Financial Statements
June 30, 2011

Mountain Home School District #193

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Mountain Home School District #193
Mountain Home, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Home School District #193, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mountain Home School District #193's (the District) management. 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 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 Mountain Home School District #193, as of June 30, 2011, and the respective changes in financial position and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, certain errors resulting in understatement of previously reported net assets as of June 30, 2010, were discovered by management during the current year. Accordingly, adjustment has been made to net assets to correct error.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such 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, or 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 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 financial statements or to 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 basic financial statements as a whole.

Eide Bailly LLP

Boise, Idaho
October 13, 2011

The discussion and analysis of the Mountain Home School District's financial performance provides an overall review of financial activities, with the focus on the District's financial activities for the 2010-2011 fiscal year, ending on June 30, 2011. Efforts have been made to provide comparison to prior years' data, when such data is available.

Financial Highlights

- The District ended the fiscal year with general fund revenues exceeding expenses by $1,699,164 or 7.4% of revenue. Total General Fund revenue was over budget by $969,857 or 2.7%. Revenue from taxes was $121,636 under budget or 4.2%. Impact Aid was $47,620 under budget or 2.1%. State revenue was over budget by $629,904 or 3.8%. This revenue over budget from the State was due to the year-end distribution of excess state revenue that was distributed in July 2011. Total expenses were under budget by $105,851 or 0.7% of budget.

- Federal revenue from Impact Aid fell short of budget by $47,620 or 2.1%. This program supplements educational expenses for children affiliated with the military. Payments received in FY 2011 included $1,198,808 from FY 2011, $382,853 from FY 2008, and $670,719 from FY 2007. On the FY 2011 application, students whose parents live and work on the base declined from 481 students to 405 for a decline of 76 students or 15.8%. Uniformed services living off the base were 827 on October 2009 and declined by 90 to 737 in October of 2010.

- District enrollment as of the middle of May decreased by 146 students to 3,795 in fiscal year 2010-2011 from the previous year's end of school enrollment of 3,941. This is a decrease over the prior fiscal year of 3.9%. The Base Primary school decreased 50 students from the prior year while town enrollment declined a total of 101 students. The rural school at Pine increased 5 students in FY 2010-2011. High school sophomores reflected the largest change by grade, declining 62 students from the previous year. High school freshmen increased 54 students from the prior year's freshman class.

Overview of the Financial Statements

This section of the annual financial report consists of three parts: management's discussion and analysis, basic financial statements, and other required supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

Government-Wide Financial Statements (GWFS)

The *GWFS* (i.e. statement of net assets and statement of activities) provides readers with a broad overview of the District's finances. The Statement of Net Assets and the Statement of Activities displays information about the reporting entity as a whole. The GWFS report information about the District as a whole, using accounting methods similar to those used by private-sector companies.

The *Statement of Net Assets* provides information on all of the assets and liabilities of the District, with the difference between the two providing the *net assets*. Increases or decreases in the net assets may indicate whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* shows how the net assets of the District have changed throughout the fiscal year. Changes in the net assets occur as soon as the underlying events give rise.

The statements present an aggregate view of the District's finances. GWFS contain useful long-term information as well as information for the just-completed fiscal year. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings, and other facilities, should be considered.

In the GWFS, the District's activities are all classified as government activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation, and food services. Funding for these services come from property taxes, the State of Idaho, and Federal Impact Aid.

The GWFS can be found on pages 11-12 of this report.

Fund Financial Statements

Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund Financial Statements focus on individual parts of the District. Fund Statements generally report operation in more detail than the government-wide statements. This statement focuses on its most significant or "major" funds and not on the District as a whole.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. Plant Facility Funds). The District has two types of funds: Governmental and Fiduciary.

Governmental Funds – Governmental Funds account for nearly the same functions as the Governmental Activities. However, unlike the GWFS, Governmental Funds focus on near-term inflows and outflows, as well as the balances left at year-end that are available for funding future basic services.

It is useful to compare information found in the Governmental Funds with that of the Governmental Activities. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Fiduciary Funds – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

Notes and Required Supplementary Information

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the District's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

Government-Wide Financial Analysis

Governmental Activities

	2011	2010, as restated	Change
Current and Other Assets	**$ 7,366,626**	$ 4,916,021	$ 2,450,605
Capital Assets	**13,860,614**	14,317,323	(456,709)
Total Assets	**21,227,240**	19,233,344	1,993,896
Long-Term Liabilities Outstanding	**3,295,000**	4,085,000	(790,000)
Other Liabilities	**4,862,023**	4,924,514	(62,491)
Total Liabilities	**8,157,023**	9,009,514	(852,491)
Net Assets			
Invested in Capital Assets, Net of Related Debt	**9,775,614**	9,477,323	298,291
Restricted	**1,182,195**	1,200,352	(18,157)
Unrestricted	**2,112,408**	(453,845)	2,566,253
Total Net Assets	**$ 13,070,217**	$ 10,223,830	$ 2,846,387

Net assets may serve as a useful indicator of a District's financial position. In the case of the District, total assets exceeded liabilities by $13,070,217 at the close of the most recent fiscal year. This represents an overall increase of $2,846,387 from the prior year.

The largest portion of the District's net assets (74.8%) reflect investments in capital assets (i.e. land, buildings and improvements, furniture, and equipment) net of related debt (general obligation bonds) used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending. The District calculation of net assets uses a historical cost of school buildings that does not accurately reflect current replacement value.

Restricted net assets represent 9.0% of the District's net assets. These resources are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to students, employees, and creditors. The unrestricted net assets amount has been earmarked for the following purposes:

- Unrestricted net assets increased $2,566,253 from the prior fiscal year deficit of ($453,845, as restated) to a current year balance in FY 2011 of $2,112,408. This includes $431,400 for a liability for other post employment benefits (OPEB) as required by GASB 45.

On the following statement for Changes in Net Assets from Operating Results, total revenue has increased in FY 2011 over FY 2010 by $883,587. The majority of this increase is in the State revenue area of non-major funds. State revenue rose $869,680 or 5.9% with the increase in revenue from taxes offsetting the decrease from Federal Stimulus funds from FY 2010. Total Federal revenue was down $2,475,389 due to the loss of Federal Stimulus money from FY 2010 and a decline in Impact Aid. Revenue from Impact Aid was down $570,181 or 20.2% from FY 2010 due to a loss of military connected students. The total expense decreased $1,843,795 with decreases in Secondary Programs of $359,113, Elementary Programs of $316,144, and Plant Services of $308,368 making up the top three areas of expense reduction due to staffing cuts and spending restrictions imposed by administration to react to anticipated revenue losses.

Mountain Home School District 193
Changes in Net Assets from Operating Results
Governmental Activities

	2011	2010	Change
REVENUES			
Program Revenues			
Charges for Services	**$ 364,342**	$ 393,243	$ (28,901)
Operating Grants and Contributions	**4,909,774**	5,278,030	(368,256)
Capital Grants and Contributions	**-**	-	-
General Revenues			
Property Taxes levied for General purposes	**2,869,134**	74,198	2,794,936
Property Taxes levied for Debt Services	**1,059,316**	907,232	152,084
Property Taxes levied for Capital Outlay	**1,115,266**	1,057,784	57,482
State Revenues	**15,572,889**	14,703,209	869,680
Grants and Contributions not restricted to Specific Purposes			
Federal Stimulus Funds	**499,800**	2,405,008	(1,905,208)
Federal Impact Aid	**2,252,380**	2,822,561	(570,181)
Federal Forest	**571,382**	609,254	(37,872)
Interest and Investment Earnings	**12,080**	10,759	1,321
Miscellaneous	**196,880**	278,378	(81,498)
Total Revenue	**29,423,243**	28,539,656	883,587

EXPENSES			
Instructional Services			
Elementary Programs	**5,088,437**	5,404,581	(316,144)
Secondary / Alternative Programs	**7,306,811**	7,665,924	(359,113)
Exceptional Child Programs	**2,665,147**	2,920,032	(254,885)
Other Programs	**607,209**	655,641	(48,432)
Support Services			
Student Services	**1,705,982**	1,709,065	(3,083)
Instructional Improvement	**211,522**	241,721	(30,199)
Educational Media	**378,296**	442,829	(64,533)
Administration	**1,522,134**	1,701,714	(179,580)
School Administration	**1,493,007**	1,465,005	28,002
Plant Services	**2,275,487**	2,583,855	(308,368)
Transportation	**1,114,779**	1,181,939	(67,160)
Non-Instructional Services			
Community Service Programs	**263**	3,112	(2,849)
School Lunch	**1,196,313**	1,174,976	21,337
Capital Outlays	**115,360**	223,815	(108,455)
Interest / Bond Issuance Cost on Long Term Debt	**133,038**	162,180	(29,142)
Depreciation	**763,071**	884,262	(121,191)
Total Expenses	**26,576,856**	28,420,651	(1,843,795)
Change in Net Assets	**$ 2,846,387**	$ 119,005	$ 2,727,382

District's Funds Financial Analysis

As noted earlier, the District uses funds to demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

General Fund – The General Fund is the general operating fund for the District. At the end of the 2010-2011 fiscal year, this fund balance was $430,372, which is an increase of $1,699,164 from the fiscal year 2009-2010 ending balance of ($1,268,792). In the General Fund in FY 2011, 75.4% of the revenue comes from the State of Idaho, up from 74.5% in FY 2010. Federal sources provided 11.9% of revenue with the remainder coming from other sources. General Fund expenses were 92.5% of revenue resulting in an increase of the fund balance. Net transfers in the General Fund were a net expense of $27,694. Capital Projects was not a major fund this year and therefore is not listed separately. Non-major funds had revenues in excess of expenses by $772,508. Total activity increased the combined fund balances to $3,199,836.

Actual revenues for General Fund totaled $23,116,857. Total revenue funding was $969,857 over the budgeted projection of $22,147,000. Total Federal revenue was over budget by $452,180 due to Federal Stimulus funding which was in part intended to offset the State revenue shortage. State revenue was over budget by $629,904 due to a last minute distribution of state excess revenue. Declining enrollment and adverse economic conditions continue to affect Districts throughout the state.

Expenditures for general District purposes totaled $21,389,999, a decrease of $1,339,531 or 5.9% from the 2009-2010 fiscal year total of $22,729,530. This decrease in expenditures is a result of the efforts by Administration to contain costs in response to anticipated budget revenue shortfalls. The instructional expenditures decreased in FY 2011 by $639,498 to certified staff reductions. This category accounts for 62.1% of all general fund expenditures this year. Support services constitute 37.8% of general fund expenditures, with 27.9% or $2,252,958 of total support services being maintenance and building improvement related. Maintenance and improvements decreased $308,212 or 12.0% from FY 2010 due to staff cuts, supply and contract services reductions.

Purchases for capital assets in the general fund declined from the prior year by $8,863 due to the cutbacks in equipment needs. Total General Fund outlays for capital in FY 2011 were $8,915.

Federal Forest Fund – This fund can be used for technology and textbook purchases. The main expenditures in the current year were $237,936 for textbooks, $49,638 for software, and $5,041 for equipment. Revenues of $571,382 from the Department of Defense and Federal Forest funding exceeded budget of $399,248 by $172,134. The fund balance increased in this fund as of June 30, 2011 to $424,929.

Plant Facility Fund – The Plant Facility Fund is the fund used to pay for capital construction and building repair and remodeling throughout the District. A request for a continuation of the Plant Facility Levy by the patrons was not passed in May of 2011. Proposed expenditures planned for these funds were immediately put on hold until the needs could be reassessed. As a result of a delay in expenditures, at the end of the current fiscal year, the Plant Facility Fund balance is $1,507,192. The major purchases from this fund for the current fiscal year were: $306,362 for new HVAC units at the High School, $61,326 for contracted services, $39,894 for new computers.

General Fund Budgetary Highlights

In June, the District adopted an original budget for the subsequent year. The budget for the FY 2010-2011 was approved by the Board of Trustees on June 15, 2010. The budget was not amended.

Capital Assets

The capital projects fund is used primarily to account for the costs incurred while acquiring and improving sites, constructing and remodeling facilities, and producing equipment necessary for providing educational programs for all students within the District. The Mountain Home School District has invested approximately $32,155,590 in a broad range of capital assets over the years. The total accumulated depreciation on these assets at June 30, 2011 amounts to $18,294,976.

- Asset additions for governmental activities totaled $306,362 for the current fiscal year.
- The District did not have any asset disposals in FY 2011.

Long-Term Debt

At year-end, the District had $4,085,000 in general obligation bonds, exclusive of deferred interest. Of this amount, $790,000 will be retired within the next year and $3,295,000 will be retired within 5 years. The District retired $755,000 of outstanding bonds in fiscal year 2011. This retirement was the result of the District’s payment on the 1995 bonds. The debt of the District is secured by an annual tax levy authorized by the patrons of the District by a two-thirds majority vote.

Additional information regarding the District’s long-term debt can be found in Note #7 to the basic financial statements.

Economic Factors and Next Year's Budget

The District continues to balance current need versus available resources. Additional testing requirements by the State (ISAT) and Federal Government (NCLB) have increased the administrative burden to the District. In fiscal year 2011, significant improvement had been made in meeting the Adequate Yearly Progress (AYP) goals according to the guidelines set forth by NCLB. The High School, Base Primary, East Elementary, and Pine have met their AYP goals in FY 2011. Meeting the AYP standards will be the focus of resource allocation in FY 2012. The District continues to face difficult choices over the allocation of available resources in light of increasing costs and reduced funding.

The District has seen an overall decline in enrollment for seven of the past nine years. Since fiscal year 2000-2001, enrollment has dropped from a high of 4,454 enrolled students to 3,795 at the end of fiscal year 2010-2011. This past year showed a decrease of 146 students from the prior fiscal year. The enrollment on the air base has fallen from 1,022 students in fiscal year 2000-2001 to a current enrollment of 284. Housing reconstruction on the base is on hold pending the awarding of the construction bid. There are five bases nationally that are involved in this housing upgrade hold. This restricts the number of students living on base and affects our federal reimbursement per military child.

In May of 2010, the voters of Mountain Home approved a supplemental levy of 2.8 million dollars per year for two years to stabilize the funding for the district during the revenue cutbacks from the state and federal governments. This levy saved employee layoffs, service cutbacks, and athletics in the district which would have resulted in significant operational changes.

For the fiscal year 2011 budget, significant cutbacks were implemented to reduce overall district wide expenses. Certified and classified staff were given furlough days resulting in a 4% decrease in their annual compensation. Administrative staff was given a 6.5% reduction in compensation. Educational and experience advances were initially frozen at the FY 2010 levels. Federal Ed Jobs funding allowed some of these reductions to be reinstated. Healthcare benefits were reduced by the inclusion of a pharmacy deductible and higher annual deductibles. Athletic programs were reduced or eliminated and professional development days for staff were eliminated. There were several positions not filled or filled with classified para-professionals. These operational adjustments along with the support of the community and the supplemental levy described above brought the district into a positive financial position at the end of FY 2011.

The budget for FY 2012 again reflects another anticipated decrease in funding from the State of Idaho for education. We have budgeted 14 certified less staff in FY 2012 than in FY 2011, 22 fewer classified staff, and one less administrator. We budgeted a reduction in enrollment by 70 students or another 1.8% decrease in students. Transportation costs were reduced by eliminating several bus stops. Funds have been withheld by the State Department of Education from discretionary use by the local boards to be dedicated to a state mandated pay for performance criteria and technology of some kind.

State funding continues to drop in relation to the cost of education. Fiscal year 2011, like FY 2010, had substantial federal funds replacing and supplementing state funds. This issue was not uncommon nationally. Fiscal year 2011 saw dramatic cuts to districts for entitlement funds, classified, certified, and administration salary reimbursement rates on the salary based apportionment section of the state foundation payments.

In FY 2011, the Plant Facility levy was not renewed by the patrons in Mountain Home. As a result of this levy not passing, capital improvements, repairs, and equipment had been placed on a moratorium. Expenditures have been placed on hold except for staff or student safety, mission critical expenses, and academic necessity. The fund balance increased as a result of this moratorium on spending and the delay of the roof repair at the high school which was scheduled for the summer of 2011. Administration must look to extend these non-renewable funds for only the most essential purposes.

In the spring of 2005, the Base Realignment and Closure Committee (BRAC) recommended to the President, significant changes to the staffing and structure of the Air Force Base and nearby Air National Guard. Expansion of the nearby bombing range will be decided upon shortly and this will entice the military to consider the Mountain Home Air Force Base a viable candidate for future missions and military bed-downs. In FY 2011, a squadron of F-15 fighters left the base which accounted for the reduction the number of militarily connected children remaining in the District.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Cliff Ogborn
Mountain Home School District #193
470 North 3rd East
Mountain Home ID 83647
(208) 587-2580
ogborn_ca@sd193.k12.id.us

	Governmental Activities
Assets	
Cash and cash equivalents	$ 984,140
Investments	795,670
Property taxes receivable	2,184,271
State and federal receivables	3,228,364
Other receivables	66,198
Prepaids	3,561
Inventories	80,065
Bond issuance costs (net of amortization)	24,357
Capital assets (not subject to depreciation)	481,372
Capital assets (net of depreciation)	13,379,242
Total assets	21,227,240
Liabilities	
Accounts payable	341,984
Accrued payroll and related liabilities	2,864,974
Compensated absences	220,600
Interest payable	60,160
Premium on bonds	152,905
Other post employment benefits obligation	431,400
Long-term liabilities	
Due within one year	790,000
Due in more than one year	3,295,000
Total liabilities	8,157,023
Net Assets	
Invested in capital assets, net of related debt	9,775,614
Restricted for debt service	1,182,195
Unrestricted	2,112,408
Total net assets	$ 13,070,217

	Expenses	Program Revenues: Program Revenues	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental activities					
Instruction					
Elementary programs	$ 5,088,437	$ -	$ 831,612	$ -	$ (4,256,825)
Secondary/alternative programs	7,306,811	-	189,843	-	(7,116,968)
Exceptional/preschool programs	2,665,147	-	876,861	-	(1,788,286)
Other instructional programs	607,209	-	16,444	-	(590,765)
Support services					
Student services	1,705,982	23,055	966,911	-	(716,016)
Instructional improvement	211,522	-	358,730	-	147,208
Educational media	378,296	-	-	-	(378,296)
Administration	1,522,134	-	-	-	(1,522,134)
School administration	1,493,007	-	-	-	(1,493,007)
Plant services	2,275,487	-	-	-	(2,275,487)
Pupil transportation services	1,114,779	-	867,727	-	(247,052)
Community service programs	263	-	2,349	-	2,086
Food services	1,196,313	341,287	799,297	-	(55,729)
Capital improvements	115,360	-	-	-	(115,360)
Interest on long-term debt	133,038	-	-	-	(133,038)
Depreciation-unallocated	763,071	-	-	-	(763,071)
Total Governmental Activities	$ 26,576,856	$ 364,342	$ 4,909,774	$ -	(21,302,740)

General revenues	
Taxes	
Property taxes, levied for general purposes	2,869,134
Property taxes, levied for debt services	1,059,316
Property taxes, levied for capital outlay	1,115,266
State revenue in lieu of taxes	15,572,889
Grants and contributions not restricted to specific programs	
Federal stimulus funds	499,800
Federal impact aid	2,252,380
Federal forest lands	571,382
Interest and investment earnings general fund	7,624
Other funds	4,456
Miscellaneous	196,880
Total general revenues	24,149,127
Changes in Net Assets	2,846,387
Net Assets, Beginning of Year, as restated	10,223,830
Net Assets, End of Year	$ 13,070,217

	General	Non Major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 983,565	$ 575	$ 984,140
Investments	795,670	-	795,670
Property taxes receivable	1,190,440	993,831	2,184,271
State and federal receivables	2,397,077	831,287	3,228,364
Other receivables	55,178	11,020	66,198
Prepaids	-	3,561	3,561
Interfund	-	2,012,469	2,012,469
Inventories	33,100	46,965	80,065
Total assets	$ 5,455,030	$ 3,899,708	$ 9,354,738
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 160,825	$ 181,159	$ 341,984
Accrued payroll and related liabilities	2,525,078	339,896	2,864,974
Compensated absences	220,600	-	220,600
Deferred property taxes	105,686	151,428	257,114
Deferred grant revenue	-	457,761	457,761
Interfund	2,012,469	-	2,012,469
Total liabilities	5,024,658	1,130,244	6,154,902
Fund Balance			
Nonspendable	33,100	46,965	80,065
Restricted for debt service	-	1,182,195	1,182,195
Assigned	-	1,540,304	1,540,304
Unassigned	397,272	-	397,272
Total fund balance	430,372	2,769,464	3,199,836
Total Liabilities and Fund Balance	$ 5,455,030	$ 3,899,708	$ 9,354,738

Total fund balances - governmental funds		$	3,199,836
The cost of capital assets purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.			
Costs of capital assets	32,155,590		
Depreciation expense to date	(18,294,976)		13,860,614
Elimination of interfund assets and liabilities			
Interfund assets	(2,012,469)		
Interfund liabilities	2,012,469		-
Property taxes receivable, as recorded in the Statement of Net Assets, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.			257,114
Grants receivable, as recorded in the Statement of Net Assets, will be collected in the next fiscal year, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.			457,761
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items. Balances at June 30, 2011 are:			
Capitalized debt issuance costs	62,986		
Amortization of debt issuance costs to date	(38,629)		
Premium on bonds issued	(395,391)		
Amortization of bond premium to date	242,486		(128,548)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at June 30, 2011 are:			
Bonds payable in less than one year	(790,000)		
Bonds payable in more than one year	(3,295,000)		
Interest payable	(60,160)		
Other post employment benefits obligation	(431,400)		(4,576,560)
Net Assets		$	13,070,217

	Governmental Fund Types		
	General	Non Major Funds	Total Governmental Funds
Revenues			
Local revenues			
Property taxes	$ 2,758,364	$ 2,174,582	$ 4,932,946
Earnings on investments	7,624	4,456	12,080
Other	54,910	385,437	440,347
State revenue	17,422,904	92,305	17,515,209
Federal revenue			
Stimulus funds	-	571,382	571,382
Impact aid	2,252,380	89,487	2,341,867
Ed Jobs	499,800	-	499,800
Other	-	2,846,255	2,846,255
Other revenue	120,875	-	120,875
Total revenue	23,116,857	6,163,904	29,280,761
Expenditures			
Instructional			
Elementary school program	4,043,194	1,020,224	5,063,418
Secondary school program	6,986,797	286,324	7,273,121
Exceptional school program	1,541,094	856,624	2,397,718
Preschool school program	152,839	93,753	246,592
Gifted and talented school program	138,749	-	138,749
Interscholastic school program	428,341	-	428,341
School activity program	1,715	-	1,715
Summer school program	158	28,904	29,062
Total instructional	13,292,887	2,285,829	15,578,716
Support Services			
Attendance-guidance	434,331	(415)	433,916
Educational services	1,005,726	270,571	1,276,297
Instructional improvement program	46,754	164,353	211,107
Educational media program	375,349	-	375,349
District administration program	1,416,130	102,524	1,518,654
School administration program	1,445,934	39,862	1,485,796
Maintenance and improvements:			
buildings, grounds, and equipment	2,252,958	16,431	2,269,389
Pupil transportation	1,111,015	3,764	1,114,779
Total support services	8,088,197	597,090	8,685,287

	Governmental Fund Types		
	General	Non Major Funds	Total Governmental Funds
Community services program	-	263	263
Food services program	-	1,192,576	1,192,576
Capital assets program	8,915	412,807	421,722
Debt services program			
Principal	-	755,000	755,000
Interest	-	175,525	175,525
Total debt service program	-	930,525	930,525
Total expenditures	21,389,999	5,419,090	26,809,089
Excess of Revenues over Expenditures	1,726,858	744,814	2,471,672
Other Financing Sources (Uses)			
Interfund transfers in	62,000	89,694	151,694
Interfund transfers out	(89,694)	(62,000)	(151,694)
	(27,694)	27,694	-
Changes in Fund Balance	1,699,164	772,508	2,471,672
Fund Balance (Deficit), Beginning of Year	(1,268,792)	1,996,956	728,164
Fund Balance, End of Year	$ 430,372	$ 2,769,464	$ 3,199,836

Total net change in fund balances - governmental funds		$ 2,471,672
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds 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 amount by which depreciation exceeded capital outlays during the fiscal year:		
Depreciation expense	(763,071)	
Capital outlays	306,362	(456,709)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Bond repayment	755,000	
Amortization issuance costs	(5,905)	
Amortization of premium	37,068	786,163
Because some property taxes will not be collected for several months after the District's fiscal year end they are not considered available revenues in the governmental funds, but are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		110,770
Because some grant revenues will not be collected for several months after the District's fiscal year end they are not considered available revenues in the governmental funds, but are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		31,712
Benefits paid on behalf of retirees for other post employment benefits (OPEB) in the Statement of Activities differs from the amount reported in the governmental funds because these costs are recognized as an expenditure in the governmental funds when they are paid, thus requiring the use of current financial resources. In the Statement of Activities, however, the OPEB obligation is recognized based on the actuarial valuation, regardless of when it is paid.		(108,545)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, thus requiring the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		11,324
Change in net assets of governmental activities.		$ 2,846,387

		Agency Funds
Assets		
Cash and cash equivalents	$	315,598
Investments		299,124
Total assets	$	614,722
Liabilities		
Due to student groups	$	614,722
Total liabilities	$	614,722

Note 1 - Summary of Significant Accounting Policies

The Mountain Home School District #193 of Mountain Home, Idaho (the District) operates under a School Board form of government and provides education to students as authorized under Title 33 of the Idaho Code.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units and to state laws applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below:

Financial Reporting Entity

The District follows GASB Statement No.'s 14 and 39 in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by the District's Board of Trustees. Control or dependence on the District was determined on the basis of appointment authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District and legal standing.

The District contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho. A ten-year history is provided in PERSI's annual report.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The general fund and the capital projects fund are considered major funds while the remaining governmental funds are considered non-major. Governmental funds include:

General fund – the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt service funds – account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital project fund – accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Agency funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School activity fund – accounts for assets held by the District as an agent for the individual schools and school organizations.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include charges to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions is not allocated to those functions but is reported separately in the Statement of Activities. Depreciation is not specifically identified by function and is considered an unallocated indirect expense. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

<u>Fund Financial Statements (FFS)</u>

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual, defined as measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are susceptible to accrual.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and when resources are available and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are accrued at June 30.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Cash and Cash Equivalents

The District pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho.

Investments

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

- Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.
- Time deposit accounts, tax anticipation and interest-bearing notes.
- Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.
- Repurchase agreements secured by the above.

The District has adopted an investment policy that further specifies that the following investments are allowed following types of securities:

1. United States Securities
2. United States Governmental Agencies
3. Federal Instrumentalities
4. Certificates of Deposit
5. Repurchase Agreements of governmental securities
6. Bankers Acceptance
7. Registered Investment Companies (Money Market Mutual Funds)
8. Investment Pools composed entirely of instruments that are legal for direct investment by an intermediate school district (Idaho State Investment Pool)

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Pool is managed by the State of Idaho Treasurer's office. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Elimination and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year end lapse and are included in the next year's budget.

Estimates

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

Property Taxes

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year end, they are accrued on the government fund financial statements. Property tax revenues are recognized when levied with appropriate accrual made at year end on the government-wide financial statements. The District's property taxes, levied on the second Monday in September on a market value basis, are billed to the taxpayers in November. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Other property taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year.

Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion that meets the revenue recognition criteria is recognized as revenue on the fund financial statements.

Under State law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Elmore County bills and collects property taxes for the District.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no allowance for uncollectible taxes.

Inventories

School operating supplies and maintenance supplies are stated at the lower of cost (first-in, first-out) or market.

Inventories on hand at year end are reflected as assets and are fully reserved in the fund financial statements indicating the inventories are unavailable for appropriation even though they are a component of reported assets.

Capital Assets

The District's policy is to capitalize capital assets in excess of $20,000. Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	15-40 years
Furniture and equipment	3-15 years

The costs of land and buildings acquired before 1994 are recorded at estimated historical cost. Land and buildings acquired after 1994 are recorded at historical cost. The cost of equipment and vehicles is based on historical cost.

The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

The District does not possess any material amounts of infrastructure capital assets (e.g. roads, bridges, parking lots, sewer). Amounts expended for such items prior to June 30, 2002 were considered part of the cost of the buildings or other immovable property. From July 1, 2002 forward, such items that are built or constructed, and appear to be material in cost compared to all capital assets, are capitalized and depreciated over their estimated useful lives.

Long-Term Liabilities

For government-wide reporting, the costs associated with the bonds are recognized over the lives of the bonds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

Fund Balances of Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified debt service resources as restricted as they are to be used for future servicing of the general obligation bond and are restricted through debt covenants.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of June 30, 2011.

- Assigned: This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Trustees or through the Trustees delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District did not have any assigned resources within the General Fund as of June 30, 2011.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers.

Deferred Revenue

The District reports deferred revenues on its statement of net assets and fund balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. On the government fund financial statements property taxes that are delinquent are recorded as deferred revenue since they are not available for within 60 days of the fiscal year end, however in the government-wide financial statements all property taxes are recognized in the year they are measurable.

Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Upon retirement, unused vacation leave is paid to employees. No reimbursement or accrual is made for unused sick leave.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

1. The employees' right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

As the District believes the entire compensated absence liability will be paid out over the next year, the entire liability is reported on the government-wide and fund financial statements.

Grants and Other Intergovernmental Revenues

Federal and State reimbursement-type grants are recorded as intergovernmental revenues when the related expenditures/expenses are incurred and, in the governmental funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

Note 2 - Cash and Cash Equivalents

At June 30, 2011, the District's cash and cash equivalents consisted of the following:

	Governmental Funds	Agency Funds
Bank balance		
Insured or collateralized	$ 325,364	$ 329,356
Carrying amount	$ 984,140	$ 315,598

Note 3 - Investments

At June 30, 2011, the District's investments consisted of the following:

	Fair Value	Cost
Stagecoach sweep repurchase agreements	$ 1,211,566	$ 1,345,750
State Treasurer's investment pool	$ 795,670	$ 792,760
State Treasurer's investment pool - Agency	$ 299,124	$ 299,124

For purposes of efficient cash flow management and the management of temporary investments, the District utilizes the Investment Pool for its cash.

Through cash management automatic daily repurchase agreements with Wells Fargo Bank, the District invests idle cash in uninsured repurchase agreements and U.S Treasury Notes. The repurchase agreement is fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed by, the United States government or any agency thereof. Title to the securities is vested in the banks. The bank repurchases the undivided, fractional interest from the District on the next banking day. The repurchase agreements are not rated, and have a maturity date of July 1, 2010.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party.

The District's investment policy only allows securities to be purchased from the following institutions organized in the United State that have $500,000,000. The following is a list of the authorized institutions:

1. Primary and regional dealers who qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), and
2. Capital of no less than $10,000,000, and
3. Registered as a dealer under the Securities Exchange Act of 1934, and
4. A member of the National Association of Securities Dealers (NASD), and
5. Registered to sell securities in the State of Idaho, and
6. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five consecutive years or,
7. Any Public Depository qualified in accordance with Idaho Code (I.C.) 67-1210.

The securities must be registered and collateralized in the District's name. The District was in compliance with their policy at June 30, 2011.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The District's policy only allows for investments that have an AAA or AA rating as prescribed by S&P and Moody's. Investments in the State Treasurer's Pool are not required to be rated. The District was in compliance with the policy at June 30, 2011.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The District's policy is not to purchase investments with maturities greater than 185 calendar days, and repurchase agreements cannot exceed one business day. The District was in compliance with this policy at June 30, 2011.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when 5% of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District's policy is to not allow more than 50% of the total portfolio in Certificate of Deposits, Bankers Acceptance, non-governmental money market mutual funds, or any combination thereof. As of June 30, 2011, the amounts in the Wells Fargo Bank repurchase agreements represented more than 5% of the investments.

Note 4 - Interfund Balance Transfers

As of June 30, 2011, the General Fund has an outstanding interfund payable to the Non Major funds of $2,012,469 due to the timing of cash received for the various funds and maintained in the General Fund checking account.

During the year ended June 30, 2011, the General Fund transferred $89,694 to the Non Major Funds in compliance with Federal mandates for food service benefits and to cover costs in excess of federal awards. The Non Major Funds transferred $62,000 to the General Fund for indirect cost reimbursement in relation to the administration of state and federal funded programs.

Note 5 - Capital Assets

A summary of activity in the Capital Assets is as follows:

	June 30, 2010	Additions	Deletions	June 30, 2011
Governmental activities				
Capital assets				
Land	$ 481,372	$ -	$ -	$ 481,372
Land improvements	1,827,622	-	-	1,827,622
Buildings	25,906,744	306,362	-	26,213,106
Furniture and equipment	3,633,490	-	-	3,633,490
Total capital assets	31,849,228	306,362	-	32,155,590
Less accumulated depreciation for				
Land improvements	(1,287,908)	(100,483)	-	(1,388,391)
Buildings	(13,718,438)	(559,807)	-	(14,278,245)
Furniture and equipment	(2,525,559)	(102,781)	-	(2,628,340)
Total accumulated depreciation	(17,531,905)	(763,071)	-	(18,294,976)
Total capital assets, net	$ 14,317,323	$ (456,709)	$ -	$ 13,860,614

Note 6 - Post-Retirement Healthcare Plan

Plan Description. The District provides comprehensive medical, vision and dental benefits to all District employees who retire and satisfy the eligibility requirements. This is a single employer defined benefit healthcare plan administered by Blue Cross of Idaho, Willamette, and VSP. To be eligible for the District's retiree group medical, dental and vision plans, a retiree must satisfy the PERSI retirement eligibility requirements of 55 years of age (or disability) and 5 years of service. Once a retiree becomes eligible for Medicare, the spouse can continue medical and dental coverage until the spouse is eligible for Medicare. Disabled members and their dependents can receive medical, dental, and vision benefits until they qualify for SSDI and Medicare. Surviving spouses are eligible for medical and dental benefits until the survivor is 65 and vision benefits for life.

Funding Policy. The contribution requirement of plan members is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the District contributed approximately $174,520 to the plan or approximately 37 percent of estimated retiree costs. Plan members receiving benefits contributed approximately $292,842 or approximately 63 percent of estimated retiree costs. Retirees are required to pay 100% of the premiums based on the combined active and retiree pool. Monthly contribution rates in effect for retirees under age 65 during fiscal year 2011, which represents the blending of the September 1, 2009 and September 1, 2010 rates, were as follows:

Pre-65 rates	Medical Plan "A" Premium	Medical Plan "B" Premium	Dental Regence Premium	Dental Willamette Premium	Vision VSP Premium *
Retiree Only	$ 359.64	$ 318.15	$ 41.25	$ 68.16	$ 10.54
Retiree + Spouse	785.14	694.23	70.59	116.68	15.25
Retiree + Child	550.44	486.79	70.59	116.68	15.25
Retiree + Children	637.93	564.11	102.62	169.59	27.25
Retiree + Family	906.09	801.13	102.62	169.59	27.25

* The vision plan is also for post 65 retirees.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the District's post retirement healthcare plan:

Annual required contribution	$ 281,687
Interest on net OPEB obligation	12,914
Adjustment to annual required contribution	(11,536)
Annual OPEB cost (expense)	283,065
Contributions made	(174,520)
Increase in net OPEB obligation	108,545
Net OPEB obligation—beginning of year	322,855
Net OPEB obligation—end of year	$ 431,400

The three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is shown below:

Fiscal Year Ending	Annual OPEB Expense (AOE)	Estimated Contribution as a Percentage of AOE *	Net OPEB Obligation at End of Year **
June 30, 2009	$ 348,550	55%	$ 158,547
June 30, 2010	$ 367,725	55%	$ 322,855
June 30, 2011	$ 283,070	62%	$ 431,400

* Equals estimated actual incurred claims plus administration less retiree contributions as a percentage of AOE.
** Equals prior year Net OPEB obligation plus current year AOE less estimated current year contributions.

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $2,852,210. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was $15,373,251 and the ratio of the UAAL to the covered payroll was 19 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	$ -	$ 3,262,393	$ 3,262,393	0%	$ 16,137,829	20%
July 1, 2010	$ -	$ 2,852,210	$ 2,852,210	0%	$ 15,373,251	19%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.0 percent discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that the probability of initial enrollment upon retirement of medical, dental, and vision is 75 percent, 95 percent, and 85 percent, respectively. The valuation also assumes that the percent of retirees who will enroll dependents in medical, dental, and vision is 15 percent, 25 percent, and 25 percent, respectively. Annual medical healthcare cost trend rates of 5.8 percent in the first year, 6.7 percent in the second year, and decreasing gradually per year until an ultimate rate of 4.9 percent, starting in 2084, are used. Annual dental trend rates of 0.0 percent in the first year, 3.7 percent in the second year, and 5.0 percent until 2084, at which time the rate reduces to 4.9 percent, are used. Annual vision trend rates of 0.6 percent in the first year, 4.2 percent in the second year, and 5.0 percent until 2084, at which time the rate reduces to 4.9 percent, are used. It was assumed salary increases will be 3.5 percent per annum. The UAAL is being amortized as a level percentage of projected payrolls over a rolling thirty year time period.

Note 7 - Long-Term Debt

A summary of activity in the long-term debt is as follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Due within one year
Governmental activities					
Bonds payable					
2004 Refunding bond	$ 4,840,000	$ -	$ (755,000)	$ 4,085,000	$ 790,000

General obligation bonds payable as of June 30, 2011, consist of the following:

$6,905,000 2005 refunding bonds maturing August 15, 2015. Principal payments are due annually on August 15, and interest is payable semiannually on February 15 and August 15 of each year. Interest ranges from 3.0% to 5.0%.	$ 4,085,000
Total	$ 4,085,000

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows:

Fiscal Year Ending June 30	Series 2004 Refunding Bond Principal	Interest	Total
2012	$ 790,000	$ 140,675	$ 930,675
2013	840,000	107,275	947,275
2014	870,000	76,225	946,225
2015	915,000	42,813	957,813
2016	670,000	13,400	683,400
	$ 4,085,000	$ 380,388	$ 4,465,388

Total interest costs incurred during 2011 was $175,525.

Note 8 - Pension Plan

The Public Employee Retirement System of Idaho (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% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended June 30, 2011 the required contribution rate as a percentage of covered payroll for members was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members.

The District's employer contributions required and paid were $1,524,773, $1,613,022, and $1,692,621for the three fiscal years ended June 30, 2011, 2010, and 2009, respectively.

Note 9 - Deficit Fund Balances

Deficit fund balances are reported at June 30, 2011, in the following funds:

State Technology
State Substance Abuse
Title I
Title I-C Educating Migrant Children
Title VI-B
Miscellaneous Grants
Federal Special Projects

Note 10 - Prior Period Adjustment

The accompanying financial statements reflect adjustments resulting from a restatement of beginning net assets of the governmental activities as of June 30, 2010, as follows:

- Increase in net assets of the governmental activities of $426,049 to reflect proper accrual of grant revenue. Grant revenue was recorded on the modified accrual basis rather than the full accrual basis in the prior year.

The following schedule summarizes the effect of the prior period adjustments to the beginning net assets of the governmental activities at June 30, 2010:

	Net Assets
Beginning of year, as previously reported	$ 9,797,781
Correction for proper accrual of grant revenues	426,049
Beginning of year, as restated	$ 10,223,830

Required Supplementary Information
June 30, 2011

Mountain Home School District #193

	Budgeted Amounts			Variance with Final Budget - Positive (negative)
	Actual Amounts	Final	Actual Amounts	
Revenues				
Local revenues				
Property taxes	$ 2,880,000	$ 2,880,000	$ 2,758,364	$ (121,636)
Earnings on investments	37,500	37,500	7,624	(29,876)
Other	16,000	16,000	54,910	38,910
State revenue	16,793,000	16,793,000	17,422,904	629,904
Federal revenue				
Ed jobs	-	-	499,800	499,800
Impact aid	2,300,000	2,300,000	2,252,380	(47,620)
Other revenue	120,500	120,500	120,875	375
Total revenue	22,147,000	22,147,000	23,116,857	969,857
Expenditures				
Instructional				
Elementary school program	4,168,250	4,168,250	4,043,194	125,056
Secondary school program	6,881,064	6,881,064	6,986,797	(105,733)
Exceptional school program	1,471,067	1,471,067	1,541,094	(70,027)
Preschool school program	146,044	146,044	152,839	(6,795)
Gifted and talented school program	138,532	138,532	138,749	(217)
Interscholastic school program	557,618	557,618	428,341	129,277
School activity program	1,000	1,000	1,715	(715)
Summer school program	3,000	3,000	158	2,842
Total instructional	13,366,575	13,366,575	13,292,887	73,688

	Budgeted Amounts			Variance with Final Budget - Positive (negative)
	Actual Amounts	Final	Actual Amounts	
Support Services				
Attendance-Guidance	454,985	454,985	434,331	20,654
Educational services	1,114,435	1,114,435	1,005,726	108,709
Instructional improvement program	43,042	43,042	46,754	(3,712)
Educational media program	310,021	310,021	375,349	(65,328)
District administration program	1,122,060	1,122,060	1,416,130	(294,070)
School administration program	1,374,557	1,374,557	1,445,934	(71,377)
Maintenance and improvements buildings, grounds, and equipment	2,526,175	2,526,175	2,252,958	273,217
Pupil transportation	1,174,000	1,174,000	1,111,015	62,985
Total support services	8,119,275	8,119,275	8,088,197	31,078
Capital assets program	10,000	10,000	8,915	1,085
Total expenditures	21,495,850	21,495,850	21,389,999	105,851
Excess of Revenues over Expenditures	651,150	651,150	1,726,858	1,075,708
Other Financing Sources (Uses)				
Operating transfer in	425,000	425,000	62,000	(363,000)
Operating transfer out	(126,150)	(126,150)	(89,694)	36,456
Changes in Fund Balance	$ 950,000	$ 950,000	1,699,164	$ 749,164
Deficit, Beginning of Year			(1,268,792)	
Fund Balance, End of Year			$ 430,372	

Note 1 - Basis of Budgeting

Basis of Budgeting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures by department, fund or service as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.

2. The proposed budget is published in the local newspaper.

3. A public hearing is conducted to obtain citizen comments.

4. The budget is formally adopted through approval by the board of trustees and published in the local newspaper.

5. The District may, after school starts and actual enrollments figures are known, amend the budget using the same procedure that was used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was not amended for the fiscal year ended June 30, 2011.

6. Formal budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.

7. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The level of control (level at which expenditures may not exceed budget) is the fund.

8. All annual appropriations lapse at fiscal year end.

Single Audit
June 30, 2011

Mountain Home School District #193

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*

To the Board of Trustees
Mountain Home School District #193
Mountain Home, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Home School District #193 (the District), as of and for the year ended June 30, 2011, which collectively comprise the Mountain Home School District #193's basic financial statements and have issued our report thereon dated October 13, 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 Mountain Home School District #193's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain Home School District #193's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mountain Home School District #193's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency 2011-1 described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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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. We considered the deficiency 2011-2 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountain Home School District #193'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*.

Mountain Home School District #193's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Mountain Home School District #193's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity Board of Trustees, and 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.

Eide Bailly LLP

Boise, Idaho
October 13, 2011

Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Mountain Home School District #193
Mountain Home, Idaho

Compliance

We have audited Mountain Home School District #193's (the District) 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 District's major federal programs for the year ended June 30, 2011. The District'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 District's management. Our responsibility is to express an opinion on the District'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 District'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 District's compliance with those requirements.

In our opinion, the District 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 District 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 District'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 the 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 management, the Board of Trustees, others within the entity, and 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.

Eide Bailly LLP

Boise, Idaho
October 13, 2011

	Federal CFDA Number	Federal Pass-Through Number	Expenditures
U.S. Department of Education			
Passed Through State:			
Education Jobs Fund	84.410	S410A100013	$ 499,800
Title I, Part A Local Program	84.010	S010A100012 S010A090012	370,880
Title I, Part A ARRA	84.389A	S389A090012	33,304
Title VI-B	84.027	H027A090088 H027A100088	903,125
Title VI-B ARRA	84.391A	H391A090088	217,993
Title VI-B Preschool	84.173	H173A090030 H173A100030	51,142
Title VI-B Preschool ARRA	84.392A	H392A090030	33,421
Title II-A Improving Teacher Quality	84.367	S367A090011 S367A100011	284,418
Reading First	84.357	S357A080013 S357A070013	50,294
Carl Perkins	84.048	V048A070012	68,773
English Language Acquisition	84.365	S365A090012	33,608
Statewide Data Systems	84.372		4,172
Total U.S. Department of Education			2,550,930
U. S. Department of Agriculture			
Passed through State:			
Child Nutrition Discretionary Grant	10.579	2010IL410347	7,869
Commodities	10.550	N/A	80,124
School Breakfast Program	10.553	2011IN109947	116,720
School Lunch Program	10.555	2011IN109947 2010IN109947	585,264
Summer Food Service Program for Children	10.559	2010IN109947	9,320
Total U. S. Department of Agriculture			799,297
Other Federal Financial Assistance			
Federal Forest	10.665	N/A	571,382
Total Other Financial Assistance			571,382
Total Federal Financial Assistance			$ 3,921,609

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the District. The reporting entity is defined in Note 1 to the District's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting as described in Note 1 to the District's basic financial statements.

Note 2 - Major Programs

The following programs have been identified as major programs for the year ended June 30, 2011:

Program	CFDA Number
Title I-A	84.010
Title I – ARRA	84.389A
Title VI-B IDEA	84.027
Title VI-B ARRA	84.391A
Title VI-B Preschool	84.173
Title VI-B Preschool ARRA	84.392
Education Jobs Fund	84.410
School Breakfast Program	10.553
School Lunch Program	10.555
Summer Food for Children	10.559

The following programs have been clustered for the determination of Type A or Type B programs for the year ended June 30, 2011:

Child Nutrition Cluster
Title VI-B Special Education Cluster
Title I-A programs

Section I - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unqualified
Internal control over financial reporting	
Material weakness identified	Yes
Significant deficiency	Yes
Noncompliance material to financial statements noted	No
Federal Awards	
Internal control over major programs	
Material weakness identified	No
Significant deficiency	None Reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs

CFDA number	Name of Federal Program or Cluster
84.010	Title I-A
84.389A	Title I – ARRA
84.027, 84.173, 84.391, 84.392	Special Education Cluster (IDEA)
84.410	Education Jobs Fund
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee	Yes

Financial Statements

2011-1 Prior period adjustment

Condition:
Grant revenue was recognized on a modified accrual basis of accounting rather than full accrual in the prior year.

Criteria:
Management should have an internal control structure in place to properly recognize revenue under full accrual for the government-wide financial statements.

Effect:
Grant revenue and receivable were understated by a material amount causing a material misstatement in the prior year's financial statements.

Cause:
Management applies the 60-day rule to grant income at the fund level which creates a need for different recognition policies of grant revenue between the fund level and the government-wide level.

Recommendation:
Management should examine the current internal control structure to make sure revenue is properly recognized at the fund level and the government-wide level.

Response and Action Plan of Management:
Management will implement controls to verify proper revenue recognition.

2011-2 Year-end closing entries and report preparation

Criteria:
Management should have an internal control system in place designed to record all year-end adjusting entries necessary to close the fiscal year and to prepare the year-end financial statements.

Condition:
Several adjusting entries were proposed and posted during the audit that should have been recorded as part of the year-end closing process. A significant portion of the report was prepared by the auditor in the current year.

Effect:
Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles.

Cause:
The final trial balance was not compared to all supporting documentation to determine if all entries had been made or committed prior to the start of the audit. Time constraints of the client made it difficult for the client to prepare as much of the financial statements as in prior years.

Recommendation:
Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response and Action Plan of Management:
Management will delay audit field work until all entries have been posted and the financial report has been prepared. Management does not rely on the audit firm to prepare the report or to report financial data reliably.

Federal Awards

No findings