

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

FINANCIAL STATEMENTS

Year Ended June 30, 2014

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

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, 2014, 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, 2014, 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 District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 combining and individual nonmajor fund financial statements are 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, 2014, 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, 2014

BASIC FINANCIAL STATEMENTS

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$671,875
Receivables:	
Local Sources	175,193
State Sources	73,643
Federal Sources	100,395
Inventory	7,352
Total Current Assets	<u>1,028,458</u>
Noncurrent Assets	
Nondepreciable Capital Assets	385,181
Depreciable Net Capital Assets	<u>2,226,792</u>
Total Noncurrent Assets	<u>2,611,973</u>
Total Assets	<u><u>\$3,640,431</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$46,818
Salaries & Benefits Payable	311,801
Unspent Grant Allocation	39,919
Accrued Interest	15,261
Long-Term Debt, Current	<u>225,000</u>
Total Current Liabilities	<u>638,799</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	<u>955,000</u>
Total Noncurrent Liabilities	<u>955,000</u>
Total Liabilities	<u><u>1,593,799</u></u>
Net Position	
Net Investment in Capital Assets	1,416,712
Restricted:	
Special Programs	15,053
Debt Service	347,426
Capital Projects	147,043
Unrestricted	<u>120,398</u>
Total Net Position	<u><u>2,046,632</u></u>
Total Liabilities and Net Position	<u><u>\$3,640,431</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Activities Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue And Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instructional Programs					
Elementary School	\$783,031		\$117,790	(\$665,241)	
Secondary School	749,297	\$2,593	40,397	(706,307)	
Special Education	207,532		70,518	(137,014)	
Special Education Preschool	3,630		3,630	0	
Gifted & Talented	0			0	
Interscholastic	45,843			(45,843)	
Support Service Programs					
Attendance - Guidance - Health	73,372			(73,372)	
Special Education Support Services	14,190			(14,190)	
Instructional Improvement	19,015		7,515	(11,500)	
Educational Media	33,937			(33,937)	
Instruction-Related Technology	81,483		9,128	(72,355)	
Board of Education	14,925			(14,925)	
District Administration	107,214			(107,214)	
School Administration	165,835			(165,835)	
Business Operation	49,805			(49,805)	
Central Service	17,939			(17,939)	
Buildings - Care	209,435			(209,435)	
Maintenance - Non-Student Occupied	360			(360)	
Maintenance - Student Occupied	75,468			(75,468)	
Maintenance - Grounds	12,034			(12,034)	
Security	6,540			(6,540)	
Pupil-To-School Transportation	116,747			(116,747)	
Pupil-Activity Transportation	18,560			(18,560)	
General Transportation	705			(705)	
Non-Instructional Programs					
Child Nutrition	197,352	25,824	146,572	(24,956)	
Capital Assets - Student Occupied	99,843			(99,843)	
Capital Assets - Non-Student Occupied	0			0	
Debt Service - Principal	0			0	
Debt Service - Interest	37,663			(37,663)	
Total	\$3,141,755	\$28,417	\$395,550	\$0	(2,717,788)
General Revenues					
Local Taxes				434,908	
Other Local Revenues				152,729	
State Revenues				2,236,599	
Federal Revenues				103	
Total				2,824,339	
Change in Net Position					
				106,551	
Net Position - Beginning					
				\$1,940,081	
Net Position - Ending					
				\$2,046,632	

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$235,374	\$22,804	\$256,113	\$140,306
Receivables:				
Local Sources	74,221	7	91,313	7,059
State Sources	64,910			
Federal Sources				
Due From Other Funds	96,408			
Inventory		7,352		
Total Assets	<u>\$470,913</u>	<u>\$30,163</u>	<u>\$347,426</u>	<u>\$147,365</u>
Liabilities				
Accounts Payable	\$38,647	\$1,719		\$322
Due To Other Funds		55,995		
Salaries & Benefits Payable	284,317			
Unspent Grant Allocation				
Total Liabilities	<u>322,964</u>	<u>57,714</u>	<u>\$0</u>	<u>322</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	6,052		15,699	1,222
Total Deferred Inflows of Resources	<u>6,052</u>	<u>0</u>	<u>15,699</u>	<u>1,222</u>
Fund Balances				
Restricted:				
Special Programs				
Debt Service			331,727	
Capital Projects				145,821
Nonspendable		7,352		
Unassigned	141,897	(34,903)		
Total Fund Balances	<u>141,897</u>	<u>(27,551)</u>	<u>331,727</u>	<u>145,821</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$470,913</u>	<u>\$30,163</u>	<u>\$347,426</u>	<u>\$147,365</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Balance Sheet - Governmental Funds

June 30, 2014

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$17,278	\$671,875
Receivables:		
Local Sources	2,593	175,193
State Sources	8,733	73,643
Federal Sources	100,395	100,395
Due From Other Funds	0	96,408
Inventory	0	7,352
Total Assets	\$128,999	\$1,124,866
Liabilities		
Accounts Payable	\$6,130	\$46,818
Due To Other Funds	40,413	96,408
Salaries & Benefits Payable	27,484	311,801
Unspent Grant Allocation	39,919	39,919
Total Liabilities	113,946	494,946
Deferred Inflows of Resources		
Unavailable Tax Revenues	0	22,973
Total Deferred Inflows of Resources	0	22,973
Fund Balances		
Restricted:		
Special Programs	15,053	15,053
Debt Service	0	331,727
Capital Projects	0	145,821
Nonspendable	0	7,352
Unassigned	0	106,994
Total Fund Balances	15,053	606,947
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$128,999	\$1,124,866

Balance Sheet - Governmental Funds

June 30, 2014

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

Total Governmental Fund Balances \$606,947

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. 2,611,973

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 22,973

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,195,261)

Net Position of Governmental Activities \$2,046,632

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Taxes	\$150,111		\$256,663	\$19,772
Other Local Revenue	132,321	\$25,825		20,407
State Revenue	2,236,599			
Federal Revenue	103	146,572		
Total Revenues	<u>2,519,134</u>	<u>172,397</u>	<u>256,663</u>	<u>40,179</u>
Expenditures				
Instructional Programs				
Elementary School	665,241			
Secondary School	706,307			
Special Education	137,014			
Special Education Preschool				
Gifted & Talented				
Interscholastic	45,843			
Support Service Programs				
Attendance - Guidance - Health	73,372			
Special Education Support Services	14,190			
Instructional Improvement	11,500			
Educational Media	33,937			
Instruction-Related Technology	64,110			
Board of Education	14,925			
District Administration	107,214			
School Administration	165,835			
Business Operation	49,805			
Central Service	17,939			
Buildings - Care	209,435			
Maintenance - Non-Student Occupied	360			
Maintenance - Student Occupied	75,468			
Maintenance - Grounds	12,034			
Security	6,540			
Pupil-To-School Transportation	116,747			
Pupil-Activity Transportation	18,560			
General Transportation	705			
Non-Instructional Programs				
Child Nutrition	11,121	186,231		
Capital Assets - Student Occupied	252			54,342
Capital Assets - Non-Student Occupied				
Debt Service - Principal			215,000	
Debt Service - Interest			40,350	
Total Expenditures	<u>2,558,454</u>	<u>186,231</u>	<u>255,350</u>	<u>54,342</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(39,320)</u>	<u>(13,834)</u>	<u>1,313</u>	<u>(14,163)</u>
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	<u>(39,320)</u>	<u>(13,834)</u>	<u>1,313</u>	<u>(14,163)</u>
Fund Balances - Beginning	<u>181,217</u>	<u>(13,717)</u>	<u>330,414</u>	<u>159,984</u>
Fund Balances - Ending	<u><u>\$141,897</u></u>	<u><u>(\$27,551)</u></u>	<u><u>\$331,727</u></u>	<u><u>\$145,821</u></u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$426,546
Other Local Revenue	6,765	185,318
State Revenue	36,815	2,273,414
Federal Revenue	207,991	354,666
Total Revenues	251,571	3,239,944
Expenditures		
Instructional Programs		
Elementary School	117,790	783,031
Secondary School	42,990	749,297
Special Education	70,518	207,532
Special Education Preschool	3,630	3,630
Gifted & Talented	0	0
Interscholastic	0	45,843
Support Service Programs		
Attendance - Guidance - Health	0	73,372
Special Education Support Services	0	14,190
Instructional Improvement	7,515	19,015
Educational Media	0	33,937
Instruction-Related Technology	17,373	81,483
Board of Education	0	14,925
District Administration	0	107,214
School Administration	0	165,835
Business Operation	0	49,805
Central Service	0	17,939
Buildings - Care	0	209,435
Maintenance - Non-Student Occupied	0	360
Maintenance - Student Occupied	0	75,468
Maintenance - Grounds	0	12,034
Security	0	6,540
Pupil-To-School Transportation	0	116,747
Pupil-Activity Transportation	0	18,560
General Transportation	0	705
Non-Instructional Programs		
Child Nutrition	0	197,352
Capital Assets - Student Occupied	0	54,594
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	215,000
Debt Service - Interest	0	40,350
Total Expenditures	259,816	3,314,193
Excess (Deficiency) of Revenues Over Expenditures	(8,245)	(74,249)
Other Financing Sources (Uses)		
Transfers In	5,057	5,057
Transfers Out	(5,057)	(5,057)
Total Other Financing Sources (Uses)	0	0
Net Change in Fund Balances	(8,245)	(74,249)
Fund Balances - Beginning	23,298	681,196
Fund Balances - Ending	\$15,053	\$606,947

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

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 (\$74,249)

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. (45,249)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 8,362

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 215,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 2,687

Change in Net Position of Governmental Activities \$106,551

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Fiduciary Net Position

June 30, 2014

	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	\$122,868	\$139,462	\$262,330
Receivables:			
Local Sources	12		12
Total Assets	<u>\$122,880</u>	<u>\$139,462</u>	<u>\$262,342</u>
Liabilities			
Due to Student Groups		\$139,462	\$139,462
Accounts Payable	\$21,000		21,000
Total Liabilities	<u>21,000</u>	<u>139,462</u>	<u>160,462</u>
Net Position			
Restricted:			
Scholarships	101,880		101,880
Total Net Position	<u>101,880</u>	<u>0</u>	<u>101,880</u>
Total Liabilities and Net Position	<u>\$122,880</u>	<u>\$139,462</u>	<u>\$262,342</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	Private Purpose Trust Funds - Scholarship
Additions	
Contributions	\$5,000
Investment Income (Loss)	131
Total Additions	<u>5,131</u>
Deductions	
Scholarships Awarded (Net)	<u>21,000</u>
Total Deductions	<u>21,000</u>
Change in Net Position	(15,869)
Net Position - Beginning	117,749
Net Position - Ending	<u><u>\$101,880</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 are prepared in accordance with generally accepted accounting principles (GAAP) as applied to school districts. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed 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, deferred

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

outflows of resources, liabilities, deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or 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

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

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.

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.

Deferred Inflows of Resources – The School’s financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period. This situation occurs in instances where certain grant revenues or property tax revenues are not collected within thirty days after the end of the School’s fiscal year (thus not meeting the criteria for revenue recognition under the modified accrual basis of accounting). When such grant revenues or property tax revenues are later collected, they are recognized in the governmental fund financial statements by increasing revenue and decreasing the related deferred inflow of resources account.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

inflows of resources related to those assets. Restricted net position consists of assets that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

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 cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. 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. 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 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.

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	\$409,629
Investments - Local Government Investment Pool	524,576
Total	<u><u>\$934,205</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$409,629 and the bank balances were \$486,288. Of the bank balances, \$456,060 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

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	\$51,142		\$91,291	\$7,045
Other Local Sources	23,079	\$2,600	22	14
Total	<u>\$74,221</u>	<u>\$2,600</u>	<u>\$91,313</u>	<u>\$7,059</u>
State Sources				
Foundation Program	\$64,910			
Special Programs		\$8,733		
Total	<u>\$64,910</u>	<u>\$8,733</u>		
Federal Sources				
Special Programs		\$100,395		
Total		<u>\$100,395</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
Total	<u>385,181</u>	<u>\$0</u>	<u>\$0</u>	<u>385,181</u>
Depreciable Capital Assets				
Buildings	4,904,876	29,329		4,934,205
Equipment	1,796,696			1,796,696
Subtotal	<u>6,701,572</u>	<u>29,329</u>	<u>0</u>	<u>6,730,901</u>
Accumulated Depreciation				
Buildings	2,650,110	67,470		2,717,580
Equipment	1,779,421	7,108		1,786,529
Subtotal	<u>4,429,531</u>	<u>74,578</u>	<u>0</u>	<u>4,504,109</u>
Total	<u>2,272,041</u>	<u>(45,249)</u>	<u>0</u>	<u>2,226,792</u>
Net Capital Assets	<u>\$2,657,222</u>	<u>(\$45,249)</u>	<u>\$0</u>	<u>\$2,611,973</u>

Depreciation expense of \$74,578 was charged to the capital assets – student occupied program.

E. LONG-TERM DEBT

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

	<u>Outstanding</u>
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	\$1,180,000
Total	<u>\$1,180,000</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Notes to Financial Statements

Maturities on the bonds are estimated as follows:

Year Ended	Principal	Interest
6/30/15	\$225,000	\$33,250
6/30/16	230,000	26,425
6/30/17	235,000	19,450
6/30/18	240,000	12,024
6/30/19	250,000	4,063
Total	\$1,180,000	\$95,212

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2009 G.O.R. Bonds	\$1,395,000		\$215,000	\$1,180,000	\$225,000
Total	\$1,395,000	\$0	\$215,000	\$1,180,000	\$225,000

Interest and related costs during the year amounted to \$37,663 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.

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

2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighter members. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% 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 \$212,422, \$192,792, and \$196,854, for the three years ended June 30, 2014, 2013, and 2012 respectively.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund		
	Child Nutrition	Nonmajor Governmental	Total
Due To Fund			
General	\$55,995	\$40,413	\$96,408
Total	\$55,995	\$40,413	\$96,408

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:

Fund	Transfer In	Transfer Out	Purpose
Nonmajor Governmental	\$5,057	\$5,057	Qualified Transferability
Total	\$5,057	\$5,057	

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2014

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$156,810	\$156,810	\$150,111	(\$6,699)
Other Local Revenue	106,800	106,800	132,321	25,521
State Revenue	2,299,880	2,299,880	2,236,599	(63,281)
Federal Revenue	150	150	103	(47)
Total Revenues	<u>2,563,640</u>	<u>2,563,640</u>	<u>2,519,134</u>	<u>(44,506)</u>
Expenditures				
Instructional Programs				
Elementary School	702,293	702,293	665,241	37,052
Secondary School	683,656	683,656	706,307	(22,651)
Special Education	135,459	135,459	137,014	(1,555)
Special Education Preschool	0	0	0	0
Gifted & Talented	0	0	0	0
Interscholastic	47,123	47,123	45,843	1,280
Support Service Programs				
Attendance - Guidance - Health	72,794	72,794	73,372	(578)
Special Education Support Services	36,000	36,000	14,190	21,810
Instructional Improvement	9,078	9,078	11,500	(2,422)
Educational Media	36,459	36,459	33,937	2,522
Instruction-Related Technology	77,778	77,778	64,110	13,668
Board of Education	14,000	14,000	14,925	(925)
District Administration	107,450	107,450	107,214	236
School Administration	164,710	164,710	165,835	(1,125)
Business Operation	49,969	49,969	49,805	164
Central Service	17,156	17,156	17,939	(783)
Buildings - Care	193,221	193,221	209,435	(16,214)
Maintenance - Non-Student Occupied	500	500	360	140
Maintenance - Student Occupied	114,784	114,784	75,468	39,316
Maintenance - Grounds	4,475	4,475	12,034	(7,559)
Security	6,890	6,890	6,540	350
Pupil-To-School Transportation	114,973	114,973	116,747	(1,774)
Pupil-Activity Transportation	17,500	17,500	18,560	(1,060)
General Transportation	250	250	705	(455)
Non-Instructional Programs				
Child Nutrition	8,855	8,855	11,121	(2,266)
Capital Assets - Student Occupied	0	0	252	(252)
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	<u>2,615,373</u>	<u>2,615,373</u>	<u>2,558,454</u>	<u>56,919 *</u>
Excess (Deficiency) of Revenues Over Expenditures				
	(51,733)	(51,733)	(39,320)	12,413
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(51,733)	(51,733)	(39,320)	12,413
Fund Balances - Beginning	181,200	181,200	181,217	17
Fund Balances - Ending	<u>\$129,467</u>	<u>\$129,467</u>	<u>\$141,897</u>	<u>\$12,430</u>

*Total expenditures (over) under appropriations are: \$56,919

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2014

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Other Local Revenue	\$28,000	\$28,000	\$25,825	(\$2,175)
Federal Revenue	123,000	123,000	146,572	23,572
Total Revenues	<u>151,000</u>	<u>151,000</u>	<u>172,397</u>	<u>21,397</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	158,843	158,843	186,231	(27,388)
Total Expenditures	<u>158,843</u>	<u>158,843</u>	<u>186,231</u>	<u>(27,388) *</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(7,843)	(7,843)	(13,834)	(5,991)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(7,843)	(7,843)	(13,834)	(5,991)
Fund Balances - Beginning	<u>(11,298)</u>	<u>(11,298)</u>	<u>(13,717)</u>	<u>(2,419)</u>
Fund Balances - Ending	<u>(\$19,141)</u>	<u>(\$19,141)</u>	<u>(\$27,551)</u>	<u>(\$8,410)</u>
				<u>(\$27,388)</u>

*Total expenditures (over) under appropriations are:

SUPPLEMENTARY INFORMATION

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			Title I-A ESEA IBP
	Driver Education	Professional Technical	Technology	
Assets				
Cash & Investments			\$17,278	
Receivables:				
Local Sources	\$2,593			
State Sources		\$8,733		
Federal Sources				\$27,078
Due From Other Funds				
Inventory				
Total Assets	<u>\$2,593</u>	<u>\$8,733</u>	<u>\$17,278</u>	<u>\$27,078</u>
Liabilities				
Accounts Payable		\$5,644	\$53	
Due To Other Funds	\$2,593	1,603		\$13,045
Salaries & Benefits Payable		1,486	2,172	9,441
Unspent Grant Allocation				4,592
Total Liabilities	<u>2,593</u>	<u>8,733</u>	<u>2,225</u>	<u>27,078</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs			15,053	
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>15,053</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$2,593</u>	<u>\$8,733</u>	<u>\$17,278</u>	<u>\$27,078</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			
	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$37,795	\$3,554	\$12,070	
Due From Other Funds				
Inventory				
Total Assets	<u>\$37,795</u>	<u>\$3,554</u>	<u>\$12,070</u>	<u>\$0</u>
Liabilities				
Accounts Payable	\$94			
Due To Other Funds	9,306		\$1,466	
Salaries & Benefits Payable	9,550		4,835	
Unspent Grant Allocation	18,845	\$3,554	5,769	
Total Liabilities	<u>37,795</u>	<u>3,554</u>	<u>12,070</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$37,795</u>	<u>\$3,554</u>	<u>\$12,070</u>	<u>\$0</u>

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds	
	Title II-A	Total
	Improving Teacher Quality	Total
Assets		
Cash & Investments		\$17,278
Receivables:		
Local Sources		2,593
State Sources		8,733
Federal Sources	\$19,898	100,395
Due From Other Funds		0
Inventory		0
Total Assets	\$19,898	\$128,999
Liabilities		
Accounts Payable	\$339	\$6,130
Due To Other Funds	12,400	40,413
Salaries & Benefits Payable		27,484
Unspent Grant Allocation	7,159	39,919
Total Liabilities	19,898	113,946
Deferred Inflows of Resources		
Unavailable Tax Revenues		0
Total Deferred Inflows of Resources	0	0
Fund Balances		
Restricted:		
Special Programs		15,053
Debt Service		0
Capital Projects		0
Nonspendable		0
Unassigned		0
Total Fund Balances	0	15,053
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$19,898	\$128,999

HAGERMAN JOINT SCHOOL DISTRICT NO. 233
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2014

	<u>Special Revenue Funds</u>			<u>Title I-A ESEA IBP</u>
	<u>Driver Education</u>	<u>Professional Technical</u>	<u>Technology</u>	
Revenues				
Local Taxes				
Other Local Revenue	\$2,593		\$4,172	
State Revenue	2,750	\$29,109	4,956	
Federal Revenue				\$72,187
Total Revenues	<u>5,343</u>	<u>29,109</u>	<u>9,128</u>	<u>72,187</u>
Expenditures				
Instructional Programs				
Elementary School				77,244
Secondary School	5,343	29,109		
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			17,373	
Board of Education				
District Administration				
School Administration				
Business Operation				
Central Service				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
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>5,343</u>	<u>29,109</u>	<u>17,373</u>	<u>77,244</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(8,245)	(5,057)
Other Financing Sources (Uses)				
Transfers In				5,057
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,057</u>
Net Change in Fund Balances	0	0	(8,245)	0
Fund Balances - Beginning	0	0	23,298	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$15,053</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, 2014

	Special Revenue Funds			
	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool	Title VI-B ESEA REAP	Perkins III Professional Technical Act
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$70,518	\$3,630	\$45,420	\$3,664
Total Revenues	<u>70,518</u>	<u>3,630</u>	<u>45,420</u>	<u>3,664</u>
Expenditures				
Instructional Programs				
Elementary School			40,546	
Secondary School			4,874	3,664
Special Education	70,518			
Special Education Preschool		3,630		
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				
Central Service				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Security				
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>70,518</u>	<u>3,630</u>	<u>45,420</u>	<u>3,664</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, 2014

	Special Revenue Funds	
	Title II-A	
	Improving	
	Teacher Quality	Total
Revenues		
Local Taxes		\$0
Other Local Revenue		6,765
State Revenue		36,815
Federal Revenue	\$12,572	207,991
Total Revenues	12,572	251,571
Expenditures		
Instructional Programs		
Elementary School		117,790
Secondary School		42,990
Special Education		70,518
Special Education Preschool		3,630
Gifted & Talented		0
Interscholastic		0
Support Service Programs		
Attendance - Guidance - Health		0
Special Education Support Services		0
Instructional Improvement	7,515	7,515
Educational Media		0
Instruction-Related Technology		17,373
Board of Education		0
District Administration		0
School Administration		0
Business Operation		0
Central Service		0
Buildings - Care		0
Maintenance - Non-Student Occupied		0
Maintenance - Student Occupied		0
Maintenance - Grounds		0
Security		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	7,515	259,816
Excess (Deficiency) of Revenues		
Over Expenditures	5,057	(8,245)
Other Financing Sources (Uses)		
Transfers In		5,057
Transfers Out	(5,057)	(5,057)
Total Other Financing Sources (Uses)	(5,057)	0
Net Change in Fund Balances	0	(8,245)
Fund Balances - Beginning	0	23,298
Fund Balances - Ending	\$0	\$15,053

OTHER REPORTS AND SCHEDULES

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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, 2014, 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, 2014.

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 1-1 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 Findings

The School's response to the findings 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, 2014

HAGERMAN JOINT SCHOOL DISTRICT NO. 233

Schedule of Findings and Responses

Year Ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1-1 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 – It is requested that the School take note that this situation exists and consider resolving it with the use of additional staff oversight and involvement in the accounting process.

Views of Responsible Officials and Planned Corrective Actions – 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 involving/hiring additional staff.