

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233
HAGERMAN, IDAHO**

**REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION,
AND OTHER FINANCIAL INFORMATION**

For The Year Ended June 30, 2006

Certified Public Accountant
Timothy S. Folke, CPA, CMA, P.C.
Certified Management Accountant

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

Page 1 of 2

	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash on Hand & in Bank	\$20,871	\$12,354	\$606	\$50	\$27,376	\$61,257
Investments	729,683		230,790	208,142		1,168,615
Receivables:						
Local Sources	122,073	623	97,258			219,954
State Sources	128,753				11,691	140,444
Federal Sources		4,501			140,190	144,691
Due From Other Funds	14,050					14,050
Inventory		8,035				8,035
Total Assets	<u>\$1,015,430</u>	<u>\$25,513</u>	<u>\$328,654</u>	<u>\$208,192</u>	<u>\$179,257</u>	<u>\$1,757,046</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Cash Overdraft					\$25,606	\$25,606
Accounts Payable	\$29,634	\$1,366			16,127	47,127
Salaries & Benefits	295,373				39,402	334,775
Due To Other Funds		14,050				14,050
Deferred Revenue	112,858		\$19,895		83,785	216,538
Total Liabilities	<u>437,865</u>	<u>15,416</u>	<u>19,895</u>	<u>\$0</u>	<u>164,920</u>	<u>638,096</u>
FUND BALANCES						
Reserved						
Special Programs		10,097			14,337	24,434
Debt Service			308,759			308,759
Capital Projects				208,192		208,192
Unreserved	577,565					577,565
Total Fund Balances	<u>577,565</u>	<u>10,097</u>	<u>308,759</u>	<u>208,192</u>	<u>14,337</u>	<u>1,118,950</u>
Total Liabilities and Fund Balances	<u>\$1,015,430</u>	<u>\$25,513</u>	<u>\$328,654</u>	<u>\$208,192</u>	<u>\$179,257</u>	<u>\$1,757,046</u>

The accompanying notes are an integral part of the basic financial statements.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Page 1 of 2

For the Year Ended June 30, 2006

	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Taxes	\$345,358		\$276,056			\$621,414
Other Local Revenue	73,089	\$37,703	5,062	\$7,352	\$6,413	129,619
State Sources	2,163,345			14,500	76,627	2,254,472
Federal Sources	27	87,189			230,630	317,846
Total Revenues	2,581,819	124,892	281,118	21,852	313,670	3,323,351
EXPENDITURES						
Instructional Programs						
Elementary School	688,136				105,425	793,561
Secondary School	700,020				45,398	745,418
Exceptional Child	71,406				59,448	130,854
Preschool Exceptional Child	35,646				3,944	39,590
Gifted & Talented	558					558
Interscholastic	56,440					56,440
Support Service Programs						
Attendance, Guidance & Health Care	51,904					51,904
Special Services	48,024					48,024
Instruction - Improvement	525				61,161	61,686
Educational Media	65,237					65,237
Instruction-Related Technology	82,212				26,257	108,469
Board of Education	25,820					25,820
District Administration	114,445					114,445
School Administration	164,040					164,040
Business Operations	53,056					53,056
Building Care	190,126					190,126
Maintenance	67,070					67,070
Transportation	120,559					120,559
Non-Instructional Programs						
Child Nutrition	17,856	147,128				164,984
Capital Assets				26,994		26,994
Debt Service			272,919			272,919
Total Expenditures	2,553,080	147,128	272,919	26,994	301,633	3,301,754
Excess Of Revenues Over (Under)						
Expenditures	28,739	(22,236)	8,199	(5,142)	12,037	21,597
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Excess Of Revenues Over (Under)						
Expenditures & Other Financing						
Sources (Uses)	28,739	(22,236)	8,199	(5,142)	12,037	21,597
FUND BALANCES - Beginning of Year	548,826	32,333	300,560	213,334	2,300	1,097,353
FUND BALANCES - End of Year	\$577,565	\$10,097	\$308,759	\$208,192	\$14,337	\$1,118,950

The accompanying notes are an integral part of the basic financial statements.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hagerman Joint School District No. 233 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 District are described below.

A. Reporting Entity

Hagerman Joint School District No. 233 provides public school educational services as authorized by Section 33 of the Idaho Code. The District's boundaries for taxing and school enrollment purposes are located within Gooding and Twin Falls Counties.

Factors used in defining the reporting entity were as follows: Hagerman Joint School District No. 233 was established under the laws of the State of Idaho which designates the Board of Trustees as the governing authority. Members of the Board of Trustees are elected by the public. The Board of Trustees has control over the superintendent and management, and also has the authority to purchase equipment and other capital assets, and to levy taxes. The Board of Trustees has the power to establish annual budgets subject to public input from patrons, is responsible for funding deficits and operating deficiencies, and has the authority to borrow funds or issue bonded indebtedness.

The conclusion of the above criteria is that Hagerman Joint School District No. 233 is an independent school district in the State of Idaho, operating under an autonomous Board of Trustees constituting a Local Educational Agency form of government.

In the evaluation of how to define the District, for the financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made using criteria set forth in the accounting principles generally accepted in the United States of America. All funds and activities of Hagerman Joint School District No. 233 are included in the basic financial statements. Using the above criteria, the District has no component units.

B. Basis of Presentation

Basic Financial Statements - Government-Wide Statements

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Basic Financial Statements - Government-Wide Statements (continued)

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 District's net assets are reported in three parts - invested in capital assets, net of related debt (when related debt exists), restricted for other purposes, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds is eliminated in the government-wide Statement of Activities.

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

This government-wide focus is more on the sustainability of the District as an entity and the change in the District'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 District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements, which may include Governmental Funds, Proprietary Funds, and Fiduciary Funds. For governmental and proprietary funds, the focus on the funds financial statements is on major funds, which represent the District's most important funds as based on a percentage of assets, liabilities, revenues, and expenditures/expenses. Currently, the District has no proprietary funds. Governmental and Fiduciary Funds of the District are as follows:

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Basic Financial Statements - Fund Financial Statements (continued)

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Thus, it is considered a major governmental 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. The Child Nutrition Fund, which serves to account for providing nutritional meals to students (including subsidized meals), is considered a major governmental fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, long-term bonded debt principal, interest, and related costs. It is considered a major governmental fund.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition of major capital assets. It is considered a major governmental fund.

FIDUCIARY FUNDS

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 District acts as a scholarship trustee.

Agency Funds

Agency Funds are used to account for assets held by the School District 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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Basis of Accounting (continued)

Activities in the government-wide and fiduciary funds financial statements are presented on the accrual basis of accounting. 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 recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (thirty days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due and payable. Those revenues susceptible to accrual are property taxes, State and Federal assistance and earnings on investments. Penalties and interest on delinquent property taxes are not susceptible to accrual because generally they are not measurable until received in cash.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a 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. Additionally, for both the government-wide and funds financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures; any excess revenues are thus reported as deferred revenue.

C. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all governmental fund types.

D. Cash and Investments

The District pools cash of all governmental fund types into a common bank account. The accounting records of each fund reflect the equity in pooled cash. Investments include monies invested with the State under the Joint Exercise of Powers Act. The investments earn interest at a variable rate and are available upon demand.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes

In accordance with Idaho law, ad valorem property taxes are levied in September for each calendar year. Levies are made on or before the 2nd Monday of September. One-half of the property taxes are due on or before the 20th of December. The remaining one-half is due on or before June 20th of the following year. A lien is filed on real property three years from the date of delinquency. Gooding and Twin Falls Counties bill and collect property taxes for the District.

F. Inventories

School operating supplies, maintenance supplies, and food and other food service supplies are stated at cost. Inventory items are charged to expenditures at the time when used.

G. Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets (exclusive of land) is provided on the straight-line (SL) method over the following estimated useful lives:

Equipment, Furniture & Fixtures (SL method)	7 years
Buildings (SL method)	40 years

H. Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legally enforceable limitations that are, or may be, imposed on their use through enabling legislation by external parties such as citizens, public interest groups, the judiciary, other governments, creditors or grantors. Accordingly, the restricted net assets reported in the Government-wide Statement of Net Assets are classified as such by enabling legislation. When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balance Reserves

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally or contractually segregated for a specific future use.

J. Teachers Contracts

Contracts for teachers' salaries are payable in twelve monthly installments beginning in September. At June 30, the liability for the remaining two months of the current contracts and associated contracted benefits is accrued.

K. Nonmonetary Transactions

Items received via the federal Food Commodities Program are recognized at their stated fair market value.

2. LEGAL COMPLIANCE - BUDGETS

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made and by itemizing and classifying the proposed expenditures as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.
2. The proposed budget is published.
3. A public hearing is conducted to obtain citizen comments.
4. The budget is formally adopted through approval by the board of trustees.
5. The District may, after school starts and actual enrollment figures are known, amend the budget using the same procedures which were used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

2. LEGAL COMPLIANCE - BUDGETS (continued)

6. Budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.
7. The level of control (level at which expenditures may not exceed budget) is the fund.
8. All annual appropriations lapse at fiscal year end.

3. CASH AND INVESTMENTS

Cash and investments for all funds consist of the following at year end:

Cash - demand deposits (Net of Overdrafts)	\$ 81,565
Investments - State Investment Pool	<u>1,411,843</u>
TOTAL	<u>\$1,493,408</u>

Deposits with financial institutions include bank demand deposits as authorized by Idaho statutes. At year end, the carrying amounts of the District's deposits were \$81,565 and the bank balances were \$84,381. Of the bank balances, \$84,381 was covered by federal depository insurance.

Investments

Idaho statutes authorize school districts to invest in obligations of the United States or its agencies/instrumentalities, repurchase agreements, interest-bearing bonds of certain Idaho local governments, tax anticipation notes, time deposit accounts in state depositories, accounts in financial institutions, and the State of Idaho's Joint Exercise of Powers Act Investment Pool. 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 District's investment policy complies with state statutes.

The Joint Exercise of Powers Act Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. Interest income earned on pooled investments is allocated to the various funds of the District in proportion to each fund's respective investment balances.

Statement 40 of the Government Accounting Standards Board requires government entities to disclose credit quality ratings, concentration of credit risk and interest rate risk on

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

3. CASH AND INVESTMENTS (continued)

Investments

investment balances. Investments in the Joint Exercise of Powers Act 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 District or its agent in the District's name.

Fair Values of Financial Instruments

The District's financial instruments, none of which are held for trading purposes, include cash and investments. The District estimates that the fair value of all financial instruments at year end, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and investments reported in the financial statements approximate fair values because of the short maturities (when applicable) of those instruments.

4. RECEIVABLES

Receivables at year end consist of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>
<u>LOCAL SOURCES:</u>			
Local Taxes	\$122,073		\$97,258
Other Local Sources		\$623	
Total Local	<u><u>\$122,073</u></u>	<u><u>\$623</u></u>	<u><u>\$97,258</u></u>
<u>STATE SOURCES:</u>			
Foundation Program	\$ 41,707		
Transportation	87,046		
Special Programs		\$11,691	
Total State	<u><u>\$128,753</u></u>	<u><u>\$11,691</u></u>	
<u>FEDERAL SOURCES:</u>			
Special Programs		<u><u>\$144,691</u></u>	

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

5. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at year end consisted of \$14,050 due to the General Fund from the Child Nutrition Fund.

Interfund Transfers

There were no interfund transfers for the fiscal year.

6. CAPITAL ASSETS

A summary of Capital Assets is as follows:

	Balance 7/1/05	Increases	Decreases	Balance 6/30/06
Depreciable Assets:				
Buildings	\$4,785,250			\$4,785,250
Equipment, Furniture & Fixtures	1,710,854	\$ 18,195	\$3,381	1,725,668
Subtotal - Cost	6,496,104	18,195	3,381	6,510,918
Accumulated Depreciation				
Buildings	1,829,343	107,554		1,936,897
Equipment, Furniture & Fixtures	1,368,962	187,086	3,381	1,552,667
Subtotal - Accumulated Depreciation	3,198,305	294,640	3,381	3,489,564
Net Depreciable Assets	3,297,799	<276,445>	-0-	3,021,354
Land	287,237	-0-	-0-	287,237
Net Capital Assets	\$3,585,036	\$<276,445>	\$ -0-	\$3,308,591

Depreciation expense was charged to direct expenses in the Statement of Activities in the Capital Assets Program.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

7. BONDED DEBT

The District's bonded debt is as follows:

	Principal Due at Year End
1999 General Obligation Bonds due in annual principal installments through July 31, 2018. Interest at 4.35% to 6.50% is payable semi-annually.	
	<u>\$2,690,000</u>
Total	<u><u>\$2,690,000</u></u>

The future debt service requirements for the bonds of the District are scheduled as follows:

Fiscal Year Ended	Principal	Interest	Total
6/30/07	\$155,000	\$120,332	\$275,332
6/30/08	160,000	113,365	273,365
6/30/09	170,000	106,146	276,146
6/30/10	175,000	98,556	273,556
6/30/11	185,000	90,588	275,588
6/30/12	195,000	82,085	277,085
6/30/13	205,000	73,034	278,034
6/30/14	215,000	63,425	278,425
6/30/15	225,000	53,249	278,249
6/30/16	235,000	42,495	277,495
6/30/17	245,000	31,154	276,154
6/30/18	255,000	19,215	274,215
6/30/19	270,000	6,547	276,547
	<u><u>\$2,690,000</u></u>	<u><u>\$900,191</u></u>	<u><u>\$3,590,191</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

8. CHANGES IN LONG-TERM DEBT

Changes in the District's long term debt for the year are summarized below:

<u>Description</u>	<u>Balance 7/1/05</u>	<u>Reductions</u>	<u>Balance 6/30/06</u>	<u>Principal Amount due in 2006/07</u>
General Obligation Bonds-1999	\$2,835,000	\$145,000	\$2,690,000	\$155,000
Total	\$2,835,000	\$145,000	\$2,690,000	\$155,000

Interest expense amounted to \$125,169 and was charged to expense in the Statement of Activities.

9. PENSION PLAN

Public Employee Retirement System of Idaho - The Public Employee Retirement System of Idaho (PERSI), 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. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the PERSI fiscal year ended June 30, 2006, the required contribution rates, as determined by PERSI, were as follows:

	<u>Employee</u>	<u>Employer</u>
General Member	6.23%	10.39%

The District's contributions required and paid were \$190,104, \$185,377, and \$174,226 for the three years ended June 30, 2006, 2005, and 2004 respectively.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

10. COMPENSATED ABSENCES

The District provides personal and sick leave to its employees, as well as paid vacations depending on job classifications, lengths of service, and other factors. The estimated amount of compensation for future amounts is believed to be immaterial and, accordingly, no liability is recorded.

11. DEFERRED REVENUES - FUND FINANCIAL STATEMENTS

Revenues are recognized when they become available to the District. Taxes and other receivables not received soon enough after year end to pay current liabilities do not represent available expendable resources and recognition of revenue is deferred until collection. Deferred revenues at year end consist of the following:

Property taxes	\$ 45,707
Grant advances	83,785
Transportation reimbursement	<u>87,046</u>
TOTAL	<u>\$216,538</u>

12. EXCESS OF EXPENDITURES OVER APPROPRIATION

The following individual funds had an excess of expenditures over appropriations:

<u>Fund Description</u>	<u>Excess Expenditures</u>
General Fund	\$35,901
Child Nutrition Fund	29,078
Drivers' Education	4,194
Title I-A Fund	37
Title I-C Fund	411
Title V-A Fund	618

Excess expenditures were substantially offset by excess revenues.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

13. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amount, if any, to be immaterial.

AUDIT FINDINGS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the basic financial statements of the District.
2. One reportable condition disclosed during the audit of the basic financial statements is reported in the Independent Auditor's 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 condition is reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

1. Segregation of Duties

CONDITION:

As noted in prior years' audit reports, the District continues to experience a lack of segregation of duties over cash and investments and the reporting of transactions in these accounts.

CRITERIA:

Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets.

EFFECT:

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

CAUSE:

The above noted situation is the result of staffing limitations necessitated by budget constraints common to a school district this size.

RECOMMENDATION:

It is simply requested that the District take note that this situation still exists. However, substantial changes cannot be expected until the above noted situation is adequately mitigated.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

1. PRIOR AUDIT FINDING:

As noted in the prior year's audit report, the District had a lack of segregation of duties over cash and investments and the reporting of transactions in these accounts.

CURRENT STATUS:

Improvement has been made insofar as is practical; refer to the Schedule of Audit Findings.

NOTEWORTHY ACCOMPLISHMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTEWORTHY ACCOMPLISHMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

During the course of the audit, the following noteworthy management accomplishments were identified:

COMPLIANCE TESTING

In testing compliance attributes and requirements pertaining to various programs, no instances of noncompliance were noted. The District is to be commended for such performance.

ACCOUNTING RECORDS

The accounting requirements of the District require that numerous programs be accounted for as separate entities having various contract fiscal years, yet also being accounted for within the District's fiscal year. However, no significant audit adjustments were required of these records as provided by the District to the auditor. In the auditor's twenty-three years of auditing experience this is felt to be quite remarkable, and the District is to be commended for the accuracy of its accounting records.