

COUNCIL SCHOOL DISTRICT NO. 13

FINANCIAL STATEMENTS

Year Ended June 30, 2011

COUNCIL SCHOOL DISTRICT NO. 13

Table of Contents

	<u>PAGE (S)</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-2
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	5-7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8-10
Statement of Fiduciary Net Assets.....	11
Notes to Financial Statements.....	12-21
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	22-25
<u>SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	26-28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	29-31
<u>OTHER REPORTS AND SCHEDULES</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Schedule of Findings and Responses.....	34

FINANCIAL SECTION

Independent Auditor's Report

Board of Trustees
Council School District No. 13

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Council School District No. 13 (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 budgetary information listed as required supplemental information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Folke CPAs, P.C.

August 11, 2011

BASIC FINANCIAL STATEMENTS

COUNCIL SCHOOL DISTRICT NO. 13

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$337,779
Receivables:	
Local Sources	95,410
State Sources	146,570
Federal Sources	154,858
Total Current Assets	<u>734,617</u>
Noncurrent Assets	
Nondepreciable Capital Assets	12,500
Depreciable Net Capital Assets	3,103,087
Total Noncurrent Assets	<u>3,115,587</u>
Total Assets	<u><u>\$3,850,204</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$60,550
Salaries & Benefits Payable	197,015
Deferred Revenue	34,023
Long-Term Debt, Current	142,717
Total Current Liabilities	<u>434,305</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	1,364,600
Total Noncurrent Liabilities	<u>1,364,600</u>
Total Liabilities	<u><u>1,798,905</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,608,270
Restricted:	
Special Programs	17,578
Debt Service	26,573
Capital Projects	174,229
Unrestricted	224,649
Total Net Assets	<u>2,051,299</u>
Total Liabilities and Net Assets	<u><u>\$3,850,204</u></u>

COUNCIL SCHOOL DISTRICT NO. 13

Statement of Activities Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue And Changes in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>
				<u>Governmental Activities</u>
Governmental Activities				
Instructional Programs				
Elementary School	\$358,751		\$94,819	(\$263,932)
Secondary School	542,100	\$2,250	54,964	(484,886)
Vocational-Technical	28,745			(28,745)
Exceptional Child	192,237		71,459	(120,778)
Preschool Exceptional	3,364		3,364	0
Gifted & Talented	0			0
Interscholastic	37,902			(37,902)
Support Service Programs				
Attendance - Guidance - Health	36,916			(36,916)
Special Services	65,088			(65,088)
Instructional Improvement	67,952		67,952	0
Educational Media	979			(979)
Board of Education	1,370			(1,370)
District Administration	103,693		1,692	(102,001)
School Administration	135,638			(135,638)
Central Service	28,309		2,627	(25,682)
Buildings - Care	130,243			(130,243)
Maintenance - Student Occupied	42,000			(42,000)
Maintenance - Grounds	9,903			(9,903)
Security	368			(368)
Pupil-To-School Transportation	85,926			(85,926)
Pupil-Activity Transportation	5,967	2,911		(3,056)
Non-Instructional Programs				
Child Nutrition	108,750	20,473	84,888	(3,389)
Capital Assets - Student Occupied	498,680			\$107,362
Capital Assets - Non-Student Occupied	(363,024)			363,024
Debt Service - Principal	0			0
Debt Service - Interest	0			0
Total	<u>\$2,121,857</u>	<u>\$25,634</u>	<u>\$381,765</u>	<u>\$107,362</u>
General Revenues				
Local Taxes				89,755
Other Local Revenues				53,770
State Revenues				1,606,818
Federal Revenues				0
Total				<u>1,750,343</u>
Change in Net Assets				
				143,247
Net Assets - Beginning				
				<u>1,908,052</u>
Net Assets - Ending				
				<u>\$2,051,299</u>

COUNCIL SCHOOL DISTRICT NO. 13

Balance Sheet - Governmental Funds

June 30, 2011

	General Fund	Forest Reserve Fund	School Building Maint. Fund	Child Nutrition Fund
Assets				
Cash & Investments	\$145,087	\$84,502		\$10,452
Receivables:				
Local Sources	66,561			267
State Sources	144,695			
Federal Sources				5,639
Due From Other Funds	82,936			2,363
Total Assets	<u>\$439,279</u>	<u>\$84,502</u>	<u>\$0</u>	<u>\$18,721</u>
Liabilities				
Accounts Payable	\$23,619			\$1,394
Due To Other Funds	2,363			
Salaries & Benefits Payable	188,648			
Deferred Revenue	40,522			
Total Liabilities	<u>255,152</u>	<u>\$0</u>	<u>\$0</u>	<u>1,394</u>
Fund Balances				
Restricted:				
Special Programs			0	17,327
Debt Service				
Capital Projects		84,502		
Unassigned	184,127			
Total Fund Balances	<u>184,127</u>	<u>84,502</u>	<u>0</u>	<u>17,327</u>
Total Liabilities and Fund Balances	<u>\$439,279</u>	<u>\$84,502</u>	<u>\$0</u>	<u>\$18,721</u>

COUNCIL SCHOOL DISTRICT NO. 13

Balance Sheet - Governmental Funds

June 30, 2011

	Debt Service Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash & Investments	\$241	\$51,513	\$45,984	\$337,779
Receivables:				
Local Sources	26,332		2,250	95,410
State Sources			1,875	146,570
Federal Sources			149,219	154,858
Due From Other Funds			0	85,299
Total Assets	<u>\$26,573</u>	<u>\$51,513</u>	<u>\$199,328</u>	<u>\$819,916</u>
Liabilities				
Accounts Payable		\$569	\$34,968	\$60,550
Due To Other Funds		4,044	78,892	85,299
Salaries & Benefits Payable			8,367	197,015
Deferred Revenue	3,444		34,023	77,989
Total Liabilities	<u>\$3,444</u>	<u>4,613</u>	<u>156,250</u>	<u>420,853</u>
Fund Balances				
Restricted:				
Special Programs			251	17,578
Debt Service	23,129		0	23,129
Capital Projects		46,900	42,827	174,229
Unassigned			0	184,127
Total Fund Balances	<u>23,129</u>	<u>46,900</u>	<u>43,078</u>	<u>399,063</u>
Total Liabilities and Fund Balances	<u>\$26,573</u>	<u>\$51,513</u>	<u>\$199,328</u>	<u>\$819,916</u>

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

Total Governmental Fund Balances \$399,063

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,115,587

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 43,966

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,507,317)

Net Assets of Governmental Activities \$2,051,299

COUNCIL SCHOOL DISTRICT NO. 13

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Forest Reserve Fund</u>	<u>School Building Maint. Fund</u>	<u>Child Nutrition Fund</u>
Revenues				
Local Taxes	\$13,735			
Other Local Revenue	43,988	\$40		\$20,473
State Revenue	1,621,492			
Federal Revenue	55,471	107,362		84,888
Total Revenues	<u>1,734,686</u>	<u>107,402</u>	<u>\$0</u>	<u>105,361</u>
Expenditures				
Instructional Programs				
Elementary School	291,667			
Secondary School	514,872			
Vocational-Technical	28,745			
Exceptional Child	120,778			
Preschool Exceptional				
Gifted & Talented				
Interscholastic	37,902			
Support Service Programs				
Attendance - Guidance - Health	36,916			
Special Services	65,088			
Instructional Improvement				
Educational Media	979			
Board of Education	1,370			
District Administration	102,001			
School Administration	135,638			
Central Service	25,682			
Buildings - Care	161,243			
Maintenance - Student Occupied	42,000			
Maintenance - Grounds	9,903			
Security	368			
Pupil-To-School Transportation	71,362			
Pupil-Activity Transportation	5,967			
Non-Instructional Programs				
Child Nutrition	3,332			105,418
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal	33,339			
Debt Service - Interest				
Total Expenditures	<u>1,689,152</u>	<u>0</u>	<u>0</u>	<u>105,418</u>
Excess (Deficiency) of Revenues Over Expenditures	45,534	107,402	0	(57)
Other Financing Sources (Uses)				
Transfers In	46,000		63,388	
Transfers Out	(8,939)	(109,388)	(249,359)	
Total Other Financing Sources (Uses)	<u>37,061</u>	<u>(109,388)</u>	<u>(185,971)</u>	<u>0</u>
Net Change in Fund Balances	82,595	(1,986)	(185,971)	(57)
Fund Balances - Beginning	101,532	86,488	185,971	17,384
Fund Balances - Ending	<u>\$184,127</u>	<u>\$84,502</u>	<u>\$0</u>	<u>\$17,327</u>

COUNCIL SCHOOL DISTRICT NO. 13

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2011

	<u>Debt Service Fund</u>	<u>Capital Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local Taxes	\$72,180		\$0	\$85,915
Other Local Revenue	47		5,744	70,292
State Revenue	13,243		1,875	1,636,610
Federal Revenue			231,160	478,881
Total Revenues	<u>85,470</u>	<u>\$0</u>	<u>238,779</u>	<u>2,271,698</u>
Expenditures				
Instructional Programs				
Elementary School			67,084	358,751
Secondary School			27,228	542,100
Vocational-Technical			0	28,745
Exceptional Child			71,459	192,237
Preschool Exceptional			3,364	3,364
Gifted & Talented			0	0
Interscholastic			0	37,902
Support Service Programs				
Attendance - Guidance - Health			0	36,916
Special Services			0	65,088
Instructional Improvement			67,952	67,952
Educational Media			0	979
Board of Education			0	1,370
District Administration			1,692	103,693
School Administration			0	135,638
Central Service			2,627	28,309
Buildings - Care			0	161,243
Maintenance - Student Occupied			0	42,000
Maintenance - Grounds			0	9,903
Security			0	368
Pupil-To-School Transportation			12,989	84,351
Pupil-Activity Transportation			0	5,967
Non-Instructional Programs				
Child Nutrition			0	108,750
Capital Assets - Student Occupied		372,474	0	372,474
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal	75,625		0	108,964
Debt Service - Interest			0	0
Total Expenditures	<u>75,625</u>	<u>372,474</u>	<u>254,395</u>	<u>2,497,064</u>
Excess (Deficiency) of Revenues				
Over Expenditures	9,845	(372,474)	(15,616)	(225,366)
Other Financing Sources (Uses)				
Transfers In		249,359	8,939	367,686
Transfers Out			0	(367,686)
Total Other Financing Sources (Uses)	<u>0</u>	<u>249,359</u>	<u>8,939</u>	<u>0</u>
Net Change in Fund Balances	9,845	(123,115)	(6,677)	(225,366)
Fund Balances - Beginning	13,284	170,015	49,755	624,429
Fund Balances - Ending	<u>\$23,129</u>	<u>\$46,900</u>	<u>\$43,078</u>	<u>\$399,063</u>

COUNCIL SCHOOL DISTRICT NO. 13
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2011

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds (\$225,366)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. 254,296

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (24,077)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 138,394

Change in Net Assets of Governmental Activities \$143,247

COUNCIL SCHOOL DISTRICT NO. 13

Statement of Fiduciary Net Assets

June 30, 2011

	Agency Funds - Student Activity
Assets	
Cash & Investments	\$93,051
Total Assets	<u>\$93,051</u>
Liabilities	
Due to Student Groups	\$93,051
Total Liabilities	<u>93,051</u>
Net Assets	<u>0</u>
Total Net Assets	<u>0</u>
Total Liabilities and Net Assets	<u>\$93,051</u>

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Council School District No. 13 (the School) provides public school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for taxing and school enrollment purposes are located within Adams County.

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to school districts. The significant accounting policies of the School are described below.

Basic Financial Statements - Government-Wide Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net assets, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets may be reported in three parts - invested in capital assets, net of related debt (when related debt exists), restricted net assets, and unrestricted net assets. The School first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures/expenses of the funds) for the determination of major funds. Major governmental funds of the School include:

General Fund – The general fund is the School’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals), the forest reserve fund, which accounts for major capital outlay, and the school building maintenance fund, which accounts for school building maintenance needs.

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of major capital assets. Major capital project funds include the capital construction fund, used to account for the facility construction and betterments.

Fiduciary funds of the School include:

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide financial statements are presented on the accrual basis of accounting and are required to follow both governmental accounting standards board pronouncements and financial accounting standards board pronouncements issued through November 30, 1989. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

The School may report deferred revenue on its financial statements. For the fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the revenue is recognized. For both the government-wide and fund financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures; any excess revenues are reported as deferred revenue.

Cash and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund's respective investment balance. Investments include monies invested in the local government investment pool and are stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool is materially the same as the fair value of its shares.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method, except for certain transportation vehicles which use the declining balance method.

Compensated Absences and Post-Retirement Benefits – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer's government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

Net Assets – Net assets is the difference between assets and liabilities. Net assets invested in capital assets - net of related debt, are capital assets net of accumulated depreciation and reduced by any outstanding debt related to the financing of those assets. Restricted net assets are net assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net assets are reported as unrestricted.

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that are not expected to be converted into cash. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Assigned fund balance classifications are not actively used by the entity. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources.

Property Taxes – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

Risk Management – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Nonmonetary Transactions – Items received via food commodities programs are recognized at their stated fair market value.

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$209,409
Investments - Local Government Investment Pool	221,421
Total	<u><u>\$430,830</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$209,409 and the bank balances were \$208,137. The bank balances were insured.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. These investments include insured or registered investments or investments for which the securities are held by the School or its agent in the School's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>
Local Sources			
Local Taxes	\$7,385		\$26,332
Other Local Sources	59,176	\$2,517	
Total	<u>\$66,561</u>	<u>\$2,517</u>	<u>\$26,332</u>
State Sources			
Foundation Program	\$32,486		
Transportation	37,083		
Special Programs	75,126	\$1,875	
Total	<u>\$144,695</u>	<u>\$1,875</u>	
Federal Sources			
Special Programs		\$154,858	
Total		<u>\$154,858</u>	

D. DEFERRED REVENUE

Deferred revenue consists of the following at year end:

<u>Description</u>	<u>Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
Property Taxes	\$6,883	
Grant Advances	34,023	\$34,023
Transportation Reimbursement	37,083	
Total	<u>\$77,989</u>	<u>\$34,023</u>

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

E. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$12,500			\$12,500
Total	<u>12,500</u>	<u>\$0</u>	<u>\$0</u>	<u>12,500</u>
Depreciable Capital Assets				
Buildings	4,174,105	363,024		4,537,129
Equipment	600,227			600,227
Transportation	355,955	31,000		386,955
Subtotal	<u>5,130,287</u>	<u>394,024</u>	<u>0</u>	<u>5,524,311</u>
Accumulated Depreciation				
Buildings	1,560,514	113,428		1,673,942
Equipment	510,780	12,778		523,558
Transportation	210,202	13,522		223,724
Subtotal	<u>2,281,496</u>	<u>139,728</u>	<u>0</u>	<u>2,421,224</u>
Total	<u>2,848,791</u>	<u>254,296</u>	<u>0</u>	<u>3,103,087</u>
Net Capital Assets	<u>\$2,861,291</u>	<u>\$254,296</u>	<u>\$0</u>	<u>\$3,115,587</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$126,206
Pupil-To-School Transportation	13,522
Total	<u>\$139,728</u>

F. LONG-TERM DEBT

Bonded Debt – On November 16, 2004, by special election, the qualified voters of the School approved issuance of a \$2,200,000 bond for the purpose of capital additions and betterments. The bond is a general obligation qualified zone academy bond (QZAB) of which \$1,000,000 will be serviced by the School, and \$1,200,000 by the patrons via a tax levy.

The QZAB differs remarkably from traditional bond financing in a number of aspects. It is a single fully registered bond, without interest. It has a stated maturity of 16 years from closing and delivery, being March 11, 2021, and is not subject to optional redemption and payment prior to the stated maturity.

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

The bondholder's return is not in the form of interest but rather is a tax credit as provided in Section 1397E of the U.S. Internal Revenue Code. Retirement of the bond is accomplished via a "Forward Delivery Agreement" between the School, U.S. Bank N.A. as custodian, and Bank of America, N.A. as provider whereby the School shall make sixteen (16) annual deposits payable through the debt service and general fund, starting on March 11, 2006 in equal amounts of \$108,964. The School shall receive earnings on the installment deposit account, or sinking fund, at a rate of 3.00% which, with the annual payments, will be sufficient to retire the par amount (\$2,200,000) of the bond on March 11, 2021. Shown below are the scheduled deposits and sinking fund maturity amounts:

Fiscal Year	Fund Deposit	Scheduled Interest Earned	Scheduled Accumulated Interest	Accumulated Fund Amount
6/30/06	\$108,964	\$0	\$0	\$108,964
6/30/07	108,964	3,281	3,281	221,209
6/30/08	108,964	6,665	9,946	336,838
6/30/09	108,964	10,169	20,115	455,971
6/30/10	108,964	13,758	33,873	578,693
6/30/11	108,964	17,483	51,356	705,140
6/30/12	108,964	21,296	72,652	835,400
6/30/13	108,964	25,227	97,879	969,591
6/30/14	108,964	29,291	127,170	1,107,846
6/30/15	108,964	33,473	160,643	1,250,283
6/30/16	108,964	37,789	198,432	1,397,036
6/30/17	108,964	42,207	240,639	1,548,207
6/30/18	108,964	46,774	287,413	1,703,945
6/30/19	108,964	51,488	338,901	1,864,397
6/30/20	108,964	56,335	395,236	2,029,696
6/30/21	108,964	61,340	456,576	2,200,000
Total	<u>\$1,743,424</u>	<u>\$456,576</u>		

As the bond bears no interest and as the School's annual fund deposits will be less than the face amount of the bond, an original issue premium has been recorded on the government-wide financial statements, which will be amortized over the life of the fund deposits at the same rate the interest is earned in the sinking fund.

Note Payable – At year end, the School had a note payable as follows:

Note payable for a bus due in annual installments of \$12,989 with interest at 3.94% through 2011/12, secured by a bus, paid through the plant facilities fund

	<u>\$12,457</u>
Total	<u>\$12,457</u>

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

Maturities on the note payable are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
6/30/12	\$12,457	\$532
Total	<u>\$12,457</u>	<u>\$532</u>

Changes in long-term debt are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Q.Z.A. Bond	\$1,198,604		\$108,964	\$1,089,640	\$108,964
Orig. Issue. Premium	422,703		17,483	405,220	21,296
Note Payable	24,404		11,947	12,457	12,457
Total	<u>\$1,645,711</u>	<u>\$0</u>	<u>\$138,394</u>	<u>\$1,507,317</u>	<u>\$142,717</u>

Interest and related costs during the year amounted to \$1,042 and were charged to the pupil-to-school transportation program.

G. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 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 month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members.

COUNCIL SCHOOL DISTRICT NO. 13

Notes to Financial Statements

The School's employer contributions required and paid were \$144,964, \$156,952, and \$163,040, for the three years ended June 30, 2011, 2010, and 2009 respectively.

H. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General		\$82,936	\$82,936
Child Nutrition	\$2,363		2,363
Total	<u>\$2,363</u>	<u>\$82,936</u>	<u>\$85,299</u>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$46,000	\$8,939	Support; bus depreciation
Forest Reserve		109,388	Support; maintenance
School Building Maintenance	63,388	249,359	Maintenance
Capital Construction	249,359		Maintenance
Nonmajor Governmental	8,939		Bus depreciation
Total	<u>\$367,686</u>	<u>\$367,686</u>	

REQUIRED SUPPLEMENTAL INFORMATION

COUNCIL SCHOOL DISTRICT NO. 13

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2011

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance
	Original	Final		Positive (Negative)
Revenues				
Local Taxes	\$11,677	\$11,677	\$13,735	\$2,058
Other Local Revenue	39,218	39,218	43,988	4,770
State Revenue	1,540,312	1,540,312	1,621,492	81,180
Federal Revenue			55,471	55,471
Total Revenues	<u>1,591,207</u>	<u>1,591,207</u>	<u>1,734,686</u>	<u>143,479</u>
Expenditures				
Instructional Programs				
Elementary School	283,962	283,962	291,667	(7,705)
Secondary School	518,806	518,806	514,872	3,934
Vocational-Technical	17,130	17,130	28,745	(11,615)
Exceptional Child	145,076	145,076	120,778	24,298
Preschool Exceptional			0	0
Gifted & Talented			0	0
Interscholastic	37,621	37,621	37,902	(281)
Support Service Programs				
Attendance - Guidance - Health	33,090	33,090	36,916	(3,826)
Special Services	61,179	61,179	65,088	(3,909)
Instructional Improvement			0	0
Educational Media			979	(979)
Board of Education	1,000	1,000	1,370	(370)
District Administration	95,278	95,278	102,001	(6,723)
School Administration	127,238	127,238	135,638	(8,400)
Central Service	27,015	27,015	25,682	1,333
Buildings - Care	165,651	165,651	161,243	4,408
Maintenance - Student Occupied	33,351	33,351	42,000	(8,649)
Maintenance - Grounds	7,500	7,500	9,903	(2,403)
Security			368	(368)
Pupil-To-School Transportation	77,320	77,320	71,362	5,958
Pupil-Activity Transportation	4,844	4,844	5,967	(1,123)
Non-Instructional Programs				
Child Nutrition	3,093	3,093	3,332	(239)
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal	33,339	33,339	33,339	0
Debt Service - Interest			0	0
Total Expenditures	<u>1,672,493</u>	<u>1,672,493</u>	<u>1,689,152</u>	<u>(16,659) *</u>
Excess (Deficiency) of Revenues Over Expenditures	(81,286)	(81,286)	45,534	126,820
Other Financing Sources (Uses)				
Transfers In	46,000	46,000	46,000	0
Transfers Out	(8,939)	(8,939)	(8,939)	0
Total Other Financing Sources (Uses)	<u>37,061</u>	<u>37,061</u>	<u>37,061</u>	<u>0</u>
Net Change in Fund Balances	(44,225)	(44,225)	82,595	126,820
Fund Balances - Beginning	44,225	44,225	101,532	57,307
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$184,127</u>	<u>\$184,127</u>

*Total expenditures (over) under appropriations.

COUNCIL SCHOOL DISTRICT NO. 13

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2011

Forest Reserve Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Other Local Revenue			\$40	\$40
Federal Revenue	\$101,400	\$101,400	107,362	5,962
Total Revenues	<u>101,400</u>	<u>101,400</u>	<u>107,402</u>	<u>6,002</u>
Expenditures				
Non-Instructional Programs				
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> *
Excess (Deficiency) of Revenues Over Expenditures	101,400	101,400	107,402	6,002
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out	(109,388)	(109,388)	(109,388)	0
Total Other Financing Sources (Uses)	<u>(109,388)</u>	<u>(109,388)</u>	<u>(109,388)</u>	<u>0</u>
Net Change in Fund Balances	(7,988)	(7,988)	(1,986)	6,002
Fund Balances - Beginning	<u>86,449</u>	<u>86,449</u>	<u>86,488</u>	<u>39</u>
Fund Balances - Ending	<u><u>\$78,461</u></u>	<u><u>\$78,461</u></u>	<u><u>\$84,502</u></u>	<u><u>\$6,041</u></u>

*Total expenditures (over) under appropriations.

COUNCIL SCHOOL DISTRICT NO. 13

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2011

School Building Maintenance Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Other Local Revenue			\$0	\$0
State Revenue			0	0
Total Revenues	<u>\$0</u>	<u>\$0</u>	<u>0</u>	<u>0</u>
Expenditures				
Support Service Programs				
Buildings - Care			0	0
Maintenance - Student Occupied			0	0
Maintenance - Grounds			0	0
Non-Instructional Programs				
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> *
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In	63,388	63,388	63,388	0
Transfers Out	(249,359)	(249,359)	(249,359)	0
Total Other Financing Sources (Uses)	<u>(185,971)</u>	<u>(185,971)</u>	<u>(185,971)</u>	<u>0</u>
Net Change in Fund Balances	<u>(185,971)</u>	<u>(185,971)</u>	<u>(185,971)</u>	<u>0</u>
Fund Balances - Beginning	<u>185,971</u>	<u>185,971</u>	<u>185,971</u>	<u>0</u>
Fund Balances - Ending	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*Total expenditures (over) under appropriations.

COUNCIL SCHOOL DISTRICT NO. 13

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2011

Child Nutrition Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Other Local Revenue	\$28,200	\$28,200	\$20,473	(\$7,727)
Federal Revenue	80,000	80,000	84,888	4,888
Total Revenues	<u>108,200</u>	<u>108,200</u>	<u>105,361</u>	<u>(2,839)</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	108,200	108,200	105,418	2,782
Total Expenditures	<u>108,200</u>	<u>108,200</u>	<u>105,418</u>	<u>2,782</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	(57)	(57)
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	(57)	(57)
Fund Balances - Beginning	0	0	17,384	17,384
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$17,327</u>	<u>\$17,327</u>

*Total expenditures (over) under appropriations.

SUPPLEMENTARY INFORMATION

COUNCIL SCHOOL DISTRICT NO. 13
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			Title I-A ESEA IBP
	WACSAC	Driver Education	Technology	
Assets				
Cash & Investments	\$1,094		\$251	
Receivables:				
Local Sources		\$2,250		
State Sources		1,875		
Federal Sources				\$31,842
Due From Other Funds				
Total Assets	<u>\$1,094</u>	<u>\$4,125</u>	<u>\$251</u>	<u>\$31,842</u>
Liabilities				
Accounts Payable	\$1,094	\$229		\$482
Due To Other Funds		2,187		13,759
Salaries & Benefits Payable		1,709		6,658
Deferred Revenue				10,943
Total Liabilities	<u>1,094</u>	<u>4,125</u>	<u>\$0</u>	<u>\$31,842</u>
Fund Balances				
Restricted:				
Special Programs	0	0	251	0
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>251</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$1,094</u>	<u>\$4,125</u>	<u>\$251</u>	<u>\$31,842</u>

COUNCIL SCHOOL DISTRICT NO. 13
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Assets				
Cash & Investments	\$1,812			
Receivables:				
Local Sources				
State Sources				
Federal Sources	34,923	\$4,205	\$13,973	\$33,854
Due From Other Funds				
Total Assets	<u>\$36,735</u>	<u>\$4,205</u>	<u>\$13,973</u>	<u>\$33,854</u>
Liabilities				
Accounts Payable	\$28,314	\$55		\$4,794
Due To Other Funds		2,000	\$8,515	29,060
Salaries & Benefits Payable				
Deferred Revenue	8,421	2,150	5,458	
Total Liabilities	<u>36,735</u>	<u>4,205</u>	<u>13,973</u>	<u>33,854</u>
Fund Balances				
Restricted:				
Special Programs	0	0	0	0
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$36,735</u>	<u>\$4,205</u>	<u>\$13,973</u>	<u>\$33,854</u>

COUNCIL SCHOOL DISTRICT NO. 13
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	<u>Special Revenue</u> <u>Title II-A</u> <u>Improving</u> <u>Teacher Quality</u>	<u>Capital Projects</u> <u>Plant</u> <u>Facilities</u>	<u>Total</u>
Assets			
Cash & Investments		\$42,827	\$45,984
Receivables:			
Local Sources			2,250
State Sources			1,875
Federal Sources	\$30,422		149,219
Due From Other Funds			0
Total Assets	<u>\$30,422</u>	<u>\$42,827</u>	<u>\$199,328</u>
Liabilities			
Accounts Payable			\$34,968
Due To Other Funds	\$23,371		78,892
Salaries & Benefits Payable			8,367
Deferred Revenue	7,051		34,023
Total Liabilities	<u>30,422</u>	<u>\$0</u>	<u>156,250</u>
Fund Balances			
Restricted:			
Special Programs	0		251
Debt Service			0
Capital Projects		42,827	42,827
Unassigned			0
Total Fund Balances	<u>0</u>	<u>42,827</u>	<u>43,078</u>
Total Liabilities and Fund Balances	<u>\$30,422</u>	<u>\$42,827</u>	<u>\$199,328</u>

COUNCIL SCHOOL DISTRICT NO. 13

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

	<u>Special Revenue Funds</u>			<u>Title I-A ESEA IBP</u>
	<u>WACSAC</u>	<u>Driver Education</u>	<u>Technology</u>	
Revenues				
Local Taxes				
Other Local Revenue	\$3,494	\$2,250		
State Revenue		1,875		
Federal Revenue				\$67,084
Total Revenues	<u>3,494</u>	<u>4,125</u>	<u>\$0</u>	<u>67,084</u>
Expenditures				
Instructional Programs				
Elementary School				67,084
Secondary School	3,494	4,125		
Vocational-Technical				
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				
Educational Media				
Board of Education				
District Administration				
School Administration				
Central Service			2,627	
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>3,494</u>	<u>4,125</u>	<u>2,627</u>	<u>67,084</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(2,627)	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	(2,627)	0
Fund Balances - Beginning	0	0	2,878	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$251</u>	<u>\$0</u>

COUNCIL SCHOOL DISTRICT NO. 13

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

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$71,649	\$3,364	\$17,052	\$33,854
Total Revenues	<u>71,649</u>	<u>3,364</u>	<u>17,052</u>	<u>33,854</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School				19,609
Vocational-Technical				
Exceptional Child	71,459			
Preschool Exceptional		3,364		
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement	190		17,052	12,553
Educational Media				
Board of Education				
District Administration				1,692
School Administration				
Central Service				
Buildings - Care				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>71,649</u>	<u>3,364</u>	<u>17,052</u>	<u>33,854</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

COUNCIL SCHOOL DISTRICT NO. 13

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Title II-A</u>		
	<u>Improving</u>	<u>Plant</u>	
	<u>Teacher Quality</u>	<u>Facilities</u>	<u>Total</u>
Revenues			
Local Taxes			\$0
Other Local Revenue			5,744
State Revenue			1,875
Federal Revenue	\$38,157		231,160
Total Revenues	<u>38,157</u>	<u>\$0</u>	<u>238,779</u>
Expenditures			
Instructional Programs			
Elementary School			67,084
Secondary School			27,228
Vocational-Technical			0
Exceptional Child			71,459
Preschool Exceptional			3,364
Gifted & Talented			0
Interscholastic			0
Support Service Programs			
Attendance - Guidance - Health			0
Special Services			0
Instructional Improvement	38,157		67,952
Educational Media			0
Board of Education			0
District Administration			1,692
School Administration			0
Central Service			2,627
Buildings - Care			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Security			0
Pupil-To-School Transportation		12,989	12,989
Pupil-Activity Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Capital Assets - Student Occupied			0
Capital Assets - Non-Student Occupied			0
Debt Service - Principal			0
Debt Service - Interest			0
Total Expenditures	<u>38,157</u>	<u>12,989</u>	<u>254,395</u>
Excess (Deficiency) of Revenues			
Over Expenditures	0	(12,989)	(15,616)
Other Financing Sources (Uses)			
Transfers In	0	8,939	8,939
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>8,939</u>	<u>8,939</u>
Net Change in Fund Balances	0	(4,050)	(6,677)
Fund Balances - Beginning	0	46,877	49,755
Fund Balances - Ending	<u>\$0</u>	<u>\$42,827</u>	<u>\$43,078</u>

OTHER REPORTS AND SCHEDULES

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Council School District No. 13

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Council School District No. 13 (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

Our consideration of 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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency in internal control over financial reporting. 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 School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, those charged with governance, others within the entity, 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.

Folke CPAs, P.C.

August 11, 2011

COUNCIL SCHOOL DISTRICT NO. 13

Schedule of Findings and Responses

Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the School.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. *Segregation of Duties*

Condition – Although the School has implemented various checks and balances in internal control to the degree possible given available staff, it does not have a complete segregation of duties over assets.

Criteria – Inherent in an ideal internal control structure is a complete segregation of duties over assets.

Cause – This situation is due to staffing limitations common to an entity this size.

Effect – The lack of a complete segregation of duties may increase the risk that a loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

Recommendation and Response – It is requested that the School take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with an entity this size. However, substantial changes cannot be expected until the benefits are deemed to outweigh the costs of hiring additional staff.