

SALMON RIVER JOINT SCHOOL DISTRICT NO. 243

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2009

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Salmon River Joint School District No. 243

Title Page

SALMON RIVER JOINT SCHOOL DISTRICT NO. 243
133 North Main
Riggins, ID 83549

Board of Trustees

Eric Hook	Chairperson
Carolyn Friend	Trustee
Rich Friend	Trustee
Cindy Carlson	Trustee

Administrators

Mark Scheibe	Superintendent
Stefanie Brimacomb	Clerk/Treasurer

Independent Auditor's Report

To the Board of Trustees
Salmon River Joint School District No. 243
Riggins, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Salmon River Joint School District No. 243** (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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 the 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 **Salmon River Joint School District No. 243**, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, 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.

The budgetary comparison information on pages 25 to 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Salmon River Joint School District No. 243's** basic financial statements. The supplemental information (pages 29 to 37) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bailey & Co.

Nampa, Idaho
November 25, 2009

Salmon River Joint School District #243

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 725,427
Receivables:	
Property Taxes	183,510
Intergovernmental	124,222
Capital Assets:	
Land	25,126
Buildings, Net	93,814
Equipment, Net	190,758
Vehicles, Net	33,288
Total Capital Assets	<u>342,986</u>
Total Assets	<u>1,376,145</u>
Liabilities	
Accounts Payable and Other Current Liabilities	62,367
Salaries and Benefits Payable	214,016
Total Liabilities	<u>276,383</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	342,986
Restricted for:	
Capital Projects	76,578
Special Revenue	337,575
Unrestricted (Deficit) Surplus	342,623
Total Net Assets	<u>\$ 1,099,762</u>

The accompanying notes are an integral part of the financial statements.

Salmon River Joint School District #243
Statement of Activities
For the Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets -	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,354,704	\$ 0	\$ 413,323	\$ 0	\$ (941,381)
Support Services	946,207	7,855	0	0	(938,352)
Non-Instructional	105,150	0	0	0	(105,150)
Interest	5,028	0	0	0	(5,028)
Total Governmental Activities	\$ 2,411,089	\$ 7,855	\$ 413,323	\$ 0	(1,989,911)
		General Revenues:			
		Property Taxes - All Funds		418,996	
		State Sources		1,451,246	
		Other		304,920	
		Total General Revenues and Special Items		2,175,162	
		Change in Net Assets		185,251	
		Net Assets, Beginning of Year		914,511	
		Net Assets, End of Year		\$ 1,099,762	

The accompanying notes are an integral
part of the financial statements.

Salmon River Joint School District #243

Balance Sheet -
Governmental Funds

June 30, 2009

	<u>General</u>	<u>Forest Fund</u>	<u>Food Service</u>	<u>Capital Projects</u>
Assets				
Cash and Cash Equivalents	\$ 330,997	\$ 267,157	\$ 5,736	\$ 61,830
Receivables:				
Property Taxes	183,510	0	0	0
Intergovernmental	53,485	0	0	14,748
Interfund Receivables	23,408	0	0	0
Total Assets	<u>\$ 591,400</u>	<u>\$ 267,157</u>	<u>\$ 5,736</u>	<u>\$ 76,578</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 60,993	\$ 0	\$ 20	\$ 0
Interfund Payables	0	0	0	0
Salaries and Benefits Payable	187,784	0	5,433	0
Deferred Revenue	50,750	0	0	0
Total Liabilities	<u>299,527</u>	<u>0</u>	<u>5,453</u>	<u>0</u>
 Fund Balances:				
Unreserved:				
Undesignated, reported in:				
General Fund	291,873	0	0	0
Special Revenue Funds	0	267,157	283	0
Capital Projects	0	0	0	76,578
Debt Service	0	0	0	0
Total Fund Balances	<u>291,873</u>	<u>267,157</u>	<u>283</u>	<u>76,578</u>
Total Liabilities and Fund Balances	<u>\$ 591,400</u>	<u>\$ 267,157</u>	<u>\$ 5,736</u>	<u>\$ 76,578</u>

The accompanying notes are an integral
part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 59,707	\$ 725,427
0	183,510
55,989	124,222
0	23,408
<u>\$ 115,696</u>	<u>\$ 1,056,567</u>

1,354	\$ 62,367
23,408	23,408
20,799	214,016
0	50,750
<u>45,561</u>	<u>350,541</u>

0	291,873
70,135	337,575
0	76,578
0	0
<u>70,135</u>	<u>706,026</u>
<u>\$ 115,696</u>	<u>\$ 1,056,567</u>

Salmon River Joint School District #243
 Reconciliation of the Governmental Fund Balances
 to the Statement of Net Assets
 June 30, 2009

Total Fund Balances - Governmental Funds \$ 706,026

Amounts reported for Governmental Activities in the Statement
 of Net Assets are different because of the following:

Capital assets used in Governmental Activities are not financial
 resources and, therefore, are not reported in governmental funds.
 Those assets consist of:

Land	\$ 25,126	
Buildings, Net of \$1,032,316 Accumulated Depreciation	93,814	
Equipment, Net of \$307,920 Accumulated Depreciation	190,758	
Vehicles, Net of \$210,564 Accumulated Depreciation	<u>33,288</u>	
		342,986

Property taxes receivable will be collected this year, but are not
 available soon enough to pay for current period's expenditures and,
 therefore, are deferred in the funds. 50,750

Total Net Assets-Governmental Activities \$ 1,099,762

The accompanying notes are an integral
 part of the financial statements.

Salmon River Joint School District #243
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2009

	General	Forest Fund	Food Service	Capital Projects
Revenues				
Property Taxes	\$ 526,364	\$ 0	\$ 0	\$ 0
State	1,368,639	0	55,630	26,977
Other	73,397	206,195	8,233	24,030
Total Revenues	<u>1,968,400</u>	<u>206,195</u>	<u>63,863</u>	<u>51,007</u>
Expenditures				
Current:				
Instruction	1,039,355	0	0	0
Support Services	915,636	5,172	0	0
Food Service	1,220	0	103,930	0
Debt Service:				
Principal	0	0	0	76,670
Interest	0	0	0	5,028
Capital Outlay	16,994	0	0	25,246
Total Expenditures	<u>1,973,205</u>	<u>5,172</u>	<u>103,930</u>	<u>106,944</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,805)</u>	<u>201,023</u>	<u>(40,067)</u>	<u>(55,937)</u>
Other Financing Sources (Uses)				
Transfers In	112,327	0	40,350	6,554
Transfers (Out)	(49,119)	(100,000)	0	(12,327)
Total Other Financing Sources (Uses)	<u>63,208</u>	<u>(100,000)</u>	<u>40,350</u>	<u>(5,773)</u>
Net Change in Fund Balances	58,403	101,023	283	(61,710)
Fund Balances - Beginning	233,470	166,134	0	138,288
Fund Balances - Ending	<u>\$ 291,873</u>	<u>\$ 267,157</u>	<u>\$ 283</u>	<u>\$ 76,578</u>

The accompanying notes are an integral
part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 526,364
413,323	1,864,569
920	312,775
<u>414,243</u>	<u>2,703,708</u>
254,438	1,293,793
10,664	931,472
0	105,150
0	76,670
0	5,028
81,641	123,881
<u>346,743</u>	<u>2,535,994</u>
<u>67,500</u>	<u>167,714</u>
2,215	161,446
0	(161,446)
<u>2,215</u>	<u>0</u>
69,715	167,714
420	538,312
<u>\$ 70,135</u>	<u>\$ 706,026</u>

Salmon River Joint School District #243
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2009

Total Net Change in Fund Balance - Governmental Funds	\$ 167,714
Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$104,934) exceeds depreciation expense (\$56,699) in the period.	48,235
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.	(107,368)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>76,670</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 185,251</u></u>

The accompanying notes are an integral
 part of the financial statements.

Salmon River Joint School District #243
Statement of Fiduciary Net Assets and Liabilities
June 30, 2009

	Agency Funds	Private- Purpose Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 14,251	\$ 5,821	\$ 20,072
Total Assets	\$ 14,251	\$ 5,821	\$ 20,072
 Liabilities			
Due to Student Groups	\$ 14,251	\$ 0	\$ 14,251
Accounts Payable	0	295	295
Total Liabilities	14,251	295	14,546
 Net Assets			
Restricted for Scholarships	0	5,526	5,526
Total Liabilities and Net Assets	\$ 14,251	\$ 5,821	\$ 20,072

The accompanying notes are an integral
part of the financial statements.

Salmon River Joint School District #243
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2009

	Private-Purpose Trust Fund
Additions	
Investment Income	\$ 106
Total Additions	106
Deductions	
Scholarships Awarded	295
Changes in Net Assets	(189)
Net Assets - Beginning of Year	5,715
Net Assets - End of Year	5,526

The accompanying notes are an integral
part of the financial statements.

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Salmon River Joint School District No. 243 (the "District") is governed by the School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—*governmental and fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Forest fund.* This fund accounts for the resources accumulated and expenditures made in the forest funds.
- *Food Service fund.* This fund accounts for the resources accumulated and expenditures made in the food service program.
- *Capital Projects fund.* This fund accounts for the resources accumulated and expenditures made in the capital projects program.

The District reports the following fiduciary fund types:

- *Private-Purpose Trust fund.* This fund reports a trust arrangement under which principal and income benefit a college scholarship program.
- *Agency funds.* These funds account for assets held by the District as an agent for various student groups and clubs.

Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets and Liabilities

Cash Equivalents

The District requires all cash belonging to the District to be placed in custody of the Clerk/Business Manager. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Property Tax Calendar

The District levies its real property taxes through the county by the 2nd Monday in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

	Capitalization <u>Policy</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings and Improvements	\$500	Straight-Line	15 – 40 Years
Equipment and Busses	\$500	Straight-Line	5 – 15 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The District is a Phase Three entity and is not required to report infrastructure acquired prior to June 30, 1980, and has not acquired or constructed any since that time.

Compensated Absences

The District provides sick leave and vacation to the full time non-certified employees. The estimated amount of compensation for further amounts is believed to be immaterial and accordingly no liability has been recorded.

2. CASH DEPOSITS AND INVESTMENTS

Summary of Deposit and Investment Balances

The District maintains a cash and investment pool for use by all funds.

Deposits

As of June 30, 2009, the carrying amount of the District's deposits was \$120,560 and the respective bank balances totaled \$184,539. The total bank balance was insured or collateralized with pooled securities held by the pledging financial institution in the name

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS (continued)

of the District.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2009, the District's deposits were covered by the federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus were not exposed to custodial credit risk. The District does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The District voluntarily participates in the State of Idaho Investment Pool which was rated AA+ by Standard and Poor's Rating Services. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the District's investment in the pool is the same as the value of the pool shares.

The District follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the District to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2009

2. CASH DEPOSITS AND INVESTMENTS (continued)

The District's investments at June 30, 2009, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
State Investment Pool	\$ 624,101	\$ 624,101	\$ 0

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental	Fiduciary	Total
	Activities	Funds	
Cash and cash equivalents	\$ 107,147	\$ 14,251	\$ 121,398
Investments categorized as deposits	618,280	5,821	624,101
	<u>\$ 725,427</u>	<u>\$ 20,072</u>	<u>\$ 745,499</u>

3. RECEIVABLES - LOCAL SOURCES AND DEFERRED REVENUE

The District receives tax revenue from Adams and Idaho Counties. The counties are responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the District by the county as of June 30, 2009, are considered by the District as a receivable.

The District follows the Governmental Accounting Standards Board's rules in the recording of its property tax as a receivable. Taxes not collected within 60 days after June 30, 2009, are not considered available for use by the District and are recorded as deferred revenue in the fund financial statements.

4. RECEIVABLE - INTERGOVERNMENTAL

Amounts due from the State of Idaho and other governmental agencies are \$124,222. The total amount is considered collectible.

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

5. SALARIES AND BENEFITS PAYABLE

The District follows the practice of paying contracted salaries and related benefits over a 12-month period which differs from the 9-month earned school-year period which runs from approximately September 1 to May 31 of each year. Teacher contracts payable, as reflected at June 30, 2009, represent amounts unpaid at that date on teacher contracts and related benefits. Since the amount of salaries and related benefits due to teachers are pertinent to the school year, such amounts have been accrued as salaries payable and related liabilities in the governmental fund types of the District with related expenditures recorded in the current fiscal year's operations.

6. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, and the District expects such amounts, if any, to be immaterial.

7. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2009, consist of the following:

\$ 23,408 Due to the General fund from other nonmajor governmental funds representing cash overdrafts.
\$ 23,408

8. PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five 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

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2009

8. PENSION PLAN (continued)

retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

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 year ended June 30, 2008, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/ firefighter members. The District employer contributions required and paid were \$109,062, \$94,526, and \$0 for the three years ended June 30, 2009, 2008, and 2007, respectively.

9. BONDS PAYABLE

During 1998-99 the District sold \$900,000 worth of General Obligations Bonds.

Changes in Bonds Payable (principal only) are as follows:

	<u>Rate</u>	<u>Maturity</u>	<u>7/1/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2009</u>	<u>Current Portion</u>
Governmental Activities:							
1998-99 GOB	4.5% - 5.2%	2011	\$ 76,670	\$ 0	\$ (76,670)	\$ 0	\$ 0

10. DEFICIT FUND BALANCE

At June 30, 2009, the following nonmajor funds had a deficit fund balance:

<u>Fund</u>	<u>Deficit Fund Balance</u>
State Substance Abuse Prevention	\$ 225

The District has budgeted to repay the deficit in the next year's budget.

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

11. TRANSFERS TO/FROM OTHER FUNDS

\$ 2,215	From the General fund to other nonmajor governmental funds to supplement other funds sources.
40,350	From the General fund to the Food Service fund for reimbursement of eligible other governmental fund expenditures.
6,554	From the General fund to the Capital Projects fund for reimbursement of eligible other governmental fund expenditures.
12,326	From the Capital Projects fund to the General fund for reimbursement of eligible other governmental fund expenditures.
<u>100,000</u>	From Forest fund to the General fund for reimbursement of eligible other governmental fund expenditures.
<u>\$161,445</u>	Total

12. LEASE COMMITMENTS

The District leases copy machines located throughout the District. The lease periods are for four to five years and it is anticipated that the copiers will be returned at the end of the lease periods, which are at various times.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2010	\$ 3,395
2011	892
2012	893
2013	892
2014	298
	<u>\$ 6,370</u>

Rent expenditures for the year ended June 30, 2009, were \$4,708.

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

13. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance				Balance
	6/30/08	Additions	Deletions		6/30/09
<u>Governmental Activities:</u>					
Capital Assets Not Being Depreciated:					
Land	\$ 25,126	\$ 0	\$ 0		\$ 25,126
Capital Assets Being Depreciated:					
Buildings and Improvements	1,126,130	0	0		1,126,130
Equipment	393,744	104,934	0		498,678
Vehicles	243,852	0	0		243,852
Total Historical Cost	<u>1,763,726</u>	<u>104,934</u>	<u>0</u>		<u>1,868,660</u>
Less: Accumulated Depreciation					
Buildings and Improvements	1,023,552	8,764	0		1,032,316
Equipment	274,720	33,200	0		307,920
Vehicles	195,829	14,735	0		210,564
Total Accumulated Depreciation	<u>1,494,101</u>	<u>56,699</u>	<u>0</u>		<u>1,550,800</u>
Net Depreciable Assets	<u>269,625</u>	<u>48,235</u>	<u>0</u>		<u>317,860</u>
Governmental Activities					
Capital Assets - Net	<u>\$ 294,751</u>	<u>\$ 48,235</u>	<u>\$ 0</u>		<u>\$ 342,986</u>

Depreciation expense was charged to the functions of the District as follows:

Instructional Services	\$ 41,964
Support Services	14,735
	<u>\$ 56,699</u>

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District has transferred most of its risk by purchasing commercial insurance.

Workman's Compensation insurance is purchased through the Idaho State Insurance

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2009

14. RISK MANAGEMENT (continued)

Fund.

Employee health and accident insurance is purchased through Blue Cross of Idaho.

All other insurance has been purchased through Fred A. Morton and Company.

REQUIRED SUPPLEMENTARY INFORMATION

Salmon River Joint School District #243
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 536,369	\$ 536,369	\$ 526,364	\$ (10,005)
State	1,328,633	1,328,633	1,368,639	40,006
Other	0	0	73,397	73,397
Total Revenues	<u>1,865,002</u>	<u>1,865,002</u>	<u>1,968,400</u>	<u>103,398</u>
Expenditures				
Current:				
Instruction	1,024,851	1,024,851	1,039,355	(14,504)
Support Services	900,276	900,276	915,636	(15,360)
Food Service	0	0	1,220	(1,220)
Non-Instructional	99,180	99,180	0	99,180
Capital Outlay	5,820	5,820	16,994	(11,174)
Total Expenditures	<u>2,030,127</u>	<u>2,030,127</u>	<u>1,973,205</u>	<u>56,922</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(165,125)</u>	<u>(165,125)</u>	<u>(4,805)</u>	<u>160,320</u>
Other Financing Sources (Uses)				
Transfers In	85,074	85,074	112,327	27,253
Transfers (Out)	(25,000)	(25,000)	(49,119)	(24,119)
Total Other Financing Sources (Uses)	<u>60,074</u>	<u>60,074</u>	<u>63,208</u>	<u>3,134</u>
Net Change in Fund Balances	(105,051)	(105,051)	58,403	163,454
Fund Balance - Beginning	95,000	95,000	233,470	138,470
Fund Balance - Ending	<u>\$ (10,051)</u>	<u>\$ (10,051)</u>	<u>\$ 291,873</u>	<u>\$ 301,924</u>

Salmon River Joint School District #243
 Budgetary (GAAP Basis) Comparison Schedule
 Forest Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Other	\$ 66,000	\$ 66,000	\$ 206,195	\$ 140,195
Total Revenues	<u>66,000</u>	<u>66,000</u>	<u>206,195</u>	<u>140,195</u>
Expenditures				
Current:				
Support Services	0	0	5,172	(5,172)
Total Expenditures	<u>0</u>	<u>0</u>	<u>5,172</u>	<u>(5,172)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>66,000</u>	<u>66,000</u>	<u>201,023</u>	<u>135,023</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers (Out)	0	0	(100,000)	(100,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balances	66,000	66,000	101,023	35,023
Fund Balance - Beginning	0	0	166,134	166,134
Fund Balance - Ending	<u>\$ 66,000</u>	<u>\$ 66,000</u>	<u>\$ 267,157</u>	<u>\$ 201,157</u>

Salmon River Joint School District #243
 Budgetary (GAAP Basis) Comparison Schedule
 Food Service Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State	\$ 48,567	\$ 48,567	\$ 55,630	\$ 7,063
Other	6,800	6,800	8,233	1,433
Total Revenues	<u>55,367</u>	<u>55,367</u>	<u>63,863</u>	<u>8,496</u>
Expenditures				
Current:				
Food Service	80,367	80,367	103,930	(23,563)
Total Expenditures	<u>80,367</u>	<u>80,367</u>	<u>103,930</u>	<u>(23,563)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>(40,067)</u>	<u>(15,067)</u>
Other Financing Sources (Uses)				
Transfers In	25,000	25,000	40,350	15,350
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>40,350</u>	<u>15,350</u>
Net Change in Fund Balances	0	0	283	283
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283</u>	<u>\$ 283</u>

Salmon River Joint School District #243
Notes to Required Supplementary Information
For the Year Ended June 30, 2009

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to June 1, the Superintendent and Board of Trustees prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is legally enacted through passage at a board meeting.
- D. Formal budgetary integration is employed as a management control device during the year for all the funds. Formal budgetary integration was employed for Debt Service Funds even though effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Budgeted amounts are as originally adopted or amended by the Board of Trustees.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

Forest Fund	\$ 5,172
Food Service Fund	\$23,563

SUPPLEMENTAL INFORMATION

Salmon River Joint School District #243
 Supplemental Schedule of Revenues by Source -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2009

Revenue	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes and Penalties	\$ 536,369	\$ 526,364	\$ (10,005)
Interest	0	8,421	8,421
State Support	1,328,633	1,368,639	40,006
Other Support	0	64,976	64,976
Total Revenues	<u>\$ 1,865,002</u>	<u>\$ 1,968,400</u>	<u>\$ 103,398</u>

Salmon River Joint School District #243

Supplemental Schedule of Expenditures by Object of Expenditure -
Budget and Actual - General Fund
For the Year Ended June 30, 2009

Instruction	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Elementary:			
Salaries	\$ 194,228	\$ 213,410	\$ (19,182)
Benefits	82,541	103,369	(20,828)
Services	3,250	2,842	408
Supplies	22,950	30,045	(7,095)
Capital Outlay	0	583	(583)
	<u>302,969</u>	<u>350,249</u>	<u>(47,280)</u>
Secondary:			
Salaries	314,082	323,953	(9,871)
Benefits	177,010	158,979	18,031
Services	8,750	9,043	(293)
Supplies	22,950	25,172	(2,222)
	<u>522,792</u>	<u>517,147</u>	<u>5,645</u>
PTE Grant Program:			
Services	0	1,625	(1,625)
Supplies	20,206	13,148	7,058
Capital Outlay	0	12,478	(12,478)
	<u>20,206</u>	<u>27,251</u>	<u>(7,045)</u>
Exceptional Program:			
Salaries	58,804	61,805	(3,001)
Benefits	35,300	36,723	(1,423)
Services	20,000	0	20,000
Supplies	600	704	(104)
	<u>114,704</u>	<u>99,232</u>	<u>15,472</u>
School Activity Program:			
Salaries	37,196	38,305	(1,109)
Benefits	5,202	3,220	1,982
Services	15,962	7,634	8,328
Supplies	5,820	9,378	(3,558)
Capital Outlay	5,820	1,447	4,373
	<u>70,000</u>	<u>59,984</u>	<u>10,016</u>
Total Instruction	<u>1,030,671</u>	<u>1,053,863</u>	<u>(23,192)</u>

Salmon River Joint School District #243

Supplemental Schedule of Expenditures by Object of Expenditure -

Budget and Actual - General Fund

For the Year Ended June 30, 2009

(continued)

	Budget	Actual	Variance
Support Services			
Guidance:			
Salaries	55,697	56,272	(575)
Benefits	24,261	21,409	2,852
Services	0	115	(115)
	<u>79,958</u>	<u>77,796</u>	<u>2,162</u>
Special Services:			
Salaries	0	21,740	(21,740)
Benefits	0	9,494	(9,494)
Services	45,000	9,229	35,771
	<u>45,000</u>	<u>40,463</u>	<u>4,537</u>
Instruction Improvement Program:			
Salaries	0	404	(404)
Benefits	0	55	(55)
Services	15,000	6,623	8,377
Supplies	0	675	(675)
	<u>15,000</u>	<u>7,757</u>	<u>7,243</u>
Educational Media Program:			
Salaries	17,862	21,550	(3,688)
Benefits	12,013	13,080	(1,067)
Services	0	5,463	(5,463)
Supplies	1,200	1,834	(634)
	<u>31,075</u>	<u>41,927</u>	<u>(10,852)</u>
Technology Instruction:			
Salaries	0	8,926	(8,926)
Benefits	0	1,951	(1,951)
Services	0	2,362	(2,362)
Supplies	0	3,755	(3,755)
	<u>0</u>	<u>16,994</u>	<u>(16,994)</u>
Board of Education:			
Benefits	35	37	(2)
Services	5,500	6,305	(805)
	<u>5,535</u>	<u>6,342</u>	<u>(807)</u>

Salmon River Joint School District #243
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2009
 (continued)

	Budget	Actual	Variance
District Administration:			
Salaries	40,000	39,500	500
Benefits	12,690	10,250	2,440
Services	58,500	34,043	24,457
Supplies	4,000	4,897	(897)
Capital Outlay	0	1,136	(1,136)
	<u>115,190</u>	<u>89,826</u>	<u>25,364</u>
School Administration:			
Salaries	136,403	138,921	(2,518)
Benefits	62,044	67,356	(5,312)
	<u>198,447</u>	<u>206,277</u>	<u>(7,830)</u>
Business Operations:			
Salaries	36,482	46,064	(9,582)
Benefits	17,586	22,776	(5,190)
Services	3,000	9,416	(6,416)
	<u>57,068</u>	<u>78,256</u>	<u>(21,188)</u>
Buildings Care:			
Salaries	45,623	57,572	(11,949)
Benefits	30,085	16,714	13,371
Services	60,000	79,735	(19,735)
Supplies	19,000	21,398	(2,398)
Capital Outlay	0	1,350	(1,350)
	<u>154,708</u>	<u>176,769</u>	<u>(22,061)</u>
Maintenance:			
Salaries	16,192	16,656	(464)
Benefits	8,005	11,690	(3,685)
Services	85,074	49,328	35,746
Supplies	0	2,206	(2,206)
	<u>109,271</u>	<u>79,880</u>	<u>29,391</u>
Pupil to School Transportation:			
Salaries	29,890	33,184	(3,294)
Benefits	4,524	6,487	(1,963)
Services	27,460	36,903	(9,443)
Supplies	25,350	16,251	9,099
	<u>87,224</u>	<u>92,825</u>	<u>(5,601)</u>

Salmon River Joint School District #243
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2009
 (continued)

	Budget	Actual	Variance
General Vehicle Program:			
Services	0	255	(255)
Supplies	1,800	2,755	(955)
	<u>1,800</u>	<u>3,010</u>	<u>(1,210)</u>
Total Support Services	<u>900,276</u>	<u>918,122</u>	<u>(17,846)</u>
Food Service Program			
Salaries	0	631	(631)
Benefits	0	589	(589)
	<u>0</u>	<u>1,220</u>	<u>(1,220)</u>
Total Food Service Program	<u>0</u>	<u>1,220</u>	<u>(1,220)</u>
Non-Instructional			
Contingency	<u>99,180</u>	<u>0</u>	<u>99,180</u>
Total Expenditures	<u>\$ 2,030,127</u>	<u>\$ 1,973,205</u>	<u>\$ 56,922</u>

Salmon River Joint School District #243
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2009

	Miscellaneous Grants	Driver Education	Basic Technology	State Substance Abuse Prevention
Assets				
Cash and Cash Equivalents	\$ 420	\$ 0	\$ 5,829	\$ 0
Receivables:				
Intergovernmental	0	0	1,216	2,515
Total Assets	\$ 420	\$ 0	\$ 7,045	\$ 2,515
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Interfund Payables	0	0	0	2,740
Salaries and Benefits Payable	0	0	3,310	0
Total Liabilities	0	0	3,310	2,740
Fund Balance:				
Unreserved	420	0	3,735	(225)
Total Liabilities and Fund Balances	\$ 420	\$ 0	\$ 7,045	\$ 2,515

Title I	Title VI-B	Title VI-B Preschool	Title V-A ESEA	Carl Perkins	Title II-A	Safe and Drug Free Schools	Subtotal
\$ 30,327	\$ 3,852	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,428
0	10,382	2,475	729	9,282	29,274	116	55,989
<u>\$ 30,327</u>	<u>\$ 14,234</u>	<u>\$ 2,475</u>	<u>\$ 729</u>	<u>\$ 9,282</u>	<u>\$ 29,274</u>	<u>\$ 116</u>	<u>\$ 96,417</u>
\$ 1,354	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,354
0	0	1,382	729	8,972	9,469	116	23,408
6,171	7,754	0	0	0	3,564	0	20,799
7,525	7,754	1,382	729	8,972	13,033	116	45,561
22,802	6,480	1,093	0	310	16,241	0	50,856
<u>\$ 30,327</u>	<u>\$ 14,234</u>	<u>\$ 2,475</u>	<u>\$ 729</u>	<u>\$ 9,282</u>	<u>\$ 29,274</u>	<u>\$ 116</u>	<u>\$ 96,417</u>

Salmon River Joint School District #243
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009
(continued)

	21 CCLC Grant	Title II-D	Total
Assets			
Cash and Cash Equivalents	\$ 12,420	\$ 6,859	\$ 59,707
Receivables:			
Intergovernmental	0	0	55,989
	<hr/>		
Total Assets	\$ 12,420	\$ 6,859	\$ 115,696
	<hr/>		
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 1,354
Interfund Payables	0	0	23,408
Salaries and Benefits Payable	0	0	20,799
	<hr/>		
Total Liabilities	0	0	45,561
Fund Balance:			
Unreserved	12,420	6,859	70,135
	<hr/>		
Total Liabilities and Fund Balances	\$ 12,420	\$ 6,859	\$ 115,696
	<hr/>		

Salmon River Joint School District #243
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Miscellaneous Grants	Driver Education	Basic Technology	State Substance Abuse Prevention
Revenues				
State Sources	\$ 0	\$ 1,250	\$ 14,399	\$ 7,003
Other	0	920	0	0
Total Revenues	0	2,170	14,399	7,003
Expenditures				
Instruction:				
Salaries	0	2,885	0	1,125
Benefits	0	1,428	0	83
Services	0	0	0	1,608
Supplies	0	0	0	4,412
Miscellaneous	0	72	0	0
Total Instruction	0	4,385	0	7,228
Support Services:				
Salaries	0	0	8,456	0
Benefits	0	0	2,031	0
Services	0	0	75	0
Supplies	0	0	102	0
Total Support Services	0	0	10,664	0
Capital Outlay				
	0	0	0	0
Total Expenditures	0	4,385	10,664	7,228
Excess (Deficiency) of Revenues Over Expenditures	0	(2,215)	3,735	(225)
Other Financing Sources (Uses)				
Transfers In	0	2,215	0	0
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	0	2,215	0	0
Net Change in Fund Balance	0	0	3,735	(225)
Fund Balance - Beginning	420	0	0	0
Fund Balance - Ending	\$ 420	\$ 0	\$ 3,735	\$ (225)

Title I	Title VI-B	Title VI-B Preschool	Title V-A ESEA	Carl Perkins Fund	Title II-A	Safe and Drug Free Schools	Subtotal
\$ 85,603	\$ 40,478	\$ 4,054	\$ 729	\$ 4,776	\$ 47,600	\$ 1,971	\$ 207,863
0	0	0	0	0	0	0	920
85,603	40,478	4,054	729	4,776	47,600	1,971	208,783
27,154	15,261	0	0	0	15,498	1,125	63,048
27,516	18,737	4	0	0	6,243	83	54,094
410	0	2,957	0	310	3,954	763	10,002
7,721	0	0	729	0	5,664	0	18,526
0	0	0	0	0	0	0	72
62,801	33,998	2,961	729	310	31,359	1,971	145,742
0	0	0	0	0	0	0	8,456
0	0	0	0	0	0	0	2,031
0	0	0	0	0	0	0	75
0	0	0	0	0	0	0	102
0	0	0	0	0	0	0	10,664
0	0	0	0	4,156	0	0	4,156
62,801	33,998	2,961	729	4,466	31,359	1,971	160,562
22,802	6,480	1,093	0	310	16,241	0	48,221
0	0	0	0	0	0	0	2,215
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	2,215
22,802	6,480	1,093	0	310	16,241	0	50,436
0	0	0	0	0	0	0	420
\$ 22,802	\$ 6,480	\$ 1,093	\$ 0	\$ 310	\$ 16,241	\$ 0	\$ 50,856

Salmon River Joint School District #243

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009
 (continued)

	21 CCLC Grant	Title II-D	Total
Revenues			
State Sources	\$ 130,460	\$ 75,000	\$ 413,323
Other	0	0	920
Total Revenues	130,460	75,000	414,243
Expenditures			
Instruction:			
Salaries	32,776	0	95,824
Benefits	14,428	0	68,522
Services	49,164	7,522	66,688
Supplies	3,624	433	22,583
Miscellaneous	749	0	821
Total Instruction	100,741	7,955	254,438
Support Services:			
Salaries	0	0	8,456
Indirect Costs	0	0	2,031
Services	0	0	75
Supplies	0	0	102
Total Support Services	0	0	10,664
Capital Outlay	17,299	60,186	81,641
Total Expenditures	118,040	68,141	346,743
Excess (Deficiency) of Revenues Over Expenditures	12,420	6,859	67,500
Other Financing Sources (Uses)			
Transfers In	0	0	2,215
Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	2,215
Net Change in Fund Balance	12,420	6,859	69,715
Fund Balance - Beginning	0	0	420
Fund Balance - Ending	\$ 12,420	\$ 6,859	\$ 70,135

FEDERAL REPORTS

**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
Salmon River Joint School District No. 243
Horseshoe Bend, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Salmon River Joint School District No. 243** (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 25, 2009. 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 **Salmon River Joint School District No. 243'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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

2009-1: Preparation of Financial Statements

Government Auditing Standards places the responsibility on management for the preparation of the annual financial statements and footnotes in accordance with generally accepted accounting principles (GAAP). The District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited. As auditors, we were requested to draft the annual financial statements and footnotes from the District's accounting system. This circumstance is not unusual for a District of this size. The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected. Management should look at the cost/benefit of implementing internal controls over preparation of the annual financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Salmon River Joint School District No. 243's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is summarized in the accompanying management's response to findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Bailey & Co.

Nampa, Idaho
November 25, 2009

Salmon River Joint School District No. 243
Management's Response to Findings
For the Year Ended June 30, 2009

2009-1: Preparation of Financial Statements

The Board of Trustees will research the cost/benefit of implementing internal controls over preparation of the annual financial statements and, if possible, implement those changes accordingly.

If there are any questions regarding this plan, please contact the District at (208) 628-3143.