

**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, 2007*

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*Certified Management Accountant*

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 June 30, 2007

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash on Hand & in Bank	\$46,874	\$17,598	\$7,550	\$4,075	\$37,825	\$113,922
Investments	859,616		217,558	179,407		1,256,581
Receivables:						
Local Sources	6,229	2,512	95,537			104,278
State Sources	123,325				17,123	140,448
Federal Sources		768			190,606	191,374
Due From Other Funds	9,421					9,421
Inventory		6,102				6,102
<b>Total Assets</b>	<u><u>\$1,045,465</u></u>	<u><u>\$26,980</u></u>	<u><u>\$320,645</u></u>	<u><u>\$183,482</u></u>	<u><u>\$245,554</u></u>	<u><u>\$1,822,126</u></u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Cash Overdraft					\$31,149	\$31,149
Accounts Payable	\$59,312	\$337			15,880	75,529
Salaries & Benefits	312,614				35,175	347,789
Due To Other Funds		9,421				9,421
Deferred Revenue	89,811		\$14,310		140,027	244,148
<b>Total Liabilities</b>	<u><u>461,737</u></u>	<u><u>9,758</u></u>	<u><u>14,310</u></u>	<u><u>\$0</u></u>	<u><u>222,231</u></u>	<u><u>708,036</u></u>
<b>FUND BALANCES</b>						
Reserved						
Special Programs	8,696	17,222			23,323	49,241
Debt Service			306,335			306,335
Capital Projects				183,482		183,482
Unreserved	575,032					575,032
<b>Total Fund Balances</b>	<u><u>583,728</u></u>	<u><u>17,222</u></u>	<u><u>306,335</u></u>	<u><u>183,482</u></u>	<u><u>23,323</u></u>	<u><u>1,114,090</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$1,045,465</u></u>	<u><u>\$26,980</u></u>	<u><u>\$320,645</u></u>	<u><u>\$183,482</u></u>	<u><u>\$245,554</u></u>	<u><u>\$1,822,126</u></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

For the Year Ended June 30, 2007

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local Taxes	\$44,001		\$266,546			\$310,547
Other Local Revenue	133,991	\$45,869	7,163	\$11,936	\$2,892	201,851
State Sources	2,578,277				114,360	2,692,637
Federal Sources	6	93,312			158,914	252,232
<b>Total Revenues</b>	<u>2,756,275</u>	<u>139,181</u>	<u>273,709</u>	<u>11,936</u>	<u>276,166</u>	<u>3,457,267</u>
<b>EXPENDITURES</b>						
Instructional Programs						
Elementary School	845,395				53,577	898,972
Secondary School	747,440				51,080	798,520
Exceptional Child	70,191				67,240	137,431
Preschool Exceptional Child	38,324				4,014	42,338
Interscholastic	46,397					46,397
Summer School					6,055	6,055
Support Service Programs						
Attendance, Guidance & Health Care	55,720					55,720
Special Services	50,573					50,573
Instruction - Improvement					17,809	17,809
Educational Media	64,844					64,844
Instruction-Related Technology	78,225				41,494	119,719
Board of Education	16,357					16,357
District Administration	112,472					112,472
School Administration	168,799					168,799
Business Operations	57,645					57,645
Building Care	176,601					176,601
Maintenance	117,651					117,651
Transportation	118,065					118,065
Non-Instructional Programs						
Child Nutrition	11,324	132,056				143,380
Capital Assets				36,646		36,646
Debt Service			276,133			276,133
<b>Total Expenditures</b>	<u>2,776,023</u>	<u>132,056</u>	<u>276,133</u>	<u>36,646</u>	<u>241,269</u>	<u>3,462,127</u>
Excess Of Revenues Over (Under)						
Expenditures	(19,748)	7,125	(2,424)	(24,710)	34,897	(4,860)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	25,911	0	0	0	0	25,911
Operating Transfers Out	0	0	0	0	(25,911)	(25,911)
Excess Of Revenues Over (Under)						
Expenditures & Other Financing Sources (Uses)	6,163	7,125	(2,424)	(24,710)	8,986	(4,860)
<b>FUND BALANCES - Beginning of Year</b>	<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>
<b>FUND BALANCES - End of Year</b>	<u>\$583,728</u>	<u>\$17,222</u>	<u>\$306,335</u>	<u>\$183,482</u>	<u>\$23,323</u>	<u>\$1,114,090</u>

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, 2007

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#### 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, 2007**

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**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, 2007**

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**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.

**Plant Facilities Fund**

The Plant Facilities Fund is used to account for the acquisition and betterment 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, 2007**

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**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, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Property Taxes**

In accordance with Idaho law, 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, 2007**

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**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, 2007**

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**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)	\$122,514
Investments - State Investment Pool	<u>1,499,946</u>
<b>TOTAL</b>	<b><u>\$1,622,460</u></b>

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 \$122,514 and the bank balances were \$146,006. Of the bank balances, \$103,639 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, 2007**

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**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>
<b><u>LOCAL SOURCES:</u></b>			
Local Taxes	\$5,807		\$95,537
Other Local Sources	422	\$2,512	
<b>Total Local</b>	<b>\$6,229</b>	<b>\$2,512</b>	<b>\$95,537</b>
<b><u>STATE SOURCES:</u></b>			
Foundation Program	\$38,719		
Transportation	84,606		
Special Programs		\$17,123	
<b>Total State</b>	<b>\$123,325</b>	<b>\$17,123</b>	
<b><u>FEDERAL SOURCES:</u></b>			
Special Programs		\$191,374	

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**5. INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

Individual fund interfund receivable and payable balances at year end consisted of \$9,421 due to the General Fund from the Child Nutrition Fund.

**Interfund Transfers**

Interfund transfers for the fiscal year consisted of \$25,911 transferred to the General Fund from the School Facilities Maintenance Fund (nonmajor fund) for qualified maintenance costs.

**6. CAPITAL ASSETS**

A summary of Capital Assets is as follows:

	<u>Balance 7/1/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/07</u>
Depreciable Assets:				
Buildings	\$4,785,250	\$ 24,200		\$4,809,450
Equipment, Furniture & Fixtures	1,725,668	14,541	\$14,597	1,725,612
Subtotal - Cost	<u>6,510,918</u>	<u>38,741</u>	<u>14,597</u>	<u>6,535,062</u>
Accumulated Depreciation				
Buildings	1,936,897	108,159		2,045,056
Equipment, Furniture & Fixtures	1,552,667	75,390	14,597	1,613,460
Subtotal - Accumulated Depreciation	<u>3,489,564</u>	<u>183,549</u>	<u>14,597</u>	<u>3,658,516</u>
Net Depreciable Assets	<u>3,021,354</u>	<u>(144,808)</u>	<u>-0-</u>	<u>2,876,546</u>
Land	287,237	-0-	-0-	287,237
<b>Net Capital Assets</b>	<b><u>\$3,308,591</u></b>	<b><u>\$(144,808)</u></b>	<b><u>\$-0-</u></b>	<b><u>\$3,163,783</u></b>

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, 2007**

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**7. BONDED DEBT**

The District's bonded debt is as follows:

	<b>Principal Due at Year End</b>
1999 General Obligation Bonds due in annual principal installments through July 31, 2018. Interest at 4.35% to 6.50% is payable semi-annually.	<hr/>
	\$2,535,000
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<b>Total</b>	<b>\$2,535,000</b>
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The future debt service requirements for the bonds of the District are scheduled as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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	<b>\$2,535,000</b>	<b>\$779,859</b>	<b>\$3,314,859</b>
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**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**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 7/1/06</u>	<u>Reductions</u>	<u>Balance 6/30/07</u>	<u>Principal Amount due in 2007/08</u>
General Obligation Bonds-1999	\$2,690,000	\$155,000	\$2,535,000	\$160,000
<b>Total</b>	<b><u>\$2,690,000</u></b>	<b><u>\$155,000</u></b>	<b><u>\$2,535,000</u></b>	<b><u>\$160,000</u></b>

Interest expense amounted to \$118,227 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, 2007, 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 \$196,099, \$190,104, and \$185,377 for the three years ended June 30, 2007, 2006, and 2005 respectively.

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**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	\$19,515
Grant advances	140,027
Transportation reimbursement	<u>84,606</u>
<b>TOTAL</b>	<b><u>\$244,148</u></b>

**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	\$21,291
Child Nutrition	10,656
Drivers' Education	50
Carl Perkins	300
Title I-C	3,672
Title V-A	595
Professional Technical Education	450
State Technology Grant	1,495
Title III LEP	6,009
Plant Facilities	11,646

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, 2007**

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**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 FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2007**

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report expresses an unqualified opinion on the basic financial statements of the District.
2. One significant deficiencies 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 significant deficiency 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**

**MATERIAL WEAKNESS**

**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 AND RESPONSE:**

It is simply requested that the District take note that this situation still exists. Management has taken steps to improve in this area insofar as possible with a district this size; 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, 2007**

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**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 Findings and Responses.

**NOTEWORTHY ACCOMPLISHMENTS**

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

**NOTEWORTHY ACCOMPLISHMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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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-four 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.