

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2013**

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

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**FINANCIAL SECTION**

Audits  
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## Independent Auditor's Report

Board of Trustees  
Hagerman Joint School District No. 233

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed as required supplementary 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining

fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic 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 basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2013, 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* in considering the School's internal control over financial reporting and compliance.

#### ***Quest CPAs, P.C.***

Payette, Idaho  
August 7, 2013

## **BASIC FINANCIAL STATEMENTS**

# HAGERMAN JOINT SCHOOL DISTRICT NO. 233

## Statement of Net Position

June 30, 2013

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	
Cash & Investments	\$841,020
Receivables:	
Local Sources	98,236
State Sources	66,145
Federal Sources	119,346
Inventory	6,071
Total Current Assets	<u>1,130,818</u>
Noncurrent Assets	
Nondepreciable Capital Assets	385,181
Depreciable Net Capital Assets	<u>2,272,041</u>
Total Noncurrent Assets	<u>2,657,222</u>
<b>Total Assets</b>	<b><u><u>\$3,788,040</u></u></b>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$32,212
Salaries & Benefits Payable	317,999
Accrued Interest	17,948
Long-Term Debt, Current	<u>215,000</u>
Total Current Liabilities	<u>583,159</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	<u>1,180,000</u>
Total Noncurrent Liabilities	<u>1,180,000</u>
<b>Total Liabilities</b>	<b><u><u>1,763,159</u></u></b>
<b>Deferred Inflows of Resources</b>	
Current Deferred Inflows of Resources	
Unspent Grant Allocation	<u>84,800</u>
Total Current Deferred Inflows of Resources	<u>84,800</u>
<b>Total Deferred Inflows of Resources</b>	<b><u><u>84,800</u></u></b>
<b>Net Position</b>	
Net Investment in Capital Assets	1,244,274
Restricted:	
Special Programs	9,581
Debt Service	343,707
Capital Projects	161,027
Unrestricted	<u>181,492</u>
<b>Total Net Position</b>	<b><u><u>1,940,081</u></u></b>
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	<b><u><u>\$3,788,040</u></u></b>



# HAGERMAN JOINT SCHOOL DISTRICT NO. 233

## Statement of Activities Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instructional Programs					
Elementary School	\$817,130		\$86,958		(\$730,172)
Secondary School	796,084	\$3,200	43,044		(749,840)
Special Education	222,105		88,774		(133,331)
Special Education Preschool	3,615		3,615		0
Gifted & Talented	0				0
Interscholastic	47,907				(47,907)
Support Service Programs					
Attendance - Guidance - Health	68,357				(68,357)
Special Education Support Services	6,269				(6,269)
Instructional Improvement	19,179		12,218		(6,961)
Educational Media	17,313				(17,313)
Instruction-Related Technology	84,691		10,626		(74,065)
Board of Education	11,872				(11,872)
District Administration	103,785				(103,785)
School Administration	171,871				(171,871)
Business Operation	47,888				(47,888)
Buildings - Care	212,916				(212,916)
Maintenance - Non-Student Occupied	485				(485)
Maintenance - Student Occupied	76,222				(76,222)
Maintenance - Grounds	9,750				(9,750)
Pupil-To-School Transportation	116,751				(116,751)
Pupil-Activity Transportation	14,297				(14,297)
General Transportation	490				(490)
Non-Instructional Programs					
Child Nutrition	180,091	29,721	126,840		(23,530)
Capital Assets - Student Occupied	110,547				(110,547)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	44,100				(44,100)
<b>Total</b>	<b>\$3,183,715</b>	<b>\$32,921</b>	<b>\$372,075</b>	<b>\$0</b>	<b>(2,778,719)</b>
<b>General Revenues</b>					
Local Taxes					275,879
Other Local Revenues					158,516
State Revenues					2,279,035
Federal Revenues					0
<b>Total</b>					<b>2,713,430</b>
<b>Change in Net Position</b>					
					(65,289)
<b>Net Position - Beginning</b>					
					<b>2,005,370</b>
<b>Net Position - Ending</b>					
					<b>\$1,940,081</b>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2013

	<b>General Fund</b>	<b>Child Nutrition Fund</b>	<b>Debt Service Fund</b>	<b>Plant Facilities Fund</b>
<b>Assets</b>				
Cash & Investments	\$396,184	\$11,418	\$254,824	\$153,951
Receivables:				
Local Sources	2,063	188	88,883	7,102
State Sources	54,818			
Federal Sources				
Due From Other Funds	27,056			
Inventory		6,071		
<b>Total Assets</b>	<u>\$480,121</u>	<u>\$17,677</u>	<u>\$343,707</u>	<u>\$161,053</u>
<b>Liabilities</b>				
Accounts Payable	\$23,917	\$2,213		\$26
Due To Other Funds		16,577		
Salaries & Benefits Payable	274,712	12,604		
<b>Total Liabilities</b>	<u>298,629</u>	<u>31,394</u>	<u>\$0</u>	<u>26</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues	275		13,293	1,043
Unspent Grant Allocation				
<b>Total Deferred Inflows of Resources</b>	<u>275</u>	<u>0</u>	<u>13,293</u>	<u>1,043</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs				
Debt Service			330,414	
Capital Projects				159,984
Nonspendable		6,071		
Unassigned	181,217	(19,788)		
<b>Total Fund Balances</b>	<u>181,217</u>	<u>(13,717)</u>	<u>330,414</u>	<u>159,984</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$480,121</u>	<u>\$17,677</u>	<u>\$343,707</u>	<u>\$161,053</u>

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Balance Sheet - Governmental Funds

June 30, 2013

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash & Investments	\$24,643	\$841,020
Receivables:		
Local Sources	0	98,236
State Sources	11,327	66,145
Federal Sources	119,346	119,346
Due From Other Funds	0	27,056
Inventory	0	6,071
<b>Total Assets</b>	<u>\$155,316</u>	<u>\$1,157,874</u>
 <b>Liabilities</b>		
Accounts Payable	\$6,056	\$32,212
Due To Other Funds	10,479	27,056
Salaries & Benefits Payable	30,683	317,999
<b>Total Liabilities</b>	<u>47,218</u>	<u>377,267</u>
 <b>Deferred Inflows of Resources</b>		
Unavailable Tax Revenues	0	14,611
Unspent Grant Allocation	84,800	84,800
<b>Total Deferred Inflows of Resources</b>	<u>84,800</u>	<u>99,411</u>
 <b>Fund Balances</b>		
Restricted:		
Special Programs	23,298	23,298
Debt Service	0	330,414
Capital Projects	0	159,984
Nonspendable	0	6,071
Unassigned	0	161,429
<b>Total Fund Balances</b>	<u>23,298</u>	<u>681,196</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$155,316</u>	<u>\$1,157,874</u>

Balance Sheet - Governmental Funds

June 30, 2013

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities**

**Total Governmental Fund Balances** \$681,196

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 2,657,222

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 14,611

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,412,948)

**Net Position of Governmental Activities** \$1,940,081

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
<b>Revenues</b>				
Local Taxes	\$4,972		\$249,371	\$19,895
Other Local Revenue	153,502	\$29,722	169	3,008
State Revenue	2,272,598			
Federal Revenue	147	126,840		
<b>Total Revenues</b>	<u>2,431,219</u>	<u>156,562</u>	<u>249,540</u>	<u>22,903</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	730,172			
Secondary School	753,040			
Special Education	133,331			
Special Education Preschool				
Gifted & Talented				
Interscholastic	47,907			
Support Service Programs				
Attendance - Guidance - Health	68,357			
Special Education Support Services	6,269			
Instructional Improvement	6,961			
Educational Media	17,313			
Instruction-Related Technology	74,065			
Board of Education	11,872			
District Administration	103,785			
School Administration	171,871			
Business Operation	47,888			
Buildings - Care	212,916			
Maintenance - Non-Student Occupied	485			
Maintenance - Student Occupied	76,222			
Maintenance - Grounds	9,750			
Pupil-To-School Transportation	116,751			
Pupil-Activity Transportation	14,297			
General Transportation	490			
Non-Instructional Programs				
Child Nutrition	11,610	168,481		
Capital Assets - Student Occupied				14,710
Capital Assets - Non-Student Occupied				
Debt Service - Principal			210,000	
Debt Service - Interest			46,725	
<b>Total Expenditures</b>	<u>2,615,352</u>	<u>168,481</u>	<u>256,725</u>	<u>14,710</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(184,133)	(11,919)	(7,185)	8,193
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(184,133)	(11,919)	(7,185)	8,193
<b>Fund Balances - Beginning</b>	365,350	(1,798)	337,599	151,791
<b>Fund Balances - Ending</b>	<u>\$181,217</u>	<u>(\$13,717)</u>	<u>\$330,414</u>	<u>\$159,984</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2013

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Local Taxes	\$0	\$274,238
Other Local Revenue	5,036	191,437
State Revenue	51,746	2,324,344
Federal Revenue	199,779	326,766
<b>Total Revenues</b>	<b>256,561</b>	<b>3,116,785</b>
<b>Expenditures</b>		
Instructional Programs		
Elementary School	86,958	817,130
Secondary School	43,044	796,084
Special Education	88,774	222,105
Special Education Preschool	3,615	3,615
Gifted & Talented	0	0
Interscholastic	0	47,907
Support Service Programs		
Attendance - Guidance - Health	0	68,357
Special Education Support Services	0	6,269
Instructional Improvement	12,218	19,179
Educational Media	0	17,313
Instruction-Related Technology	10,626	84,691
Board of Education	0	11,872
District Administration	0	103,785
School Administration	0	171,871
Business Operation	0	47,888
Buildings - Care	0	212,916
Maintenance - Non-Student Occupied	0	485
Maintenance - Student Occupied	0	76,222
Maintenance - Grounds	0	9,750
Pupil-To-School Transportation	0	116,751
Pupil-Activity Transportation	0	14,297
General Transportation	0	490
Non-Instructional Programs		
Child Nutrition	0	180,091
Capital Assets - Student Occupied	0	14,710
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	210,000
Debt Service - Interest	0	46,725
<b>Total Expenditures</b>	<b>245,235</b>	<b>3,300,503</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>11,326</b>	<b>(183,718)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In	0	0
Transfers Out	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>11,326</b>	<b>(183,718)</b>
<b>Fund Balances - Beginning</b>	<b>11,972</b>	<b>864,914</b>
<b>Fund Balances - Ending</b>	<b>\$23,298</b>	<b>\$681,196</b>

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2013

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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** (\$183,718)

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. (95,837)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 1,641

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 210,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 2,625

**Change in Net Position of Governmental Activities** (\$65,289)

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Statement of Fiduciary Net Position

June 30, 2013

	<b>Private Purpose Trust Funds - Scholarship</b>	<b>Agency Funds - Student Activity</b>	<b>Total</b>
<b>Assets</b>			
Cash & Investments	\$138,880	\$142,618	\$281,498
Receivables:			
Local Sources	19		19
<b>Total Assets</b>	<u>\$138,899</u>	<u>\$142,618</u>	<u>\$281,517</u>
<b>Liabilities</b>			
Due to Student Groups		\$142,618	\$142,618
Accounts Payable	\$21,150		21,150
<b>Total Liabilities</b>	<u>21,150</u>	<u>142,618</u>	<u>163,768</u>
<b>Net Position</b>			
Restricted:			
Scholarships	117,749		117,749
<b>Total Net Position</b>	<u>117,749</u>	<u>0</u>	<u>117,749</u>
<b>Total Liabilities and Net Position</b>	<u>\$138,899</u>	<u>\$142,618</u>	<u>\$281,517</u>



**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2013

	<b>Private Purpose Trust Funds - Scholarship</b>
<b>Additions</b>	
Contributions	\$5,150
Investment Income (Loss)	265
<b>Total Additions</b>	<u>5,415</u>
<b>Deductions</b>	
Scholarships Awarded (Net)	<u>20,400</u>
<b>Total Deductions</b>	<u>20,400</u>
<b>Change in Net Position</b>	(14,985)
<b>Net Position - Beginning</b>	132,734
<b>Net Position - Ending</b>	<u><u>\$117,749</u></u>

## HAGERMAN JOINT SCHOOL DISTRICT NO. 233

### Notes to Financial Statements

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

## HAGERMAN JOINT SCHOOL DISTRICT NO. 233

### Notes to Financial Statements

---

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 and fiduciary fund 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 recorded 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 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.

## HAGERMAN JOINT SCHOOL DISTRICT NO. 233

### Notes to Financial Statements

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The School may report deferred inflows of resources on its financial statements. For the fund financial statements, deferred inflows of resources arise when assets (i.e. receivables) are recorded before the related revenues are available (i.e. before both the "measurable" and "available" criteria for revenue recognition in the current period are met). 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. At yearend, any unspent grant allocations are reported as receivables and offset by deferred inflows of resources in an account called unspent grant allocation.

**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 Position** – Net position is assets plus deferred outflows of resources (when they exist) less liabilities less deferred inflows of resources (when they exist). The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt that are attributable to the acquisition, improvement, or construction of those assets and adjusted for any related deferred outflows or inflows of resources (when they exist). Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources (when they exist) related to those assets. Restricted

## HAGERMAN JOINT SCHOOL DISTRICT NO. 233

### Notes to Financial Statements

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assets are assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties.

**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 then assigned resources before using unassigned 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 20<sup>th</sup> and June 20<sup>th</sup>. A lien is filed on real property three years from the date of delinquency.

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

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

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

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

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

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Notes to Financial Statements

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**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	\$453,728
Investments - Local Government Investment Pool	668,790
<b>Total</b>	<b><u><u>\$1,122,518</u></u></b>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$453,728 and the bank balances were \$460,762. Of the bank balances, \$435,361 was insured, and the remainder was uninsured and uncollateralized.

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

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

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Notes to Financial Statements

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**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	\$1,932		\$88,870	\$7,085
Other Local Sources	131	\$188	13	17
<b>Total</b>	<u>\$2,063</u>	<u>\$188</u>	<u>\$88,883</u>	<u>\$7,102</u>
State Sources				
Foundation Program	\$50,932			
Special Programs	3,886	\$11,327		
<b>Total</b>	<u>\$54,818</u>	<u>\$11,327</u>		
Federal Sources				
Special Programs		\$119,346		
<b>Total</b>		<u>\$119,346</u>		

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Notes to Financial Statements

**D. 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
<b>Total</b>	<u>385,181</u>	<u>\$0</u>	<u>\$0</u>	<u>385,181</u>
Depreciable Capital Assets				
Buildings	4,904,876			4,904,876
Equipment	1,796,696			1,796,696
Subtotal	<u>6,701,572</u>	<u>0</u>	<u>0</u>	<u>6,701,572</u>
Accumulated Depreciation				
Buildings	2,566,505	83,605		2,650,110
Equipment	1,767,189	12,232		1,779,421
Subtotal	<u>4,333,694</u>	<u>95,837</u>	<u>0</u>	<u>4,429,531</u>
<b>Total</b>	<u>2,367,878</u>	<u>(\$95,837)</u>	<u>0</u>	<u>2,272,041</u>
<b>Net Capital Assets</b>	<u><u>\$2,753,059</u></u>	<u><u>(\$95,837)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,657,222</u></u>

Depreciation expense of \$95,837 was charged to the capital assets – student occupied program.

**E. 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>
<b>Total</b>	<u><u>\$1,395,000</u></u>



## HAGERMAN JOINT SCHOOL DISTRICT NO. 233

### Notes to Financial Statements

Maturities on the bonds are estimated as follows:

<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>
6/30/14	\$215,000	\$39,850
6/30/15	225,000	33,250
6/30/16	230,000	26,425
6/30/17	235,000	19,450
6/30/18-19	490,000	16,087
<b>Total</b>	<b>\$1,395,000</b>	<b>\$135,062</b>

Changes in long-term debt are as follows:

<b>Description</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2009 G.O.R. Bonds	\$1,605,000		\$210,000	\$1,395,000	\$215,000
<b>Total</b>	<b>\$1,605,000</b>	<b>\$0</b>	<b>\$210,000</b>	<b>\$1,395,000</b>	<b>\$215,000</b>

Interest and related costs during the year amounted to \$44,100 and were charged to the debt service – interest program.

#### F. RETIREMENT PLAN

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

PERSI issues publicly available standalone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30,

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Notes to Financial Statements

2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were \$192,792, \$196,854, and \$203,157, for the three years ended June 30, 2013, 2012, and 2011 respectively.

**G. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at year end consist of the following:

	<b>Due From Fund</b>		
	<b>Child Nutrition</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>Due To Fund</b>			
General	\$16,577	\$10,479	\$27,056
<b>Total</b>	<u>\$16,577</u>	<u>\$10,479</u>	<u>\$27,056</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.

There were no interfund transfers during the year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2013

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$2,500	\$2,500	\$4,972	\$2,472
Other Local Revenue	84,500	84,500	153,502	69,002
State Revenue	2,160,015	2,160,015	2,272,598	112,583
Federal Revenue	170	170	147	(23)
<b>Total Revenues</b>	<u>2,247,185</u>	<u>2,247,185</u>	<u>2,431,219</u>	<u>184,034</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	600,911	600,911	730,172	(129,261)
Secondary School	726,247	726,247	753,040	(26,793)
Special Education	133,030	133,030	133,331	(301)
Special Education Preschool	0	0	0	0
Gifted & Talented	0	0	0	0
Interscholastic	48,758	48,758	47,907	851
Support Service Programs				
Attendance - Guidance - Health	64,283	64,283	68,357	(4,074)
Special Education Support Services	36,000	36,000	6,269	29,731
Instructional Improvement	6,673	6,673	6,961	(288)
Educational Media	17,727	17,727	17,313	414
Instruction-Related Technology	74,224	74,224	74,065	159
Board of Education	12,500	12,500	11,872	628
District Administration	106,428	106,428	103,785	2,643
School Administration	162,224	162,224	171,871	(9,647)
Business Operation	47,083	47,083	47,888	(805)
Buildings - Care	213,169	213,169	212,916	253
Maintenance - Non-Student Occupied	200	200	485	(285)
Maintenance - Student Occupied	84,853	84,853	76,222	8,631
Maintenance - Grounds	22,974	22,974	9,750	13,224
Pupil-To-School Transportation	114,573	114,573	116,751	(2,178)
Pupil-Activity Transportation	15,000	15,000	14,297	703
General Transportation	250	250	490	(240)
Non-Instructional Programs				
Child Nutrition	8,000	8,000	11,610	(3,610)
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
<b>Total Expenditures</b>	<u>2,495,107</u>	<u>2,495,107</u>	<u>2,615,352</u>	<u>(120,245) *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	(247,922)	(247,922)	(184,133)	63,789
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>(247,922)</u>	<u>(247,922)</u>	<u>(184,133)</u>	<u>63,789</u>
<b>Fund Balances - Beginning</b>	<u>319,598</u>	<u>319,598</u>	<u>365,350</u>	<u>45,752</u>
<b>Fund Balances - Ending</b>	<u>\$71,676</u>	<u>\$71,676</u>	<u>\$181,217</u>	<u>\$109,541</u>

\*Total expenditures (over) under appropriations are: (120,245)

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2013

<b>Child Nutrition Fund</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Final Budget</b>
	<b>(GAAP Basis)</b>			
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Variance</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Other Local Revenue	\$31,440	\$31,440	\$29,722	(\$1,718)
Federal Revenue	138,500	138,500	126,840	(11,660)
<b>Total Revenues</b>	<u>169,940</u>	<u>169,940</u>	<u>156,562</u>	<u>(13,378)</u>
<b>Expenditures</b>				
Non-Instructional Programs				
Child Nutrition	179,723	179,723	168,481	11,242
<b>Total Expenditures</b>	<u>179,723</u>	<u>179,723</u>	<u>168,481</u>	<u>11,242</u> *
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(9,783)	(9,783)	(11,919)	(2,136)
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(9,783)	(9,783)	(11,919)	(2,136)
<b>Fund Balances - Beginning</b>	<u>(5,187)</u>	<u>(5,187)</u>	<u>(1,798)</u>	<u>3,389</u>
<b>Fund Balances - Ending</b>	<u>(\$14,970)</u>	<u>(\$14,970)</u>	<u>(\$13,717)</u>	<u>\$1,253</u>
				<u>\$11,242</u>

\*Total expenditures (over) under appropriations are:

**SUPPLEMENTARY INFORMATION**

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2013

	Special Revenue Funds			Title I-A ESEA IBP
	Driver Education	Professional Technical	Technology	
<b>Assets</b>				
Cash & Investments			\$24,534	
Receivables:				
Local Sources				
State Sources	2,625	\$8,702		
Federal Sources				\$38,002
Due From Other Funds				
Inventory				
<b>Total Assets</b>	\$2,625	\$8,702	\$24,534	\$38,002
<b>Liabilities</b>				
Accounts Payable	\$307	\$3,873	\$159	\$1,490
Due To Other Funds	1,696	2,829		3,539
Salaries & Benefits Payable	622	\$2,000	1,077	11,556
<b>Total Liabilities</b>	2,625	8,702	1,236	16,585
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues				
Unspent Grant Allocation				21,417
<b>Total Deferred Inflows of Resources</b>	0	0	0	21,417
<b>Fund Balances</b>				
Restricted:				
Special Programs			23,298	
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
<b>Total Fund Balances</b>	0	0	23,298	0
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	\$2,625	\$8,702	\$24,534	\$38,002

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2013

	<b>Special Revenue Funds</b>			
	<b>Special Educ. IDEA Part B</b>	<b>Special Educ. IDEA Preschool</b>	<b>Title VI-B ESEA REAP</b>	<b>Perkins III Professional Technical Act</b>
<b>Assets</b>				
Cash & Investments	\$109			
Receivables:				
Local Sources				
State Sources				
Federal Sources	38,415	\$3,630	\$34,147	
Due From Other Funds				
Inventory				
<b>Total Assets</b>	<u>\$38,524</u>	<u>\$3,630</u>	<u>\$34,147</u>	<u>\$0</u>
<b>Liabilities</b>				
Accounts Payable	\$52			
Due To Other Funds			\$1,936	
Salaries & Benefits Payable	12,200		2,109	
<b>Total Liabilities</b>	<u>12,252</u>	<u>\$0</u>	<u>4,045</u>	<u>\$0</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues				
Unspent Grant Allocation	26,272	3,630	30,102	
<b>Total Deferred Inflows of Resources</b>	<u>26,272</u>	<u>3,630</u>	<u>30,102</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
<b>Total Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$38,524</u>	<u>\$3,630</u>	<u>\$34,147</u>	<u>\$0</u>



**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2013

	<b>Special Revenue Funds</b>	
	<b>Title II-A</b>	
	<b>Improving</b>	
	<b>Teacher Quality</b>	<b>Total</b>
<b>Assets</b>		
Cash & Investments		\$24,643
Receivables:		
Local Sources		0
State Sources		11,327
Federal Sources	\$5,152	119,346
Due From Other Funds		0
Inventory		0
<b>Total Assets</b>	<b>\$5,152</b>	<b>\$155,316</b>
<b>Liabilities</b>		
Accounts Payable	\$175	\$6,056
Due To Other Funds	479	10,479
Salaries & Benefits Payable	1,119	30,683
<b>Total Liabilities</b>	<b>1,773</b>	<b>47,218</b>
<b>Deferred Inflows of Resources</b>		
Unavailable Tax Revenues		0
Unspent Grant Allocation	3,379	84,800
<b>Total Deferred Inflows of Resources</b>	<b>3,379</b>	<b>84,800</b>
<b>Fund Balances</b>		
Restricted:		
Special Programs		23,298
Debt Service		0
Capital Projects		0
Nonspendable		0
Unassigned		0
<b>Total Fund Balances</b>	<b>0</b>	<b>23,298</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$5,152</b>	<b>\$155,316</b>

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2013

	<u>Special Revenue Funds</u>			<b>Title I-A ESEA IBP</b>
	<u>Driver Education</u>	<u>Professional Technical</u>	<u>Technology</u>	
<b>Revenues</b>				
Local Taxes				
Other Local Revenue	\$3,200		\$1,836	
State Revenue	2,625	\$29,005	20,116	
Federal Revenue				\$58,470
<b>Total Revenues</b>	<u>5,825</u>	<u>29,005</u>	<u>21,952</u>	<u>58,470</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School				58,470
Secondary School	5,825	29,005		
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement				
Educational Media				
Instruction-Related Technology			10,626	
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				
<b>Total Expenditures</b>	<u>5,825</u>	<u>29,005</u>	<u>10,626</u>	<u>58,470</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	0	11,326	0
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	0	11,326	0
<b>Fund Balances - Beginning</b>	<u>0</u>	<u>0</u>	<u>11,972</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$23,298</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, 2013

	<b>Special Revenue Funds</b>			
	<b>Special Educ. IDEA Part B</b>	<b>Special Educ. IDEA Preschool</b>	<b>Title VI-B ESEA REAP</b>	<b>Perkins III Professional Technical Act</b>
<b>Revenues</b>				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$88,774	\$3,615	\$31,169	\$3,938
<b>Total Revenues</b>	<u>88,774</u>	<u>3,615</u>	<u>31,169</u>	<u>3,938</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School			28,488	
Secondary School			2,681	3,938
Special Education	88,774			
Special Education Preschool		3,615		
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support 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				
<b>Total Expenditures</b>	<u>88,774</u>	<u>3,615</u>	<u>31,169</u>	<u>3,938</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	0	0	0
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	0	0	0
<b>Fund Balances - Beginning</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<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, 2013

	<b>Special Revenue Funds</b>	
	<b>Title II-A Improving Teacher Quality</b>	<b>Total</b>
<b>Revenues</b>		
Local Taxes		\$0
Other Local Revenue		5,036
State Revenue		51,746
Federal Revenue	\$13,813	199,779
<b>Total Revenues</b>	13,813	256,561
<b>Expenditures</b>		
Instructional Programs		
Elementary School		86,958
Secondary School	1,595	43,044
Special Education		88,774
Special Education Preschool		3,615
Gifted & Talented		0
Interscholastic		0
Support Service Programs		
Attendance - Guidance - Health		0
Special Education Support Services		0
Instructional Improvement	12,218	12,218
Educational Media		0
Instruction-Related Technology		10,626
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
<b>Total Expenditures</b>	13,813	245,235
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	11,326
<b>Other Financing Sources (Uses)</b>		
Transfers In		0
Transfers Out		0
<b>Total Other Financing Sources (Uses)</b>	0	0
<b>Net Change in Fund Balances</b>	0	11,326
<b>Fund Balances - Beginning</b>	0	11,972
<b>Fund Balances - Ending</b>	\$0	\$23,298

**OTHER REPORTS AND SCHEDULES**

Audits  
Taxes  
Special Services



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

Board of Trustees  
Hagerman Joint School District No. 233

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 7, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain

deficiency in internal control, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency.

### **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*.

### **School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Quest CPAs, P.C.***

Payette, Idaho  
August 7, 2013

**HAGERMAN JOINT SCHOOL DISTRICT NO. 233**

Schedule of Findings and Responses

Year Ended June 30, 2013

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**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 disclosed during 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 Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance *Government Auditing Standards*, were disclosed during the audit.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Significant Deficiency**

1. *Segregation of Duties*

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

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

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

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

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