. This fund is reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses is taken into account regardless of when cash is received or paid.

Fiduciary funds—The District is the fiduciary for its student activity funds and scholarship trusts. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 21. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### ***Financial Highlights***

- The fund balance for the governmental funds—the part of net assets that can be used to finance day-to-day operations—decreased by \$(443,879) from \$1,622,660 at June 30, 2011, to \$1,178,781 at the end of this year (vs. \$(23,342) decrease in 2011).
- The District did not cut expenditures as much as District revenues declined. Total revenues decreased by \$727,243 (vs. a \$480,854 decrease in 2011) to \$9,863,448; while expenditures were cut by \$252,360 (vs. a \$722,895 decrease in 2011) to \$10,361,673.

The District continues to face the challenge of decreased State funding. State funding decreased by \$755,209 in 2012 after increasing \$252,104 in 2011 and the Supplemental Levy was increased by \$200,000 in 2012.

The District has responded by holding the line on budgeted expenditures, reduction of staff, and continuing a four-day school week. The largest cost to the District has been and will be salaries and benefits. The District has moved to a four-day school week to reduce some of the support program salaries and benefits because of less days and hours. The District will again proceed with a four-day school week for 2012-2013.

The District's base property tax was eliminated through the change in the State funding formula for 2007. However, patrons approved a supplemental tax levy of \$1,940,000 for 2011-12 (\$1,740,000 for 2010-11).

The District has historically used the Forest Reserve Fund to supplement the deficit in the other District funds. The District made a transfer of \$226,447 (vs. \$3,489 in 2011) to other funds to balance the budget, and has a remaining balance of \$853,763 (\$959,088 in 2011). The District receives a substantial amount of Forest Reserve Fund revenue, which is temporarily underwritten by the Craig-Wyden legislation guaranteeing districts a comparable amount of revenue relative to base years before timber harvesting was curtailed on the national forests. The amount received during 2012 was \$320,694 (\$364,271 in 2011 and \$415,282 in 2010). Terms for the future renewal of the Craig-Wyden support is uncertain.

## JOINT SCHOOL DISTRICT NO. 171

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### **FUND FINANCIAL STATEMENTS (CONTINUED)**

##### ***Financial Highlights (Continued)***

The School Lunch Fund operated at a net loss of \$49,607 for the year (\$14,290 for 2011 and \$11,434 in 2010), and was reimbursed that amount from the general fund.

The School Plant Facility Reserve Fund has purchased two school buses each of the last 3 years. Expenditures exceeded revenues by \$103,894 in 2012, \$97,838 in 2011, and \$88,636 in 2010.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### ***Capital Assets***

At the end of 2012, the District had \$1,850,098 invested in capital assets, net of accumulated depreciation. This includes buildings, computer equipment, and major school equipment and is an increase of \$128,320 from the prior year. Current year depreciation of \$172,621 (\$192,476 in 2011 and \$256,147 in 2010) was less than capital purchases of \$300,941 (\$448,583 in 2011 and \$182,176 in 2010). More detailed information about the District's capital assets is presented in Notes 1 and 6 to the financial statements. The primary capital asset purchase in 2012 was the completion of the construction of the school lunch kitchen at the Orofino Elementary School.

##### ***Debt***

The District has no long-term debt outstanding.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged to students. Personnel costs are tied to a state-wide salary index and certified staff received a 1 percent increase and classified staff received a 2 percent increase for 2013. The District has added no major new programs or initiatives to the 2013 budget.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, 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 the District Business Office at 208-476-5593 in Orofino, Idaho.

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**JOINT SCHOOL DISTRICT NO. 171**

**STATEMENT OF NET ASSETS**  
June 30, 2012

	Governmental Activities	Prior Year 2011	Prior Year 2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 235,751	\$ 352,313	\$ 420,614
Investments	1,340,467	1,480,917	1,722,828
Property taxes receivable	836,213	784,692	682,176
Accounts receivable	342,632	939,891	829,633
Total current assets	<u>2,755,063</u>	<u>3,557,813</u>	<u>3,655,251</u>
<b>Noncurrent assets</b>			
Capital assets	8,696,813	8,847,932	8,460,845
Less accumulated depreciation	<u>(6,846,715)</u>	<u>(7,126,154)</u>	<u>(6,995,174)</u>
Total noncurrent assets	<u>1,850,098</u>	<u>1,721,778</u>	<u>1,465,671</u>
Total assets	<u>4,605,161</u>	<u>5,279,591</u>	<u>5,120,922</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	158,060	288,644	229,223
Payroll and taxes payable	1,102,210	1,168,902	1,319,252
Accrued expenses	2,165	214,790	262,363
Total current liabilities	<u>1,262,435</u>	<u>1,672,336</u>	<u>1,810,838</u>
Total liabilities	<u>1,262,435</u>	<u>1,672,336</u>	<u>1,810,838</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,850,098	1,721,778	1,465,671
Restricted for:			
Capital projects	19,472	19,472	16,310
Unrestricted	<u>1,492,628</u>	<u>1,866,005</u>	<u>1,828,103</u>
Total net assets	<u>\$ 3,342,726</u>	<u>\$ 3,607,255</u>	<u>\$ 3,310,084</u>

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Prior Year	Prior Year
	Expenses	Charges for Services	Operating Grants and Contributions		2011	2010
<b>Functions/Programs</b>						
Instruction						
Regular programs	\$ 4,744,803	\$ 11,115	\$ 354,998	\$ (4,378,690)	\$ (4,549,847)	\$ (1,488,730)
Special programs	736,800		276,445	(460,355)	(408,930)	(376,133)
Interscholastic and school activity	158,320	14,296		(144,024)	(158,075)	(137,641)
Support services						
Pupil support	345,692			(345,692)	(389,676)	(26,600)
Staff support	1,413,776		640,456	(773,320)	(440,119)	(744,336)
General administration	149,574			(149,574)	(165,712)	(64,893)
School administration	522,610			(522,610)	(497,463)	(221,618)
Business services	152,865			(152,865)	(156,895)	(55,988)
Maintenance and operations	839,753			(839,753)	(1,115,474)	(1,000,059)
Transportation	679,990		445,484	(234,506)	(374,877)	(276,744)
Food services	398,969	81,958	290,955	(26,056)	(21,819)	(57,613)
Capital outlay	95,520			(95,520)	(55,868)	(103,631)
Total governmental activities	<u>\$ 10,238,672</u>	<u>\$ 107,369</u>	<u>\$ 2,008,338</u>	<u>(8,122,965)</u>	<u>(8,334,755)</u>	<u>(4,553,986)</u>
General revenues:						
Property taxes, levied for general purposes				2,026,850	1,829,794	1,576,354
State base support				5,252,995	6,126,085	964,604
In lieu revenue				4,104	7,355	10,605
Other state and federal funding not restricted to specific programs				384,604	375,384	1,337,645
Interest and investment earnings				138,484	61,797	211,872
Other general revenues				51,399	231,511	226,717
				<u>7,858,436</u>	<u>8,631,926</u>	<u>4,327,797</u>
Change in net assets				(264,529)	297,171	(226,189)
Net assets, beginning				<u>3,607,255</u>	<u>3,310,084</u>	<u>3,536,273</u>
Net assets, ending				<u>\$ 3,342,726</u>	<u>\$ 3,607,255</u>	<u>\$ 3,310,084</u>

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2012

	General	Forest Reserve	District Property	School Lunch	School Plant Facility Reserve	Other Governmental Funds	Total Governmental Funds	Prior year 2011	Prior year 2010
<b>ASSETS</b>									
Cash	\$ 41	\$ 122,055		\$ 17,285		\$ 96,099	\$ 235,480	\$ 212,706	\$ 323,622
Investments	244,496	660,511	\$ 233,014		\$ 2,442	4	1,140,467	1,480,917	1,722,828
Property taxes receivable	836,213						836,213	784,692	682,176
Accounts receivable	28,143	3,129		6,354		305,006	342,632	939,891	829,633
Due from other funds	89,153	68,068					157,221	612,146	489,206
<b>Total assets</b>	<b>\$ 1,198,046</b>	<b>\$ 853,763</b>	<b>\$ 233,014</b>	<b>\$ 23,639</b>	<b>\$ 2,442</b>	<b>\$ 401,109</b>	<b>\$ 2,712,013</b>	<b>\$ 4,030,352</b>	<b>\$ 4,047,465</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 134,891					\$ 23,169	\$ 158,060	\$ 288,644	\$ 229,223
Payroll and taxes payable	949,579			\$ 23,639		128,992	1,102,210	1,168,902	1,319,252
Due to other funds			\$ 229		\$ 2,442	154,550	157,221	612,146	489,206
Deferred revenue	113,576					2,165	115,741	338,000	363,782
<b>Total liabilities</b>	<b>1,198,046</b>	<b>\$ 0</b>	<b>229</b>	<b>23,639</b>	<b>2,442</b>	<b>308,876</b>	<b>1,533,232</b>	<b>2,407,692</b>	<b>2,401,463</b>
<b>FUND BALANCES</b>									
Restricted for capital improvements								19,472	16,310
Restricted for building maintenance						53	53		72,529
Committed for capital improvements		853,763	232,785			92,180	1,086,548	1,488,652	1,553,475
Assigned							92,180	14,536	3,688
Unassigned	0	853,763	232,785	0	0	92,233	1,178,781	1,622,660	1,646,002
<b>Total fund balances</b>	<b>0</b>	<b>853,763</b>	<b>232,785</b>	<b>0</b>	<b>0</b>	<b>92,233</b>	<b>1,178,781</b>	<b>1,622,660</b>	<b>1,646,002</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,198,046</b>	<b>\$ 853,763</b>	<b>\$ 233,014</b>	<b>\$ 23,639</b>	<b>\$ 2,442</b>	<b>\$ 401,109</b>	<b>\$ 2,712,013</b>	<b>\$ 4,030,352</b>	<b>\$ 4,047,465</b>

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

**RECONCILIATION OF THE STATEMENT OF NET ASSETS  
TO THE BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2012

	Total Governmental Funds	Prior Year 2011	Prior Year 2010
<b>Total fund balances - Governmental Funds</b>	\$ 1,178,781	\$ 1,622,660	\$ 1,646,002
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:			
Cost of capital assets	8,696,813	8,847,932	8,460,845
Accumulated depreciation	(6,846,715)	(7,126,154)	(6,995,174)
Property taxes receivable to 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.	113,576	123,210	101,419
An internal service fund is used by management to charge employee medical insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	200,271	139,607	96,992
<b>Total net assets - Governmental Activities</b>	<b>\$ 3,342,726</b>	<b>\$ 3,607,255</b>	<b>\$ 3,310,084</b>

See accompanying notes



JOINT SCHOOL DISTRICT NO. 171

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	General	Forest Reserve	District Property	School Lunch	School Plant Facility Reserve	Other Governmental Funds	Total Governmental Funds	Prior Year 2011	Prior Year 2010
<b>REVENUES</b>									
General property taxes	\$ 2,036,484						\$ 2,036,484	\$ 1,808,003	\$ 1,560,181
State foundation program	5,698,479						5,698,479	6,241,494	6,236,070
Other state revenue	64,112					\$ 95,848	159,960	372,154	125,474
Federal revenue	3,902	\$ 320,694	\$ 1,443	\$ 290,955		1,155,292	1,772,286	1,784,093	2,748,482
Charges for services	14,296			78,478		11,115	103,889	103,614	115,471
Earnings on investments	2,764	1,261	1,211		\$ 6	53	5,295	7,093	9,434
Other revenues	61,450			3,480		19,316	87,055	274,240	276,433
Total revenues	7,881,487	321,955	2,654	372,913	2,815	1,281,624	9,863,448	10,590,691	11,071,545
<b>EXPENDITURES</b>									
Instruction									
Regular programs	4,395,125					326,614	4,721,739	5,030,010	5,510,750
Special programs	439,084					297,716	736,800	690,014	689,384
Interscholastic and school activity	158,320						158,320	166,655	213,027
Support services									
Pupil support	345,639					53	345,692	389,676	366,204
Staff support	419,389	45,662	295,812			647,594	1,408,457	1,108,223	1,305,726
General administration	149,574						149,574	165,712	122,830
School administration	522,610						522,610	497,463	521,163
Business services	152,865						152,865	156,895	166,218
Maintenance and operations	766,481	63,272			10,000		839,753	1,115,474	1,203,091
Transportation	701,587				96,709		798,296	839,865	740,012
Food services	9,527	91,899	3,621	422,520			432,047	398,178	394,892
Capital outlay		200,833	299,433	422,520	106,709	1,271,977	95,520	55,868	103,631
Total expenditures	8,060,201	200,833	299,433	422,520	106,709	1,271,977	10,361,673	10,614,033	11,336,928
EXCESS OF REVENUES OVER EXPENDITURES	(178,714)	121,122	(296,779)	(49,607)	(103,894)	9,647	(498,225)	(23,342)	(265,383)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers from other funds	291,554			49,607	84,422	68,050	493,633	215,922	590,118
Transfers to other funds	(212,840)	(226,447)					(439,287)	(215,922)	(590,118)
Total other financing sources (uses)	78,714	(226,447)	0	49,607	84,422	68,050	54,346	0	0
NET CHANGE IN FUND BALANCES	(100,000)	(105,325)	(296,779)	0	(19,472)	77,697	(443,879)	(23,342)	(265,383)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	100,000	959,088	529,564	0	19,472	14,536	1,622,660	1,646,002	1,911,385
<b>FUND BALANCES AT END OF YEAR</b>	\$ 0	\$ 853,763	\$ 232,785	\$ 0	\$ 0	\$ 92,233	\$ 1,178,781	\$ 1,622,660	\$ 1,646,002

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

	Total Governmental Funds	Prior Year 2011	Prior Year 2010
<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (443,879)</b>	<b>\$ (23,342)</b>	<b>\$ (265,383)</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation:			
Current year capital outlay	300,941	448,583	182,176
Current year depreciation	(172,621)	(192,476)	(256,147)
Some revenue will not be collected for several months after the fiscal year-ends, and they are not considered available revenues in the governmental funds. Instead, they are counted as deferred tax revenues. They are, however, recorded as revenues:			
Current year taxes receivable	113,576	123,210	101,419
Prior year taxes receivable	(123,210)	(101,419)	(85,246)
An internal service fund is used by management to charge employee medical insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.	60,664	42,615	96,992
<b>Change in Net Assets - Governmental Activities</b>	<b>\$ (264,529)</b>	<b>\$ 297,171</b>	<b>\$ (226,189)</b>

See accompanying notes

JOINT SCHOOL DISTRICT NO. 171

BALANCE SHEET - PROPRIETARY FUNDS

June 30, 2012

	Governmental Activities Internal Service Fund	Prior Year 2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 271	\$ 139,607
Investments	200,000	
Total current assets	<u>\$ 200,271</u>	<u>\$ 139,607</u>
LIABILITIES		
CURRENT LIABILITIES		
Total current liabilities	<u>\$ 0</u>	<u>0</u>
NET ASSETS		
Unreserved	200,271	139,607
Total net assets	<u>200,271</u>	<u>139,607</u>
Total liabilities and net assets	<u>\$ 200,271</u>	<u>\$ 139,607</u>

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2012**

	Governmental Activities	Prior Year 2011
	Internal Service Fund	
<b>REVENUES</b>		
Interfund charges for medical insurance	\$ 192,064	\$ 140,913
Total revenues	<u>192,064</u>	<u>140,913</u>
<b>OPERATING EXPENSES</b>		
Medical Benefits	131,400	98,298
Total operating expenses	<u>131,400</u>	<u>98,298</u>
<b>NET INCOME</b>	60,664	42,615
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>139,607</u>	<u>96,992</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 200,271</u>	<u>\$ 139,607</u>

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2012

	Governmental Activities Internal Service Fund	Prior Year 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from interfund charges	\$ 192,064	\$ 140,913
Cash paid for medical expenses	(131,400)	(98,298)
Net cash provided by operating activities	<u>60,664</u>	<u>42,615</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(200,000)	
Net cash provided (used) by investing activities	<u>(200,000)</u>	<u>0</u>
<b>NET CHANGE IN CASH</b>	(139,336)	42,615
<b>CASH AT BEGINNING OF YEAR</b>	<u>139,607</u>	<u>96,992</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 271</u>	<u>\$ 139,607</u>
<b>RECONCILIATION OF OPERATING NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income	<u>\$ 60,664</u>	<u>\$ 42,615</u>
Net cash provided by operating activities	<u>\$ 60,664</u>	<u>\$ 42,615</u>

See accompanying notes

JOINT SCHOOL DISTRICT NO. 171

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2012

	Private- Purpose Trusts	Agency Funds
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 221	\$ 123,244
Investments	34,060	
Accounts receivable	542	
Total assets	<u>34,823</u>	<u>123,244</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to student groups		123,244
Total current liabilities	<u>0</u>	<u>123,244</u>
Total liabilities	<u>0</u>	<u>\$ 123,244</u>
<b>NET ASSETS</b>		
Held in trust	<u>34,823</u>	
Total net assets	<u>\$ 34,823</u>	

See accompanying notes

**JOINT SCHOOL DISTRICT NO. 171**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2012

	Private- Purpose Trusts	Prior Year 2011	Prior Year 2010
<b>ADDITIONS</b>			
Earnings on investments	\$ 510	\$ 1,829	\$ 1,126
Total additions	510	1,829	1,126
<b>DEDUCTIONS</b>			
Scholarships	593	2,228	1,017
Total deductions	593	2,228	1,017
Change in net assets	(83)	(399)	109
Net assets at beginning of year	34,906	35,303	35,194
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 34,823</b>	<b>\$ 34,904</b>	<b>\$ 35,303</b>

See accompanying notes

# JOINT SCHOOL DISTRICT NO. 171

## NOTES TO FINANCIAL STATEMENTS

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### 1. SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity.** Joint School District No. 171 is based in Orofino, Idaho, and located primarily within Clearwater County but also includes part of Lewis and Nez Perce Counties. The District operates a kindergarten through twelve grade program through two high school facilities: Orofino High School and Timberline High School; and four elementary schools: Orofino Elementary, Timberline Schools Elementary, Cavendish Elementary, and Peck Elementary. Total District enrollment is approximately 1,024 students.

The District has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (e.g., final budget approval of assets, etc.). The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight, which would result in the District being considered a component unit of that entity.

The District's reporting entity includes the District government and all the student activity funds for which the District exercises oversight responsibility. The District does not exercise oversight responsibilities for any booster organizations or related groups such as Parent-Teacher Organizations.

**Measurement Focus and Basis of Accounting.** The accounting policies of Joint School District No. 171 conform to United States generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District uses the following two bases of accounting in these financial statements:

#### **Economic Resources Measurement Focus and Accrual Basis of Accounting**

Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### **Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting**

Under this measurement focus, revenues are recognized when susceptible to accrual; i.e., 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 considers property taxes as available if they are collected within 30 days after year-end. A 60-day availability period is used for revenue recognition for all other governmental fund revenues.



**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Measurement Focus and Basis of Accounting (Continued).*****Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting (Continued)**

Property taxes, the state foundation program, federal and state grants, and interest are considered to be susceptible to accrual.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

***Restricted Resources.*** Program expenses are allocated to restricted program revenue first and then to the next highest level of net assets/fund balance restrictions when both restricted and unrestricted resources are available.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

**Nonspendable**

Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

**Restricted**

Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

**Committed**

Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

**Assigned**

Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Restricted Resources (Continued).*****Unassigned**

Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

***District-Wide Financial Statements.*** The statement of net assets and the statement of activities display information about the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements reflect only governmental activities of the District since there are no "business-type activities" within the School District. The District's Medical Benefit Pool is reported as an internal service fund and combined with the governmental activities in the district-wide statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the District's governmental activities. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Program Revenue**

The Statement of Activities reflects all restricted federal and state grants as program revenue, as well as all charges to students for classes, activities, and school lunches. Program expenses are allocated to restricted program revenue first when both restricted and unrestricted net assets are available.

***Fund Financial Statements.*** The Fund financial statements provide information about the District's fund categories. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All remaining funds are aggregated and reported as non-major funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Fund Financial Statements (Continued).*****Governmental Funds**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The District reports the following major governmental funds:

- General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- Forest Reserve. The U.S. Government pays an amount under the *Secure Rural Schools and Community Self Determination Act* to state and counties containing national forest system lands. This fund is used to account for the District's allocation of these federal forest funds.
- District Property. The District uses a special revenue fund to accumulate and account for the proceeds from the sale of District property.
- School Lunch. The federal government provides cash grants and food allotments to school districts to make a school lunch program available. These grants are based upon the number of children eating school lunch. In addition, the District charges students for lunch and breakfast.
- School Plant Facility Reserve. The State of Idaho allows the District to establish a special fund and levy a special property tax to acquire, purchase, and improve school sites, and build school buildings upon a vote of the District patrons.

**Proprietary Funds**

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The proprietary funds include the Medical Benefit Pool as an internal service fund. The internal service fund is included in governmental activities for the district-wide financial statements. The revenue and expenses of the internal service fund has been eliminated from the district-wide financial statements and the excess revenue has been allocated to regular instruction expenditures.

**Fiduciary Funds**

The District reports two types of fiduciary funds: Private Purpose Trusts and Agency funds. Private Purpose Trusts are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund is used to account for monies held on behalf of student activity funds. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the *accrual basis* of accounting to recognize receivables and payables.

JOINT SCHOOL DISTRICT NO. 171

NOTES TO FINANCIAL STATEMENTS

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Investments.** The District's investments consist of deposits in the Idaho State Treasurer's Local Government Investment Pool.

Deposits in the State Treasurer's Local Government Investment Pool are stated at cost, which approximates market. The state treasurer combines deposits from all governmental entities in the state, which participate in the pool, and purchases the following types of investments:

- Local Certificates of Deposit
- Repurchase Agreements
- U.S. Government Securities

The entities participating in the pool own a percentage of each investment held. This percentage is calculated by dividing the individual entity's deposits by the total deposits held in the pool. The purpose of this is to:

- Increase the overall rate of return.
- Reduce the risk of default.
- Place each entity under the FDIC and SLIC limits.

Investments in time certificates of deposits and savings accounts are authorized by Board policy as permitted by *Idaho Code*, Section 67-1210.

**Prepaid Supplies.** The District does not capitalize its supplies inventory at year-end. All supplies are recorded as expenditures in the period in which they were purchased. Significant supplies purchased after the current school year for use in the subsequent school year are reflected as prepaid supplies.

**Capital Assets.** Capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The District records all capital assets at their original cost. Assets acquired prior to 2003 are recorded at their estimated original cost. Interest is capitalized on capital assets during the construction period.

The District capitalizes equipment with an original unit cost of \$3,000 or more and an expected life of more than 3 years. The District capitalizes property improvements with an original cost of \$10,000 or more that is expected to extend the property life by 10 years or more. Equipment with an original unit cost of between \$100 and \$3,000 is not capitalized for depreciation purposes, but is recorded for inventory tracking purposes only.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 30 years; vehicles - 7 years; buses - 10 years; machinery and equipment - 10 years; computer equipment - 3 years.

JOINT SCHOOL DISTRICT NO. 171

NOTES TO FINANCIAL STATEMENTS

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Property Taxes.** The District's property tax is levied by Lewis, Clearwater, and Nez Perce Counties in November and payable on December 20 and June 20 following the levy date. Taxes are remitted to the District in the month following collection. The taxes are delinquent and a lien is filed the day following the due dates. A tax deed is issued on property three years from the date of delinquency.

**Budgets.** Annual non-appropriated budgets are adopted for all governmental funds. Expenditures may not exceed the budget at the individual fund level.

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the governmental funds. Encumbrances are included in the following year's budgeted expenditures.

**Compensated Absences.** District employees are granted vacation and sick leave days in varying amounts under the terms of District policy. Employees are not compensated for unused sick leave. The estimated amount of compensation for future absences is immaterial to these financial statements and, accordingly, no liability has been recorded.

**Use of Estimates.** Management of the District uses estimates and assumptions in preparing financial statements in accordance with United States generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that management uses.

**Cash Flows.** The District considers the proprietary fund's share of the District's pooled checking to be cash for the statement of cash flows.

**Reclassifications.** Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

2. LEGAL COMPLIANCE – BUDGETS

The Board of Trustees follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least 14 days prior to the public hearing, the District publishes a proposed budget for public review.
2. A public hearing is set to obtain taxpayers' comments.
3. The final budget is adopted by resolution of the Board at the regular June meeting of the Board of Trustees.
4. Prior to July 15, the final budget is filed with the State Department of Education.
5. During the fiscal year, a revised budget can be prepared and adopted to reflect more accurate revenue and expenditure projections. The Board must hold public hearings and publish the proposed budget prior to adoption.

JOINT SCHOOL DISTRICT NO. 171

NOTES TO FINANCIAL STATEMENTS

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2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Expenditures may not exceed the budget at the individual fund level. The District incurred expenditures in excess of budget in the following funds:

	<u>Budget</u>	<u>Expenditures</u>
General Fund	\$ 7,943,769	\$ 8,273,041
Community Foundation Grants		1,000
Nez Perce Tribe Grants		20,323
Education Jobs	150,000	167,012
Driver Education	21,200	22,091
Gustin Science		12,662
Public School Technology		32,035
Title I	244,088	292,594
Title VI-B	250,886	269,620
Title VI-B Preschool	15,978	28,096
Rural Education		11,668
Title II-A Improving Teacher Quality	89,929	106,476
Title IV-A Drug Free Schools		3,202
Medicaid	240,000	247,271
School Lunch	346,000	422,520

The additional expenditures were incurred due to the availability of grants and carryovers in the funds.

**Deficit Fund Balance in Individual Funds.** No fund had a deficit fund balance at June 30, 2012.

3. DEPOSITS AND INVESTMENTS

**Deposits.** At June 30, 2012, the carrying amount of the District's deposits was \$235,751 in governmental activities, and \$123,465 in fiduciary activities. The entire balance was considered covered by Federal Depository Insurance.

**Investments.** At June 30, 2012, District investments are classified in the following categories of credit risk. The carrying value of investments approximates market value.

JOINT SCHOOL DISTRICT NO. 171

NOTES TO FINANCIAL STATEMENTS

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3. DEPOSITS AND INVESTMENTS (CONTINUED)

*Investments (Continued).*

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
FDIC insured certificates of deposit		\$ 12,384
Uninsured and unregistered with securities held in the District's name		
Pioneer Value Fund		6,619
Wells Fargo Savings Account	\$ 178,574	
Idaho State Treasurer's Local Government Investment Pool	1,161,893	15,057
Total investments	\$ 1,340,467	\$ 34,060

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will reduce the value of the District's investments. The District does not have a policy regarding interest rate risk.

*Custodial Risk.* Custodial risk is the risk that, in the event of the failure of the investment custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the custodian. The District owns a percentage of each investment held by the Idaho State Treasurer's Local Government Investment Pool and all investments are held in the name of the pool.

*Credit Risk.* Credit risk is the risk that a borrower will fail to repay principal and interest in a timely manner. The District owns a percentage of each investment held by the Idaho State Treasurer's Local Government Investment Pool and the Pool diversifies investments to minimize credit risk to any individual government. The District's investments with the Idaho State Treasurer's Local Government Investment Pool have not been issued an external credit quality rating.

*Concentration of Credit Risk.* The District has no policy on the amount they may invest in any one issuer.

**JOINT SCHOOL DISTRICT NO. 171**

**NOTES TO FINANCIAL STATEMENTS**

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**4. ACCOUNTS RECEIVABLE**

Details of accounts receivable at June 30, 2012, are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
State of Idaho - Foundation program	\$ 27,117	
State of Idaho - State grants	12,464	
State of Idaho - Federal grants	265,591	
Other departments - Federal funds	33,762	
Other	<u>3,698</u>	\$ 542
	<u>\$ 342,632</u>	<u>\$ 542</u>

**5. PROPERTY TAXES**

The District's property tax levies for calendar years 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Certified Budget Request		
Tort levy	\$ 43,765	\$ 42,768
Supplemental levy approved	1,940,000	1,740,000

District assessed market value and tax levies:

	<u>Actual Tax Charge</u>	<u>Total Market Valuation</u>	<u>Levy</u>
2011	\$ 1,981,752	\$ 525,442,696	0.3775246%
2010	1,779,720	549,216,101	0.3246023%
2009	1,524,949	571,246,621	0.2680132%
2008	1,548,202	535,753,582	0.2695839%
2007	1,340,853	535,819,686	0.2334720%
2006	1,331,637	467,719,755	0.2774459%
2005	2,305,540	403,743,288	0.5318669%
2004	2,251,355	432,915,123	0.5399138%
2003	2,296,569	468,748,955	0.5444482%
2002	2,236,445	434,883,775	0.5166855%



**JOINT SCHOOL DISTRICT NO. 171**

**NOTES TO FINANCIAL STATEMENTS**

**6. CAPITAL ASSETS**

A summary of changes in capital assets at June 30 2012, is as follows:

	6/30/11			6/30/12
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital assets				
Land	\$ 132,000			\$ 132,000
Equipment				
Elementary	69,410			69,410
Secondary	401,853	\$ 11,115		412,968
School lunch	228,768	48,035	\$ 5,100	271,703
Other	7,829			7,829
Buildings				
Elementary	2,350,600			2,350,600
Secondary	3,087,789			3,087,789
Bus Shop	415,809			415,809
Buses	2,057,139	241,791	446,960	1,851,970
Vehicles	96,735			96,735
	<u>\$ 8,847,932</u>	<u>\$ 300,941</u>	<u>\$ 452,060</u>	<u>8,696,813</u>
Accumulated depreciation				
Equipment				
Elementary	\$ 77,586	\$ 214		77,800
Secondary	314,962	5,960		320,922
School lunch	179,697	14,957	\$ 5,100	189,554
Other	7,829			7,829
Buildings				
Elementary	2,075,629	3,272		2,078,901
Secondary	2,634,874	24,733		2,659,607
Bus Shop	193,959	13,860		207,819
Buses	1,567,482	103,356	446,960	1,223,878
Vehicles	74,136	6,269		80,405
	<u>\$ 7,126,154</u>	<u>\$ 172,621</u>	<u>\$ 452,060</u>	<u>6,846,715</u>
Capital assets, net				<u>\$ 1,850,098</u>

Depreciation of \$172,621 was charged to the following functions in the statement of activities:

Instruction, regular programs	\$ 34,179
School lunch	14,957
Transportation	123,485

**7. DEFINED BENEFIT PENSION PLAN**

All employees of the District who work over 20 hours a week for at least 5 months of the year participate in the Public Employees Retirement System of Idaho (PERSI). PERSI is a cost-sharing, multiple-employer public retirement system created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislature provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the Plan are available from PERSI upon request.

After 5 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 year of credited service, the annual service retirement allowance is 2.0 percent of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2012, the required contribution rates, as determined by PERSI, were 10.39 percent (10.39 percent in 2011 and 10.39 percent in 2010) for the District and 6.23 percent (6.23 percent in 2011 and 6.23 percent in 2010) for employees. The District also pays 1.26 percent of eligible wages to the fund for future medical benefits to be provided. The District contributions required and paid were \$578,670, \$606,251, and \$667,024 for the 3 years ended June 30, 2012, 2011, and 2010, respectively.

**8. RISK MANAGEMENT**

The District purchases commercial insurance through the Idaho Counties Risk Management Program (ICRMP) to cover the risks of property loss and legal liability. A general summary of the insurance coverage in effect at June 30, 2012, is as follows:

- Property – Replacement cost coverage on scheduled buildings and contents, with a total deductible of \$500 per occurrence.
- Earthquake and Flood - \$50,000,000 annual maximum limit for all ICRMP members with 10% of the scheduled buildings and contents value as a deductible.
- Boiler and Machinery - \$100,000 to \$10,000,000 limits per occurrence with a \$500 deductible.
- Crime - \$500,000 limit for school officials and employees with a \$500 deductible.
- General Liability - \$3,000,000 limit per occurrence with no deductible per occurrence.
- Abuse and Molestation - \$3,000,000 limit per occurrence and in aggregate with no deductible.
- Educator's Legal Liability - \$3,000,000 limit per occurrence and in aggregate with no deductible.

JOINT SCHOOL DISTRICT NO. 171

NOTES TO FINANCIAL STATEMENTS

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**8. RISK MANAGEMENT (CONTINUED)**

- Automobiles
  - Liability - \$3,000,000 per occurrence and \$300,000 uninsured motorist; with no deductible.
  - Comprehensive and Collision - coverage on listed vehicles and buses. There is a \$500 deductible.
  - Student Transportation Systems - \$3,000,000 per occurrence with no deductible

The District created a Self-Insured Medical Pool in 2009-10 to provide partial self-funded medical benefits and to help fund future increases in the cost of medical insurance. The District purchases commercial insurance with a high family deductible. The District reimburses employees for a percent of their deductible for medical expenses paid. The liability of the Pool is limited to available assets in the Pool.

**9. TRANSFERS TO/FROM OTHER FUNDS**

The State Department of Education requires that the District pay for the costs of school lunch personnel's Social Security and retirement expense from general fund revenues as a condition of participation in the National School Lunch Program. The amount paid from the general fund for the school lunch fund for the year ended June 30, 2012, amounted to \$9,527. An additional \$49,607 was transferred to the school lunch fund to pay bills for the 2012 fiscal year.

*Idaho Code*, Section 33-901, requires that any amount paid by the State of Idaho to a school district for depreciation of school facilities shall be deposited in the plant facilities fund. Accordingly, the School District has transferred State foundation funds paid for depreciation of school buses in the amount of \$84,422 to the school plant facility reserve fund for the current year.

*Idaho Code*, Section 33-1019, requires that the school district expend 2 percent of the estimated replacement value of student occupied buildings for school building maintenance each year. Any shortfall in expenditures must be transferred into the school building maintenance fund for future school building maintenance. The State has waived this requirement for 2011-12 and has allowed the District to spend these funds on one-time non-personnel costs for the current year.

The Board of Trustees approved the budget for the 2011-12 school year reflecting a contingency budget of \$913,611. The actual transfer from the forest reserve to the general fund amounted to \$226,447.

The District has transferred the following amounts to supplement expenditures in these funds.

Driver education	\$	4,914
Vocational education		1,188
Nez Perce Tribe grant		208
Title I		40,469
Title VI-B		17,884
Title VI-B preschool		3,387

**10. FUND BALANCE RESERVES AND DESIGNATIONS**

***Restricted Net Assets.*** Restricted net assets on the District-wide statements represent amounts whose use is restricted by creditors, grantors, laws and regulations of other governments, or through enabling legislation. Net assets restricted for capital projects are restricted by *Idaho Code* for selected facilities repairs and improvements and school bus purchases. Net assets restricted for building maintenance are restricted by *Idaho Code* for maintenance on student occupied buildings. Net assets restricted for debt service are restricted by *Idaho Code* for debt service on outstanding bonds. Net assets restricted for federal grant programs are restricted by the granting agency for specific educational programs. These net assets are reflected as restricted since they are not available for general education expenditures.

***Restricted Fund Balances.*** The fund balances of certain individual funds are restricted for particular purposes by the *Idaho Code* or by the granting agency. These fund balances are reflected as a restricted portion of fund balance in the fund financial statements since the funds are not available for general education expenditures.

***Committed Fund Balances.*** The forest reserve fund balance is restricted by *State Code* for capital improvements. However, if the Board of Trustees decides that these funds are not currently needed for capital improvements, then the funds may be expended for general educational purposes. This fund balance is reflected as a committed portion of fund balance in the fund financial statements since the Board of Trustees must approve using the funds for general educational expenditures.

The District property fund was established by action of the Board of Trustees. The Board directed that proceeds from the sale of certain property be deposited into the fund for facility needs. This fund balance is reflected as a committed portion of fund balance in the fund financial statements since the Board of Trustees must approve expenditures from this fund.

When expenditures are incurred, the amounts are considered to be first spent from the most restrictive category if it qualifies under multiple fund balance classifications.

**JOINT SCHOOL DISTRICT NO. 171**

**NOTES TO FINANCIAL STATEMENTS**

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**11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

United States generally accepted accounting principles require disclosure, as part of the combined statement overview, of certain information concerning individual funds, including:

***Individual Fund Interfund Receivable and Payable Balances.*** Such balances at June 30, 2012, were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 89,153	
Forest Reserve	68,068	
Education Jobs		\$ 50,791
Vocational Education		7,938
Title I		11,324
Title VI-B		41,010
Title VI-B Preschool		3,784
Rural Education		1,790
Carl Perkins Vocational Education		15,367
Title II-A Improving Teacher Quality		22,546
District Property		229
School Plant Facility Reserve		2,442

The District uses a pooled cash arrangement whereby all receipts are deposited to the general fund on the behalf of all District funds. Expenditures are paid out of this pooled account and charged to all District funds. The excess (deficiency) of receipts over expenditures is recorded as a short-term interfund receivable (payable).

**12. CONTINGENT LIABILITIES**

The District participates in a number of state and federally assisted grant programs, mainly Forest Reserve, Title I, Title VI-B grants, and the National School Lunch Program. These programs were subjected to financial and compliance audits as outlined in the Office of Management and Budget (OMB) Circular A-133 during the course of the annual audit of the District's records and can be subject to additional audits by the grantors. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**13. OTHER POST-EMPLOYMENT BENEFITS**

The District does not provide benefits to retired employees other than retirement benefits funded through the Public Employees Retirement System of Idaho. However, retired employees can remain on the District insurance policy after retirement if the retired employee pays the average monthly cost. The difference between the age-adjusted monthly cost and the average monthly cost is referred to as an "implicit subsidy" since the medical insurance rate of a retired employee is generally higher than the medical insurance rate of a younger employee. The estimated amount of this implicit subsidy is considered material to these financial statements; however, the District has no plans to currently fund this liability and has not recorded the liability in the government-wide financial statements. The "implicit subsidy" for retired employees is paid each year on a pay-as-you-go basis.

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REQUIRED SUPPLEMENTARY INFORMATION

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**JOINT SCHOOL DISTRICT NO. 171**

BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 2,034,825	\$ 2,034,825	\$ 2,036,484	\$ 1,659
State foundation program	5,777,443	5,777,443	5,698,479	(78,964)
Other state revenue	7,355	7,355	64,112	56,757
Federal revenue	15,200	15,200	3,902	(11,298)
Charges for services	9,000	9,000	14,296	5,296
Earnings on investments	10,000	10,000	2,764	(7,236)
Other revenues	35,600	35,600	61,450	25,850
<b>Total revenues</b>	<u>7,889,423</u>	<u>7,889,423</u>	<u>7,881,487</u>	<u>(7,936)</u>
<b>EXPENDITURES</b>				
Payroll	4,630,846	4,630,846	4,857,367	(226,521)
Payroll burden and employee benefits	2,148,750	2,148,750	2,067,714	81,036
Purchased services	668,802	668,802	716,210	(47,408)
Supplies and materials	331,971	331,971	347,037	(15,066)
Capital outlay	12,800	12,800	7,358	5,442
Insurance	60,600	60,600	64,515	(3,915)
<b>Total expenditures</b>	<u>7,853,769</u>	<u>7,853,769</u>	<u>8,060,201</u>	<u>(206,432)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>35,654</u>	<u>35,654</u>	<u>(178,714)</u>	<u>(214,368)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	54,346	54,346	291,554	237,208
Transfers to other funds	(90,000)	(90,000)	(212,840)	(122,840)
<b>Total other financing     sources (uses)</b>	<u>(35,654)</u>	<u>(35,654)</u>	<u>78,714</u>	<u>114,368</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	0	(100,000)	(100,000)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

JOINT SCHOOL DISTRICT NO. 171

BUDGETARY COMPARISON SCHEDULE -  
FOREST RESERVE  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal revenue	\$ 328,500	\$ 328,500	\$ 320,694	\$ (7,806)
Earnings on investments	1,100	1,100	1,261	161
Other revenues	11,000	11,000		(11,000)
Total revenues	<u>340,600</u>	<u>340,600</u>	<u>321,955</u>	<u>(18,645)</u>
<b>EXPENDITURES</b>				
Purchased services	136,000	136,000	104,850	31,150
Supplies and materials	75,000	75,000	5,504	69,496
Capital outlay	100,000	100,000	90,479	9,521
Contingency budget	913,611	913,611		913,611
Total expenditures	<u>1,224,611</u>	<u>1,224,611</u>	<u>200,833</u>	<u>1,023,778</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(884,011)</u>	<u>(884,011)</u>	<u>121,122</u>	<u>1,005,133</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds			(226,447)	(226,447)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(226,447)</u>	<u>(226,447)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(884,011)</u>	<u>(884,011)</u>	<u>(105,325)</u>	<u>778,686</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>850,000</u>	<u>850,000</u>	<u>959,088</u>	<u>109,088</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (34,011)</u>	<u>\$ (34,011)</u>	<u>\$ 853,763</u>	<u>\$ 887,774</u>



JOINT SCHOOL DISTRICT NO. 171

BUDGETARY COMPARISON SCHEDULE -  
DISTRICT PROPERTY  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Federal revenue			\$ 1,443	\$ 1,443
Earnings on investments			1,211	1,211
Total revenues	\$ 0	\$ 0	2,654	2,654
EXPENDITURES				
Purchased services			150,054	(150,054)
Supplies and materials			145,758	(145,758)
Capital outlay	500,000	500,000	3,621	496,379
Total expenditures	500,000	500,000	299,433	200,567
NET CHANGE IN FUND BALANCES	(500,000)	(500,000)	(296,779)	203,221
FUND BALANCES AT BEGINNING OF YEAR	500,000	500,000	529,564	29,564
FUND BALANCES AT END OF YEAR	\$ 0	\$ 0	\$ 232,785	\$ 232,785

JOINT SCHOOL DISTRICT NO. 171

BUDGETARY COMPARISON SCHEDULE -  
SCHOOL LUNCH  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal revenue	\$ 240,000	\$ 240,000	\$ 290,955	\$ 50,955
Charges for services	106,000	106,000	78,478	(27,522)
Other revenues			3,480	3,480
Total revenues	<u>346,000</u>	<u>346,000</u>	<u>372,913</u>	<u>26,913</u>
<b>EXPENDITURES</b>				
Payroll	127,000	127,000	132,509	(5,509)
Payroll burden and employee benefits	53,200	53,200	60,836	(7,636)
Purchased services	5,050	5,050	4,297	753
Supplies and materials	157,500	157,500	213,402	(55,902)
Capital outlay	3,250	3,250	11,476	(8,226)
Total expenditures	<u>346,000</u>	<u>346,000</u>	<u>422,520</u>	<u>(76,520)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>(49,607)</u>	<u>(49,607)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds			49,607	49,607
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>49,607</u>	<u>49,607</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	0	0	0
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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SUPPLEMENTARY INFORMATION

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## Independent Auditor's Report - Government Auditing Standards

Board of Trustees  
Joint School District No. 171  
Orofino, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint School District No. 171, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 01, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Joint School District No. 171 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting.

1. *Government Auditing Standards* require that the independent auditor identify all non-attest services performed for a governmental audit client and evaluate whether such services impair the independent auditor's independence. The non-attest service performed by the independent auditors was the compilation of the year-end financial statements. This service is permitted under *Government Auditing Standards*.

2. Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the organization to identify errors within the accounting system. Joint School District No. 171 has concentrated many accounting duties to one individual such that the desired segregation of duties is not possible. There are a limited number of personnel available to provide for the desired “segregation of duties.”

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’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 the 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*.

The District’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District’s responses and, accordingly, we express no opinion on the responses.

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

  
October 01, 2012



Independent Auditor's Report - Single Audit Act

Board of Trustees  
Joint School District No. 171  
Orofino, Idaho

Compliance

We have audited the Joint School District No. 171's compliance with the types of compliance requirements described in OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Joint School District No. 171'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 requirement of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District'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. 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Joint School District No. 171 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

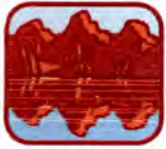
Management of the Joint School District No. 171 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

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

  
October 01, 2012



Independent Auditor's Report – Supplementary Information

Board of Trustees  
Joint School District No. 171  
Orofino, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint School District No. 171, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 01, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based upon our audit. The prior year summarized comparative information has been derived from the District's 2011 and 2010 financial statements and, in our reports dated September 29, 2011, and October 14, 2010, respectively, we expressed unqualified opinions on the respective financial statements of each major fund, and the aggregate remaining fund information. We qualified our opinion on the financial statements of the governmental activities for the omission of a liability for the implicit rate subsidy of the retiree healthcare.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Joint School District No. 171's basic financial statements taken as a whole. 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 Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining financial statements and statements of student body funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
October 01, 2012



**JOINT SCHOOL DISTRICT NO. 171**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - MODIFIED ACCRUAL BASIS**  
 For the Year Ended June 30, 2012

	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>		
Passed through the State of Idaho - Department of Education		
School Breakfast Program	10.553	\$ 74,315 *
National School Lunch Program	10.555	201,207 *
Special Milk Program for Children	10.556	303 *
Summer Food Service Program for Children	10.559	9,719 *
Subtotal School Lunch cluster		<u>285,544</u>
Fresh Fruit and Vegetable Program	10.582	5,411
Passed through Clearwater County, State of Idaho		
Schools and Roads - Grants to Counties	10.666	427,609 *
Total Department of Agriculture		<u>718,564</u>
<b>DEPARTMENT OF THE INTERIOR</b>		
Passed through the State of Idaho - Department of Education		
Indian Education Assistance to Schools	15.130	538
Total Department of the Interior		<u>538</u>
<b>DEPARTMENT OF ENVIRONMENTAL QUALITY</b>		
Passed through the State of Idaho - Department of Education		
Capitalization Grants for Drinking Water	66.468	12,661
Total Department of Environmental Quality		<u>12,661</u>
<b>DEPARTMENT OF EDUCATION</b>		
Passed through the State of Idaho - Department of Education		
Title I	84.010	252,125
Title VI-B Special Education	84.027	251,736 *
Title VI-B Preschool	84.173	24,709 *
Subtotal Title VI-B cluster		<u>276,445</u>
Carl Perkins Vocational Education	84.048	15,681
Title IV Drug Free Schools	84.186	3,202
Rural Education	84.358	18,060
Title II-D Improving Teacher Quality	84.367	106,476
Education Jobs Fund	84.410	167,012
Total Department of Education		<u>839,001</u>
<b>TOTAL FEDERAL AWARDS</b>		<u><u>\$ 1,570,764</u></u>

Note: Basis of Presentation

The schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

\* Major funds on Schedule of Findings and Questioned Costs

**JOINT SCHOOL DISTRICT NO. 171**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

\* Material weakness(es) identified     yes   X   no

\* Significant Deficiencies identified that are not considered to be material weaknesses?   X   yes     none reported

Noncompliance material to financial statements noted?     yes   X   no

**Federal Awards**

Internal control over major programs:

\* Material weakness(es) identified     yes   X   no

\* Reportable condition(s) identified that are not considered to be material weaknesses?     yes   X   none reported

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

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

Identification of major programs:

CFDA Numbers    Name of federal program or cluster

10.666                Schools and Roads - Grants to Counties

School Lunch cluster

10.553                School Breakfast Program  
10.555                National School Lunch Program  
10.556                Special Milk Program for Children  
10.559                Summer Food Service Program for Children

Title VI-B cluster

84.027                Title VI-B Special Education  
84.173                Title VI-B Preschool

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?     yes   X   no

JOINT SCHOOL DISTRICT NO. 171

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012

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**Section II – Financial Statement Findings**

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SIGNIFICANT DEFICIENCIES

Finding #12-01

*Criteria:* *Government Auditing Standards* require that we identify all non-attest services that we, as independent auditors, perform for an audit client and evaluate whether such services impair the independent auditor's independence.

*Condition:* The non-attest service performed by the independent auditors was the compilation of the year-end financial statements.

*Effect:* The independent auditor has compiled the financial statements subject to management's review and approval. Safeguards outlined in *Government Auditing Standards* have been complied with.

*Response:* The District's management and Board of Trustees believe that contracting the independent auditor to compile the year-end financial statements is the most cost-effective alternative. This service is allowed under *Government Auditing Standards*.

*Recommendation:* We concur with the District's response.

Finding #12-02

*Criteria:* Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the organization to identify errors within the accounting system.

*Condition:* Joint School District No. 171 has concentrated many accounting duties to one individual such that the desired segregation of duties is not possible. There are a limited number of personnel available to provide for the desired "segregation of duties."

*Effect:* Many accounting duties are performed by a single individual with limited oversight available within the Joint School District No. 171.

*Response:* The District's management and Board of Trustees believe that the cost of hiring additional accounting staff outweighs the benefits that segregation of duties would provide.

*Recommendation:* We concur with the District's response.

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**Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.

## GOVERNMENTAL FUNDS

### GENERAL FUND

The General Fund is also often referred to as the M & O (Maintenance and Operations) Fund. The District uses this fund to account for the basic educational programs of the District. In general, these programs are operated with a great deal of local input and control.

The General Fund primarily receives funding from the State of Idaho through the Educational Foundation Program and through local general property taxes. The general property tax was replaced with additional funding from the Educational Foundation in 2006. However, the District is authorized to levy a supplemental amount if approved by a majority of voters in a supplemental levy election.

Other sources of funds that are restricted are accounted for in the Special Revenue and Capital Projects Funds.

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources, or to finance specific activities as required by law or administrative regulations. Although there is local input and control over the use of these proceeds, the party who provides the proceeds also has some type of external restriction on the use of the proceeds.

#### LOCAL SPECIAL PROJECTS

**Forest Reserve** – The U.S. Government pays an amount under the *Secure Rural Schools and Community Self-Determination Act (SRSCA)* to state and counties containing national forest system lands. In the State of Idaho, 30 percent of this amount is allocated to the public schools based upon their average daily attendance. These proceeds are restricted for the purchase of school sites, construction, or remodeling of school buildings. When within the discretion of the trustees of the District the proceeds are not needed for the foregoing items, they may be expended for current expenses. These proceeds may be accumulated for future projects.

**District Property** – The District has set up a special revenue fund “District Property” to accumulate and account for the proceeds from the sale of District property.

**Nez Perce Tribe, After School, Labor Management Committee** – The District has received various grants and contributions for local sources.

#### STATE FUNDED PROJECTS

**School Building Maintenance** – The State of Idaho requires that the District set aside 2 percent annually of the estimated replacement cost of Student Occupied Buildings into a fund to be used for building maintenance. The estimated replacement cost is \$81.45 per square foot for 2011-12. The funds can be withdrawn as the qualified maintenance expenditures are paid.

**Driver Education** – The State of Idaho will reimburse the District for expenses up to \$125 per student who completes the driver education class at the District. In addition, the District charges students a \$125 fee to enroll in the class. The General Fund of the District pays expenses in excess of the above proceeds.

**Vocational Education** – The State of Idaho will reimburse the District for expenses incurred in operating certain vocational education programs. The State establishes a maximum reimbursement at the beginning of each school year based upon courses offered and numbers of students involved. The General Fund of the District pays expenses in excess of the above proceeds.

**Public School Technology** – The District has received grants to upgrade and maintain computer technology in the District. The General Fund of the District pays expenses in excess of the above proceeds.

#### FEDERALLY FUNDED PROJECTS

**Education Jobs Funds** – The federal government provides grant funds to save or create education jobs for school year 2011-2012. These funds are to be used for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees in order to provide early childhood, elementary or secondary educational and related services.

**Title I** – The federal government provides Title I grants to improve the education of children who are at risk of not meeting academic standards and who reside in areas with high concentrations of children from low income families. The program is administered by the State, and funds are allocated to the District based upon average daily attendance and modified based upon student counts from low income families. The District uses the grant primarily to provide additional classroom aides. The General Fund of the District pays expenses in excess of the grant. In general, unused grant proceeds may be carried over to the following school year.

**Title VI-B** – The federal government provides Title VI-B IDEA grants to provide special education to school age children with disabilities. The program is administered by the State, and funds are allocated to the District based upon a child count of eligible students as of December 1 of the prior year. Supplemental awards are also available. The District must meet non-supplanting tests and maintenance of effort tests. These tests are to ensure that the District continues to provide the basic education curriculum and that the federal dollars provide additional educational opportunities. The General Fund of the District pays expenses in excess of the grant. In general, unused grant proceeds may be carried over to the following school year.

**Title VI-B Preschool** – The federal government provides Title VI-B IDEA Preschool grants to provide special education to children with disabilities between the ages of three and five. The program is administered by the State, and funds are allocated to the District based upon a child count of eligible students as of December 1 of the prior year. Supplemental awards are also available. The District must meet non-supplanting tests and maintenance of effort tests. These tests are to ensure that the District continues to provide the basic education curriculum and that the federal dollars provide additional educational opportunities. The General Fund of the District pays expenses in excess of the grant. In general, unused grant proceeds may be carried over to the following school year.

**Carl Perkins Vocational Education** – The federal government provides grant funds to provide vocational education programs to secondary and post-secondary students. For years beginning after July 1, 2000, the allocation is based 30 percent upon the number of individuals ages 15-19 residing in the District, 70 percent upon the number of individuals ages 15-19 residing in the District in families below the poverty line.

In general, Districts must qualify for a minimum award of \$15,000 or form a consortia to meet the minimum grant award. The General Fund of the District pays expenses in excess of the grant. Unused grant proceeds may be carried over to the following school year.

**Rural Education** – Districts with an average daily attendance less than 600 students, or that are located in Counties with less than 10 people per square mile, are eligible for grants under the Rural and Low-Income School Program. The federal government awards grants on a noncompetitive formula basis. The District may use program funds for teacher recruitment and retention, teacher professional development, educational technology, parental involvement activities, activities authorized under Safe and Drug-Free Schools and Communities, activities authorized under Title I, and activities authorized under Language Instruction for Limited English Proficient and Immigrant Students. The General Fund of the District pays expenses in excess of the grant.

**Title II-A Improving Teacher Quality** – The federal government provides Title II-A ESEA grants to provide assistance to classroom teachers. The District uses the funds generally for two purposes:

- The District provides additional professional education for teachers in the core academic subjects by paying the costs for teachers to attend specific workshops designed to enhance their skills in teaching math and science classes. The program is administered through the State, and funds are allocated based upon student enrollment. The General Fund of the District pays expenses in excess of the grant. Unused grant proceeds may be carried over to the following school year.
- The District can also use the grant to pay for an additional teaching position in the elementary grades. The goal of the program is to reduce the student-to-teacher ratio to 18 students per class. The program is administered through the State, and funds are allocated based upon census poverty data (80 percent) and student enrollment (20 percent). The General Fund of the District pays expenses in excess of the grant. Unused grant proceeds may be carried over to the following school year.

**Title IV-A Drug Free Schools** – The federal government provides Title IV ESEA Safe and Drug Free School grants to support programs that prevent violence in schools and prevent the illegal use of alcohol, tobacco, and drugs. The District has used the funds to provide materials and training within the District. The program is administered through the State and funds are allocated based upon noncompetitive grant applications. The General Fund of the District pays expenses in excess of the grant. Unused grant proceeds may be carried over to the following school year.

#### OTHER PROJECTS

**Gustin Science** – The District received funds for a special science grant.

**Recycling Grant** – The District received funds from the State Farm Youth Advisory Board to implement a recycling program in the communities of Pierce and Weippe.

**Community Foundation Grants** – The District receives various non-recurring grants for projects during the year. Smaller grant awards have been lumped together in this one fund for financial reporting purposes.

**Medicaid** – The Idaho Department of Health and Welfare administers federal funds that assist in special education with reimbursements that are received from Medicaid eligible students. The District pays matching funds up front for the program and then receives reimbursements for services provided. The General Fund of the District is responsible for expenses in excess of the grant.

**School Lunch** – The federal government provides cash grants and food allotments to school districts to make a school lunch program available. These grants are based upon the number of children eating school lunch and breakfast. In addition, the District charges students for lunch and breakfast. Lunch and breakfast are served free or at a reduced price to children from households with income below certain levels. Meals must meet certain dietary and nutrition requirements. The general fund pays Social Security taxes and retirement benefits as a "matching contribution" to the program. The general fund of the District pays expenses in excess of the revenue generated. Excess revenue may be carried over to the following school year.

## CAPITAL PROJECTS FUND

**School Plant Facility Reserve Fund** – The District has established a School Plant Facility Reserve Fund. The fund may be used to acquire, purchase, and improve school sites, build school buildings, and purchase school busses.

The Trustees of the District can request an election to approve a property tax levy of up to .4 percent of assessed market value in addition to the authorized General Fund tax levies.

- The Plant Facility levy requires 55 percent voter approval if the total levy (including any previously approved levies) is less than .2 percent of the assessed value.
- The Plant Facility levy requires 60 percent voter approval if the total levy (including any previously approved levies) is between .2 percent and .3 percent of the assessed value.
- The Plant Facility levy requires 66 2/3 percent voter approval if the total levy (including any previously approved levies) is between .3 percent and .4 percent of the assessed value.

## INTERNAL SERVICE FUND

**Medical Insurance Buy Down** – The District uses this fund to help defray the cost of insurance to employees. The District has a high deductible insurance policy and reimburses employees who meet the deductible instead of paying for a low deductible policy. The savings are deposited into this fund.

JOINT SCHOOL DISTRICT NO. 171

COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUNDS

June 30, 2012

	General	Forest Reserve	District Property	Nez Perce Tribe Grants	After School	Labor Management Committee	School Building Maintenance
<b>ASSETS</b>							
Cash	\$ 41	\$ 122,055		\$ 2,860			\$ 49
Investments	244,496	660,511	\$ 233,014				4
Property taxes receivable	836,213						
Accounts receivable	28,143	3,129					
Due from other funds	89,153	68,068					
Total assets	<u>\$ 1,198,046</u>	<u>\$ 853,763</u>	<u>\$ 233,014</u>	<u>\$ 2,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 134,891			\$ 2,860			
Payroll and taxes payable	949,579		\$ 229				
Due to other funds							
Deferred revenue	113,576						
Total liabilities	<u>1,198,046</u>	<u>\$ 0</u>	<u>229</u>	<u>2,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCES</b>							
Restricted for building maintenance		853,763	232,785				53
Committed for capital improvements Assigned	0	853,763	232,785	0	0	0	53
Total fund balances	<u>0</u>	<u>853,763</u>	<u>232,785</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53</u>
Total liabilities and fund balances	<u>\$ 1,198,046</u>	<u>\$ 853,763</u>	<u>\$ 233,014</u>	<u>\$ 2,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53</u>



JOINT SCHOOL DISTRICT NO. 171

COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUNDS  
June 30, 2012

	Driver Education	Vocational Education	Public School Technology	Education Jobs	Title I	Title VI-B	Title VI-B Preschool
<b>ASSETS</b>							
Cash	\$ 3,642		\$ 18,971				
Investments							
Property taxes receivable	1,625	\$ 9,813		\$ 50,791	\$ 53,174	\$ 81,363	\$ 8,833
Accounts receivable							
Due from other funds							
Total assets	\$ 5,267	\$ 9,813	\$ 18,971	\$ 50,791	\$ 53,174	\$ 81,363	\$ 8,833
<b>LIABILITIES</b>							
Accounts payable		\$ 1,564			\$ 9,089		
Payroll and taxes payable	\$ 5,267	311		\$ 50,791	32,761	\$ 40,353	\$ 5,049
Due to other funds		7,938			11,324	41,010	3,784
Deferred revenue							
Total liabilities	5,267	9,813	\$ 0	50,791	53,174	81,363	8,833
<b>FUND BALANCES</b>							
Restricted for building maintenance							
Committed for capital improvements			18,971				
Assigned	0	0	18,971	0	0	0	0
Total fund balances	0	0	18,971	0	0	0	0
Total liabilities and fund balances	\$ 5,267	\$ 9,813	\$ 18,971	\$ 50,791	\$ 53,174	\$ 81,363	\$ 8,833

JOINT SCHOOL DISTRICT NO. 171

COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUNDS  
June 30, 2012

	Rural Education	Carl Perkins Vocational Education	Title II-A Improving Teacher Quality	Recycling Grant	Community Foundation Grants	Medicaid
<b>ASSETS</b>						
Cash				\$ 10,788	\$ 1,000	\$ 58,789
Investments						
Property taxes receivable						
Accounts receivable	\$ 8,616	\$ 15,681	\$ 41,348			33,762
Due from other funds						
Total assets	<u>\$ 8,616</u>	<u>\$ 15,681</u>	<u>\$ 41,348</u>	<u>\$ 10,788</u>	<u>\$ 1,000</u>	<u>\$ 92,551</u>
<b>LIABILITIES</b>						
Accounts payable			\$ 8,656		\$ 1,000	
Payroll and taxes payable	\$ 434	\$ 314	7,981			\$ 36,522
Due to other funds	1,790	15,367	22,546			
Deferred revenue			2,165			
Total liabilities	<u>2,224</u>	<u>15,681</u>	<u>41,348</u>	<u>\$ 0</u>	<u>1,000</u>	<u>36,522</u>
<b>FUND BALANCES</b>						
Restricted for building maintenance						
Committed for capital improvements						
Assigned	6,392			10,788		56,029
Total fund balances	<u>6,392</u>	<u>0</u>	<u>0</u>	<u>10,788</u>	<u>0</u>	<u>56,029</u>
Total liabilities and fund balances	<u>\$ 8,616</u>	<u>\$ 15,681</u>	<u>\$ 41,348</u>	<u>\$ 10,788</u>	<u>\$ 1,000</u>	<u>\$ 92,551</u>

JOINT SCHOOL DISTRICT NO. 171

COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUNDS

June 30, 2012

	School Lunch	School Plant Facility Reserve	Combined
<b>ASSETS</b>			
Cash	\$ 17,285		\$ 235,480
Investments		\$ 2,442	1,140,467
Property taxes receivable			836,213
Accounts receivable	6,354		342,632
Due from other funds			157,221
Total assets	\$ 23,639	\$ 2,442	\$ 2,712,013
<b>LIABILITIES</b>			
Accounts payable			\$ 158,060
Payroll and taxes payable			1,102,210
Due to other funds	\$ 23,639	\$ 2,442	157,221
Deferred revenue			115,741
Total liabilities	23,639	2,442	1,533,232
<b>FUND BALANCES</b>			
Restricted for building maintenance			53
Committed for capital improvements			1,086,548
Assigned			92,180
Total fund balances	0	0	1,178,781
Total liabilities and fund balances	\$ 23,639	\$ 2,442	\$ 2,712,013

JOINT SCHOOL DISTRICT NO. 171

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012

	General	Forest Reserve	District Property	Nez Perce Tribe Grants	After School	Labor Management Committee	School Building Maintenance
<b>REVENUES</b>							
General property taxes	\$ 2,036,484						
State foundation program	5,698,479						
Other state revenue	64,112						
Federal revenue	3,902	\$ 320,694	\$ 1,443				
Charges for services	14,296						
Earnings on investments	2,764	1,261	1,211				\$ 53
Other revenues	61,450			\$ 18,316			
Total revenues	<u>7,881,487</u>	<u>321,955</u>	<u>2,654</u>	<u>18,316</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>53</u>
<b>EXPENDITURES</b>							
Instruction							
Regular programs	4,395,125			20,323			
Special programs	439,084						
Interscholastic and school activity	158,320						
Support services							
Pupil support	345,639					53	
Staff support	419,389				26		
General administration	149,574						
School administration	522,610						
Business services	152,865						
Maintenance and operations	766,481						
Transportation	701,587						
Food services	9,527						
Capital outlay		91,899	3,621				
Total expenditures	<u>8,060,201</u>	<u>200,833</u>	<u>299,433</u>	<u>20,323</u>	<u>26</u>	<u>53</u>	<u>0</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(178,714)</u>	<u>121,122</u>	<u>(296,779)</u>	<u>(2,007)</u>	<u>(26)</u>	<u>(53)</u>	<u>53</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	291,554			208			
Transfers to other funds	(212,840)	(226,447)					
Total other financing sources (uses)	<u>78,714</u>	<u>(226,447)</u>	<u>0</u>	<u>208</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(100,000)</u>	<u>(105,325)</u>	<u>(296,779)</u>	<u>(1,799)</u>	<u>(26)</u>	<u>(53)</u>	<u>53</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>100,000</u>	<u>959,088</u>	<u>529,564</u>	<u>1,799</u>	<u>26</u>	<u>53</u>	<u>0</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 853,763</u>	<u>\$ 232,785</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53</u>

**JOINT SCHOOL DISTRICT NO. 171**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	Driver Education	Vocational Education	Public School Technology	Education Jobs	Title I	Title VI-B	Title VI-B Preschool
<b>REVENUES</b>							
General property taxes							
State foundation program							
Other state revenue	\$ 6,062	\$ 38,780	\$ 51,006	\$ 167,012	\$ 252,125	\$ 251,736	\$ 24,709
Federal revenue	11,115						
Charges for services							
Earnings on investments							
Other revenues							
Total revenues	<u>17,177</u>	<u>38,780</u>	<u>51,006</u>	<u>167,012</u>	<u>252,125</u>	<u>251,736</u>	<u>24,709</u>
<b>EXPENDITURES</b>							
Instruction							
Regular programs	22,091	39,968			212,995		28,096
Special programs							
Interscholastic and school activity							
Support services							
Pupil support							
Staff support			32,035	167,012	79,599		
General administration							
School administration							
Business services							
Maintenance and operations							
Transportation							
Food services							
Capital outlay							
Total expenditures	<u>22,091</u>	<u>39,968</u>	<u>32,035</u>	<u>167,012</u>	<u>292,594</u>	<u>269,620</u>	<u>28,096</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(4,914)</u>	<u>(1,188)</u>	<u>18,971</u>	<u>0</u>	<u>(40,469)</u>	<u>(17,884)</u>	<u>(3,387)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	4,914	1,188			40,469	17,884	3,387
Transfers to other funds							
Total other financing sources (uses)	<u>4,914</u>	<u>1,188</u>	<u>0</u>	<u>0</u>	<u>40,469</u>	<u>17,884</u>	<u>3,387</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>0</u>	<u>0</u>	<u>18,971</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,971</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**JOINT SCHOOL DISTRICT NO. 171**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	Rural Education	Carl Perkins Vocational Education	Title II-A Improving Teacher Quality	Title IV-A Drug Free Schools	Gustin Science	Recycling Grant	Community Foundation Grants
<b>REVENUES</b>							
General property taxes							
State foundation program							
Other state revenue							
Federal revenue	\$ 18,060	\$ 16,010	\$ 106,476	\$ 3,202	\$ 12,662		
Charges for services							
Earnings on investments							
Other revenues							\$ 1,000
Total revenues	<u>18,060</u>	<u>16,010</u>	<u>106,476</u>	<u>3,202</u>	<u>12,662</u>	<u>\$ 0</u>	<u>1,000</u>
<b>EXPENDITURES</b>							
Instruction							
Regular programs	11,668	15,367		3,202			1,000
Special programs							
Interscholastic and school activity							
Support services							
Pupil support		643				1,870	
Staff support			106,476		12,662		
General administration							
School administration							
Business services							
Maintenance and operations							
Transportation							
Food services							
Capital outlay							
Total expenditures	<u>11,668</u>	<u>16,010</u>	<u>106,476</u>	<u>3,202</u>	<u>12,662</u>	<u>1,870</u>	<u>1,000</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>6,392</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,870)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds							
Transfers to other funds							
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>6,392</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,870)</u>	<u>0</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,658</u>	<u>0</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 6,392</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,788</u>	<u>\$ 0</u>

JOINT SCHOOL DISTRICT NO. 171

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012

	Medicaid	School Lunch	School Plant Facility Reserve	Combined
<b>REVENUES</b>				
General property taxes				\$ 2,036,484
State foundation program				5,698,479
Other state revenue				159,960
Federal revenue	\$ 303,300	\$ 290,955		1,772,286
Charges for services		78,478		103,889
Earnings on investments			\$ 6	5,295
Other revenues		3,480	2,809	87,055
Total revenues	<u>303,300</u>	<u>372,913</u>	<u>2,815</u>	<u>9,863,448</u>
<b>EXPENDITURES</b>				
Instruction				
Regular programs				4,721,739
Special programs				736,800
Interscholastic and school activity				158,320
Support services				
Pupil support				345,692
Staff support	247,271			1,408,457
General administration				149,574
School administration				522,610
Business services				152,865
Maintenance and operations			10,000	839,753
Transportation			96,709	798,296
Food services		422,520		432,047
Capital outlay				95,520
Total expenditures	<u>247,271</u>	<u>422,520</u>	<u>106,709</u>	<u>10,361,673</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>56,029</u>	<u>(49,607)</u>	<u>(103,894)</u>	<u>(498,225)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds		49,607	84,422	493,633
Transfers to other funds				(439,287)
Total other financing sources (uses)	<u>0</u>	<u>49,607</u>	<u>84,422</u>	<u>54,346</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>56,029</u>	<u>0</u>	<u>(19,472)</u>	<u>(443,879)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>19,472</u>	<u>1,622,660</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 56,029</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,178,781</u>

## TRUST AND AGENCY FUNDS

Trust funds are used by the District to account for funds, which support District and student programs. These funds have been deposited with the District for specific purposes, generally approved by the Board of Trustees.

### PRIVATE PURPOSE TRUST FUNDS

**Nelson Scholarship Trust** – The Nelson Scholarship Trust is invested as an endowment with the interest used to fund a scholarship each year.

**Robbie Miller Scholarship Trust** – The Robbie Miller Scholarship Trust was set up in 1995 in memorial of a 3 1/2 year old boy who was tortured to death in 1981. The only condition of the award is that the recipient must do one kind deed for a person or an animal in Robbie's name. Earnings of the fund are available to provide the annual scholarship.

**Portfor Athletic Trust** – The Portfor Athletic Trust is invested as an endowment with the interest available to support the OHS athletic program each year.

**Portfor Band Trust** – The Portfor Band Trust is invested as an endowment with the interest available to support the OHS Band program each year.

### AGENCY FUNDS

Agency Funds are used to account for funds held by the District where the District is an agent for a third party.

**Student Activity Funds** – These funds account for all admission charges and student fees, which are expended for student clubs and extracurricular activities.



JOINT SCHOOL DISTRICT NO. 171

COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS

June 30, 2012

	Nelson Scholarship Trust	Robbie Miller Scholarship Trust	Portfor Athletic Trust	Portfor Band Trust	Orofino High School	Timberline Schools	Orofino Elementary School	Combined
<b>ASSETS</b>								
Cash	\$ 59	\$ 162			\$ 62,451	\$ 46,459	\$ 14,337	\$ 123,468
Investments	6,625	12,384	\$ 5,015	\$ 10,036				34,060
Accounts receivable	46	496						542
Total assets	\$ 6,730	\$ 13,042	\$ 5,015	\$ 10,036	\$ 62,451	\$ 46,459	\$ 14,337	\$ 158,070
<b>LIABILITIES</b>								
Due to student groups					\$ 62,451	\$ 46,459	\$ 14,337	\$ 123,247
Total liabilities	\$ 0	\$ 0	\$ 0	\$ 0	62,451	46,459	14,337	123,247
<b>FUND EQUITY</b>								
Unreserved, undesignated	6,730	13,042	5,015	10,036				34,823
Total fund equity	6,730	13,042	5,015	10,036	0	0	0	34,823
Total liabilities and fund equity	\$ 6,730	\$ 13,042	\$ 5,015	\$ 10,036	\$ 62,451	\$ 46,459	\$ 14,337	\$ 158,070

**JOINT SCHOOL DISTRICT NO. 171**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY - ALL TRUST FUNDS  
For the Year Ended June 30, 2012**

		Nelson Scholarship Trust	Robbie Miller Scholarship Trust	Portfor Athletic Trust	Portfor Band Trust	Combined
<b>REVENUES</b>						
Earnings on investments		\$ (22)	\$ 496	\$ 12	\$ 24	\$ 510
Total revenues		<u>(22)</u>	<u>496</u>	<u>12</u>	<u>24</u>	<u>510</u>
<b>EXPENDITURES</b>						
Regular instruction		95	496	2		593
Total expenditures		<u>95</u>	<u>496</u>	<u>2</u>	<u>0</u>	<u>593</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>		(117)	0	10	24	(83)
<b>FUND EQUITY AT BEGINNING OF YEAR</b>		<u>6,847</u>	<u>13,042</u>	<u>5,005</u>	<u>10,012</u>	<u>34,906</u>
<b>FUND EQUITY AT END OF YEAR</b>		<u>\$ 6,730</u>	<u>\$ 13,042</u>	<u>\$ 5,015</u>	<u>\$ 10,036</u>	<u>\$ 34,823</u>

JOINT SCHOOL DISTRICT NO. 171

OROFINO HIGH SCHOOL

STATEMENT OF STUDENT ACTIVITY FUNDS  
For the Year Ended June 30, 2012

FUND	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
1st Priority	\$ 499		\$ 499	
7th grade	733	\$ 363	1,018	\$ 78
8th grade	3	891	750	144
A P Government	0	237	237	0
AED	1,453			1,453
Annual	560	13,354	11,255	2,659
AR Store	270	95	316	49
Art Fund	736	325	676	385
Art Neumeyer Scholarship	0	2,245	2,000	245
Attendance Program	0	250	225	25
Baseball	887	11,414	7,504	4,797
Biology grant	1,594		951	643
Boys basketball	1,148	4,413	656	4,905
Cheerleader account	708	5,703	4,909	1,502
Chorus	537	766	1,076	227
Close Up	5		5	0
Coaches Fund	205			205
Contingency	1,428	1,874	3,501	(199)
District #171	0	18,261	18,261	0
Dramatics Club	1,641	148	406	1,383
Drill Team	(1,003)	4,373	2,240	1,130
Early Teen Living	634	1,570	1,769	435
Extra curricular	125	2,936	3,078	(17)
Faculty Fund	10	273		283
Football	(5,587)	16,583	10,996	0
Football Maniac Moms	38			38
Foreign language	75			75
Freshman	108	173	139	142
Girls basketball	937	4,013	2,019	2,931
Golf	233	850	994	89
Hosa	308		220	88
IDFY	174		174	0
IDLA	0	450		450
Industrial Arts	446			446
Juniors	643	3,010	2,838	815
Key Club	0	2,039	1,049	990
Knowledge Bowl	591	41		632
Lab fees	977	400	1,260	117
Leadership	1,248	260	480	1,028
Library	455	1,464	1,742	177
Library Club	17	135	153	(1)
Balance forward	<u>12,836</u>	<u>98,909</u>	<u>83,396</u>	<u>28,349</u>

JOINT SCHOOL DISTRICT NO. 171

OROFINO HIGH SCHOOL

STATEMENT OF STUDENT ACTIVITY FUNDS  
For the Year Ended June 30, 2012

FUND	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
Balance forward	\$ 12,836	\$ 98,909	\$ 83,396	\$ 28,349
Life Schools School Store	25	78	103	0
M-Pact	200		200	0
Maniac Boosters	0	1,328	1,328	0
Maniac Jackets	0	1,515	1,450	65
Maniac Pride	1,882		1,882	0
Maniactivity	14		14	0
Math Tech	0	200	28	172
Mediacs	701	695		1,396
Modern Music Club	134		134	0
Music	2,666	3,372	1,980	4,058
Music Boosters	0			0
Nat Honor Society	967	161	779	349
NNU	1,850	1,450	516	2,784
OHS Alumni Fund	122			122
Rodeo Club	(499)			(499)
SADD	8		8	0
Senior Parents	0	382	382	0
Senior Party	0	976	976	0
Senior Project	0	2,047	2,139	(92)
Seniors	431	2,991	3,298	124
Shop (reg acct)	2,494	1,727	1,669	2,552
Sign Fund	2,609	962	3,404	167
Silk screening	450	1,069	1,076	443
Skills USA	362	1,066	316	1,112
Soccer	2,342	6,205	4,860	3,687
Soccer Parents	0	290		290
Softball	(1,410)	3,818	2,430	(22)
Sophomores	242	674	706	210
Student Association	(268)	37,433	35,417	1,748
Student Council	223	8,955	9,119	59
Supplies	1,476	6,974	7,864	586
Tax	56	4,798	4,722	132
Technology	(145)			(145)
Towels	1,007		815	192
Track	(85)	428	285	58
Volleyball	(29)	3,334	2,121	1,184
Wrestling	107	1,118	683	542
Youth Leg	198	2,184	1,666	716
Bad Checks	0		328	(328)
Bank charge	(101)	101	174	(174)
	<u>30,865</u>	<u>195,240</u>	<u>176,268</u>	<u>49,837</u>
Savings account	<u>12,611</u>	<u>251</u>	<u>(248)</u>	<u>12,614</u>
	<u>\$ 43,476</u>	<u>\$ 195,491</u>	<u>\$ 176,020</u>	<u>\$ 62,451</u>

JOINT SCHOOL DISTRICT NO. 171

TIMBERLINE SCHOOLS

STATEMENT OF STUDENT ACTIVITY FUNDS  
For the Year Ended June 30, 2012

FUND	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
Accelerated Reading	\$ 371	\$ 2,102	\$ 2,473	\$ 0
Associated Student Body	214	2,667	2,881	0
Athletics	(1,278)	15,644	14,366	0
Baseball	3,466	2,358	1,112	4,712
Boys basketball	152		74	78
Building rent	751			751
Cheerleaders	211		211	0
Civics Club	0	256	45	211
Class of 2010	673			673
Class of 2011	261		4	257
Class of 2012	701	2,305	3,006	0
Class of 2013	448	1,401	1,505	344
Class of 2014	459		21	438
Class of 2015	890	7		897
Class of 2016	651		161	490
Class of 2020	0	209	48	161
COMPASS test	70			70
Computer lab	324			324
Concessions	4,879	11,044	13,172	2,751
Contingency	0	241		241
Counselor	(25)	25		0
District sport fee	1,620	4,380	6,000	0
Donation	2,022	5,062	5,161	1,923
Drama	2,064			2,064
Drivers Ed	0	1,470	1,470	0
Elementary School	1,203	6,582	5,033	2,752
Faculty	112	991	892	211
FCCLA	243			243
Fees	1,130	21	4	1,147
Girls basketball	(47)	1,766	1,670	49
Girls softball	47	2,091	1,010	1,128
Grants	211			211
Green Club	878	375	278	975
H.S. football	0	4,364	3,125	1,239
H.S. track	(192)	2,416	2,627	(403)
Herff-Jones	53	679	659	73
Honor Society	266	311	268	309
Balance forward	<u>22,828</u>	<u>68,767</u>	<u>67,276</u>	<u>24,319</u>

**JOINT SCHOOL DISTRICT NO. 171**

**TIMBERLINE SCHOOLS**

**STATEMENT OF STUDENT ACTIVITY FUNDS  
For the Year Ended June 30, 2012**

FUND	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
Balance forward	\$ 22,828	\$ 68,767	\$ 67,276	\$ 24,319
HOSA	0	520	481	39
IDFY	100			100
IDLA	300	341	641	0
Jr. High ASB	81		20	61
Jr. High basketball	210		28	182
Jr. High football	0	668	132	536
Jr. High girls basketball	208	41		249
Jr. High Journalism	134			134
Jr. High Shop	127			127
Jr. High track	212	460	185	487
Jr. High volleyball	149			149
Library	334	3,290	3,605	19
Metal Shop	3,431	1,304	177	4,558
Music	784			784
PBIS	0	590	301	289
Play Shed	0	6,084	1,806	4,278
PSAT	107	60	56	111
Red Cross donation	6			6
Reimbursement	(522)	5,419	3,120	1,777
SADD	285	256	541	0
Sales tax	1,860	1,881	3,734	7
Scholarships	1			1
Scholastic achievement	(33)	33		0
School Store	566	631	373	824
Science Club	5	200	35	170
Science lab	171	400	367	204
Spanish Club	1,902	3		1,905
Spartan Spirit Squad	0	429	212	217
Technology	1,731	9	69	1,671
Veteran Wall	0	100	93	7
Volleyball	457	1,094	946	605
Wood Shop	1,694	82		1,776
Yearbook	346	1,436	915	867
	<u>\$ 37,474</u>	<u>\$ 94,098</u>	<u>\$ 85,113</u>	<u>\$ 46,459</u>

JOINT SCHOOL DISTRICT NO. 171

OROFINO ELEMENTARY SCHOOL

STATEMENT OF STUDENT ACTIVITY FUNDS  
For the Year Ended June 30, 2012

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	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
OROFINO ELEMENTARY	<u>\$ 13,976</u>	<u>\$ 19,183</u>	<u>\$ 18,822</u>	<u>\$ 14,337</u>

**JOINT SCHOOL DISTRICT NO. 171**

**COMBINING STATEMENTS OF REVENUES, FUNCTIONAL EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS**

For the Years Ended June 30, 2012 and 2011

	General Fund		All Other Funds	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
BEGINNING BALANCES	\$ 0	\$ 100,000	\$ 1,778,297	\$ 1,697,173
REVENUES				
General property taxes	1,808,003	2,036,484		
Other local revenue	77,759	76,976	275,858	307,494
Intergovernmental revenue				
State of Idaho	6,553,507	5,762,591	60,141	95,848
Federal	11,113	3,902	1,770,780	1,768,384
Other revenue	629	1,534	173,443	2,809
Transfers	76,178	291,554	139,744	202,079
Total revenues	<u>8,527,189</u>	<u>8,173,041</u>	<u>2,419,966</u>	<u>2,376,614</u>
EXPENDITURES				
Salaries	5,159,560	4,857,367	774,823	745,891
Benefits	1,996,774	2,067,714	394,632	403,663
Purchased services	649,734	716,210	514,010	515,982
Supplies and materials	400,517	347,037	514,117	451,823
Capital outlay	15,895	7,358	227,332	261,310
Insurance	64,965	64,515		450
Transfers	139,744	212,840	76,178	280,793
Total expenditures	<u>8,427,189</u>	<u>8,273,041</u>	<u>2,501,092</u>	<u>2,659,912</u>
ENDING BALANCES	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 1,697,171</u>	<u>\$ 1,413,875</u>