

SALMON RIVER JOINT SCHOOL DISTRICT NO. 243

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2011

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Salmon River Joint School District No. 243

Title Page

SALMON RIVER JOINT SCHOOL DISTRICT NO. 243
133 North Main
P.O. Box 50
Riggins, ID 83549

Board of Trustees

Eric Hook	Chairperson
Rich Friend	Vice Chairperson
Carolyn Friend	Trustee
Brad Sawyer	Trustee
Seth Allen	Trustee

Administrators

Marc Scheibe	Superintendent
Michelle Hollon	Business Manager/Treasurer
Stefanie Brimacomb	Clerk
Jeri Best	Assistant Treasurer
Linda Kern	Assistant Treasurer



Certified Public Accountants

Jared Zwuygart, CPA
Weston Flamm, CPA
James Washburn, CPA

812-B 12th Ave. South
P.O. Box 876
Nampa ID 83653-0876
208 466-2493
FAX 208 467-2000
www.BaileyCPAs.com

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, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25 to 27 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Salmon River Joint School District No. 243's** financial statements as a whole. The supplemental information (pages 28 to 36) is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 financial statements as a whole.

Bailey & Co.

Nampa, Idaho
August 18, 2011

Salmon River Joint School District No. 243
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 565,850
Receivables:	
Property Taxes	216,463
Intergovernmental	68,470
Capital Assets:	
Land	25,126
Buildings, Net	101,174
Equipment, Net	32,078
Vehicles, Net	201,551
Total Capital Assets	359,929
Total Assets	1,210,712
 Liabilities	
Accounts Payable and Other Current Liabilities	29,275
Salaries and Benefits Payable	214,715
Total Liabilities	243,990
 Net Assets	
Invested in Capital Assets, Net of Related Debt	359,929
Restricted for:	
Capital Projects	50,846
Special Revenue	457,527
Unrestricted (Deficit) Surplus	98,420
Total Net Assets	\$ 966,722

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

Salmon River Joint School District No. 243
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				
Primary Government:				
Governmental Activities:				
Instruction	\$ 1,280,906	\$ 0	\$ 234,430	\$ (1,046,476)
Support Services	827,631	0	180,615	(647,016)
Food Service	92,041	6,704	46,330	(39,007)
Total Governmental Activities	\$ 2,200,578	\$ 6,704	\$ 461,375	(1,732,499)
		General Revenues:		
				578,961
				1,258,125
				1,288
				23,379
				<u>1,861,753</u>
				129,254
				<u>837,468</u>
				<u>\$ 966,722</u>

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

Salmon River Joint School District No. 243

Balance Sheet -
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Forest Fund</u>	<u>Capital Projects</u>
Assets			
Cash and Cash Equivalents	\$ 36,701	\$ 436,595	\$ 50,846
Receivables:			
Property Taxes	216,463	0	0
Intergovernmental	63,966	0	0
Interfund Receivables	24,571	0	0
Total Assets	<u>\$ 341,701</u>	<u>\$ 436,595</u>	<u>\$ 50,846</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 18,460	\$ 50	\$ 0
Interfund Payables	0	0	0
Salaries and Benefits Payable	193,041	0	0
Deferred Revenue	79,521	0	0
Total Liabilities	<u>291,022</u>	<u>50</u>	<u>0</u>
 Fund Balances:			
Restricted	0	436,545	50,846
Unassigned	50,679	0	0
Total Fund Balances	<u>50,679</u>	<u>436,545</u>	<u>50,846</u>
Total Liabilities and Fund Balances	<u>\$ 341,701</u>	<u>\$ 436,595</u>	<u>\$ 50,846</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 41,708	\$ 565,850
0	216,463
4,504	68,470
0	24,571
<u>\$ 46,212</u>	<u>\$ 875,354</u>

10,765	\$ 29,275
24,571	24,571
21,674	214,715
0	79,521
<u>57,010</u>	<u>348,082</u>

20,982	508,373
(31,780)	18,899
(10,798)	527,272
<u>\$ 46,212</u>	<u>\$ 875,354</u>

Salmon River Joint School District No. 243
 Reconciliation of the Balance Sheet of the Governmental
 Funds to the Statement of Net Assets
 June 30, 2011

Total Fund Balances - Governmental Funds \$ 527,272

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 \$1,016,157 Accumulated Depreciation	101,174	
Equipment, Net of \$64,078 Accumulated Depreciation	32,078	
Vehicles, Net of \$215,874 Accumulated Depreciation	<u>201,551</u>	
		359,929

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. 79,521

Total Net Assets-Governmental Activities \$ 966,722

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

Salmon River Joint School District No. 243
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Forest Fund</u>	<u>Capital Projects</u>
Revenues			
Property Taxes	\$ 551,400	\$ 0	\$ 0
State	1,258,125	0	0
Federal	0	155,569	0
Charges for Services	0	0	0
Other	21,073	608	109
Total Revenues	<u>1,830,598</u>	<u>156,177</u>	<u>109</u>
Expenditures			
Current:			
Instruction	993,408	0	0
Support Services	824,208	29,258	0
Food Service	1,980	0	0
Capital Outlay	1,584	868	0
Total Expenditures	<u>1,821,180</u>	<u>30,126</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,418</u>	<u>126,051</u>	<u>109</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	1,288	0	0
Transfers In	0	0	0
Transfers Out	0	(65,839)	0
Total Other Financing Sources (Uses)	<u>1,288</u>	<u>(65,839)</u>	<u>0</u>
Net Change in Fund Balances	10,706	60,212	109
Fund Balances - Beginning	39,973	376,333	50,737
Fund Balances - Ending	<u>\$ 50,679</u>	<u>\$ 436,545</u>	<u>\$ 50,846</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 551,400
0	1,258,125
305,806	461,375
6,704	6,704
1,589	23,379
<u>314,099</u>	<u>2,300,983</u>

276,099	1,269,507
25,605	879,071
90,061	92,041
7,259	9,711
<u>399,024</u>	<u>2,250,330</u>

<u>(84,925)</u>	<u>50,653</u>
-----------------	---------------

0	1,288
65,839	65,839
0	(65,839)
<u>65,839</u>	<u>1,288</u>

(19,086)	51,941
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8,288	475,331
<u>\$ (10,798)</u>	<u>\$ 527,272</u>

Salmon River Joint School District No. 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, 2011

Total Net Change in Fund Balance - Governmental Funds \$ 51,941

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 costs of those assets are allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	94,601	
Depreciation Expense	<u>(44,849)</u>	
Net		49,752

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.

27,561

Change in Net Assets of Governmental Activities \$ 129,254

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

Salmon River Joint School District No. 243
Statement of Fiduciary Net Assets
June 30, 2011

	Agency Funds	Private- Purpose Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 32,070	\$ 5,261	\$ 37,331
Total Assets	\$ 32,070	\$ 5,261	\$ 37,331
 Liabilities			
Due to Student Groups	\$ 32,070	\$ 0	\$ 32,070
Accounts Payable	0	0	0
Total Liabilities	32,070	0	32,070
 Net Assets			
Restricted for Scholarships	0	5,261	5,261
Total Liabilities and Net Assets	\$ 32,070	\$ 5,261	\$ 37,331

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

Salmon River Joint School District No. 243
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	Private-Purpose Trust Fund
Additions	
Investment Income	\$ 15
Total Additions	15
 Deductions	
Scholarships Awarded	295
Changes in Net Assets	(280)
Net Assets - Beginning of Year	5,541
Net Assets - End of Year	5,261

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, 2011

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.

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, 2011

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.
- *Capital Projects fund.* This fund accounts for the resources accumulated and expenditures made for capital projects.

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 have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 are shown below:

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Capitalization <u>Policy</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	15 – 40 Years
Equipment and Busses	\$5,000	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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fund Balance Reporting for Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide statement of net assets and in the governmental fund balance sheet.

The District uses the following fund balance categories:

- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The Board of Trustees is the highest level of decision making authority. However, no policy has been established to determine what formal action must be taken to commit funds, modify committed funds, rescind committed funds, or

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

who has the authority to assign funds. There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

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 intent to use restricted resources first, then unrestricted resources as they are needed.

All special revenue funds are restricted by the federal government and must be spent according to the stipulations of the corresponding federal program. The State of Idaho requires that capital projects be accounted for in their own fund and, therefore, the capital projects fund is also restricted.

2. CASH DEPOSITS AND INVESTMENTS

Summary of Deposit and Investment Balances

The District maintains a cash and investment pool for use by all funds. The District also had \$1,038 in petty cash.

Deposits

As of June 30, 2011, the carrying amount of the District's deposits was \$354,412 and the respective bank balances totaled \$364,421. The total bank balance was insured or collateralized with pooled securities held by the pledging financial institution in the name 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, 2011, 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,

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2011

2. CASH DEPOSITS AND INVESTMENTS (continued)

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 has not been rated. 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.

The District's investments at June 30, 2011, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
External Investment Pool	\$ 247,731	\$ 247,731	\$ 0

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2011

2. CASH DEPOSITS AND INVESTMENTS (continued)

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

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 323,380	\$ 32,070	\$ 355,450
Investments categorized as deposits	242,470	5,261	247,731
	\$ 565,850	\$ 37,331	\$ 603,181

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, 2011, are considered by the District as a receivable.

Taxes not collected within 60 days after June 30, 2011, are not considered available for use by the District and are recorded as deferred revenue in the fund financial statements.

4. RECEIVABLE - INTERGOVERNMENTAL

Intergovernmental amounts due consist of \$63,966 from the State of Idaho, and \$4,504 due from federal programs passed-through the State of Idaho for a total due of \$68,470. The total amount is considered collectible.

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, 2011, 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.

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2011

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

Balances due to/from other funds at June 30, 2011, consist of the following:

\$ 24,571 Due to the General fund from other nonmajor governmental funds representing cash overdrafts.

8. TRANSFERS TO/FROM OTHER FUNDS

\$ 65,839 From the Forest fund to nonmajor governmental funds to reimburse for prior year expenses and to fund buy down insurance.

9. DEFICIT FUND BALANCE

At June 30, 2011, the following nonmajor funds had a deficit fund balance:

Fund	Deficit
Driver Education	\$ 938
Professional Technology	5,902
Title I	7,560
Title IV-B	1,167
Title II-A	3,709
Carl Perkins	3,646
21 CCLC Grant	8,858
	\$ 31,780

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

Salmon River Joint School District No. 243

Notes to Financial Statements
For the Year Ended June 30, 2011

10. 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 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 7.69% (7.65% + .04% effective March 1, 2010) 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 \$108,659, \$119,517, and \$109,062 for the three years ended June 30, 2011, 2010, and 2009, respectively.

11. 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 though the Idaho State Insurance 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.

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2011

12. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Disposals	Balance 6/30/2011
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 25,126	\$ 0	\$ 0	\$ 25,126
Capital Assets Being Depreciated:				
Buildings and Improvements	1,117,331	0	0	1,117,331
Equipment	96,156	0	0	96,156
Vehicles	354,698	94,601	(31,874)	417,425
Total Historical Cost	<u>1,568,185</u>	<u>94,601</u>	<u>(31,874)</u>	<u>1,630,912</u>
Less: Accumulated Depreciation				
Buildings and Improvements	1,008,714	7,443	0	1,016,157
Equipment	60,122	3,956	0	64,078
Vehicles	214,298	33,450	(31,874)	215,874
Total Accumulated Depreciation	<u>1,283,134</u>	<u>44,849</u>	<u>(31,874)</u>	<u>1,296,109</u>
Net Depreciable Assets	<u>285,051</u>	<u>49,752</u>	<u>0</u>	<u>334,803</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 310,177</u>	<u>\$ 49,752</u>	<u>\$ 0</u>	<u>\$ 359,929</u>

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

Instruction	\$ 11,399
Support Services	33,450
	<u>\$ 44,849</u>

13. 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.

Salmon River Joint School District No. 243
Notes to Financial Statements
For the Year Ended June 30, 2011

13. LEASE COMMITMENTS (continued)

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2012	\$ 2,679
2013	2,679
2014	2,083
2015	1,786
	<u>\$ 9,227</u>

Rent expenditures for the year ended June 30, 2011, were \$4,931.

14. OTHER COMMITMENTS

The District has one credit card with a credit limit of \$5,000. As of June 30, 2011, \$3,788 of that credit was available.

REQUIRED SUPPLEMENTARY INFORMATION

Salmon River Joint School District No. 243
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 554,129	\$ 554,129	\$ 551,400	\$ (2,729)
State Support	1,167,283	1,165,599	1,258,125	92,526
Other	15,000	15,000	21,073	6,073
Total Revenues	<u>1,736,412</u>	<u>1,734,728</u>	<u>1,830,598</u>	<u>95,870</u>
Expenditures				
Current:				
Instruction	892,285	990,988	993,408	(2,420)
Support Services	812,938	902,398	824,208	78,190
Food Service	2,000	2,332	1,980	352
Capital Outlay	400	2,084	1,584	500
Contingency Reserve	60,000	30,000	0	30,000
Total Expenditures	<u>1,767,623</u>	<u>1,927,802</u>	<u>1,821,180</u>	<u>106,622</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(31,211)</u>	<u>(193,074)</u>	<u>9,418</u>	<u>202,492</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	1,287	1,288	1
Transfers In	0	151,815	0	(151,815)
Transfers Out	(20,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>153,102</u>	<u>1,288</u>	<u>(151,814)</u>
Net Change in Fund Balances	(51,211)	(39,972)	10,706	50,678
Fund Balance - Beginning	200,000	39,972	39,973	1
Fund Balance - Ending	<u>\$ 148,789</u>	<u>\$ 0</u>	<u>\$ 50,679</u>	<u>\$ 50,679</u>

Salmon River Joint School District No. 243
Budgetary (GAAP Basis) Comparison Schedule
Forest Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Federal Sources	\$ 161,000	\$ 157,000	\$ 155,569	\$ (1,431)
Other	500	500	608	108
Total Revenues	<u>161,500</u>	<u>157,500</u>	<u>156,177</u>	<u>(1,323)</u>
Expenditures				
Current:				
Support Services	41,600	41,600	29,258	12,342
Capital Outlay	5,000	5,000	868	4,132
Contingency Reserve	29,000	0	0	0
Total Expenditures	<u>75,600</u>	<u>46,600</u>	<u>30,126</u>	<u>16,474</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>85,900</u>	<u>110,900</u>	<u>126,051</u>	<u>15,151</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	(199,953)	(65,839)	134,114
Total Other Financing Sources (Uses)	<u>0</u>	<u>(199,953)</u>	<u>(65,839)</u>	<u>134,114</u>
Net Change in Fund Balances	85,900	(89,053)	60,212	149,265
Fund Balance - Beginning	777,162	376,334	376,333	(1)
Fund Balance - Ending	<u>\$ 863,062</u>	<u>\$ 287,281</u>	<u>\$ 436,545</u>	<u>\$ 149,264</u>

Salmon River Joint School District No. 243
Notes to Required Supplementary Information
For the Year Ended June 30, 2011

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.
- 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.

SUPPLEMENTAL INFORMATION

Salmon River Joint School District No. 243
Supplemental Schedule of Revenues by Source -
Budget and Actual - General Fund
For the Year Ended June 30, 2011

Revenue	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes and Penalties	\$ 554,129	\$ 551,400	\$ (2,729)
State Support	1,165,599	1,258,125	92,526
Other	15,000	21,073	6,073
Sale of Capital Assets	1,287	1,288	1
Total Revenues	<u>\$ 1,736,015</u>	<u>\$ 1,831,886</u>	<u>\$ 95,871</u>

Salmon River Joint School District No. 243
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Instruction			
Elementary:			
Salaries	\$ 245,687	\$ 244,775	\$ 912
Benefits	108,794	120,131	(11,337)
Services	3,060	2,753	307
Supplies	6,000	5,476	524
	<u>363,541</u>	<u>373,135</u>	<u>(9,594)</u>
Secondary:			
Salaries	300,575	307,713	(7,138)
Benefits	139,815	150,792	(10,977)
Services	4,090	2,366	1,724
Supplies	5,000	1,745	3,255
	<u>449,480</u>	<u>462,616</u>	<u>(13,136)</u>
Exceptional Program:			
Salaries	85,850	72,917	12,933
Benefits	45,077	43,925	1,152
Services	50	27	23
	<u>130,977</u>	<u>116,869</u>	<u>14,108</u>
School Activity Program:			
Salaries	41,965	36,671	5,294
Benefits	2,925	2,480	445
Services	2,100	1,637	463
Capital Outlay	415	415	0
	<u>47,405</u>	<u>41,203</u>	<u>6,202</u>
Total Instruction	<u>991,403</u>	<u>993,823</u>	<u>(2,420)</u>

Salmon River Joint School District No. 243
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2011
 (continued)

	Budget	Actual	Variance
Support Services			
Guidance:			
Salaries	55,000	47,718	7,282
Benefits	3,220	3,199	21
	58,220	50,917	7,303
Special Services:			
Services	35,000	30,398	4,602
	35,000	30,398	4,602
Instruction Improvement Program:			
Services	9,000	4,020	4,980
	9,000	4,020	4,980
Educational Media Program:			
Salaries	29,047	29,985	(938)
Benefits	18,761	15,976	2,785
Services	4,780	4,748	32
Supplies	1,400	824	576
	53,988	51,533	2,455
Technology Instruction:			
Salaries	2,500	2,500	0
Benefits	37,950	24,787	13,163
Services	11,500	11,648	(148)
Supplies	3,000	1,443	1,557
Capital Outlay	669	669	0
	55,619	41,047	14,572
Board of Education:			
Benefits	40	25	15
Services	8,850	7,866	984
	8,890	7,891	999

Salmon River Joint School District No. 243
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget and Actual - General Fund
For the Year Ended June 30, 2011
(continued)

	Budget	Actual	Variance
District Administration:			
Salaries	35,550	35,550	0
Benefits	11,007	10,049	958
Services	37,023	28,388	8,635
Supplies	2,500	2,644	(144)
Capital Outlay	1,050	1,032	18
	87,130	77,663	9,467
School Administration:			
Salaries	123,105	122,772	333
Benefits	50,027	45,800	4,227
	173,132	168,572	4,560
Business Operations:			
Salaries	35,530	35,529	1
Benefits	21,976	20,404	1,572
Services	13,950	13,102	848
	71,456	69,035	2,421
Buildings Care:			
Salaries	38,610	36,779	1,831
Benefits	20,428	11,308	9,120
Services	130,091	126,883	3,208
Supplies	12,850	11,800	1,050
Capital Outlay	1,000	500	500
	202,979	187,270	15,709
Maintenance:			
Salaries	38,030	38,029	1
Benefits	22,535	21,252	1,283
Supplies	3,400	3,014	386
	63,965	62,295	1,670

Salmon River Joint School District No. 243
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2011
 (continued)

	Budget	Actual	Variance
Pupil to School Transportation:			
Salaries	37,418	37,575	(157)
Benefits	5,230	5,501	(271)
Services	23,310	13,188	10,122
Supplies	16,550	16,394	156
	<u>82,508</u>	<u>72,658</u>	<u>9,850</u>
General Transportation Program:			
Services	500	357	143
Supplies	1,680	1,721	(41)
	<u>2,180</u>	<u>2,078</u>	<u>102</u>
Total Support Services	<u>904,067</u>	<u>825,377</u>	<u>78,690</u>
Food Service Program			
Salaries	2,150	1,835	315
Benefits	182	145	37
	<u>2,332</u>	<u>1,980</u>	<u>352</u>
Total Food Service Program	<u>2,332</u>	<u>1,980</u>	<u>352</u>
Non-Instructional			
Contingency	<u>30,000</u>	<u>0</u>	<u>30,000</u>
Total Expenditures	<u>\$ 1,927,802</u>	<u>\$ 1,821,180</u>	<u>\$ 106,622</u>

Salmon River Joint School District No. 243
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	Driver Education	Professional Technology	State Substance Abuse Prevention	Title I	Title VI-B
Assets					
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 161	\$ 6,755	\$ 6,216
Receivables:					
Intergovernmental	0	0	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161</u>	<u>\$ 6,755</u>	<u>\$ 6,216</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 0	\$ 1,999	\$ 0	\$ 24	\$ 0
Interfund Payables	938	3,903	0	0	0
Salaries and Benefits Payable	0	0	0	14,291	7,383
Total Liabilities	<u>938</u>	<u>5,902</u>	<u>0</u>	<u>14,315</u>	<u>7,383</u>
Fund Balances:					
Restricted	0	0	161	0	0
Unassigned	(938)	(5,902)	0	(7,560)	(1,167)
Total Fund Balances	<u>(938)</u>	<u>(5,902)</u>	<u>161</u>	<u>(7,560)</u>	<u>(1,167)</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161</u>	<u>\$ 6,755</u>	<u>\$ 6,216</u>

Title VI-B Preschool	ISEE Grant	Carl Perkins	Title II-A	Safe and Drug Free Schools	Subtotal
\$ 0	\$ 2,897	\$ 0	\$ 0	\$ 1,428	\$ 17,457
3,614	0	0	0	0	3,614
<u>\$ 3,614</u>	<u>\$ 2,897</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,428</u>	<u>\$ 21,071</u>

\$ 0	\$ 0	\$ 0	\$ 425	\$ 1,131	\$ 3,579
3,614	0	3,646	3,284	0	15,385
0	0	0	0	0	21,674
<u>3,614</u>	<u>0</u>	<u>3,646</u>	<u>3,709</u>	<u>1,131</u>	<u>40,638</u>

0	2,897	0	0	297	3,355
0		(3,646)	(3,709)	0	(22,922)
<u>0</u>	<u>2,897</u>	<u>(3,646)</u>	<u>(3,709)</u>	<u>297</u>	<u>(19,567)</u>

<u>\$ 3,614</u>	<u>\$ 2,897</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,428</u>	<u>\$ 21,071</u>
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Salmon River Joint School District No. 243
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011
(continued)

	21 CCL Grant	Title II-D	Food Service	Insurance Buy Down	Total
Assets					
Cash and Cash Equivalents	\$ 0	\$ 6,354	\$ 0	\$ 17,897	\$ 41,708
Receivables:					
Intergovernmental	0	0	890	0	4,504
Total Assets	<u>\$ 0</u>	<u>\$ 6,354</u>	<u>\$ 890</u>	<u>\$ 17,897</u>	<u>\$ 46,212</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 0	\$ 3,496	\$ 0	\$ 3,690	\$ 10,765
Interfund Payables	8,858	0	328	0	24,571
Salaries and Benefits Payable	0	0	0	0	21,674
Total Liabilities	<u>8,858</u>	<u>3,496</u>	<u>328</u>	<u>3,690</u>	<u>57,010</u>
Fund Balances:					
Restricted	0	2,858	562	14,207	20,982
Unassigned	(8,858)	0	0	0	(31,780)
Total Fund Balances	<u>(8,858)</u>	<u>2,858</u>	<u>562</u>	<u>14,207</u>	<u>(10,798)</u>
 Total Liabilities and Fund Balances	 <u>\$ 0</u>	 <u>\$ 6,354</u>	 <u>\$ 890</u>	 <u>\$ 17,897</u>	 <u>\$ 46,212</u>

Salmon River Joint School District No. 243
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Driver Education	Professional Technology	State Substance Abuse Prevention	Title I
Revenues				
Federal Sources	\$ 0	\$ 14,364	\$ 0	\$ 73,561
Charges for Services	0	0	0	0
Other	0	0	0	0
Total Revenues	0	14,364	0	73,561
Expenditures				
Instruction:				
Salaries	0	6,086	0	39,940
Benefits	0	0	0	40,035
Services	0	1,065	35	695
Supplies	993	8,992	0	770
Total Instruction	993	16,143	35	81,440
Support Services:				
Salaries	0	0	0	0
Benefits	0	0	0	0
Services	0	0	0	0
Supplies	0	0	0	0
Total Support Services	0	0	0	0
Food Service	0	0	0	0
Capital Outlay	0	4,123	0	0
Total Expenditures	993	20,266	35	81,440
Excess (Deficiency) of Revenues Over Expenditures	(993)	(5,902)	(35)	(7,879)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(993)	(5,902)	(35)	(7,879)
Fund Balance - Beginning	55	0	196	319
Fund Balance - Ending	\$ (938)	\$ (5,902)	\$ 161	\$ (7,560)

Title VI-B	Title VI-B Preschool	ISEE Grant	Carl Perkins Fund	Title II-A	Safe and Drug Free Schools	Subtotal
\$ 36,155	\$ 3,614	\$ 7,500	\$ 4,211	\$ 9,636	\$ 1,504	\$ 150,545
0	0	0	0	0	0	0
0	0	0	0	0	0	0
36,155	3,614	7,500	4,211	9,636	1,504	150,545
27,250	3,614	0	0	0	0	76,890
16,214	0	0	0	70	0	56,319
299	0	0	295	6,300	1,740	10,429
0	0	0	3,895	0	0	14,650
43,763	3,614	0	4,190	6,370	1,740	158,288
0	0	1,072	0	0	0	1,072
0	0	628	0	0	0	628
0	0	2,903	0	4,606	0	7,509
0	0	0	0	0	0	0
0	0	4,603	0	4,606	0	9,209
0	0	0	0	0	0	0
0	0	0	0	0	0	4,123
43,763	3,614	4,603	4,190	10,976	1,740	171,620
(7,608)	0	2,897	21	(1,340)	(236)	(21,075)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(7,608)	0	2,897	21	(1,340)	(236)	(21,075)
6,441	0	0	(3,667)	(2,369)	533	1,508
\$ (1,167)	\$ 0	\$ 2,897	\$ (3,646)	\$ (3,709)	\$ 297	\$ (19,567)

Salmon River Joint School District No. 243
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2011
(continued)

	21 CCLC Grant	Title II-D	Food Service	Insurance Buy Down	Total
Revenues					
Federal Sources	\$ 91,385	\$ 17,546	\$ 46,330	\$ 0	\$ 305,806
Charges for Services	0	0	6,704	0	6,704
Other	0	0	0	1,589	1,589
Total Revenues	91,385	17,546	53,034	1,589	314,099
Expenditures					
Instruction:					
Salaries	18,485	0	0	0	95,375
Benefits	12,958	0	0	12,382	81,659
Services	68,800	5,186	0	0	84,415
Supplies	0	0	0	0	14,650
Total Instruction	100,243	5,186	0	12,382	276,099
Support Services:					
Salaries	0	0	0	0	1,072
Benefits	0	0	0	0	628
Services	0	0	0	0	7,509
Supplies	0	16,396	0	0	16,396
Total Support Services	0	16,396	0	0	25,605
Food Service	0	0	90,061	0	90,061
Capital Outlay	0	0	3,136	0	7,259
Total Expenditures	100,243	21,582	93,197	12,382	399,024
Excess (Deficiency) of Revenues Over Expenditures	(8,858)	(4,036)	(40,163)	(10,793)	(84,925)
Other Financing Sources (Uses)					
Transfers In	0	0	40,839	25,000	65,839
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	40,839	25,000	65,839
Net Change in Fund Balance	(8,858)	(4,036)	676	14,207	(19,086)
Fund Balance - Beginning	0	6,894	(114)	0	8,288
Fund Balance - Ending	\$ (8,858)	\$ 2,858	\$ 562	\$ 14,207	\$ (10,798)

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
Riggins, 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 18, 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 **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.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

significant deficiency is a deficiency, or 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.

2011-1: Segregation of Duties

Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets. The District lacks a segregation of duties over cash and cash equivalents and the reporting of transactions in these accounts. This is a result of staffing limitations necessitated by budget constraints common to a District of this size. The lack of an ideal segregation of duties may increase the risk that loss of assets would not be detected and prevented in a timely manner and in the normal course of operations. Management should look into mitigating controls, such as initialing and dating board review of documents, in order to accomplish proper internal control procedures over cash and cash equivalents and the related transactions and implement these changes accordingly, if possible.

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 finding identified in our audit is described 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
August 18, 2011

Salmon River Joint School District No. 243
Management's Response to Findings
For the Year Ended June 30, 2011

2011-1: Segregation of Duties

The board will look into mitigating controls in order to accomplish proper internal control procedures over cash and cash equivalents and the related transactions and, if possible, implement those changes accordingly.

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