

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

FINANCIAL STATEMENTS

Year Ended June 30, 2010

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Hagerman Joint School District No. 233

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hagerman Joint School District No. 233 (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2010 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary information listed as required supplemental information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying combining fund financial statements, and the schedule of expenditures of federal awards (as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Folke CPAs, P.C.

August 11, 2010

BASIC FINANCIAL STATEMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Net Assets

June 30, 2010

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$1,226,378
Receivables:	
Local Sources	95,886
State Sources	147,614
Federal Sources	171,521
Inventory	5,951
Total Current Assets	<u>1,647,350</u>
Noncurrent Assets	
Nondepreciable Capital Assets	385,181
Depreciable Net Capital Assets	2,587,485
Total Noncurrent Assets	<u>2,972,666</u>
Total Assets	<u><u>\$4,620,016</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$71,348
Salaries & Benefits Payable	365,175
Deferred Revenue	88,213
Accrued Interest	25,573
Long-Term Debt, Current	195,000
Total Current Liabilities	<u>745,309</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	1,810,000
Total Noncurrent Liabilities	<u>1,810,000</u>
Total Liabilities	<u>2,555,309</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	942,093
Restricted:	
Special Programs	89,593
Debt Service	321,592
Capital Projects	47,502
Unrestricted	663,927
Total Net Assets	<u>2,064,707</u>
Total Liabilities and Net Assets	<u><u>\$4,620,016</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Statement of Activities
Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue And Changes in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	
Governmental Activities					Governmental Activities
Instructional Programs					
Elementary School	\$902,918		\$94,065		(\$808,853)
Secondary School	821,103	\$3,000	57,267		(760,836)
Exceptional Child	236,291		75,795		(160,496)
Preschool Exceptional	7,354		7,354		0
Gifted & Talented	0				0
Interscholastic	42,648				(42,648)
Support Service Programs					
Attendance - Guidance - Health	60,740				(60,740)
Special Services	32,423				(32,423)
Instructional Improvement	41,727		73,380		31,653
Educational Media	66,538				(66,538)
Instruction-Related Technology	86,079		33,689		(52,390)
Board of Education	14,564				(14,564)
District Administration	60,145				(60,145)
School Administration	185,145				(185,145)
Business Operation	65,430				(65,430)
Buildings - Care	217,329				(217,329)
Maintenance - Non-Student Occupied	820				(820)
Maintenance - Student Occupied	182,280				(182,280)
Maintenance - Grounds	5,029				(5,029)
Pupil-To-School Transportation	94,984				(94,984)
Pupil-Activity Transportation	15,815				(15,815)
General Transportation	119				(119)
Non-Instructional Programs					
Child Nutrition	173,998	36,934	115,731	\$9,369	(11,964)
Capital Assets - Student Occupied	51,578			80	(51,498)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	62,387				(62,387)
Total	<u>\$3,427,444</u>	<u>\$39,934</u>	<u>\$457,281</u>	<u>\$9,449</u>	<u>(2,920,780)</u>
General Revenues					
Local Taxes					246,679
Other Local Revenues					192,843
State Revenues					2,274,257
Federal Revenues					317,205
Total					<u>3,030,984</u>
Change in Net Assets					110,204
Net Assets - Beginning					<u>1,954,503</u>
Net Assets - Ending					<u>\$2,064,707</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Balance Sheet - Governmental Funds
 June 30, 2010

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Assets				
Cash & Investments	\$822,980	\$27,942	\$236,380	\$43,117
Receivables:				
Local Sources	3,576		85,212	7,092
State Sources	135,159			
Federal Sources		2,087		
Due From Other Funds	54,652			
Inventory		5,951		
Total Assets	<u>\$1,016,367</u>	<u>\$35,980</u>	<u>\$321,592</u>	<u>\$50,209</u>
Liabilities				
Accounts Payable	\$33,143	\$7,568		
Due To Other Funds		9,461		\$2,707
Salaries & Benefits Payable	319,297	8,825		
Deferred Revenue	68,397		\$16,318	938
Total Liabilities	<u>420,837</u>	<u>25,854</u>	<u>16,318</u>	<u>3,645</u>
Fund Balances				
Restricted:				
Special Programs		4,175		
Debt Service			305,274	
Capital Projects				46,564
Nonspendable		5,951		
Unassigned	595,530			
Total Fund Balances	<u>595,530</u>	<u>10,126</u>	<u>305,274</u>	<u>46,564</u>
Total Liabilities and Fund Balances	<u>\$1,016,367</u>	<u>\$35,980</u>	<u>\$321,592</u>	<u>\$50,209</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Balance Sheet - Governmental Funds
 June 30, 2010

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$95,959	\$1,226,378
Receivables:		
Local Sources	6	95,886
State Sources	12,455	147,614
Federal Sources	169,434	171,521
Due From Other Funds	0	54,652
Inventory	0	5,951
Total Assets	\$277,854	\$1,702,002
Liabilities		
Accounts Payable	\$30,637	\$71,348
Due To Other Funds	42,484	54,652
Salaries & Benefits Payable	37,053	365,175
Deferred Revenue	88,213	173,866
Total Liabilities	198,387	665,041
Fund Balances		
Restricted:		
Special Programs	79,467	83,642
Debt Service	0	305,274
Capital Projects	0	46,564
Nonspendable	0	5,951
Unassigned	0	595,530
Total Fund Balances	79,467	1,036,961
Total Liabilities and Fund Balances	\$277,854	\$1,702,002

Balance Sheet - Governmental Funds

June 30, 2010

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities**Total Governmental Fund Balances** \$1,036,961

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 2,972,666

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 85,653

Certain liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. (2,030,573)

Net Assets of Governmental Activities \$2,064,707

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

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Revenues				
Local Taxes	\$4,052		\$222,889	\$19,064
Other Local Revenue	192,184	\$36,948	271	268
State Revenue	2,282,944			
Federal Revenue	317,285	125,100		
Total Revenues	<u>2,796,465</u>	<u>162,048</u>	<u>223,160</u>	<u>19,332</u>
Expenditures				
Instructional Programs				
Elementary School	808,853			
Secondary School	760,836			
Exceptional Child	160,496			
Preschool Exceptional Gifted & Talented				
Interscholastic	42,648			
Support Service Programs				
Attendance - Guidance - Health	60,740			
Special Services	32,423			
Instructional Improvement				
Educational Media	66,538			
Instruction-Related Technology	57,177			
Board of Education	14,564			
District Administration	60,145			
School Administration	185,145			
Business Operation	65,430			
Buildings - Care	217,329			
Maintenance - Non-Student Occupied	820			
Maintenance - Student Occupied	86,430			95,850
Maintenance - Grounds	5,029			
Pupil-To-School Transportation	94,984			
Pupil-Activity Transportation	15,815			
General Transportation	119			
Non-Instructional Programs				
Child Nutrition	12,373	167,820		
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal			180,000	
Debt Service - Interest			64,946	
Total Expenditures	<u>2,747,894</u>	<u>167,820</u>	<u>244,946</u>	<u>95,850</u>
Excess (Deficiency) of Revenues Over Expenditures				
	48,571	(5,772)	(21,786)	(76,518)
Other Financing Sources (Uses)				
Transfers In	18,995			27,934
Transfers Out	(27,934)			
Total Other Financing Sources (Uses)	<u>(8,939)</u>	<u>0</u>	<u>0</u>	<u>27,934</u>
Net Change in Fund Balances	39,632	(5,772)	(21,786)	(48,584)
Fund Balances - Beginning	555,898	15,898	327,060	95,148
Fund Balances - Ending	<u>\$595,530</u>	<u>\$10,126</u>	<u>\$305,274</u>	<u>\$46,564</u>

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

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$246,005
Other Local Revenue	3,908	233,579
State Revenue	124,412	2,407,356
Federal Revenue	216,336	658,721
Total Revenues	344,656	3,545,661
Expenditures		
Instructional Programs		
Elementary School	94,065	902,918
Secondary School	60,267	821,103
Exceptional Child	75,795	236,291
Preschool Exceptional	7,354	7,354
Gifted & Talented	0	0
Interscholastic	0	42,648
Support Service Programs		
Attendance - Guidance - Health	0	60,740
Special Services	0	32,423
Instructional Improvement	41,727	41,727
Educational Media	0	66,538
Instruction-Related Technology	28,902	86,079
Board of Education	0	14,564
District Administration	0	60,145
School Administration	0	185,145
Business Operation	0	65,430
Buildings - Care	0	217,329
Maintenance - Non-Student Occupied	0	820
Maintenance - Student Occupied	0	182,280
Maintenance - Grounds	0	5,029
Pupil-To-School Transportation	0	94,984
Pupil-Activity Transportation	0	15,815
General Transportation	0	119
Non-Instructional Programs		
Child Nutrition	0	180,193
Capital Assets - Student Occupied	0	0
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	180,000
Debt Service - Interest	0	64,946
Total Expenditures	308,110	3,564,620
Excess (Deficiency) of Revenues Over Expenditures	36,546	(18,959)
Other Financing Sources (Uses)		
Transfers In	0	46,929
Transfers Out	(18,995)	(46,929)
Total Other Financing Sources (Uses)	(18,995)	0
Net Change in Fund Balances	17,551	(18,959)
Fund Balances - Beginning	61,916	1,055,920
Fund Balances - Ending	\$79,467	\$1,036,961

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

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

Net Change in Fund Balances - Total Governmental Funds (\$18,959)

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. (45,383)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (8,013)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 180,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 2,559

Change in Net Assets of Governmental Activities \$110,204

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Fiduciary Net Assets

June 30, 2010

	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	\$178,251	\$98,508	\$276,759
Receivables:			
Local Sources	29		29
Total Assets	<u>\$178,280</u>	<u>\$98,508</u>	<u>\$276,788</u>
Liabilities			
Due to Student Groups		\$98,508	\$98,508
Accounts Payable	\$16,000		16,000
Total Liabilities	<u>16,000</u>	<u>98,508</u>	<u>114,508</u>
Net Assets			
Restricted:			
Scholarships	162,280		162,280
Total Net Assets	<u>162,280</u>	<u>0</u>	<u>162,280</u>
Total Liabilities and Net Assets	<u>\$178,280</u>	<u>\$98,508</u>	<u>\$276,788</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2010

	Private Purpose Trust Funds - Scholarship
Additions	
Contributions	\$0
Investment Income (Loss)	482
Total Additions	<u>482</u>
Deductions	
Scholarships Awarded (net)	<u>12,750</u>
Total Deductions	<u>12,750</u>
Change in Net Assets	(12,268)
Net Assets - Beginning	<u>174,548</u>
Net Assets - Ending	<u><u>\$162,280</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to school districts. The significant accounting policies of the School are described below.

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

In the government-wide statement of net assets, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets may be reported in three parts - invested in capital assets, net of related debt (when related debt exists), restricted net assets, and unrestricted net assets. The School first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

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

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures/expenses of the funds) for the determination of major funds. Major governmental funds of the School include:

General Fund – The general fund is the School’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of major capital assets. Major capital project funds include the plant facilities fund, used to account for the maintenance of facilities and other capital assets.

Fiduciary funds of the School include:

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

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide financial statements are presented on the accrual basis of accounting and are required to follow both governmental accounting standards board pronouncements and financial accounting standards board pronouncements issued before November 30, 1989. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

The School may report deferred revenue on its financial statements. For the fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the revenue is recognized. For both the government-wide and fund financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures; any excess revenues are reported as deferred revenue.

Cash and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund's respective investment balance. Investments include monies invested in the local government investment pool and stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool is materially the same as the fair value of its shares.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method.

Compensated Absences and Post-Retirement Benefits – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer's government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

Net Assets – Net assets is the difference between assets and liabilities. Net assets invested in capital assets - net of related debt, are capital assets net of accumulated depreciation and reduced by any outstanding debt related to the financing of those assets. Restricted net assets are net assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net assets are reported as unrestricted.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that are not expected to be converted into cash. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Assigned fund balance classifications are not actively used by the entity. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources.

Property Taxes – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Teacher 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 is accrued.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Risk Management – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Nonmonetary Transactions – Items received via food commodities programs are recognized at their stated fair market value.

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$868,275
Investments - Local Government Investment Pool	634,862
Total	<u><u>\$1,503,137</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$868,275 and the bank balances were \$854,413. Of the bank balances, \$750,000 was insured, and the remainder was uninsured and uncollateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool and deferred compensation plan (comprised of mutual funds and unrated collectively) are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. These investments include insured or registered investments or investments for which the securities are held by the School or its agent in the School's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Local Sources				
Local Taxes	\$1,540		\$85,172	\$7,077
Other Local Sources	2,036	\$6	40	15
Total	<u>\$3,576</u>	<u>\$6</u>	<u>\$85,212</u>	<u>\$7,092</u>
State Sources				
Foundation Program	\$67,027			
Transportation	68,132			
Special Programs		\$12,455		
Total	<u>\$135,159</u>	<u>\$12,455</u>		
Federal Sources				
Special Programs		\$171,521		
Total		<u>\$171,521</u>		

D. DEFERRED REVENUE

Deferred revenue consists of the following at year end:

<u>Description</u>	<u>Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
Property Taxes	\$17,521	
Grant Advances	88,213	\$88,213
Transportation Reimbursement	68,132	
Total	<u>\$173,866</u>	<u>\$88,213</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

E. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$385,181			\$385,181
Total	<u>385,181</u>	<u>\$0</u>	<u>\$0</u>	<u>385,181</u>
Depreciable Capital Assets				
Buildings	4,817,480	87,396		4,904,876
Equipment	1,777,971	6,195		1,784,166
Subtotal	<u>6,595,451</u>	<u>93,591</u>	<u>0</u>	<u>6,689,042</u>
Accumulated Depreciation				
Buildings	2,261,774	110,563		2,372,337
Equipment	1,700,809	28,411		1,729,220
Subtotal	<u>3,962,583</u>	<u>138,974</u>	<u>0</u>	<u>4,101,557</u>
Total	<u>2,632,868</u>	<u>(45,383)</u>	<u>0</u>	<u>2,587,485</u>
Net Capital Assets	<u>\$3,018,049</u>	<u>(\$45,383)</u>	<u>\$0</u>	<u>\$2,972,666</u>

Depreciation expense of \$138,974 was charged to the capital asset program.

F. LONG-TERM DEBT

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

2009 - \$2,185,000 - general obligation refunding bonds for capital improvements due in annual principal installments and semiannual interest payments with interest at 3.00% - 3.25% through 2018/19, secured by future taxes, paid through the debt service fund	<u>Outstanding</u>
	\$2,005,000
Total	<u>\$2,005,000</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Maturities on long-term debt are estimated as follows:

Year Ended	Principal	Interest
6/30/11	\$195,000	\$58,450
6/30/12	205,000	52,450
6/30/13	210,000	46,225
6/30/14	215,000	39,850
6/30/15	225,000	33,250
6/30/16-19	955,000	61,964
Total	\$2,005,000	\$292,189

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2009 G.O.R. Bonds	\$2,185,000		\$180,000	\$2,005,000	\$195,000
Total	\$2,185,000	\$0	\$180,000	\$2,005,000	\$195,000

Interest costs during the year amounted to \$62,387 and were charged to expense in the statement of activities.

G. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available 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 Financial Statements

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, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions 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 School's contributions required and paid were \$216,905, \$225,501, and \$202,780, for the three years ended June 30, 2010, 2009, and 2008 respectively.

H. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>			<u>Total</u>
	<u>Child Nutrition</u>	<u>Plant Facilities</u>	<u>Nonmajor Governmental</u>	
General	\$9,461	\$2,707	\$42,484	\$54,652
Total	<u>\$9,461</u>	<u>\$2,707</u>	<u>\$42,484</u>	<u>\$54,652</u>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$18,995	\$27,934	Support, reimbursement
Plant Facilities	27,934		Capital outlay
Nonmajor Governmental		18,995	Reimbursement
Total	<u>\$46,929</u>	<u>\$46,929</u>	

REQUIRED SUPPLEMENTAL INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2010

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance
	Original	Final		Positive (Negative)
Revenues				
Local Taxes	\$4,350	\$4,350	\$4,052	(\$298)
Other Local Revenue	66,500	66,500	192,184	125,684
State Revenue	2,593,887	2,593,887	2,282,944	(310,943)
Federal Revenue	10	10	317,285	317,275
Total Revenues	2,664,747	2,664,747	2,796,465	131,718
Expenditures				
Instructional Programs				
Elementary School	756,739	756,739	808,853	(52,114)
Secondary School	764,359	764,359	760,836	3,523
Exceptional Child	133,426	133,426	160,496	(27,070)
Preschool Exceptional			0	0
Gifted & Talented	500	500	0	500
Interscholastic	49,529	49,529	42,648	6,881
Support Service Programs				
Attendance - Guidance - Health	60,018	60,018	60,740	(722)
Special Services	38,000	38,000	32,423	5,577
Instructional Improvement	340	340	0	340
Educational Media	85,514	85,514	66,538	18,976
Instruction-Related Technology	47,453	47,453	57,177	(9,724)
Board of Education	10,650	10,650	14,564	(3,914)
District Administration	124,540	124,540	60,145	64,395
School Administration	177,366	177,366	185,145	(7,779)
Business Operation	62,772	62,772	65,430	(2,658)
Buildings - Care	218,279	218,279	217,329	950
Maintenance - Non-Student Occupied	5,000	5,000	820	4,180
Maintenance - Student Occupied	63,687	63,687	86,430	(22,743)
Maintenance - Grounds	10,798	10,798	5,029	5,769
Pupil-To-School Transportation	95,500	95,500	94,984	516
Pupil-Activity Transportation	21,250	21,250	15,815	5,435
General Transportation	750	750	119	631
Non-Instructional Programs				
Child Nutrition	11,319	11,319	12,373	(1,054)
Capital Assets - Student Occupied			0	0
Capital Assets - Non-Student Occupied			0	0
Debt Service - Principal			0	0
Debt Service - Interest			0	0
Total Expenditures	2,737,789	2,737,789	2,747,894	(10,105) *
Excess (Deficiency) of Revenues Over Expenditures				
	(73,042)	(73,042)	48,571	121,613
Other Financing Sources (Uses)				
Transfers In			18,995	18,995
Transfers Out			(27,934)	(27,934)
Total Other Financing Sources (Uses)	0	0	(8,939)	(8,939)
Net Change in Fund Balances	(73,042)	(73,042)	39,632	112,674
Fund Balances - Beginning	450,000	450,000	555,898	105,898
Fund Balances - Ending	\$376,958	\$376,958	\$595,530	\$218,572

*Total expenditures (over) under appropriations.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2010

Child Nutrition Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Other Local Revenue	\$45,500	\$45,500	\$36,948	(\$8,552)
Federal Revenue	90,369	90,369	125,100	34,731
Total Revenues	<u>135,869</u>	<u>135,869</u>	<u>162,048</u>	<u>26,179</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	139,927	139,927	167,820	(27,893)
Total Expenditures	<u>139,927</u>	<u>139,927</u>	<u>167,820</u>	<u>(27,893) *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(4,058)	(4,058)	(5,772)	(1,714)
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(4,058)	(4,058)	(5,772)	(1,714)
Fund Balances - Beginning	5,000	5,000	15,898	10,898
Fund Balances - Ending	<u>\$942</u>	<u>\$942</u>	<u>\$10,126</u>	<u>\$9,184</u>

*Total expenditures (over) under appropriations.

SUPPLEMENTARY INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	School Building Maintenance	Driver Education	Professional Technical	Technology
Assets				
Cash & Investments	\$17,226		\$495	\$18,124
Receivables:				
Local Sources	6			
State Sources		\$3,875	8,580	
Federal Sources				
Due From Other Funds				
Inventory				
Total Assets	<u>\$17,232</u>	<u>\$3,875</u>	<u>\$9,075</u>	<u>\$18,124</u>
Liabilities				
Accounts Payable		\$167	\$7,034	\$138
Due To Other Funds		3,708		
Salaries & Benefits Payable			2,041	3,539
Deferred Revenue				
Total Liabilities	<u>\$0</u>	<u>3,875</u>	<u>9,075</u>	<u>3,677</u>
Fund Balances				
Restricted:				
Special Programs	17,232	0	0	14,447
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>17,232</u>	<u>0</u>	<u>0</u>	<u>14,447</u>
Total Liabilities and Fund Balances	<u>\$17,232</u>	<u>\$3,875</u>	<u>\$9,075</u>	<u>\$18,124</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Substance Abuse	Limited English Proficiency	Title I-A ESEA IBP	Title I-C ESEA EMC
Assets				
Cash & Investments	\$1,604	\$55,649		
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$33,295	
Due From Other Funds				
Inventory				
Total Assets	<u>\$1,604</u>	<u>\$55,649</u>	<u>\$33,295</u>	<u>\$0</u>
Liabilities				
Accounts Payable	\$735	\$72	\$666	
Due To Other Funds			25,816	
Salaries & Benefits Payable	869	7,789	6,813	
Deferred Revenue				
Total Liabilities	<u>1,604</u>	<u>7,861</u>	<u>33,295</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs	0	47,788	0	0
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>47,788</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$1,604</u>	<u>\$55,649</u>	<u>\$33,295</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Assets				
Cash & Investments		\$1,743	\$99	
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$37,249		63,370	
Due From Other Funds				
Inventory				
Total Assets	<u>\$37,249</u>	<u>\$1,743</u>	<u>\$63,469</u>	<u>\$0</u>
Liabilities				
Accounts Payable	\$38		\$20,768	
Due To Other Funds	9,117			
Salaries & Benefits Payable	11,010	\$1,743		
Deferred Revenue	17,084		42,701	
Total Liabilities	<u>37,249</u>	<u>1,743</u>	<u>63,469</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs	0	0	0	0
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$37,249</u>	<u>\$1,743</u>	<u>\$63,469</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2010

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Title II-A Improving Teacher Quality</u>	<u>Title IV-A ESEA S&DFS/C</u>	
Assets			
Cash & Investments		\$1,019	\$95,959
Receivables:			
Local Sources			6
State Sources			12,455
Federal Sources	\$35,520		169,434
Due From Other Funds			0
Inventory			0
Total Assets	<u>\$35,520</u>	<u>\$1,019</u>	<u>\$277,854</u>
Liabilities			
Accounts Payable		\$1,019	\$30,637
Due To Other Funds	\$3,843		42,484
Salaries & Benefits Payable	3,249		37,053
Deferred Revenue	28,428		88,213
Total Liabilities	<u>35,520</u>	<u>1,019</u>	<u>198,387</u>
Fund Balances			
Restricted:			
Special Programs	0	0	79,467
Debt Service			0
Capital Projects			0
Nonspendable			0
Unassigned			0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>79,467</u>
Total Liabilities and Fund Balances	<u>\$35,520</u>	<u>\$1,019</u>	<u>\$277,854</u>

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

	Special Revenue Funds			
	School Building Maintenance	Driver Education	Professional Technical	Technology
Revenues				
Local Taxes				
Other Local Revenue	\$43	\$3,000		\$365
State Revenue		3,875	\$28,585	33,993
Federal Revenue				
Total Revenues	<u>43</u>	<u>6,875</u>	<u>28,585</u>	<u>34,358</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School		6,875	28,585	
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				669
Educational Media				
Instruction-Related Technology				28,902
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>0</u>	<u>6,875</u>	<u>28,585</u>	<u>29,571</u>
Excess (Deficiency) of Revenues Over Expenditures	43	0	0	4,787
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	43	0	0	4,787
Fund Balances - Beginning	17,189	0	0	9,660
Fund Balances - Ending	<u>\$17,232</u>	<u>\$0</u>	<u>\$0</u>	<u>\$14,447</u>

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

	Special Revenue Funds			
	Substance Abuse	Limited English Proficiency	Title I-A ESEA IBP	Title I-C ESEA EMC
Revenues				
Local Taxes				
Other Local Revenue		\$500		
State Revenue	\$7,959	50,000		
Federal Revenue			\$63,120	\$765
Total Revenues	<u>7,959</u>	<u>50,500</u>	<u>63,120</u>	<u>765</u>
Expenditures				
Instructional Programs				
Elementary School			63,120	765
Secondary School	5,212			
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement	3,184	18,347		
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>8,396</u>	<u>18,347</u>	<u>63,120</u>	<u>765</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(437)	32,153	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out		(18,995)		
Total Other Financing Sources (Uses)	<u>0</u>	<u>(18,995)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(437)	13,158	0	0
Fund Balances - Beginning	437	34,630	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$47,788</u>	<u>\$0</u>	<u>\$0</u>

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

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$75,795	\$7,354	\$46,100	\$3,675
Total Revenues	<u>75,795</u>	<u>7,354</u>	<u>46,100</u>	<u>3,675</u>
Expenditures				
Instructional Programs				
Elementary School			30,180	
Secondary School			15,920	3,675
Exceptional Child	75,795			
Preschool Exceptional		7,354		
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>75,795</u>	<u>7,354</u>	<u>46,100</u>	<u>3,675</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Title II-A</u> <u>Improving</u> <u>Teacher Quality</u>	<u>Title IV-A</u> <u>ESEA</u> <u>S&DFS/C</u>	
Revenues			
Local Taxes			\$0
Other Local Revenue			3,908
State Revenue			124,412
Federal Revenue	\$17,715	\$1,812	216,336
Total Revenues	<u>17,715</u>	<u>1,812</u>	<u>344,656</u>
Expenditures			
Instructional Programs			
Elementary School			94,065
Secondary School			60,267
Exceptional Child			75,795
Preschool Exceptional			7,354
Gifted & Talented			0
Interscholastic			0
Support Service Programs			
Attendance - Guidance - Health			0
Special Services			0
Instructional Improvement	17,715	1,812	41,727
Educational Media			0
Instruction-Related Technology			28,902
Board of Education			0
District Administration			0
School Administration			0
Business Operation			0
Buildings - Care			0
Maintenance - Non-Student Occupied			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Pupil-To-School Transportation			0
Pupil-Activity Transportation			0
General Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Capital Assets - Student Occupied			0
Capital Assets - Non-Student Occupied			0
Debt Service - Principal			0
Debt Service - Interest			0
Total Expenditures	<u>17,715</u>	<u>1,812</u>	<u>308,110</u>
Excess (Deficiency) of Revenues			
Over Expenditures	0	0	36,546
Other Financing Sources (Uses)			
Transfers In			0
Transfers Out			(18,995)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(18,995)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>17,551</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>61,916</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$79,467</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture			
<i>Passed Through Twin Falls County:</i>			
Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	10.666	None	\$80
Total Schools and Roads Cluster			<u>80</u>
Child Nutrition Cluster:			
School Breakfast Program	10.553	10.553	\$42,144
ARRA - National School Lunch Program	10.555	10.555	73,587
Total Child Nutrition Cluster			<u>115,731</u>
ARRA - Child Nutrition Discretionary Grants	10.579	10.579	9,369
Total US Dept of Agriculture			<u>125,180</u>
US Dept of Education			
<i>Direct Program:</i>			
Rural Education	84.358		<u>46,100</u>
<i>Passed Through Idaho Dept of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	84.010	53,345
ARRA - Title I Grants to Local Educational Agencies	84.389	84.389	9,775
Total Title I, Part A Cluster			<u>63,120</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	84.027	75,795
Special Education - Preschool Grants	84.173	84.173	3,909
ARRA - Special Education - Grants to States	84.391	84.391	0
ARRA - Special Education - Preschool Grants	84.392	84.392	3,445
Total Special Education Cluster			<u>83,149</u>
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	84.394	317,205
Total State Fiscal Stabilization Fund Cluster			<u>317,205</u>
Migrant Education - State Grant Program	84.011	84.011	765
Career & Technical Education - Basic Grants to States	84.048	84.048	3,675
Safe & Drug-Free Schools & Communities - State Grants	84.186	84.186	1,812
Improving Teacher Quality State Grants	84.367	84.367	17,715
Total US Dept of Education			<u>533,541</u>
Total Expenditures of Federal Awards			<u><u>\$658,721</u></u>

NOTES:

Basis of Presentation - This schedule includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Nonmonetary Assistance - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of \$9,831.

OTHER REPORTS AND SCHEDULES

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Hagerman Joint School District No. 233

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hagerman Joint School District No. 233 (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as B-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Folke CPAs, P.C.

August 11, 2010

**Report on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Trustees
Hagerman Joint School District No. 233

Compliance

We have audited the compliance of Hagerman Joint School District No. 233 (the School) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Folke CPAs, P.C.

August 11, 2010

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the School.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133. Due to additional monitoring and other oversight by the board, management, and others, the significant deficiency relating to segregation of duties does not extend to, or include, major federal programs.
5. The auditor's report on compliance for the major federal award programs for the School expresses an unqualified opinion on all major federal programs.
6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in part C. of this schedule.
7. The programs tested as major programs include:
 - a. Child Nutrition Cluster – CFDA #10.553, 10.555
 - b. State Fiscal Stabilization Fund Cluster – CFDA #84.394
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Organization did not qualify as a low-risk auditee.

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. *Segregation of Duties*

Condition – Although the School has implemented various checks and balances in internal control to the degree possible given available staff, it does not have a complete segregation of duties over assets.

Criteria – Inherent in an ideal internal control structure is a complete segregation of duties over assets.

Cause – This situation is due to staffing limitations common to an entity this size.

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

Recommendation and Response – It is requested that the School take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with an entity this size. However, substantial changes cannot be expected until the benefits are deemed to outweigh the costs of hiring additional staff.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.