

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

FINANCIAL STATEMENTS

Year Ended June 30, 2011

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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FINANCIAL SECTION

Independent Auditor's Report

Board of Trustees
Hagerman Joint School District No. 233

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hagerman Joint School District No. 233 (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 9, 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 9, 2011

BASIC FINANCIAL STATEMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$1,144,450
Receivables:	
Local Sources	116,895
State Sources	222,097
Federal Sources	365,855
Inventory	7,104
Total Current Assets	<u>1,856,401</u>
Noncurrent Assets	
Nondepreciable Capital Assets	385,181
Depreciable Net Capital Assets	2,466,314
Total Noncurrent Assets	<u>2,851,495</u>
Total Assets	<u><u>\$4,707,896</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$100,889
Salaries & Benefits Payable	343,445
Deferred Revenue	184,260
Accrued Interest	23,136
Long-Term Debt, Current	205,000
Total Current Liabilities	<u>856,730</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	1,605,000
Total Noncurrent Liabilities	<u>1,605,000</u>
Total Liabilities	<u><u>2,461,730</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,018,359
Restricted:	
Special Programs	69,346
Debt Service	349,444
Capital Projects	121,049
Unrestricted	687,968
Total Net Assets	<u>2,246,166</u>
Total Liabilities and Net Assets	<u><u>\$4,707,896</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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	\$797,529		\$114,059		(\$683,470)
Secondary School	838,169	\$2,700	91,164		(744,305)
Exceptional Child	249,671		94,569		(155,102)
Preschool Exceptional	2,822		2,822		0
Gifted & Talented	0				0
Interscholastic	43,860				(43,860)
Support Service Programs					
Attendance - Guidance - Health	64,363				(64,363)
Special Services	0				0
Instructional Improvement	74,904		57,069		(17,835)
Educational Media	3,059				(3,059)
Instruction-Related Technology	53,426		3,510		(49,916)
Board of Education	13,164				(13,164)
District Administration	65,440				(65,440)
School Administration	235,241				(235,241)
Business Operation	64,121				(64,121)
Buildings - Care	202,865				(202,865)
Maintenance - Non-Student Occupied	1,977				(1,977)
Maintenance - Student Occupied	79,298				(79,298)
Maintenance - Grounds	7,814				(7,814)
Pupil-To-School Transportation	94,829				(94,829)
Pupil-Activity Transportation	10,525				(10,525)
General Transportation	710				(710)
Non-Instructional Programs					
Child Nutrition	182,242	38,184	138,767		(5,291)
Capital Assets - Student Occupied	133,823				(133,823)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	56,513				(56,513)
Total	\$3,276,365	\$40,884	\$501,960	\$0	(2,733,521)
General Revenues					
Local Taxes					306,210
Other Local Revenues					213,837
State Revenues					2,394,933
Federal Revenues					0
Total					2,914,980
Change in Net Assets					
					181,459
Net Assets - Beginning					
					2,064,707
Net Assets - Ending					
					\$2,246,166

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2011

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$706,031	\$4,410	\$246,337	\$110,416
Receivables:				
Local Sources	1,760	1,269	103,107	10,755
State Sources	209,977			
Federal Sources	65,206	14,660		
Due From Other Funds	76,058			
Inventory		7,104		
Total Assets	<u>\$1,059,032</u>	<u>\$27,443</u>	<u>\$349,444</u>	<u>\$121,171</u>
Liabilities				
Accounts Payable	\$76,067	\$375		\$122
Due To Other Funds		4,782		
Salaries & Benefits Payable	294,997	10,778		
Deferred Revenue	54,218		\$14,359	928
Total Liabilities	<u>425,282</u>	<u>15,935</u>	<u>14,359</u>	<u>1,050</u>
Fund Balances				
Restricted:				
Special Programs		4,404		
Debt Service			335,085	
Capital Projects				120,121
Nonspendable		7,104		
Unassigned	633,750			
Total Fund Balances	<u>633,750</u>	<u>11,508</u>	<u>335,085</u>	<u>120,121</u>
Total Liabilities and Fund Balances	<u>\$1,059,032</u>	<u>\$27,443</u>	<u>\$349,444</u>	<u>\$121,171</u>

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Balance Sheet - Governmental Funds

June 30, 2011

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$77,256	\$1,144,450
Receivables:		
Local Sources	4	116,895
State Sources	12,120	222,097
Federal Sources	285,989	365,855
Due From Other Funds	0	76,058
Inventory	0	7,104
Total Assets	<u>\$375,369</u>	<u>\$1,932,459</u>
Liabilities		
Accounts Payable	\$24,325	\$100,889
Due To Other Funds	71,276	76,058
Salaries & Benefits Payable	37,670	343,445
Deferred Revenue	184,260	253,765
Total Liabilities	<u>317,531</u>	<u>774,157</u>
Fund Balances		
Restricted:		
Special Programs	57,838	62,242
Debt Service	0	335,085
Capital Projects	0	120,121
Nonspendable	0	7,104
Unassigned	0	633,750
Total Fund Balances	<u>57,838</u>	<u>1,158,302</u>
Total Liabilities and Fund Balances	<u>\$375,369</u>	<u>\$1,932,459</u>

Balance Sheet - Governmental Funds

June 30, 2011

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities**Total Governmental Fund Balances** \$1,158,302

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. 2,851,495

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 69,505

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,833,136)

Net Assets of Governmental Activities \$2,246,166

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Taxes	\$4,628		\$283,535	\$20,048
Other Local Revenue	212,669	\$38,195	226	3,631
State Revenue	2,409,080			
Federal Revenue	96,112	138,767		
Total Revenues	<u>2,722,489</u>	<u>176,962</u>	<u>283,761</u>	<u>23,679</u>
Expenditures				
Instructional Programs				
Elementary School	731,526			
Secondary School	795,061			
Exceptional Child	155,102			
Preschool Exceptional				
Gifted & Talented				
Interscholastic	43,860			
Support Service Programs				
Attendance - Guidance - Health	64,363			
Special Services				
Instructional Improvement	4,991			
Educational Media	3,059			
Instruction-Related Technology	41,131			
Board of Education	13,164			
District Administration	65,440			
School Administration	235,241			
Business Operation	64,121			
Buildings - Care	202,865			
Maintenance - Non-Student Occupied	1,977			
Maintenance - Student Occupied	79,298			
Maintenance - Grounds	20,344			
Pupil-To-School Transportation	94,829			
Pupil-Activity Transportation	10,525			
General Transportation	710			
Non-Instructional Programs				
Child Nutrition	6,662	175,580		
Capital Assets - Student Occupied				122
Capital Assets - Non-Student Occupied				
Debt Service - Principal			195,000	
Debt Service - Interest			58,950	
Total Expenditures	<u>2,634,269</u>	<u>175,580</u>	<u>253,950</u>	<u>122</u>
Excess (Deficiency) of Revenues Over Expenditures	88,220	1,382	29,811	23,557
Other Financing Sources (Uses)				
Transfers In				50,000
Transfers Out	(50,000)			
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balances	38,220	1,382	29,811	73,557
Fund Balances - Beginning	595,530	10,126	305,274	46,564
Fund Balances - Ending	<u>\$633,750</u>	<u>\$11,508</u>	<u>\$335,085</u>	<u>\$120,121</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2011

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$308,211
Other Local Revenue	6,462	261,183
State Revenue	64,668	2,473,748
Federal Revenue	195,951	430,830
Total Revenues	267,081	3,473,972
Expenditures		
Instructional Programs		
Elementary School	66,003	797,529
Secondary School	43,108	838,169
Exceptional Child	94,569	249,671
Preschool Exceptional	2,822	2,822
Gifted & Talented	0	0
Interscholastic	0	43,860
Support Service Programs		
Attendance - Guidance - Health	0	64,363
Special Services	0	0
Instructional Improvement	69,913	74,904
Educational Media	0	3,059
Instruction-Related Technology	12,295	53,426
Board of Education	0	13,164
District Administration	0	65,440
School Administration	0	235,241
Business Operation	0	64,121
Buildings - Care	0	202,865
Maintenance - Non-Student Occupied	0	1,977
Maintenance - Student Occupied	0	79,298
Maintenance - Grounds	0	20,344
Pupil-To-School Transportation	0	94,829
Pupil-Activity Transportation	0	10,525
General Transportation	0	710
Non-Instructional Programs		
Child Nutrition	0	182,242
Capital Assets - Student Occupied	0	122
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	195,000
Debt Service - Interest	0	58,950
Total Expenditures	288,710	3,352,631
Excess (Deficiency) of Revenues Over Expenditures	(21,629)	121,341
Other Financing Sources (Uses)		
Transfers In	0	50,000
Transfers Out	0	(50,000)
Total Other Financing Sources (Uses)	0	0
Net Change in Fund Balances	(21,629)	121,341
Fund Balances - Beginning	79,467	1,036,961
Fund Balances - Ending	\$57,838	\$1,158,302

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
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 \$121,341

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. (121,171)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (16,148)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 195,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 2,437

Change in Net Assets of Governmental Activities \$181,459

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Fiduciary Net Assets

June 30, 2011

	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	\$168,983	\$123,949	\$292,932
Receivables:			
Local Sources	40		40
Total Assets	<u>\$169,023</u>	<u>\$123,949</u>	<u>\$292,972</u>
Liabilities			
Due to Student Groups		\$123,949	\$123,949
Accounts Payable	\$21,100		21,100
Total Liabilities	<u>21,100</u>	<u>123,949</u>	<u>145,049</u>
Net Assets			
Restricted:			
Scholarships	147,923		147,923
Total Net Assets	<u>147,923</u>	<u>0</u>	<u>147,923</u>
Total Liabilities and Net Assets	<u>\$169,023</u>	<u>\$123,949</u>	<u>\$292,972</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2011

	Private Purpose Trust Funds - Scholarship
Additions	
Contributions	\$5,000
Investment Income (Loss)	493
Total Additions	<u>5,493</u>
Deductions	
Scholarships Awarded (Net)	<u>19,850</u>
Total Deductions	<u>19,850</u>
Change in Net Assets	(14,357)
Net Assets - Beginning	162,280
Net Assets - Ending	<u><u>\$147,923</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Hagerman Joint School District No. 233 (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 Gooding and Twin Falls Counties.

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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).

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 plant facilities fund, used to account for the maintenance of facilities and other capital assets.

Fiduciary funds of the School include:

Private Purpose Trust Funds – Private purpose trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a scholarship trustee.

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

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 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 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.

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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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	\$687,779
Investments - Local Government Investment Pool	749,603
Total	<u><u>\$1,437,382</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$687,779 and the bank balances were \$703,246. Of the bank balances, \$686,641 was insured, and the remainder was uninsured and uncollateralized.

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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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>	<u>Plant Facilities Fund</u>
Local Sources				
Local Taxes	\$1,681		\$103,049	\$7,241
Other Local Sources	79	\$1,273	58	3,514
Total	<u>\$1,760</u>	<u>\$1,273</u>	<u>\$103,107</u>	<u>\$10,755</u>
State Sources				
Foundation Program	\$48,067			
Transportation	53,985			
Special Programs	107,925	\$12,120		
Total	<u>\$209,977</u>	<u>\$12,120</u>		
Federal Sources				
Special Programs	\$65,206	\$300,649		
Total	<u>\$65,206</u>	<u>\$300,649</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	\$15,520	
Grant Advances	184,260	\$184,260
Transportation Reimbursement	53,985	
Total	<u>\$253,765</u>	<u>\$184,260</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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	385,181			385,181
Total	<u>385,181</u>	<u>\$0</u>	<u>\$0</u>	<u>385,181</u>
Depreciable Capital Assets				
Buildings	4,904,876			4,904,876
Equipment	1,784,166	12,530		1,796,696
Subtotal	<u>6,689,042</u>	<u>12,530</u>	<u>0</u>	<u>6,701,572</u>
Accumulated Depreciation				
Buildings	2,372,337	110,563		2,482,900
Equipment	1,729,220	23,138		1,752,358
Subtotal	<u>4,101,557</u>	<u>133,701</u>	<u>0</u>	<u>4,235,258</u>
Total	<u>2,587,485</u>	<u>(121,171)</u>	<u>0</u>	<u>2,466,314</u>
Net Capital Assets	<u><u>\$2,972,666</u></u>	<u><u>(\$121,171)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,851,495</u></u>

Depreciation expense of \$133,701 was charged to the capital assets – student occupied program.

F. LONG-TERM DEBT

At year end, the School’s bonded debt was as follows:

2009 - \$2,185,000 - general obligation refunding bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 3.00% - 3.25% through 2018/19, secured by future taxes, paid through the debt service fund	<u>Outstanding</u>
	<u>\$1,810,000</u>
Total	<u><u>\$1,810,000</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Maturities on the bonds are estimated as follows:

Year Ended	Principal	Interest
6/30/12	\$205,000	\$52,450
6/30/13	210,000	46,225
6/30/14	215,000	39,850
6/30/15	225,000	33,250
6/30/16	230,000	26,425
6/30/17-19	725,000	35,537
Total	\$1,810,000	\$233,737

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2009 G.O.R. Bonds	\$2,005,000		\$195,000	\$1,810,000	\$205,000
Total	\$2,005,000	\$0	\$195,000	\$1,810,000	\$205,000

Interest and related costs during the year amounted to \$56,513 and were charged to the debt service – interest 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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

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. The School's employer contributions required and paid were \$203,157, \$216,905, and \$225,501, 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>Child Nutrition</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$4,782	\$71,276	\$76,058
Total	<u>\$4,782</u>	<u>\$71,276</u>	<u>\$76,058</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		\$50,000	Support
Plant Facilities	\$50,000		Capital outlay
Total	<u>\$50,000</u>	<u>\$50,000</u>	

REQUIRED SUPPLEMENTAL INFORMATION

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	\$3,400	\$3,400	\$4,628	\$1,228
Other Local Revenue	132,500	132,500	212,669	80,169
State Revenue	2,277,808	2,277,808	2,409,080	131,272
Federal Revenue	10	10	96,112	96,102
Total Revenues	<u>2,413,718</u>	<u>2,413,718</u>	<u>2,722,489</u>	<u>308,771</u>
Expenditures				
Instructional Programs				
Elementary School	700,128	700,128	731,526	(31,398)
Secondary School	761,318	761,318	795,061	(33,743)
Exceptional Child	131,956	131,956	155,102	(23,146)
Preschool Exceptional			0	0
Gifted & Talented			0	0
Interscholastic	42,342	42,342	43,860	(1,518)
Support Service Programs				
Attendance - Guidance - Health	61,540	61,540	64,363	(2,823)
Special Services	38,000	38,000	0	38,000
Instructional Improvement			4,991	(4,991)
Educational Media	5,353	5,353	3,059	2,294
Instruction-Related Technology	52,080	52,080	41,131	10,949
Board of Education	12,050	12,050	13,164	(1,114)
District Administration	64,796	64,796	65,440	(644)
School Administration	195,054	195,054	235,241	(40,187)
Business Operation	62,326	62,326	64,121	(1,795)
Buildings - Care	193,936	193,936	202,865	(8,929)
Maintenance - Non-Student Occupied	1,500	1,500	1,977	(477)
Maintenance - Student Occupied	81,242	81,242	79,298	1,944
Maintenance - Grounds	7,725	7,725	20,344	(12,619)
Pupil-To-School Transportation	86,000	86,000	94,829	(8,829)
Pupil-Activity Transportation	10,000	10,000	10,525	(525)
General Transportation	500	500	710	(210)
Non-Instructional Programs				
Child Nutrition	6,482	6,482	6,662	(180)
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal			0	0
Debt Service - Interest			0	0
Total Expenditures	<u>2,514,328</u>	<u>2,514,328</u>	<u>2,634,269</u>	<u>(119,941) *</u>
Excess (Deficiency) of Revenues Over Expenditures	(100,610)	(100,610)	88,220	188,830
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			(50,000)	(50,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net Change in Fund Balances	(100,610)	(100,610)	38,220	138,830
Fund Balances - Beginning	<u>500,000</u>	<u>500,000</u>	<u>595,530</u>	<u>95,530</u>
Fund Balances - Ending	<u>\$399,390</u>	<u>\$399,390</u>	<u>\$633,750</u>	<u>\$234,360</u>

*Total expenditures (over) under appropriations.

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2011

Child Nutrition Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final	Amounts	Variance
				Positive
				(Negative)
Revenues				
Other Local Revenue	\$34,050	\$34,050	\$38,195	\$4,145
Federal Revenue	111,291	111,291	138,767	27,476
Total Revenues	<u>145,341</u>	<u>145,341</u>	<u>176,962</u>	<u>31,621</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	152,841	152,841	175,580	(22,739)
Total Expenditures	<u>152,841</u>	<u>152,841</u>	<u>175,580</u>	<u>(22,739) *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(7,500)	(7,500)	1,382	8,882
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	<u>(7,500)</u>	<u>(7,500)</u>	<u>1,382</u>	<u>8,882</u>
Fund Balances - Beginning	<u>7,500</u>	<u>7,500</u>	<u>10,126</u>	<u>2,626</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$11,508</u>	<u>\$11,508</u>

**Total expenditures (over) under appropriations.*

SUPPLEMENTARY INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	School Building Maintenance	Driver Education	Professional Technical	Technology
Assets				
Cash & Investments	\$17,236			\$7,936
Receivables:				
Local Sources	4			
State Sources		\$3,375	\$8,745	
Federal Sources				
Due From Other Funds				
Inventory				
Total Assets	\$17,240	\$3,375	\$8,745	\$7,936
Liabilities				
Accounts Payable		\$273	\$4,614	\$338
Due To Other Funds		3,102	2,047	
Salaries & Benefits Payable			2,084	1,944
Deferred Revenue				
Total Liabilities	\$0	3,375	8,745	2,282
Fund Balances				
Restricted:				
Special Programs	17,240	0	0	5,654
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	17,240	0	0	5,654
Total Liabilities and Fund Balances	\$17,240	\$3,375	\$8,745	\$7,936

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Substance Abuse	State LEP Enhancement	Title I-A ESEA IBP	Title I-C ESEA EMC
Assets				
Cash & Investments		\$52,084		
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$63,531	
Due From Other Funds				
Inventory				
Total Assets	<u>\$0</u>	<u>\$52,084</u>	<u>\$63,531</u>	<u>\$0</u>
Liabilities				
Accounts Payable		\$7,268	\$6,833	
Due To Other Funds			17,319	
Salaries & Benefits Payable		9,872	6,001	
Deferred Revenue			33,378	
Total Liabilities	<u>\$0</u>	<u>17,140</u>	<u>63,531</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs	0	34,944	0	0
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>34,944</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$0</u>	<u>\$52,084</u>	<u>\$63,531</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 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				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$126,543	\$3,766	\$59,937	
Due From Other Funds				
Inventory				
Total Assets	<u>\$126,543</u>	<u>\$3,766</u>	<u>\$59,937</u>	<u>\$0</u>
Liabilities				
Accounts Payable	\$38		\$4,961	
Due To Other Funds	38,734	\$2,648	3,453	
Salaries & Benefits Payable	13,750	174		
Deferred Revenue	74,021	944	51,523	
Total Liabilities	<u>126,543</u>	<u>3,766</u>	<u>59,937</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs	0	0	0	0
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$126,543</u>	<u>\$3,766</u>	<u>\$59,937</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Title II-A</u> <u>Improving</u> <u>Teacher Quality</u>	<u>Title IV-A</u> <u>ESEA</u> <u>S&DFS/C</u>	
Assets			
Cash & Investments			\$77,256
Receivables:			
Local Sources			4
State Sources			12,120
Federal Sources	\$32,212		285,989
Due From Other Funds			0
Inventory			0
Total Assets	<u>\$32,212</u>	<u>\$0</u>	<u>\$375,369</u>
Liabilities			
Accounts Payable			\$24,325
Due To Other Funds	\$3,973		71,276
Salaries & Benefits Payable	3,845		37,670
Deferred Revenue	24,394		184,260
Total Liabilities	<u>32,212</u>	<u>\$0</u>	<u>317,531</u>
Fund Balances			
Restricted:			
Special Programs	0	0	57,838
Debt Service			0
Capital Projects			0
Nonspendable			0
Unassigned			0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>57,838</u>
Total Liabilities and Fund Balances	<u>\$32,212</u>	<u>\$0</u>	<u>\$375,369</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue Funds			
	School Building Maintenance	Driver Education	Professional Technical	Technology
Revenues				
Local Taxes				
Other Local Revenue	\$8	\$2,700		\$3,502
State Revenue		3,375	\$29,150	
Federal Revenue				
Total Revenues	<u>8</u>	<u>6,075</u>	<u>29,150</u>	<u>3,502</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School		6,075	29,150	
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				
Educational Media				
Instruction-Related Technology				12,295
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>0</u>	<u>6,075</u>	<u>29,150</u>	<u>12,295</u>
Excess (Deficiency) of Revenues Over Expenditures	8	0	0	(8,793)
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	8	0	0	(8,793)
Fund Balances - Beginning	<u>17,232</u>	<u>0</u>	<u>0</u>	<u>14,447</u>
Fund Balances - Ending	<u>\$17,240</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,654</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2010

	Special Revenue Funds			
	Substance Abuse	State LEP Enhancement	Title I-A ESEA IBP	
Revenues				
Local Taxes				
Other Local Revenue		\$252		
State Revenue		32,143		
Federal Revenue			\$48,745	
Total Revenues	<u>\$0</u>	<u>32,395</u>	<u>48,745</u>	<u>\$0</u>
Expenditures				
Instructional Programs				
Elementary School			48,745	
Secondary School				
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement		45,239		
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>0</u>	<u>45,239</u>	<u>48,745</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	(12,844)	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>(12,844)</u>	<u>0</u>	<u>0</u>
Fund Balances - Beginning	<u>0</u>	<u>47,788</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$34,944</u>	<u>\$0</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 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	\$94,569	\$2,822	\$20,851	\$4,290
Total Revenues	<u>94,569</u>	<u>2,822</u>	<u>20,851</u>	<u>4,290</u>
Expenditures				
Instructional Programs				
Elementary School			17,258	
Secondary School			3,593	4,290
Exceptional Child	94,569			
Preschool Exceptional		2,822		
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>94,569</u>	<u>2,822</u>	<u>20,851</u>	<u>4,290</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Title II-A</u> <u>Improving</u> <u>Teacher Quality</u>	<u>Title IV-A</u> <u>ESEA</u> <u>S&DFS/C</u>	
Revenues			
Local Taxes			\$0
Other Local Revenue			6,462
State Revenue			64,668
Federal Revenue	\$24,674		195,951
Total Revenues	<u>24,674</u>	<u>\$0</u>	<u>267,081</u>
Expenditures			
Instructional Programs			
Elementary School			66,003
Secondary School			43,108
Exceptional Child			94,569
Preschool Exceptional			2,822
Gifted & Talented			0
Interscholastic			0
Support Service Programs			
Attendance - Guidance - Health			0
Special Services			0
Instructional Improvement	24,674		69,913
Educational Media			0
Instruction-Related Technology			12,295
Board of Education			0
District Administration			0
School Administration			0
Business Operation			0
Buildings - Care			0
Maintenance - Non-Student Occupied			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Pupil-To-School Transportation			0
Pupil-Activity Transportation			0
General 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>24,674</u>	<u>0</u>	<u>288,710</u>
Excess (Deficiency) of Revenues			
Over Expenditures	0	0	(21,629)
Other Financing Sources (Uses)			
Transfers In			0
Transfers Out			0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	(21,629)
Fund Balances - Beginning	0	0	79,467
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$57,838</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
Hagerman Joint School District No. 233

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hagerman Joint School District No. 233 (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 9, 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 9, 2011

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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.