

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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HAGERMAN JOINT SCHOOL DISTRICT NO. 233

DISTRICT OFFICIALS
At June 30, 2009

Address: Administrative Office
324 North 2nd Avenue
Hagerman, ID 83332

Board of Trustees:

Mark Daily	Chair
Karl Emerson	Vice-Chair
Harry DeWolfe	Treasurer
Chuck Steele	Member
Becci Tupper	Member

Administrators:

Ron Echols	Superintendent
Bette Reed	District Clerk

FINANCIAL SECTION

Timothy S. Folke

FOLKE CPAs, P.C.

Kurt R. Folke

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hagerman Joint School District No. 233
Hagerman, Idaho

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 District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 District as of June 30, 2009 and the respective change 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 12, 2009 on our consideration of the District'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.

The budgetary information listed as required supplemental information in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Hagerman Joint School District No. 233
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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The District has not presented the management's discussion and analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Folke CPAs, P.C.

Payette, Idaho
August 12, 2009

BASIC FINANCIAL STATEMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 STATEMENT OF NET ASSETS
 June 30, 2009

ASSETS	<u>Governmental Activities</u>
Current Assets	
Cash on Hand & in Bank	\$401,908
Investments	844,958
Receivables:	
Local Sources	104,122
State Sources	144,064
Federal Sources	144,840
Inventory	9,201
Total Current Assets	<u>1,649,093</u>
Noncurrent Assets	
Net Capital Assets	<u>3,018,049</u>
Total Assets	<u><u>\$4,667,142</u></u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$88,084
Salaries & Benefits	360,288
Deferred Revenue	51,135
Accrued Interest on Long-Term Debt	28,132
Current Portion of Long-Term Debt	180,000
Total Current Liabilities	<u>707,639</u>
Noncurrent Liabilities	
Long-Term Debt - net of current portion	<u>2,005,000</u>
Total Liabilities	<u>2,712,639</u>
NET ASSETS	
Invested in Capital Assets - net of related debt	804,917
Restricted For:	
Special Programs	68,613
Debt Service	343,727
Capital Projects	95,148
Unrestricted	642,098
Total Net Assets	<u>1,954,503</u>
Total Liabilities and Net Assets	<u><u>\$4,667,142</u></u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

FUNCTIONS/PROGRAMS - GOVERNMENTAL ACTIVITIES	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional Programs					
Elementary School	\$829,751		\$69,333		(\$760,418)
Secondary School	809,033	\$2,000	45,050		(761,983)
Exceptional Child	229,558		72,476		(157,082)
Preschool Exceptional Child	6,127		6,127		0
Interscholastic	52,129				(52,129)
Summer School	0				0
Support Service Programs					
Attendance, Guidance & Health Care	59,952				(59,952)
Special Services	47,810				(47,810)
Instruction - Improvement	39,892		39,892		0
Educational Media	66,820				(66,820)
Instruction-Related Technology	86,124		25,191		(60,933)
Board of Education	15,742				(15,742)
District Administration	123,677				(123,677)
School Administration	178,827				(178,827)
Business Operations	61,217				(61,217)
Building Care	196,027				(196,027)
Maintenance	98,538				(98,538)
Transportation	115,454				(115,454)
Non-Instructional Programs					
Child Nutrition	185,590	38,416	127,233		(19,941)
Capital Assets	181,624			\$44	(181,580)
Debt Service - Interest	89,291				(89,291)
Total Governmental Activities	\$3,473,183	\$40,416	\$385,302	\$44	(3,047,421)

GENERAL REVENUES

Local Taxes	274,514
Other Local Revenue	148,753
State and Federal Sources	2,748,653
Total General Revenues	3,171,920
Change in Net Assets	124,499
Net Assets - Beginning of Year	1,830,004
Net Assets - End of Year	\$1,954,503

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2009

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash on Hand & in Bank	\$328,051	\$29,295	\$8,181	\$1,285	\$95,986	\$462,798
Investments	488,827		239,249	116,728	154	844,958
Receivables:						
Local Sources	6,595	1,005	96,297	50	175	104,122
State Sources	134,059				10,005	144,064
Federal Sources		2,139			142,701	144,840
Due From Other Funds	10,413					10,413
Inventory		9,201				9,201
Total Assets	\$967,945	\$41,640	\$343,727	\$118,063	\$249,021	\$1,720,396
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Cash Overdraft					\$60,890	\$60,890
Accounts Payable	\$21,070	\$5,851		\$22,915	38,248	88,084
Salaries & Benefits	313,978	9,478			36,832	360,288
Due To Other Funds		10,413				10,413
Deferred Revenue	76,999		\$16,667		51,135	144,801
Total Liabilities	412,047	25,742	16,667	22,915	187,105	664,476
FUND BALANCES						
Restricted						
Special Programs		6,697			61,916	68,613
Debt Service			327,060			327,060
Capital Projects				95,148		95,148
Unrestricted						
Nonspendable		9,201				9,201
Unassigned	555,898					555,898
Total Fund Balances	555,898	15,898	327,060	95,148	61,916	1,055,920
Total Liabilities and Fund Balances	\$967,945	\$41,640	\$343,727	\$118,063	\$249,021	\$1,720,396

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

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

Total Governmental Fund Balances	\$1,055,920
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 are therefore not reported in the funds.	3,018,049
Property taxes receivable that are not available to pay for current period expenditures are deferred in the funds.	16,847
The transportation apportionment receivable is not available to pay for current period expenditures and is therefore deferred in the funds.	76,819
Long-term liabilities and accrued interest thereon are not due and payable in the current period and therefore are not reported in the funds.	(2,213,132)
Net Assets of Governmental Activities	<u>\$1,954,503</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, 2009

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Taxes	\$4,507		\$267,475			\$271,982
Other Local Revenue	118,345	\$38,416	24,853	\$3,514	\$4,041	189,169
State Sources	2,664,876				168,809	2,833,685
Federal Sources	44	127,233			174,063	301,340
Total Revenues	<u>2,787,772</u>	<u>165,649</u>	<u>292,328</u>	<u>3,514</u>	<u>346,913</u>	<u>3,596,176</u>
EXPENDITURES						
Instructional Programs						
Elementary School	760,418				69,333	829,751
Secondary School	763,983				45,050	809,033
Exceptional Child	157,082				72,476	229,558
Preschool Exceptional Child					6,127	6,127
Interscholastic	52,129					52,129
Summer School						0
Support Service Programs						
Attendance, Guidance & Health Care	59,952					59,952
Special Services	47,810					47,810
Instruction - Improvement					39,892	39,892
Educational Media	66,820					66,820
Instruction-Related Technology	60,933				25,191	86,124
Board of Education	15,742					15,742
District Administration	123,677					123,677
School Administration	178,827					178,827
Business Operations	61,217					61,217
Building Care	196,027					196,027
Maintenance	98,538					98,538
Transportation	115,454					115,454
Non-Instructional Programs						
Child Nutrition	17,121	168,469				185,590
Capital Assets				132,509		132,509
Debt Service			296,945			296,945
Total Expenditures	<u>2,775,730</u>	<u>168,469</u>	<u>296,945</u>	<u>132,509</u>	<u>258,069</u>	<u>3,631,722</u>
Excess Of Revenues Over (Under)						
Expenditures	12,042	(2,820)	(4,617)	(128,995)	88,844	(35,546)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	63,000	0	0	0	0	63,000
Proceeds of Refunding Bonds			2,246,019			2,246,019
Payment to Refunding Bond Escrow Agent			(2,246,019)	106,944		(2,139,075)
Operating Transfers Out	(106,944)				(63,000)	(169,944)
Excess Of Revenues Over (Under)						
Expenditures & Other Financing Sources (Uses)	(31,902)	(2,820)	(4,617)	(22,051)	25,844	(35,546)
FUND BALANCES - Beginning of Year	<u>587,800</u>	<u>18,718</u>	<u>331,677</u>	<u>117,199</u>	<u>36,072</u>	<u>1,091,466</u>
FUND BALANCES - End of Year	<u>\$555,898</u>	<u>\$15,898</u>	<u>\$327,060</u>	<u>\$95,148</u>	<u>\$61,916</u>	<u>\$1,055,920</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, 2009

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

Net Change in Fund Balances - Total Governmental Funds **(\$35,546)**

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

Governmental funds report capital outlays as expenditures. However, (49,115)
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is excess of
capital outlays over (under) depreciation expense in the current period.

Property tax revenues are deferred and not recognized in the funds 2,532
until they are available to pay for current period expenditures. In the
statement of activities, however, they are recognized when levied.
This is the difference between the amount deferred at the beginning
and end of the current period.

The transportation apportionment is deferred and not recognized in the (1,026)
funds until it is available to pay for current period expenditures. In the
statement of activities, however, it is recognized when earned. This
is the difference between the amount deferred at the beginning and
end of the current period.

Repayment of bond principal is an expenditure in the governmental funds, 190,000
but the repayment reduces long-term debt in the statement of net assets.

In the statement of activities, interest is accrued on outstanding bonds, 17,654
but the expenditure is reported when due in the governmental funds.

Change in Net Assets of Governmental Activities \$124,499

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2009

	Private Purpose Trust - Scholarship	Agency Fund - Student Activity	TOTAL
ASSETS			
Cash in Bank	\$5,697	\$48,486	\$54,183
Investments	186,371	33,013	219,384
Interest Receivable	80		80
Total Assets	\$192,148	\$81,499	\$273,647
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$17,600		\$17,600
Due to Student Groups		\$81,499	81,499
Total Liabilities	\$17,600	81,499	99,099
Net Assets			
Restricted for Scholarships	174,548		174,548
Total Net Assets	174,548	0	174,548
Total Liabilities and Net Assets	\$192,148	\$81,499	\$273,647

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 For the Year Ended June 30, 2009

	Private Purpose Trust - Scholarship
ADDITIONS	
Contributions	\$850
Investment Income	3,185
Total Additions	4,035
DEDUCTIONS	
Scholarships Awarded	16,350
Disqualified Scholarships Returned	(2,050)
Total Deductions	14,300
Net Increase (Decrease)	(10,265)
Net Assets - Beginning of Year	184,813
Net Assets - End of Year	\$174,548

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, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hagerman Joint School District No. 233 (the District) 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

The District 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: The District 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 the District 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 the District 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, 2009**

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, 2009**

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 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 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 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, 2009**

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, 2009**

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, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balance Classifications

Restrictions of the ending fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the ending 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 constraints imposed by formal action of the governing body of the reporting entity.

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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2. **LEGAL COMPLIANCE - BUDGETS (continued)**

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.
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)	\$456,091
Investments - State Investment Pool	<u>1,064,342</u>
TOTAL	<u>\$1,520,433</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 \$456,091 and the bank balances were \$458,622. Of the bank balances, \$458,622 was covered by federal depository insurance.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

3. CASH AND INVESTMENTS (continued)

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 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.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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>Capital Projects Fund</u>
<u>LOCAL SOURCES:</u>				
Local Taxes	\$1,174		\$96,194	
Other Local Sources	5,421	\$1,180	103	\$50
Total Local	<u>\$6,595</u>	<u>\$1,180</u>	<u>\$96,297</u>	<u>\$50</u>
<u>STATE SOURCES:</u>				
Foundation Program	\$57,240			
Transportation	76,819			
Special Programs		\$10,005		
Total State	<u>\$134,059</u>	<u>\$10,005</u>		
<u>FEDERAL SOURCES:</u>				
Special Programs		<u>\$144,840</u>		

5. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at year end consisted of \$10,413 due to the General Fund from the Child Nutrition Fund.

Interfund Transfers

Interfund transfers for the fiscal year consisted of \$63,000 transferred to the General Fund from the School Facilities Maintenance Fund (nonmajor fund) for qualified maintenance costs, and \$106,944 transferred to the Plant Facilities Fund from the General Fund for capital outlay needs.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

6. CAPITAL ASSETS

A summary of capital assets is as follows:

	<u>Balance 7/1/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/09</u>
Depreciable Assets:				
Buildings	\$4,817,480			\$4,817,480
Equipment, Furniture & Fixtures	1,777,971			1,777,971
Subtotal - Cost	<u>6,595,451</u>	<u>\$0</u>	<u>\$0</u>	<u>6,595,451</u>
Accumulated Depreciation:				
Buildings	2,153,415	108,359		2,261,774
Equipment, Furniture & Fixtures	1,662,109	38,700		1,700,809
Subtotal - Accumulated Depreciation	<u>3,815,524</u>	<u>147,059</u>	<u>0</u>	<u>3,962,583</u>
Net Depreciable Assets	<u>2,779,927</u>	<u>(147,059)</u>	<u>0</u>	<u>2,632,868</u>
Land	<u>287,237</u>	<u>97,944</u>	<u>0</u>	<u>385,181</u>
Net Capital Assets	<u>\$3,067,164</u>	<u>(\$49,115)</u>	<u>\$0</u>	<u>\$3,018,049</u>

Depreciation expense was charged to direct expenses in the statement of activities in the capital assets program.

7. ADVANCE REFUNDING OF BONDS

On January 29, 2009 the District advance refunded a 1998 general obligation bond issues with a 2009 general obligation refunding bond issue. The principle amount of the bonds refunded was \$2,205,000.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

7. ADVANCE REFUNDING OF BONDS (cont.)

Bond sale proceeds were used as follows:

Face amount of issue	\$2,185,000
Original issue premium	61,019
Underwriter's discount	(14,203)
Payment to escrow agent - Series 1998 bonds	(2,205,000)
Bond insurance premium	(10,000)
Issuance costs	(16,816)
	<hr/>
	\$0

The amount paid to the escrow agent was used to purchase U.S. Treasury Securities, together with cash and a U.S. Treasury Bill, which were placed in an irrevocable trust to pay the regularly scheduled debt service requirements of the refunded bonds (i.e. - 1998 issue). As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net assets. This advance refunding resulted in a \$223,714 reduction in total debt service payments, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$199,125.

8. REFUNDED BONDS

The refunding transaction noted above was done to facilitate the retirement of the District's general obligation bonds already outstanding. The proceeds of the refunding issues were placed in an irrevocable escrow account and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the issues being refunded. The refunded bonds are not included in the District's outstanding long-term debt since the District legally satisfied its obligation with respect thereto through consummation of the refunding transaction.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

9. BONDED DEBT

The District's bonded debt is as follows:

	<u>Principal Due at Year End</u>
2009 General Obligation Refunding Bonds due in annual principal installments through July 31, 2018. Interest at 3.00% to 3.25% is payable semi-annually.	<u>\$2,185,000</u>
Total	<u><u>\$2,185,000</u></u>

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>
6/30/10	\$180,000	\$64,445	\$244,445
6/30/11	195,000	58,450	253,450
6/30/12	205,000	52,450	257,450
6/30/13	210,000	46,225	256,225
6/30/14	215,000	39,850	254,850
6/30/15	225,000	33,250	258,250
6/30/16	230,000	26,425	256,425
6/30/17	235,000	19,450	254,450
6/30/18	240,000	12,026	252,026
6/30/19	250,000	4,063	254,063
	<u><u>\$2,185,000</u></u>	<u><u>\$356,634</u></u>	<u><u>\$2,541,634</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

10. CHANGES IN LONG-TERM DEBT

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

<u>Description</u>	<u>Balance 7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/09</u>	<u>Principal Amount due in 2009/10</u>
G.O. Bonds - 1998	\$2,375,000		\$2,375,000	\$0	\$0
G.O. Refunding Bonds - 2009		\$2,185,000		2,185,000	180,000
Total	<u>\$2,375,000</u>	<u>\$2,185,000</u>	<u>\$2,375,000</u>	<u>\$2,185,000</u>	<u>\$180,000</u>

Interest expense amounted to \$89,291 and was charged to expense in the statement of activities.

11. PENSION 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 stand alone 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 THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

11. PENSION PLAN (continued)

The contribution requirements of employer and employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2009, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% 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 while employed and pays insurance premiums for state and school employees 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 to PERSI during active employment.

The District's contributions required and paid were \$225,501, \$202,780, and \$196,099 for the three years ended June 30, 2009, 2008, and 2007 respectively.

12. 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.

13. 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	\$16,847
Grant advances	51,135
Transportation reimbursement	<u>76,819</u>
TOTAL	<u>\$144,801</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

14. 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.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL (BUDGETARY BASIS) - GENERAL AND MAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2009

GENERAL FUND	Budgeted Amounts		Actual Amounts	Final Budget
	Original	Final		Variance - Positive (Negative)
REVENUES				
Local Taxes	\$6,753	\$6,753	\$4,507	(\$2,246)
Other Local Revenue	70,000	70,000	118,345	48,345
State Sources	2,700,193	2,700,193	2,664,876	(35,317)
Federal Sources	10	10	44	34
Total Revenues	2,776,956	2,776,956	2,787,772	10,816
EXPENDITURES				
Instructional Programs				
Elementary School	782,732	782,732	760,418	22,314
Secondary School	772,240	772,240	763,983	8,257
Exceptional Child	169,591	169,591	157,082	12,509
Gifted & Talented	500	500	0	500
Interscholastic	59,462	59,462	52,129	7,333
Support Service Programs				
Attendance, Guidance & Health Care	60,611	60,611	59,952	659
Special Services	45,000	45,000	47,810	(2,810)
Instruction-Improvement	12,536	12,536	0	12,536
Educational Media	66,654	66,654	66,820	(166)
Instruction-Related Technology	56,034	56,034	60,933	(4,899)
Board of Education	14,375	14,375	15,742	(1,367)
District Administration	124,408	124,408	123,677	731
School Administration	170,837	170,837	178,827	(7,990)
Business Operations	61,900	61,900	61,217	683
Building Care	219,678	219,678	196,027	23,651
Maintenance	74,400	74,400	98,538	(24,138)
Transportation	114,000	114,000	115,454	(1,454)
Non-Instructional Programs				
Child Nutrition	9,972	9,972	17,121	(7,149)
Total Expenditures	2,814,930	2,814,930	2,775,730	39,200 *
Excess Of Revenues Over (Under)				
Expenditures	(37,974)	(37,974)	12,042	50,016
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	27,387	27,387	63,000	35,613
Operating Transfers Out	0	0	(106,944)	(106,944)
Excess Of Revenues Over (Under)				
Expenditures & Other Financing Sources (Uses)	(10,587)	(10,587)	(31,902)	(21,315)
FUND BALANCE - Beginning of Year	575,032	575,032	587,800	12,768
FUND BALANCE - End of Year	\$564,445	\$564,445	\$555,898	(\$8,547)

* Total expenditures (over) under appropriations.

The budgetary basis of accounting is the modified accrual basis.

See the independent auditor's report.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL (BUDGETARY BASIS) - GENERAL AND MAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2009

CHILD NUTRITION FUND	Budgeted Amounts		Actual Amounts	Final Budget Variance - Positive (Negative)
	Original	Final		
REVENUES				
Other Local Revenue	\$46,000	\$46,000	\$38,416	(\$7,584)
Federal Sources	81,000	81,000	127,233	46,233
Total Revenues	127,000	127,000	165,649	38,649
EXPENDITURES				
Non-Instructional Programs				
Child Nutrition	127,000	127,000	168,469	(41,469)
Total Expenditures	127,000	127,000	168,469	(41,469) *
Excess Of Revenues Over (Under)				
Expenditures	0	0	(2,820)	(2,820)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Excess Of Revenues Over (Under)				
Expenditures & Other Financing Sources (Uses)	0	0	(2,820)	(2,820)
FUND BALANCE - Beginning of Year	5,000	5,000	18,718	13,718
FUND BALANCE - End of Year	\$5,000	\$5,000	\$15,898	\$10,898

* Total expenditures (over) under appropriations.

The budgetary basis of accounting is the modified accrual basis.

See the independent auditor's report.

ADDITIONAL INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233 Page 1 of 4
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Special Revenue Funds			
	School Facilities Maintenance	Drivers Education	Professional Technical Education	State Technology Grant
ASSETS				
Cash in Bank	\$17,000		\$2,132	\$13,701
Investments	154			
Receivables:				
Local Sources	35	\$140		
State Sources		1,500	8,505	
Federal Sources				
Total Assets	<u>\$17,189</u>	<u>\$1,640</u>	<u>\$10,637</u>	<u>\$13,701</u>
LIABILITIES & FUND BALANCES				
LIABILITIES				
Cash Overdraft		\$1,640		
Accounts Payable			\$8,690	\$287
Salaries and Benefits Payable			1,947	3,754
Due To Other Funds				
Deferred Revenue				
Total Liabilities	<u>\$0</u>	<u>1,640</u>	<u>10,637</u>	<u>4,041</u>
FUND BALANCES				
Restricted For Special Programs	<u>17,189</u>	<u>0</u>	<u>0</u>	<u>9,660</u>
Total Fund Balances	<u>17,189</u>	<u>0</u>	<u>0</u>	<u>9,660</u>
Total Liabilities and Fund Balances	<u>\$17,189</u>	<u>\$1,640</u>	<u>\$10,637</u>	<u>\$13,701</u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233 Page 2 of 4
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Special Revenue Funds			
	Substance Abuse Education	State LEP Enhancement	Title I-A Basic Programs	Title I-C Migrant
ASSETS				
Cash in Bank	\$1,220	\$45,773		
Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$24,895	\$9,577
Total Assets	<u>\$1,220</u>	<u>\$45,773</u>	<u>\$24,895</u>	<u>\$9,577</u>
LIABILITIES & FUND BALANCES				
LIABILITIES				
Cash Overdraft			\$13,646	\$5,507
Accounts Payable				3,305
Salaries and Benefits Payable	\$783	\$11,143	5,402	
Due To Other Funds				
Deferred Revenue			5,847	765
Total Liabilities	<u>783</u>	<u>11,143</u>	<u>24,895</u>	<u>9,577</u>
FUND BALANCES				
Restricted For Special				
Programs	437	34,630	0	0
Total Fund Balances	<u>437</u>	<u>34,630</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$1,220</u>	<u>\$45,773</u>	<u>\$24,895</u>	<u>\$9,577</u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233 Page 3 of 4
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Special Revenue Funds			Carl Perkins
	Title VI-B IDEA	Title VI-B IDEA Preschool	Title VI-B Rural Ed. Initiative	
ASSETS				
Cash in Bank			\$15,209	
Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$66,553	\$4,038	7,342	
Total Assets	<u>\$66,553</u>	<u>\$4,038</u>	<u>\$22,551</u>	<u>\$0</u>
LIABILITIES & FUND BALANCES				
LIABILITIES				
Cash Overdraft	\$36,684	\$3,310		
Accounts Payable	39		\$22,551	
Salaries and Benefits Payable	12,131	644		
Due To Other Funds				
Deferred Revenue	17,699	84		
Total Liabilities	<u>66,553</u>	<u>4,038</u>	<u>22,551</u>	<u>\$0</u>
FUND BALANCES				
Restricted For Special				
Programs	0	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$66,553</u>	<u>\$4,038</u>	<u>\$22,551</u>	<u>\$0</u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233 Page 4 of 4
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Special Revenue Funds		Totals
	Title II-A Imp. Teacher Quality	Drug Free Schools	
ASSETS			
Cash in Bank	\$951		\$95,986
Investments			154
Receivables:			
Local Sources			175
State Sources			10,005
Federal Sources	29,017	1,279	142,701
Total Assets	<u>\$29,968</u>	<u>\$1,279</u>	<u>\$249,021</u>
LIABILITIES & FUND BALANCES			
LIABILITIES			
Cash Overdraft		\$103	\$60,890
Accounts Payable	\$2,561	815	38,248
Salaries and Benefits Payable	1,028		36,832
Due To Other Funds			0
Deferred Revenue	26,379	361	51,135
Total Liabilities	<u>29,968</u>	<u>1,279</u>	<u>187,105</u>
FUND BALANCES			
Restricted For Special			
Programs	0	0	61,916
Total Fund Balances	<u>0</u>	<u>0</u>	<u>61,916</u>
Total Liabilities and Fund Balances	<u>\$29,968</u>	<u>\$1,279</u>	<u>\$249,021</u>

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

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

Page 1 of 4

For the Year Ended June 30, 2009

	Special Revenue Funds			
	School Facilities Maintenance	Drivers Education	Professional Technical Education	State Technology Grant
REVENUES				
Other Local Revenue	\$1,176	\$2,000		\$236
State Sources	47,819	2,500	\$28,335	29,737
Federal Sources				
Total Revenues	<u>48,995</u>	<u>4,500</u>	<u>28,335</u>	<u>29,973</u>
EXPENDITURES				
Instructional Programs				
Elementary School				
Secondary School		4,500	28,335	
Exceptional Child				
Preschool Exceptional Child				
Summer School				
Support Services				
Instruction - Improvement				
Instruction-Related Technology				25,191
Total Expenditures	<u>0</u>	<u>4,500</u>	<u>28,335</u>	<u>25,191</u>
Excess Of Revenues Over (Under) Expenditures	48,995	0	0	4,782
OTHER SOURCES (USES)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	<u>(63,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess Of Revenues Over (Under) Expenditures And Other Sources (Uses)	(14,005)	0	0	4,782
FUND BALANCE -				
Beginning of Year	<u>31,194</u>	<u>0</u>	<u>0</u>	<u>4,878</u>
FUND BALANCE -				
End of Year	<u>\$17,189</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,660</u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Special Revenue Funds			
	Substance Abuse Education	State LEP Enhancement	Title I-A Basic Programs	Title I-C Migrant
REVENUES				
Other Local Revenue		\$629		
State Sources	\$10,418	50,000		
Federal Sources			\$35,196	\$11,217
Total Revenues	<u>10,418</u>	<u>50,629</u>	<u>35,196</u>	<u>11,217</u>
EXPENDITURES				
Instructional Programs				
Elementary School			35,196	11,217
Secondary School	4,743			
Exceptional Child				
Preschool Exceptional Child				
Summer School				
Support Services				
Instruction - Improvement	5,238	15,999		
Instruction-Related Technology				
Total Expenditures	<u>9,981</u>	<u>15,999</u>	<u>35,196</u>	<u>11,217</u>
Excess Of Revenues Over (Under) Expenditures	437	34,630	0	0
OTHER SOURCES (USES)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Excess Of Revenues Over (Under) Expenditures And Other Sources (Uses)	437	34,630	0	0
FUND BALANCE -				
Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE -				
End of Year	<u>\$437</u>	<u>\$34,630</u>	<u>\$0</u>	<u>\$0</u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Special Revenue Funds			
	Title VI-B IDEA	Title VI-B IDEA Preschool	Title VI-B Rural Ed. Initiative	Carl Perkins
REVENUES				
Other Local Revenue				
State Sources				
Federal Sources	\$72,476	\$6,127	\$24,440	\$3,735
Total Revenues	<u>72,476</u>	<u>6,127</u>	<u>24,440</u>	<u>3,735</u>
EXPENDITURES				
Instructional Programs				
Elementary School			22,920	
Secondary School			1,520	3,735
Exceptional Child	72,476			
Preschool Exceptional Child		6,127		
Summer School				
Support Services				
Instruction - Improvement				
Instruction-Related Technology				
Total Expenditures	<u>72,476</u>	<u>6,127</u>	<u>24,440</u>	<u>3,735</u>
Excess Of Revenues Over (Under) Expenditures	0	0	0	0
OTHER SOURCES (USES)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Excess Of Revenues Over (Under) Expenditures And Other Sources (Uses)	0	0	0	0
FUND BALANCE -				
Beginning of Year	0	0	0	0
FUND BALANCE -				
End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

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	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>Title II-A Imp. Teacher Quality</u>	<u>Drug Free Schools</u>	
REVENUES			
Other Local Revenue			\$4,041
State Sources			168,809
Federal Sources	\$19,505	\$1,367	174,063
Total Revenues	<u>19,505</u>	<u>1,367</u>	<u>346,913</u>
EXPENDITURES			
Instructional Programs			
Elementary School			69,333
Secondary School	2,217		45,050
Exceptional Child			72,476
Preschool Exceptional Child			6,127
Summer School			0
Support Services			
Instruction - Improvement	17,288	1,367	39,892
Instruction-Related Technology			25,191
Total Expenditures	<u>19,505</u>	<u>1,367</u>	<u>258,069</u>
Excess Of Revenues Over (Under) Expenditures	0	0	88,844
OTHER SOURCES (USES)			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	(63,000)
Excess Of Revenues Over (Under) Expenditures And Other Sources (Uses)	0	0	25,844
FUND BALANCE -			
Beginning of Year	0	0	36,072
FUND BALANCE -			
End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$61,916</u>

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

**INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL
AND ON COMPLIANCE**

Timothy S. Folke

FOLKE CPAs, P.C.

Kurt R. Folke

**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**

To the Board of Trustees
Hagerman Joint School District No. 233
Hagerman, Idaho

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 District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected through the District's internal control. We consider the deficiency, item B-1, in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

To the Board of Trustees
Hagerman Joint School District No. 233
Page 2 of 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the above noted significant deficiency, item B-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District'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.

Payette, Idaho
August 12, 2009

AUDIT FINDINGS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the District.
2. One significant deficiency relating to the audit of the 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 financial statements of the District were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

1. Segregation of Duties

CONDITION:

Although the District 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 cash and the reporting of such transactions.

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 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.

NOTEWORTHY ACCOMPLISHMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

**NOTEWORTHY ACCOMPLISHMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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. The District is to be commended for the accuracy of its accounting records.