

PAYETTE JOINT SCHOOL DISTRICT NO. 371

FINANCIAL STATEMENTS

Year Ended June 30, 2011

PAYETTE JOINT SCHOOL DISTRICT NO. 371

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FINANCIAL SECTION

Independent Auditor's Report

Board of Trustees
Payette Joint School District No. 371

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Payette Joint School District No. 371 (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

Folke CPAs, P.C.

July 21, 2011

BASIC FINANCIAL STATEMENTS

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$3,415,761
Receivables:	
Local Sources	363,400
State Sources	747,118
Federal Sources	542,846
Inventory	64,014
Total Current Assets	<u>5,133,139</u>
Noncurrent Assets	
Nondepreciable Capital Assets	831,666
Depreciable Net Capital Assets	10,672,775
Total Noncurrent Assets	<u>11,504,441</u>
Total Assets	<u><u>\$16,637,580</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$12,859
Salaries & Benefits Payable	1,414,428
Deferred Revenue	118,061
Accrued Interest	40,044
Long-Term Debt, Current	870,000
Total Current Liabilities	<u>2,455,392</u>
Noncurrent Liabilities	
Long-Term Debt, Noncurrent	3,790,000
Total Noncurrent Liabilities	<u>3,790,000</u>
Total Liabilities	<u><u>6,245,392</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,804,397
Restricted:	
Special Programs	543,249
Debt Service	1,188,123
Capital Projects	577,306
Unrestricted	1,279,113
Total Net Assets	<u>10,392,188</u>
Total Liabilities and Net Assets	<u><u>\$16,637,580</u></u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Activities Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	\$2,910,104		\$653,436		(\$2,256,668)
Secondary School	2,160,843	\$8,370	131,349	\$54,038	(1,967,086)
Alternative School	132,289				(132,289)
Exceptional Child	986,418		451,182		(535,236)
Preschool Exceptional	34,520		14,117		(20,403)
Gifted & Talented	0				0
Interscholastic	178,717				(178,717)
Support Service Programs					
Attendance - Guidance - Health	323,551				(323,551)
Special Services	141,891		81,143		(60,748)
Instructional Improvement	437,229		391,914		(45,315)
Educational Media	140,979				(140,979)
Instruction-Related Technology	13,110		36,269		23,159
District Administration	307,356		9,373		(297,983)
School Administration	609,668				(609,668)
Administrative Technology	294		294		0
Buildings - Care	564,169		432		(563,737)
Maintenance - Non-Student Occupied	0				0
Maintenance - Student Occupied	228,270			256	(228,014)
Maintenance - Grounds	66,426				(66,426)
Pupil-To-School Transportation	455,632				(455,632)
Pupil-Activity Transportation	8,308				(8,308)
General Transportation	20,861				(20,861)
Non-Instructional Programs					
Child Nutrition	770,846	89,155	665,659		(16,032)
Community Services	5,558				(5,558)
Capital Assets - Student Occupied	722,205				(722,205)
Capital Assets - Non-Student Occupied	26,341				(26,341)
Debt Service - Principal	0				0
Debt Service - Interest	166,985				(166,985)
Total	\$11,412,570	\$97,525	\$2,435,168	\$54,294	(8,825,583)
General Revenues					
					793,464
Local Taxes					232,406
Other Local Revenues					8,231,350
State Revenues					157,475
Federal Revenues					9,414,695
Total					9,414,695
Change in Net Assets					
					589,112
Net Assets - Beginning					
					9,803,076
Net Assets - Ending					
					\$10,392,188

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Balance Sheet - Governmental Funds

June 30, 2011

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$1,404,857	\$246,245	\$902,218	\$577,306
Receivables:				
Local Sources	15,965		347,435	
State Sources	734,290			
Federal Sources		16,433		
Due From Other Funds	232,623			
Inventory		64,014		
Total Assets	<u>\$2,387,735</u>	<u>\$326,692</u>	<u>\$1,249,653</u>	<u>\$577,306</u>
Liabilities				
Accounts Payable		\$12,859		
Due To Other Funds				
Salaries & Benefits Payable	\$1,170,152	37,778		
Deferred Revenue	219,903		\$61,530	
Total Liabilities	<u>1,390,055</u>	<u>50,637</u>	<u>61,530</u>	<u>\$0</u>
Fund Balances				
Restricted:				
Special Programs		212,041		
Debt Service			1,188,123	
Capital Projects				577,306
Nonspendable		64,014		
Unassigned	997,680			
Total Fund Balances	<u>997,680</u>	<u>276,055</u>	<u>1,188,123</u>	<u>577,306</u>
Total Liabilities and Fund Balances	<u>\$2,387,735</u>	<u>\$326,692</u>	<u>\$1,249,653</u>	<u>\$577,306</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Balance Sheet - Governmental Funds

June 30, 2011

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$285,135	\$3,415,761
Receivables:		
Local Sources	0	363,400
State Sources	12,828	747,118
Federal Sources	526,413	542,846
Due From Other Funds	0	232,623
Inventory	0	64,014
Total Assets	\$824,376	\$5,365,762
Liabilities		
Accounts Payable	\$0	\$12,859
Due To Other Funds	232,623	232,623
Salaries & Benefits Payable	206,498	1,414,428
Deferred Revenue	118,061	399,494
Total Liabilities	557,182	2,059,404
Fund Balances		
Restricted:		
Special Programs	267,194	479,235
Debt Service	0	1,188,123
Capital Projects	0	577,306
Nonspendable	0	64,014
Unassigned	0	997,680
Total Fund Balances	267,194	3,306,358
Total Liabilities and Fund Balances	\$824,376	\$5,365,762

Balance Sheet - Governmental Funds

June 30, 2011

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

Total Governmental Fund Balances	\$3,306,358
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,504,441
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	281,433
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Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(4,700,044)
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Net Assets of Governmental Activities	<u><u>\$10,392,188</u></u>
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PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Taxes	\$23,336		\$771,014	
Other Local Revenue	35,897	\$89,657	1,274	\$75,709
State Revenue	7,998,930		298,528	
Federal Revenue	157,731	697,799		
Total Revenues	<u>8,215,894</u>	<u>787,456</u>	<u>1,070,816</u>	<u>75,709</u>
Expenditures				
Instructional Programs				
Elementary School	2,256,668			
Secondary School	2,003,185			
Alternative School	132,289			
Exceptional Child	416,444			
Preschool Exceptional	20,403			
Gifted & Talented				
Interscholastic	178,717			
Support Service Programs				
Attendance - Guidance - Health	323,551			
Special Services	60,748			
Instructional Improvement	45,315			
Educational Media	140,979			
Instruction-Related Technology				
District Administration	276,954			
School Administration	609,668			
Administrative Technology				
Buildings - Care	563,737			
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied	228,270			
Maintenance - Grounds	66,426			
Pupil-To-School Transportation	391,224			
Pupil-Activity Transportation	8,308			
General Transportation	20,861			
Non-Instructional Programs				
Child Nutrition	16,032	754,814		
Community Services	5,558			
Capital Assets - Student Occupied				51,009
Capital Assets - Non-Student Occupied				124,611
Debt Service - Principal			845,000	
Debt Service - Interest			172,794	
Total Expenditures	<u>7,765,337</u>	<u>754,814</u>	<u>1,017,794</u>	<u>175,620</u>
Excess (Deficiency) of Revenues Over Expenditures	450,557	32,642	53,022	(99,911)
Other Financing Sources (Uses)				
Transfers In	16,952	0	0	64,408
Transfers Out	(92,323)	0	0	0
Total Other Financing Sources (Uses)	<u>(75,371)</u>	<u>0</u>	<u>0</u>	<u>64,408</u>
Net Change in Fund Balances	375,186	32,642	53,022	(35,503)
Fund Balances - Beginning	<u>622,494</u>	<u>243,413</u>	<u>1,135,101</u>	<u>612,809</u>
Fund Balances - Ending	<u>\$997,680</u>	<u>\$276,055</u>	<u>\$1,188,123</u>	<u>\$577,306</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2011

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$794,350
Other Local Revenue	181,432	383,969
State Revenue	55,407	8,352,865
Federal Revenue	1,676,682	2,532,212
Total Revenues	1,913,521	12,063,396
Expenditures		
Instructional Programs		
Elementary School	653,436	2,910,104
Secondary School	157,658	2,160,843
Alternative School	0	132,289
Exceptional Child	569,974	986,418
Preschool Exceptional	14,117	34,520
Gifted & Talented	0	0
Interscholastic	0	178,717
Support Service Programs		
Attendance - Guidance - Health	0	323,551
Special Services	81,143	141,891
Instructional Improvement	391,914	437,229
Educational Media	0	140,979
Instruction-Related Technology	36,269	36,269
District Administration	30,402	307,356
School Administration	0	609,668
Administrative Technology	294	294
Buildings - Care	432	564,169
Maintenance - Non-Student Occupied	0	0
Maintenance - Student Occupied	0	228,270
Maintenance - Grounds	0	66,426
Pupil-To-School Transportation	0	391,224
Pupil-Activity Transportation	0	8,308
General Transportation	0	20,861
Non-Instructional Programs		
Child Nutrition	0	770,846
Community Services	0	5,558
Capital Assets - Student Occupied	0	51,009
Capital Assets - Non-Student Occupied	0	124,611
Debt Service - Principal	0	845,000
Debt Service - Interest	0	172,794
Total Expenditures	1,935,639	11,649,204
Excess (Deficiency) of Revenues Over Expenditures	(22,118)	414,192
Other Financing Sources (Uses)		
Transfers In	27,915	109,275
Transfers Out	(16,952)	(109,275)
Total Other Financing Sources (Uses)	10,963	0
Net Change in Fund Balances	(11,155)	414,192
Fund Balances - Beginning	278,349	2,892,166
Fund Balances - Ending	\$267,194	\$3,306,358

PAYETTE JOINT SCHOOL DISTRICT NO. 371
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2011

**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 \$414,192

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. (614,175)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (61,714)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 845,000

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 5,809

Change in Net Assets of Governmental Activities \$589,112

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Fiduciary Net Assets

June 30, 2011

	Employee Benefit Trust Fund	Private Purpose Trust Funds - Scholarship	Agency Funds - Student Activity	Total
Assets				
Cash & Investments	\$100,108	\$113,096	\$180,715	\$393,919
Total Assets	<u>\$100,108</u>	<u>\$113,096</u>	<u>\$180,715</u>	<u>\$393,919</u>
Liabilities				
Due to Student Groups			\$180,715	\$180,715
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>180,715</u>	<u>180,715</u>
Net Assets				
Restricted:				
Scholarships		113,096		113,096
Employees	100,108			100,108
Total Net Assets	<u>100,108</u>	<u>113,096</u>	<u>0</u>	<u>213,204</u>
Total Liabilities and Net Assets	<u>\$100,108</u>	<u>\$113,096</u>	<u>\$180,715</u>	<u>\$393,919</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2011

	<u>Employee Benefit Trust Fund</u>	<u>Private Purpose Trust Funds - Scholarship</u>	<u>Total</u>
Additions			
Contributions			\$0
Investment Income (Loss)	\$4,361	\$317	4,678
Total Additions	<u>4,361</u>	<u>317</u>	<u>4,678</u>
Deductions			
Distributions	14,726		14,726
Scholarships Awarded		500	500
Total Deductions	<u>14,726</u>	<u>500</u>	<u>15,226</u>
Change in Net Assets	(10,365)	(183)	(10,548)
Net Assets - Beginning	<u>110,473</u>	<u>113,279</u>	<u>223,752</u>
Net Assets - Ending	<u>\$100,108</u>	<u>\$113,096</u>	<u>\$213,204</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Payette Joint School District No. 371 (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 Payette and Washington Counties.

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

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

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

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

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

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

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

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

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

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

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

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

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

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

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

Fiduciary funds of the School include:

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

Employee Benefit Trust Funds – Employee benefit trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a trustee for certain benefits of its employees.

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

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

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

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

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.

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

Cash and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund's respective investment balance. Investments include monies invested in the local government investment pool and deferred compensation plan and are 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, except for certain transportation vehicles which use the declining balance 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.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

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

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

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

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

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.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

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	\$907,674
Investments - Local Government Investment Pool	2,801,898
Investments - IRC 457 Deferred Compensation Plan	100,108
Total	<u><u>\$3,809,680</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$907,674 and the bank balances were \$1,124,347. Of the bank balances, \$338,401 was insured, \$619,381 was collateralized, and the remainder was uninsured and uncollateralized.

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

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

PAYETTE JOINT SCHOOL DISTRICT NO. 371

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>
Local Sources			
Local Taxes	\$15,965		\$347,435
Total	<u>\$15,965</u>		<u>\$347,435</u>
State Sources			
Foundation Program	\$156,642		
Transportation	213,402		
Special Programs	364,246	\$12,828	
Total	<u>\$734,290</u>	<u>\$12,828</u>	
Federal Sources			
Special Programs		\$542,846	
Total		<u>\$542,846</u>	

D. DEFERRED REVENUE

Deferred revenue consists of the following at year end:

<u>Description</u>	<u>Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
Property Taxes	\$68,031	
Grant Advances	118,061	\$118,061
Transportation Reimbursement	213,402	
Total	<u>\$399,494</u>	<u>\$118,061</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

E. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$831,666			\$831,666
Total	<u>831,666</u>	<u>\$0</u>	<u>\$0</u>	<u>831,666</u>
Depreciable Capital Assets				
Buildings	16,817,386			16,817,386
Equipment	1,732,181	23,159		1,755,340
Transportation	1,066,235	98,270		1,164,505
Subtotal	<u>19,615,802</u>	<u>121,429</u>	<u>0</u>	<u>19,737,231</u>
Accumulated Depreciation				
Buildings	6,040,659	420,434		6,461,093
Equipment	1,488,146	250,762		1,738,908
Transportation	800,047	64,408		864,455
Subtotal	<u>8,328,852</u>	<u>735,604</u>	<u>0</u>	<u>9,064,456</u>
Total	<u>11,286,950</u>	<u>(614,175)</u>	<u>0</u>	<u>10,672,775</u>
Net Capital Assets	<u>\$12,118,616</u>	<u>(\$614,175)</u>	<u>\$0</u>	<u>\$11,504,441</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$671,196
Pupil-To-School Transportation	64,408
Total	<u>\$735,604</u>

F. LONG-TERM DEBT

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

2003 - \$8,300,000 - general obligation bonds for capital improvements due in annual installments with interest at 2.00% - 3.40% through 2015/16, secured by future taxes, paid through the debt service fund	<u>Outstanding</u>
Total	<u>\$4,660,000</u>
	<u>\$4,660,000</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

Maturities on the bonds are estimated as follows:

Year Ended	Principal	Interest
6/30/12	\$870,000	\$144,950
6/30/13	900,000	113,975
6/30/14	930,000	81,950
6/30/15	965,000	49,752
6/30/16	995,000	16,915
Total	\$4,660,000	\$407,542

Changes in long-term debt are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2003 G.O. Bonds	\$5,505,000		\$845,000	\$4,660,000	\$870,000
Total	\$5,505,000	\$0	\$845,000	\$4,660,000	\$870,000

Interest and related costs during the year amounted to \$166,985 and were charged to the debt service – interest program.

G. RETIREMENT PLAN

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

PERSI issues publicly available 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,

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Notes to Financial Statements

2011, 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. The School's employer contributions required and paid were \$722,271, \$718,566, and \$755,349, for the three years ended June 30, 2011, 2010, and 2009 respectively.

H. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	
	<u>Nonmajor</u>	<u>Total</u>
<u>Governmental</u>		
General	\$232,623	\$232,623
Total	<u>\$232,623</u>	<u>\$232,623</u>

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

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$16,952	\$92,323	Reimbursements; depreciation allowance; capital outlay
Plant Facilities	64,408		Depreciation allowance; capital outlay
Nonmajor Governmental	27,915	16,952	Reimbursements
Total	<u>\$109,275</u>	<u>\$109,275</u>	

I. DEFERRED COMPENSATION PLAN

The School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is funded with employee contributions only.

REQUIRED SUPPLEMENTAL INFORMATION

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2011

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final	Amounts	(Negative)
Revenues				
Local Taxes	\$23,600	\$23,336	\$23,336	\$0
Other Local Revenue	35,000	35,000	35,897	897
State Revenue	7,769,286	7,709,621	7,998,930	289,309
Federal Revenue	0	313,590	157,731	(155,859)
Total Revenues	7,827,886	8,081,547	8,215,894	134,347
Expenditures				
Instructional Programs				
Elementary School	2,260,209	2,444,732	2,256,668	188,064
Secondary School	1,999,513	2,105,017	2,003,185	101,832
Alternative School	122,786	135,500	132,289	3,211
Exceptional Child	415,710	413,152	416,444	(3,292)
Preschool Exceptional	20,868	20,868	20,403	465
Gifted & Talented	0	0	0	0
Interscholastic	189,100	189,100	178,717	10,383
Support Service Programs				
Attendance - Guidance - Health	319,830	332,226	323,551	8,675
Special Services	60,840	63,580	60,748	2,832
Instructional Improvement	60,582	53,090	45,315	7,775
Educational Media	150,812	154,596	140,979	13,617
Instruction-Related Technology	0	0	0	0
District Administration	271,548	280,290	276,954	3,336
School Administration	595,330	615,437	609,668	5,769
Administrative Technology	0	0	0	0
Buildings - Care	692,085	700,235	563,737	136,498
Maintenance - Non-Student Occupied	2,500	2,500	0	2,500
Maintenance - Student Occupied	260,996	268,996	228,270	40,726
Maintenance - Grounds	89,900	90,400	66,426	23,974
Pupil-To-School Transportation	416,414	438,621	391,224	47,397
Pupil-Activity Transportation	7,818	7,818	8,308	(490)
General Transportation	24,664	24,664	20,861	3,803
Non-Instructional Programs				
Child Nutrition	18,500	18,500	16,032	2,468
Community Services	8,000	8,000	5,558	2,442
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
Total Expenditures	7,988,005	8,367,322	7,765,337	601,985 *
Excess (Deficiency) of Revenues				
Over Expenditures	(160,119)	(285,775)	450,557	736,332
Other Financing Sources (Uses)				
Transfers In	16,952	16,952	16,952	0
Transfers Out	(111,460)	(111,460)	(92,323)	19,137
Total Other Financing Sources (Uses)	(94,508)	(94,508)	(75,371)	19,137
Net Change in Fund Balances	(254,627)	(380,283)	375,186	755,469
Fund Balances - Beginning	420,360	622,494	622,494	0
Fund Balances - Ending	\$165,733	\$242,211	\$997,680	\$755,469

*Total expenditures (over) under appropriations.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Budgetary Comparison Schedule - General and Major Special Revenue Funds

Year Ended June 30, 2011

Child Nutrition Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Other Local Revenue	\$73,800	\$73,800	\$89,657	\$15,857
Federal Revenue	520,000	520,000	697,799	177,799
Total Revenues	593,800	593,800	787,456	193,656
Expenditures				
Non-Instructional Programs				
Child Nutrition	593,800	593,800	754,814	(161,014)
Total Expenditures	593,800	593,800	754,814	(161,014) *
Excess (Deficiency) of Revenues Over Expenditures	0	0	32,642	32,642
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	32,642	32,642
Fund Balances - Beginning	0	243,413	243,413	0
Fund Balances - Ending	\$0	\$243,413	\$276,055	\$32,642

**Total expenditures (over) under appropriations.*

SUPPLEMENTARY INFORMATION

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Local Special Projects	McCain Middle School	Driver Education	Professional Technical
Assets				
Cash & Investments	\$17,703	\$264,807		
Receivables:				
Local Sources				
State Sources				\$12,828
Federal Sources				
Due From Other Funds				
Inventory				
Total Assets	<u>\$17,703</u>	<u>\$264,807</u>	<u>\$0</u>	<u>\$12,828</u>
Liabilities				
Accounts Payable				
Due To Other Funds				\$9,884
Salaries & Benefits Payable	\$17,703			2,944
Deferred Revenue				
Total Liabilities	<u>17,703</u>	<u>\$0</u>	<u>\$0</u>	<u>12,828</u>
Fund Balances				
Restricted:				
Special Programs		264,807		
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>264,807</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$17,703</u>	<u>\$264,807</u>	<u>\$0</u>	<u>\$12,828</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Technology	Substance Abuse	Title I-A ESEA IBP	Title I-C ESEA EMC
Assets				
Cash & Investments	\$238	\$2,387		
Receivables:				
Local Sources				
State Sources				
Federal Sources			\$229,105	\$8,987
Due From Other Funds				
Inventory				
Total Assets	<u>\$238</u>	<u>\$2,387</u>	<u>\$229,105</u>	<u>\$8,987</u>
Liabilities				
Accounts Payable				
Due To Other Funds			\$91,262	\$4,222
Salaries & Benefits Payable	\$238		73,797	4,765
Deferred Revenue			64,046	
Total Liabilities	<u>238</u>	<u>\$0</u>	<u>229,105</u>	<u>8,987</u>
Fund Balances				
Restricted:				
Special Programs		2,387		
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	<u>0</u>	<u>2,387</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$238</u>	<u>\$2,387</u>	<u>\$229,105</u>	<u>\$8,987</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Perkins III Professional Technical Act	Title III ESEA LILEP&I
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$160,710	\$12,233	\$19,434	\$8,404
Due From Other Funds				
Inventory				
Total Assets	<u>\$160,710</u>	<u>\$12,233</u>	<u>\$19,434</u>	<u>\$8,404</u>
Liabilities				
Accounts Payable				
Due To Other Funds	\$72,085	\$5,389	\$19,434	\$2,830
Salaries & Benefits Payable	43,577	6,278		5,560
Deferred Revenue	45,048	566		14
Total Liabilities	<u>160,710</u>	<u>12,233</u>	<u>19,434</u>	<u>8,404</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 Fund Balances	<u>\$160,710</u>	<u>\$12,233</u>	<u>\$19,434</u>	<u>\$8,404</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Title II-A Improving Teacher Quality	21st Century CLC	Title II-D ESEA Technology	ISEE Grant
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$37,958	\$49,582		
Due From Other Funds				
Inventory				
Total Assets	\$37,958	\$49,582	\$0	\$0
Liabilities				
Accounts Payable				
Due To Other Funds	\$9,885	\$17,632		
Salaries & Benefits Payable	20,328	31,308		
Deferred Revenue	7,745	642		
Total Liabilities	37,958	49,582	\$0	\$0
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Nonspendable				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Fund Balances	\$37,958	\$49,582	\$0	\$0

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2011

	<u>Special Revenue</u>
	<u>Total</u>
Assets	
Cash & Investments	\$285,135
Receivables:	
Local Sources	0
State Sources	12,828
Federal Sources	526,413
Due From Other Funds	0
Inventory	0
Total Assets	\$824,376
 Liabilities	
Accounts Payable	\$0
Due To Other Funds	232,623
Salaries & Benefits Payable	206,498
Deferred Revenue	118,061
Total Liabilities	557,182
 Fund Balances	
Restricted:	
Special Programs	267,194
Debt Service	0
Capital Projects	0
Nonspendable	0
Unassigned	0
Total Fund Balances	267,194
Total Liabilities and Fund Balances	\$824,376

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Local Special Projects</u>	<u>McCain Middle School</u>	<u>Driver Education</u>	<u>Professional Technical</u>
Revenues				
Local Taxes				
Other Local Revenue	\$117,890	\$54,769	\$8,370	
State Revenue			12,648	\$42,759
Federal Revenue				
Total Revenues	<u>117,890</u>	<u>54,769</u>	<u>21,018</u>	<u>42,759</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School		26,309	22,720	42,759
Alternative School				
Exceptional Child	118,792			
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement				
Educational Media				
Instruction-Related Technology				
District Administration	21,029		4,873	
School Administration				
Administrative Technology				
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				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>139,821</u>	<u>26,309</u>	<u>27,593</u>	<u>42,759</u>
Excess (Deficiency) of Revenues Over Expenditures	(21,931)	28,460	(6,575)	0
Other Financing Sources (Uses)				
Transfers In	0	0	4,050	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>4,050</u>	<u>0</u>
Net Change in Fund Balances	(21,931)	28,460	(2,525)	0
Fund Balances - Beginning	21,931	236,347	2,525	0
Fund Balances - Ending	<u>\$0</u>	<u>\$264,807</u>	<u>\$0</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Technology</u>	<u>Substance Abuse</u>	<u>Title I-A ESEA IBP</u>	
Revenues				
Local Taxes				
Other Local Revenue		\$403		
State Revenue				
Federal Revenue			\$583,287	\$49,619
Total Revenues	<u>\$0</u>	<u>403</u>	<u>583,287</u>	<u>49,619</u>
Expenditures				
Instructional Programs				
Elementary School	2,735		499,329	28,279
Secondary School	4		24,425	10,767
Alternative School				
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement		125	53,356	10,573
Educational Media				
Instruction-Related Technology	36,269			
District Administration				
School Administration				
Administrative Technology	294			
Buildings - Care			432	
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>39,302</u>	<u>125</u>	<u>577,542</u>	<u>49,619</u>
Excess (Deficiency) of Revenues Over Expenditures	(39,302)	278	5,745	0
Other Financing Sources (Uses)				
Transfers In	23,865	0	0	0
Transfers Out	0	0	(5,745)	0
Total Other Financing Sources (Uses)	<u>23,865</u>	<u>0</u>	<u>(5,745)</u>	<u>0</u>
Net Change in Fund Balances	(15,437)	278	0	0
Fund Balances - Beginning	15,437	2,109	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$2,387</u>	<u>\$0</u>	<u>\$0</u>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2011

	Special Revenue Funds			
	Special Educ. IDEA Part B	Special Educ. IDEA Preschool	Perkins III Professional Technical Act	Title III ESEA LILEP&I
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$529,163	\$24,085	\$30,674	\$31,021
Total Revenues	<u>529,163</u>	<u>24,085</u>	<u>30,674</u>	<u>31,021</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School			30,674	
Alternative School				
Exceptional Child	451,182			
Preschool Exceptional		14,117		
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services	71,175	9,968		
Instructional Improvement				31,021
Educational Media				
Instruction-Related Technology				
District Administration				
School Administration				
Administrative Technology				
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				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>522,357</u>	<u>24,085</u>	<u>30,674</u>	<u>31,021</u>
Excess (Deficiency) of Revenues Over Expenditures	6,806	0	0	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(6,806)	0	0	0
Total Other Financing Sources (Uses)	<u>(6,806)</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>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Title II-A</u>	<u>21st Century</u>	<u>Title II-D</u>	<u>ISEE</u>
	<u>Improving</u>		<u>ESEA</u>	
	<u>Teacher Quality</u>	<u>CLC</u>	<u>Technology</u>	
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$123,093	\$279,155	\$22,085	\$4,500
Total Revenues	<u>123,093</u>	<u>279,155</u>	<u>22,085</u>	<u>4,500</u>
Expenditures				
Instructional Programs				
Elementary School	123,093			
Secondary School				
Alternative School				
Exceptional Child				
Preschool Exceptional				
Gifted & Talented				
Interscholastic				
Support Service Programs				
Attendance - Guidance - Health				
Special Services				
Instructional Improvement		274,754	22,085	
Educational Media				
Instruction-Related Technology				
District Administration				4,500
School Administration				
Administrative Technology				
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				
Community Services				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>123,093</u>	<u>274,754</u>	<u>22,085</u>	<u>4,500</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	4,401	0	0
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	(4,401)	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(4,401)</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>

PAYETTE JOINT SCHOOL DISTRICT NO. 371
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2011

	<u>Special Revenue</u>
	<u>Total</u>
Revenues	
Local Taxes	\$0
Other Local Revenue	181,432
State Revenue	55,407
Federal Revenue	1,676,682
Total Revenues	1,913,521
Expenditures	
Instructional Programs	
Elementary School	653,436
Secondary School	157,658
Alternative School	0
Exceptional Child	569,974
Preschool Exceptional	14,117
Gifted & Talented	0
Interscholastic	0
Support Service Programs	
Attendance - Guidance - Health	0
Special Services	81,143
Instructional Improvement	391,914
Educational Media	0
Instruction-Related Technology	36,269
District Administration	30,402
School Administration	0
Administrative Technology	294
Buildings - Care	432
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
Community Services	0
Capital Assets - Student Occupied	0
Capital Assets - Non-Student Occupied	0
Debt Service - Principal	0
Debt Service - Interest	0
Total Expenditures	1,935,639
Excess (Deficiency) of Revenues	
Over Expenditures	(22,118)
Other Financing Sources (Uses)	
Transfers In	27,915
Transfers Out	(16,952)
Total Other Financing Sources (Uses)	10,963
Net Change in Fund Balances	(11,155)
Fund Balances - Beginning	278,349
Fund Balances - Ending	\$267,194

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
US Dept of Agriculture			
<i>Passed Through Washington County:</i>			
Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	10.666	None	256
Total Schools and Roads Cluster			<u>256</u>
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10.553	188,014
ARRA - National School Lunch Program	10.555	10.555	426,467
Summer Food Service Program for Children	10.559	10.559	37,131
Total Child Nutrition Cluster			<u>651,612</u>
ARRA - Child Nutrition Discretionary Grants	10.579	10.579	8,140
Fresh Fruit & Vegetable Program	10.582	10.582	38,047
Total US Dept of Agriculture			<u>698,055</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	84.010	447,239
ARRA - Title I Grants to Local Educational Agencies	84.389	84.389	136,048
Total Title I, Part A Cluster			<u>583,287</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	84.027	369,537
Special Education - Preschool Grants	84.173	84.173	15,462
ARRA - Special Education - Grants to States	84.391	84.391	159,626
ARRA - Special Education - Preschool Grants	84.392	84.392	8,623
Total Special Education Cluster			<u>553,248</u>
Migrant Education - State Grant Program	84.011	84.011	49,619
Career & Technical Education - Basic Grants to States	84.048	84.048	30,674
Twenty-First Century Community Learning Centers	84.287	84.287	279,155
ARRA - Education Technology State Grants	84.386	84.386	26,585
English Language Acquisition Grants	84.365	84.365	31,021
Improving Teacher Quality State Grants	84.367	84.367	123,093
Education Jobs Fund	84.410	84.410	157,475
Total US Dept of Education			<u>1,834,157</u>
Total Expenditures of Federal Awards			<u>\$2,532,212</u>

NOTES:

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

Nonmonetary Assistance - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of \$39,151.

OTHER REPORTS AND SCHEDULES

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

Board of Trustees
Payette Joint School District No. 371

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Payette Joint School District No. 371 (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Folke CPAs, P.C.

July 21, 2011

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

Board of Trustees
Payette Joint School District No. 371

Compliance

We have audited Payette Joint School District No. 371 (the School's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2011. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

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

Folke CPAs, P.C.

July 21, 2011

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the School.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133. Due to additional monitoring and other oversight by the board, management, and others, the significant deficiency relating to segregation of duties does not extend to, or include, major federal programs.
5. The auditor's report on compliance for the major federal award programs for the School expresses an unqualified opinion on all major federal programs.
6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in part C. of this schedule.
7. The programs tested as major programs include:
 - a. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.559
 - b. Title 1, Part A Cluster – CFDA #84.010, 84.389
 - c. Special Education Cluster – CFDA #84.027, 84.173, 84.391, 84.392
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The School did not qualify as a low-risk auditee.

PAYETTE JOINT SCHOOL DISTRICT NO. 371

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. *Segregation of Duties*

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

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

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

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

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

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

None.