

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

FINANCIAL STATEMENTS

Year Ended June 30, 2012

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, 2012, 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, 2012 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2012 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 not presented the management's discussion and analysis information that governmental 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 8, 2012

BASIC FINANCIAL STATEMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Net Assets

June 30, 2012

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Current Assets | |
| Cash & Investments | \$1,025,091 |
| Receivables: | |
| Local Sources | 106,957 |
| State Sources | 28,493 |
| Federal Sources | 196,335 |
| Inventory | 6,656 |
| Total Current Assets | <u>1,363,532</u> |
| Noncurrent Assets | |
| Nondepreciable Capital Assets | 385,181 |
| Depreciable Net Capital Assets | 2,367,878 |
| Total Noncurrent Assets | <u>2,753,059</u> |
| Total Assets | <u><u>\$4,116,591</u></u> |
| | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | \$50,181 |
| Salaries & Benefits Payable | 341,073 |
| Deferred Revenue | 94,394 |
| Accrued Interest | 20,573 |
| Long-Term Debt, Current | 210,000 |
| Total Current Liabilities | <u>716,221</u> |
| Noncurrent Liabilities | |
| Long-Term Debt, Noncurrent | 1,395,000 |
| Total Noncurrent Liabilities | <u>1,395,000</u> |
| Total Liabilities | <u><u>2,111,221</u></u> |
| | |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 1,127,486 |
| Restricted: | |
| Special Programs | 11,972 |
| Debt Service | 349,438 |
| Capital Projects | 152,702 |
| Unrestricted | 363,772 |
| Total Net Assets | <u>2,005,370</u> |
| Total Liabilities and Net Assets | <u><u>\$4,116,591</u></u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Activities Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue And Changes in Net Assets |
|---------------------------------------|--------------------|-------------------------|--|--|--|
| | | Charges For Services | Operating Grants And Contributions | Capital Grants And Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Instructional Programs | | | | | |
| Elementary School | \$859,562 | | \$100,503 | | (\$759,059) |
| Secondary School | 790,576 | \$1,801 | 48,069 | | (740,706) |
| Exceptional Child | 215,073 | | 99,570 | | (115,503) |
| Preschool Exceptional | 1,118 | | 1,118 | | 0 |
| Gifted & Talented | 0 | | | | 0 |
| Interscholastic | 45,904 | | | | (45,904) |
| Support Service Programs | | | | | |
| Attendance - Guidance - Health | 63,493 | | | | (63,493) |
| Special Services | 24,000 | | | | (24,000) |
| Instructional Improvement | 61,304 | | 55,501 | | (5,803) |
| Educational Media | 17,978 | | | | (17,978) |
| Instruction-Related Technology | 89,758 | | 19,357 | | (70,401) |
| Board of Education | 11,855 | | | | (11,855) |
| District Administration | 65,065 | | | | (65,065) |
| School Administration | 167,267 | | | | (167,267) |
| Business Operation | 67,717 | | | | (67,717) |
| Buildings - Care | 193,320 | | | | (193,320) |
| Maintenance - Non-Student Occupied | 200 | | | | (200) |
| Maintenance - Student Occupied | 83,603 | | | | (83,603) |
| Maintenance - Grounds | 7,511 | | | | (7,511) |
| Pupil-To-School Transportation | 88,302 | | | | (88,302) |
| Pupil-Activity Transportation | 21,615 | | | | (21,615) |
| General Transportation | 161 | | | | (161) |
| Non-Instructional Programs | | | | | |
| Child Nutrition | 189,696 | 28,993 | 140,403 | | (20,300) |
| Capital Assets - Student Occupied | 141,021 | | | | (141,021) |
| Capital Assets - Non-Student Occupied | 0 | | | | 0 |
| Debt Service - Principal | 0 | | | | 0 |
| Debt Service - Interest | 50,387 | | | | (50,387) |
| Total | \$3,256,486 | \$30,794 | \$464,521 | \$0 | (2,761,171) |
| General Revenues | | | | | |
| Local Taxes | | | | | 282,792 |
| Other Local Revenues | | | | | 81,816 |
| State Revenues | | | | | 2,155,767 |
| Federal Revenues | | | | | 0 |
| Total | | | | | 2,520,375 |
| Change in Net Assets | | | | | |
| | | | | | (240,796) |
| Net Assets - Beginning | | | | | |
| | | | | | 2,246,166 |
| Net Assets - Ending | | | | | |
| | | | | | \$2,005,370 |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2012

| | General Fund | Child Nutrition Fund | Debt Service Fund | Plant Facilities Fund |
|--|-------------------------|-------------------------------------|----------------------------------|--------------------------------------|
| Assets | | | | |
| Cash & Investments | \$581,215 | \$14,951 | \$257,450 | \$163,057 |
| Receivables: | | | | |
| Local Sources | 2,702 | 343 | 91,988 | 7,157 |
| State Sources | 19,748 | | | |
| Federal Sources | | 1,647 | | |
| Due From Other Funds | 74,354 | | | |
| Inventory | | 6,656 | | |
| Total Assets | <u>\$678,019</u> | <u>\$23,597</u> | <u>\$349,438</u> | <u>\$170,214</u> |
| Liabilities | | | | |
| Accounts Payable | \$26,268 | \$2,038 | | \$17,512 |
| Due To Other Funds | | 12,302 | | |
| Salaries & Benefits Payable | 286,181 | 11,055 | | |
| Deferred Revenue | 220 | | \$11,839 | 911 |
| Total Liabilities | <u>312,669</u> | <u>25,395</u> | <u>11,839</u> | <u>18,423</u> |
| Fund Balances | | | | |
| Restricted: | | | | |
| Special Programs | | | | |
| Debt Service | | | 337,599 | |
| Capital Projects | | | | 151,791 |
| Nonspendable | | 6,656 | | |
| Unassigned | 365,350 | (8,454) | | |
| Total Fund Balances | <u>365,350</u> | <u>(1,798)</u> | <u>337,599</u> | <u>151,791</u> |
| Total Liabilities and Fund Balances | <u>\$678,019</u> | <u>\$23,597</u> | <u>\$349,438</u> | <u>\$170,214</u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2012

| | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| Assets | | |
| Cash & Investments | \$8,418 | \$1,025,091 |
| Receivables: | | |
| Local Sources | 4,767 | 106,957 |
| State Sources | 8,745 | 28,493 |
| Federal Sources | 194,688 | 196,335 |
| Due From Other Funds | 0 | 74,354 |
| Inventory | 0 | 6,656 |
| Total Assets | \$216,618 | \$1,437,886 |
| Liabilities | | |
| Accounts Payable | \$4,363 | \$50,181 |
| Due To Other Funds | 62,052 | 74,354 |
| Salaries & Benefits Payable | 43,837 | 341,073 |
| Deferred Revenue | 94,394 | 107,364 |
| Total Liabilities | 204,646 | 572,972 |
| Fund Balances | | |
| Restricted: | | |
| Special Programs | 11,972 | 11,972 |
| Debt Service | 0 | 337,599 |
| Capital Projects | 0 | 151,791 |
| Nonspendable | 0 | 6,656 |
| Unassigned | 0 | 356,896 |
| Total Fund Balances | 11,972 | 864,914 |
| Total Liabilities and Fund Balances | \$216,618 | \$1,437,886 |

Balance Sheet - Governmental Funds

June 30, 2012

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities**Total Governmental Fund Balances** \$864,914

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. 2,753,059

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 12,970

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,625,573)

Net Assets of Governmental Activities \$2,005,370

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2012

| | <u>General Fund</u> | <u>Child Nutrition Fund</u> | <u>Debt Service Fund</u> | <u>Plant Facilities Fund</u> |
|--|-------------------------|-------------------------------------|----------------------------------|--------------------------------------|
| Revenues | | | | |
| Local Taxes | \$5,027 | | \$260,267 | \$20,048 |
| Other Local Revenue | 86,579 | \$28,994 | 197 | 4,207 |
| State Revenue | 2,209,752 | | | |
| Federal Revenue | 1,587 | 140,403 | | |
| Total Revenues | <u>2,302,945</u> | <u>169,397</u> | <u>260,464</u> | <u>24,255</u> |
| Expenditures | | | | |
| Instructional Programs | | | | |
| Elementary School | 760,646 | | | |
| Secondary School | 742,507 | | | |
| Exceptional Child | 115,503 | | | |
| Preschool Exceptional | | | | |
| Gifted & Talented | | | | |
| Interscholastic | 45,904 | | | |
| Support Service Programs | | | | |
| Attendance - Guidance - Health | 63,493 | | | |
| Special Services | 24,000 | | | |
| Instructional Improvement | 5,803 | | | |
| Educational Media | 17,978 | | | |
| Instruction-Related Technology | 70,401 | | | |
| Board of Education | 11,855 | | | |
| District Administration | 65,065 | | | |
| School Administration | 167,267 | | | |
| Business Operation | 67,717 | | | |
| Buildings - Care | 193,320 | | | |
| Maintenance - Non-Student Occupied | 200 | | | |
| Maintenance - Student Occupied | 83,603 | | | |
| Maintenance - Grounds | 7,511 | | | |
| Pupil-To-School Transportation | 88,302 | | | |
| Pupil-Activity Transportation | 21,615 | | | |
| General Transportation | 161 | | | |
| Non-Instructional Programs | | | | |
| Child Nutrition | 6,993 | 182,703 | | |
| Capital Assets - Student Occupied | | | | 42,585 |
| Capital Assets - Non-Student Occupied | | | | |
| Debt Service - Principal | | | 205,000 | |
| Debt Service - Interest | | | 52,950 | |
| Total Expenditures | <u>2,559,844</u> | <u>182,703</u> | <u>257,950</u> | <u>42,585</u> |
| Excess (Deficiency) of Revenues Over Expenditures | | | | |
| | (256,899) | (13,306) | 2,514 | (18,330) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 38,499 | | | 50,000 |
| Transfers Out | (50,000) | | | |
| Total Other Financing Sources (Uses) | <u>(11,501)</u> | <u>0</u> | <u>0</u> | <u>50,000</u> |
| Net Change in Fund Balances | (268,400) | (13,306) | 2,514 | 31,670 |
| Fund Balances - Beginning | 633,750 | 11,508 | 335,085 | 120,121 |
| Fund Balances - Ending | <u>\$365,350</u> | <u>(\$1,798)</u> | <u>\$337,599</u> | <u>\$151,791</u> |

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2012

| | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| Revenues | | |
| Local Taxes | \$0 | \$285,342 |
| Other Local Revenue | 16,208 | 136,185 |
| State Revenue | 42,814 | 2,252,566 |
| Federal Revenue | 256,142 | 398,132 |
| Total Revenues | 315,164 | 3,072,225 |
| Expenditures | | |
| Instructional Programs | | |
| Elementary School | 98,916 | 859,562 |
| Secondary School | 48,069 | 790,576 |
| Exceptional Child | 99,570 | 215,073 |
| Preschool Exceptional | 1,118 | 1,118 |
| Gifted & Talented | 0 | 0 |
| Interscholastic | 0 | 45,904 |
| Support Service Programs | | |
| Attendance - Guidance - Health | 0 | 63,493 |
| Special Services | 0 | 24,000 |
| Instructional Improvement | 55,501 | 61,304 |
| Educational Media | 0 | 17,978 |
| Instruction-Related Technology | 19,357 | 89,758 |
| Board of Education | 0 | 11,855 |
| District Administration | 0 | 65,065 |
| School Administration | 0 | 167,267 |
| Business Operation | 0 | 67,717 |
| Buildings - Care | 0 | 193,320 |
| Maintenance - Non-Student Occupied | 0 | 200 |
| Maintenance - Student Occupied | 0 | 83,603 |
| Maintenance - Grounds | 0 | 7,511 |
| Pupil-To-School Transportation | 0 | 88,302 |
| Pupil-Activity Transportation | 0 | 21,615 |
| General Transportation | 0 | 161 |
| Non-Instructional Programs | | |
| Child Nutrition | 0 | 189,696 |
| Capital Assets - Student Occupied | 0 | 42,585 |
| Capital Assets - Non-Student Occupied | 0 | 0 |
| Debt Service - Principal | 0 | 205,000 |
| Debt Service - Interest | 0 | 52,950 |
| Total Expenditures | 322,531 | 3,365,613 |
| Excess (Deficiency) of Revenues Over Expenditures | (7,367) | (293,388) |
| Other Financing Sources (Uses) | | |
| Transfers In | 0 | 88,499 |
| Transfers Out | (38,499) | (88,499) |
| Total Other Financing Sources (Uses) | (38,499) | 0 |
| Net Change in Fund Balances | (45,866) | (293,388) |
| Fund Balances - Beginning | 57,838 | 1,158,302 |
| Fund Balances - Ending | \$11,972 | \$864,914 |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2012

**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 (\$293,388)

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 (98,436)

Revenues in the statement of activities that do not provide current
financial resources are deferred in the funds. (56,535)

Repayment of debt principal is an expenditure in the
governmental funds, but the repayment reduces long-term debt in
the statement of net assets. 205,000

In the statement of activities, interest is accrued on long-term
debt, but the expenditure is reported when due in the 2,563

Change in Net Assets of Governmental Activities (\$240,796)

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Fiduciary Net Assets

June 30, 2012

| | Private Purpose Trust Funds - Scholarship | Agency Funds - Student Activity | Total |
|---|--|--|------------------|
| Assets | | | |
| Cash & Investments | \$153,860 | \$111,249 | \$265,109 |
| Receivables: | | | |
| Local Sources | 24 | | 24 |
| Total Assets | <u>\$153,884</u> | <u>\$111,249</u> | <u>\$265,133</u> |
| Liabilities | | | |
| Due to Student Groups | | \$111,249 | \$111,249 |
| Accounts Payable | \$21,150 | | 21,150 |
| Total Liabilities | <u>21,150</u> | <u>111,249</u> | <u>132,399</u> |
| Net Assets | | | |
| Restricted: | | | |
| Scholarships | 132,734 | | 132,734 |
| Total Net Assets | <u>132,734</u> | <u>0</u> | <u>132,734</u> |
| Total Liabilities and Net Assets | <u>\$153,884</u> | <u>\$111,249</u> | <u>\$265,133</u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2012

| | Private Purpose Trust Funds - Scholarship |
|-------------------------------|--|
| Additions | |
| Contributions | \$461 |
| Investment Income (Loss) | 5,000 |
| Total Additions | <u>5,461</u> |
| Deductions | |
| Scholarships Awarded (Net) | <u>20,650</u> |
| Total Deductions | <u>20,650</u> |
| Change in Net Assets | (15,189) |
| Net Assets - Beginning | 147,923 |
| Net Assets - Ending | <u><u>\$132,734</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 | \$709,593 |
| Investments - Local Government Investment Pool | 580,607 |
| Total | <u><u>\$1,290,200</u></u> |

Deposits – At year end, the carrying amounts of the School's deposits were \$709,593 and the bank balances were \$709,529. Of the bank balances, \$690,505 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 | \$1,778 | | \$91,968 | \$7,139 |
| Other Local Sources | 924 | \$5,110 | 20 | 18 |
| Total | <u>\$2,702</u> | <u>\$5,110</u> | <u>\$91,988</u> | <u>\$7,157</u> |
| State Sources | | | | |
| Foundation Program | \$19,748 | | | |
| Special Programs | | \$8,745 | | |
| Total | <u>\$19,748</u> | <u>\$8,745</u> | | |
| Federal Sources | | | | |
| Special Programs | | \$196,335 | | |
| Total | | <u>\$196,335</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 | \$12,970 | |
| Grant Advances | 94,394 | \$94,394 |
| Total | <u>\$107,364</u> | <u>\$94,394</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 | 1,796,696 | | | 1,796,696 |
| Subtotal | <u>6,701,572</u> | <u>0</u> | <u>0</u> | <u>6,701,572</u> |
| Accumulated Depreciation | | | | |
| Buildings | 2,482,900 | 83,605 | | 2,566,505 |
| Equipment | 1,752,358 | 14,831 | | 1,767,189 |
| Subtotal | <u>4,235,258</u> | <u>98,436</u> | <u>0</u> | <u>4,333,694</u> |
| Total | <u>2,466,314</u> | <u>(98,436)</u> | <u>0</u> | <u>2,367,878</u> |
| Net Capital Assets | <u><u>\$2,851,495</u></u> | <u><u>(\$98,436)</u></u> | <u><u>\$0</u></u> | <u><u>\$2,753,059</u></u> |

Depreciation expense of \$98,436 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>\$1,605,000</u> |
| Total | <u><u>\$1,605,000</u></u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Maturities on the bonds are estimated as follows:

| Year Ended | Principal | Interest |
|-----------------------|--------------------|------------------|
| 6/30/13 | \$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 | 235,000 | 19,450 |
| 6/30/18-19 | 490,000 | 16,087 |
| Total | \$1,605,000 | \$181,287 |

Changes in long-term debt are as follows:

| Description | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| 2009 G.O.R. Bonds | \$1,810,000 | | \$205,000 | \$1,605,000 | \$210,000 |
| Total | \$1,810,000 | \$0 | \$205,000 | \$1,605,000 | \$210,000 |

Interest and related costs during the year amounted to \$50,387 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, 2012, 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. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$196,854, \$203,157, and \$216,905, for the three years ended June 30, 2012, 2011, and 2010 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>Total</u> |
|--------------------|------------------------|------------------------------|-----------------|
| | <u>Child Nutrition</u> | <u>Nonmajor Governmental</u> | |
| General | \$12,302 | \$62,052 | \$74,354 |
| Total | <u>\$12,302</u> | <u>\$62,052</u> | <u>\$74,354</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 | \$38,499 | \$50,000 | Capital outlay & reimbursements |
| Plant Facilities | 50,000 | | Capital outlay |
| Nonmajor Governmental | | 38,499 | Capital outlay & reimbursements |
| Total | <u>\$88,499</u> | <u>\$88,499</u> | |

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2012

| General Fund | Budgeted Amounts (GAAP Basis) | | Actual Amounts | Final Budget Variance |
|--|----------------------------------|------------------|-------------------|--------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Local Taxes | \$3,000 | \$3,000 | \$5,027 | \$2,027 |
| Other Local Revenue | 132,500 | 132,500 | 86,579 | (45,921) |
| State Revenue | 2,284,970 | 2,284,970 | 2,209,752 | (75,218) |
| Federal Revenue | 80 | 80 | 1,587 | 1,507 |
| Total Revenues | <u>2,420,550</u> | <u>2,420,550</u> | <u>2,302,945</u> | <u>(117,605)</u> |
| Expenditures | | | | |
| Instructional Programs | | | | |
| Elementary School | 743,632 | 743,632 | 760,646 | (17,014) |
| Secondary School | 726,073 | 726,073 | 742,507 | (16,434) |
| Exceptional Child | 127,222 | 127,222 | 115,503 | 11,719 |
| Preschool Exceptional | 0 | 0 | 0 | 0 |
| Gifted & Talented | 0 | 0 | 0 | 0 |
| Interscholastic | 46,059 | 46,059 | 45,904 | 155 |
| Support Service Programs | | | | |
| Attendance - Guidance - Health | 64,732 | 64,732 | 63,493 | 1,239 |
| Special Services | 36,000 | 36,000 | 24,000 | 12,000 |
| Instructional Improvement | 5,099 | 5,099 | 5,803 | (704) |
| Educational Media | 11,754 | 11,754 | 17,978 | (6,224) |
| Instruction-Related Technology | 52,606 | 52,606 | 70,401 | (17,795) |
| Board of Education | 13,026 | 13,026 | 11,855 | 1,171 |
| District Administration | 64,765 | 64,765 | 65,065 | (300) |
| School Administration | 191,420 | 191,420 | 167,267 | 24,153 |
| Business Operation | 62,418 | 62,418 | 67,717 | (5,299) |
| Buildings - Care | 207,911 | 207,911 | 193,320 | 14,591 |
| Maintenance - Non-Student Occupied | 2,000 | 2,000 | 200 | 1,800 |
| Maintenance - Student Occupied | 72,731 | 72,731 | 83,603 | (10,872) |
| Maintenance - Grounds | 8,069 | 8,069 | 7,511 | 558 |
| Pupil-To-School Transportation | 92,000 | 92,000 | 88,302 | 3,698 |
| Pupil-Activity Transportation | 12,500 | 12,500 | 21,615 | (9,115) |
| General Transportation | 500 | 500 | 161 | 339 |
| Non-Instructional Programs | | | | |
| Child Nutrition | 8,000 | 8,000 | 6,993 | 1,007 |
| Capital Assets - Student Occupied | 0 | 0 | 0 | 0 |
| Capital Assets - Non-Student Occupied | 0 | 0 | 0 | 0 |
| Debt Service - Principal | 0 | 0 | 0 | 0 |
| Debt Service - Interest | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>2,548,517</u> | <u>2,548,517</u> | <u>2,559,844</u> | <u>(11,327) *</u> |
| Excess (Deficiency) of Revenues Over Expenditures | | | | |
| | (127,967) | (127,967) | (256,899) | (128,932) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 0 | 0 | 38,499 | 38,499 |
| Transfers Out | 0 | 0 | (50,000) | (50,000) |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>(11,501)</u> | <u>(11,501)</u> |
| Net Change in Fund Balances | <u>(127,967)</u> | <u>(127,967)</u> | <u>(268,400)</u> | <u>(140,433)</u> |
| Fund Balances - Beginning | <u>455,000</u> | <u>455,000</u> | <u>633,750</u> | <u>178,750</u> |
| Fund Balances - Ending | <u>\$327,033</u> | <u>\$327,033</u> | <u>\$365,350</u> | <u>\$38,317</u> |

*Total expenditures (over) under appropriations.

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2012

| Child Nutrition Fund | Budgeted Amounts | | Actual | Final Budget |
|---|-------------------------|------------------|------------------|---------------------|
| | (GAAP Basis) | | | |
| | Original | Final | Amounts | Variance |
| | | | | Positive |
| | | | | (Negative) |
| Revenues | | | | |
| Other Local Revenue | \$38,015 | \$38,015 | \$28,994 | (\$9,021) |
| Federal Revenue | 120,000 | 120,000 | 140,403 | 20,403 |
| Total Revenues | <u>158,015</u> | <u>158,015</u> | <u>169,397</u> | <u>11,382</u> |
| Expenditures | | | | |
| Non-Instructional Programs | | | | |
| Child Nutrition | 164,700 | 164,700 | 182,703 | (18,003) |
| Total Expenditures | <u>164,700</u> | <u>164,700</u> | <u>182,703</u> | <u>(18,003) *</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | (6,685) | (6,685) | (13,306) | (6,621) |
| 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 | (6,685) | (6,685) | (13,306) | (6,621) |
| Fund Balances - Beginning | 4,000 | 4,000 | 11,508 | 7,508 |
| Fund Balances - Ending | <u>(\$2,685)</u> | <u>(\$2,685)</u> | <u>(\$1,798)</u> | <u>\$887</u> |

**Total expenditures (over) under appropriations.*

SUPPLEMENTARY INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2012

| | Special Revenue Funds | | | |
|--|-----------------------------------|---------------------|---------------------------|------------|
| | School Building Maintenance | Driver Education | Professional Technical | Technology |
| Assets | | | | |
| Cash & Investments | | \$112 | | \$8,306 |
| Receivables: | | | | |
| Local Sources | | | | 4,767 |
| State Sources | | | \$8,745 | |
| Federal Sources | | | | |
| Due From Other Funds | | | | |
| Inventory | | | | |
| Total Assets | \$0 | \$112 | \$8,745 | \$13,073 |
| Liabilities | | | | |
| Accounts Payable | | | \$4,149 | \$32 |
| Due To Other Funds | | | 2,513 | |
| Salaries & Benefits Payable | | \$112 | 2,083 | 1,069 |
| Deferred Revenue | | | | |
| Total Liabilities | \$0 | 112 | 8,745 | 1,101 |
| Fund Balances | | | | |
| Restricted: | | | | |
| Special Programs | 0 | 0 | 0 | 11,972 |
| Debt Service | | | | |
| Capital Projects | | | | |
| Nonspendable | | | | |
| Unassigned | | | | |
| Total Fund Balances | 0 | 0 | 0 | 11,972 |
| Total Liabilities and Fund Balances | \$0 | \$112 | \$8,745 | \$13,073 |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2012

| | Special Revenue Funds | | | |
|--|--------------------------------------|-----------------------------------|-----------------------------------|--|
| | State LEP Enhancement | Title I-A ESEA IBP | Title I-C ESEA EMC | Special Educ. IDEA Part B |
| Assets | | | | |
| Cash & Investments | | | | |
| Receivables: | | | | |
| Local Sources | | | | |
| State Sources | | | | |
| Federal Sources | | \$66,171 | | \$65,486 |
| Due From Other Funds | | | | |
| Inventory | | | | |
| Total Assets | <u>\$0</u> | <u>\$66,171</u> | <u>\$0</u> | <u>\$65,486</u> |
| Liabilities | | | | |
| Accounts Payable | | \$14 | | \$38 |
| Due To Other Funds | | 29,447 | | 6,452 |
| Salaries & Benefits Payable | | 13,337 | | 13,208 |
| Deferred Revenue | | 23,373 | | 45,788 |
| Total Liabilities | <u>\$0</u> | <u>66,171</u> | <u>\$0</u> | <u>65,486</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>\$0</u> | <u>\$66,171</u> | <u>\$0</u> | <u>\$65,486</u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2012

| | Special Revenue Funds | | | |
|--|---|-------------------------------------|---|---|
| | Special Educ. IDEA Preschool | Title VI-B ESEA REAP | Perkins III Professional Technical Act | Title II-A Improving Teacher Quality |
| Assets | | | | |
| Cash & Investments | | | | |
| Receivables: | | | | |
| Local Sources | | | | |
| State Sources | | | | |
| Federal Sources | \$3,790 | \$38,231 | | \$21,010 |
| Due From Other Funds | | | | |
| Inventory | | | | |
| Total Assets | <u>\$3,790</u> | <u>\$38,231</u> | <u>\$0</u> | <u>\$21,010</u> |
| Liabilities | | | | |
| Accounts Payable | | | | \$130 |
| Due To Other Funds | \$175 | \$13,722 | | 9,743 |
| Salaries & Benefits Payable | | 2,891 | | 11,137 |
| Deferred Revenue | 3,615 | 21,618 | | |
| Total Liabilities | <u>3,790</u> | <u>38,231</u> | <u>\$0</u> | <u>21,010</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>\$3,790</u> | <u>\$38,231</u> | <u>\$0</u> | <u>\$21,010</u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2012

| | Total |
|--|------------------|
| Assets | |
| Cash & Investments | \$8,418 |
| Receivables: | |
| Local Sources | 4,767 |
| State Sources | 8,745 |
| Federal Sources | 194,688 |
| Due From Other Funds | 0 |
| Inventory | 0 |
| Total Assets | \$216,618 |
| Liabilities | |
| Accounts Payable | \$4,363 |
| Due To Other Funds | 62,052 |
| Salaries & Benefits Payable | 43,837 |
| Deferred Revenue | 94,394 |
| Total Liabilities | 204,646 |
| Fund Balances | |
| Restricted: | |
| Special Programs | 11,972 |
| Debt Service | 0 |
| Capital Projects | 0 |
| Nonspendable | 0 |
| Unassigned | 0 |
| Total Fund Balances | 11,972 |
| Total Liabilities and Fund Balances | \$216,618 |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2012

| | Special Revenue Funds | | | |
|--|--|-----------------------------|-----------------------------------|-------------------|
| | School Building Maintenance | Driver Education | Professional Technical | Technology |
| Revenues | | | | |
| Local Taxes | | | | |
| Other Local Revenue | \$35 | \$1,801 | | \$14,324 |
| State Revenue | | 2,313 | \$29,150 | 11,351 |
| Federal Revenue | | | | |
| Total Revenues | <u>35</u> | <u>4,114</u> | <u>29,150</u> | <u>25,675</u> |
| Expenditures | | | | |
| Instructional Programs | | | | |
| Elementary School | | | | |
| Secondary School | | 4,114 | 29,150 | |
| Exceptional Child | | | | |
| Preschool Exceptional | | | | |
| Gifted & Talented | | | | |
| Interscholastic | | | | |
| Support Service Programs | | | | |
| Attendance - Guidance - Health | | | | |
| Special Services | | | | |
| Instructional Improvement | | | | |
| Educational Media | | | | |
| Instruction-Related Technology | | | | 19,357 |
| 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>4,114</u> | <u>29,150</u> | <u>19,357</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 35 | 0 | 0 | 6,318 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | | | |
| Transfers Out | (17,275) | | | |
| Total Other Financing Sources (Uses) | <u>(17,275)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balances | (17,240) | 0 | 0 | 6,318 |
| Fund Balances - Beginning | <u>17,240</u> | <u>0</u> | <u>0</u> | <u>5,654</u> |
| Fund Balances - Ending | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$11,972</u> |

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2012

| | Special Revenue Funds | | | |
|--|--------------------------------------|-----------------------------------|-----------------------------------|--|
| | State LEP Enhancement | Title I-A ESEA IBP | Title I-C ESEA EMC | Special Educ. IDEA Part B |
| Revenues | | | | |
| Local Taxes | | | | |
| Other Local Revenue | \$48 | | | |
| State Revenue | | | | |
| Federal Revenue | | \$66,486 | | \$99,570 |
| Total Revenues | <u>48</u> | <u>66,486</u> | <u>\$0</u> | <u>99,570</u> |
| Expenditures | | | | |
| Instructional Programs | | | | |
| Elementary School | | 66,486 | | |
| Secondary School | | | | |
| Exceptional Child | | | | 99,570 |
| Preschool Exceptional | | | | |
| Gifted & Talented | | | | |
| Interscholastic | | | | |
| Support Service Programs | | | | |
| Attendance - Guidance - Health | | | | |
| Special Services | | | | |
| Instructional Improvement | 13,768 | | | |
| 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>13,768</u> | <u>66,486</u> | <u>0</u> | <u>99,570</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (13,720) | 0 | 0 | 0 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | | | |
| Transfers Out | (21,224) | | | |
| Total Other Financing Sources (Uses) | <u>(21,224)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balances | (34,944) | 0 | 0 | 0 |
| Fund Balances - Beginning | <u>34,944</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, 2012

| | Special Revenue Funds | | | |
|---|---|-------------------------------------|---|---|
| | Special Educ. IDEA Preschool | Title VI-B ESEA REAP | Perkins III Professional Technical Act | Title II-A Improving Teacher Quality |
| Revenues | | | | |
| Local Taxes | | | | |
| Other Local Revenue | | | | |
| State Revenue | | | | |
| Federal Revenue | \$1,118 | \$43,748 | \$3,487 | \$41,733 |
| Total Revenues | <u>1,118</u> | <u>43,748</u> | <u>3,487</u> | <u>41,733</u> |
| Expenditures | | | | |
| Instructional Programs | | | | |
| Elementary School | | 32,430 | | |
| Secondary School | | 11,318 | 3,487 | |
| Exceptional Child | | | | |
| Preschool Exceptional | 1,118 | | | |
| Gifted & Talented | | | | |
| Interscholastic | | | | |
| Support Service Programs | | | | |
| Attendance - Guidance - Health | | | | |
| Special Services | | | | |
| Instructional Improvement | | | | 41,733 |
| 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>1,118</u> | <u>43,748</u> | <u>3,487</u> | <u>41,733</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 | 0 | 0 | 0 | 0 |
| 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, 2012

| | Total |
|---|-----------------|
| Revenues | |
| Local Taxes | \$0 |
| Other Local Revenue | 16,208 |
| State Revenue | 42,814 |
| Federal Revenue | 256,142 |
| Total Revenues | 315,164 |
| Expenditures | |
| Instructional Programs | |
| Elementary School | 98,916 |
| Secondary School | 48,069 |
| Exceptional Child | 99,570 |
| Preschool Exceptional | 1,118 |
| Gifted & Talented | 0 |
| Interscholastic | 0 |
| Support Service Programs | |
| Attendance - Guidance - Health | 0 |
| Special Services | 0 |
| Instructional Improvement | 55,501 |
| Educational Media | 0 |
| Instruction-Related Technology | 19,357 |
| 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 | 322,531 |
| Excess (Deficiency) of Revenues | |
| Over Expenditures | (7,367) |
| Other Financing Sources (Uses) | |
| Transfers In | 0 |
| Transfers Out | (38,499) |
| Total Other Financing Sources (Uses) | (38,499) |
| Net Change in Fund Balances | (45,866) |
| Fund Balances - Beginning | 57,838 |
| Fund Balances - Ending | \$11,972 |

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, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective 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 8, 2012

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Schedule of Findings and Responses

Year Ended June 30, 2012

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.